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UTS MARKETING SOLUTIONS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6113)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board of directors (the “Board”) of UTS Marketing Solutions Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively refer to as the “Group”) for the six months ended 30 June 2018, together with the comparative figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	<i>Note</i>	Six months ended 30 June	
		2018	2017
		RM'000	RM'000
		(unaudited)	(unaudited)
Revenue	5	45,042	42,293
Other income		385	392
Other gains and losses		(366)	109
Staff costs		(28,897)	(27,499)
Depreciation		(518)	(538)
Other operating expenses		(6,502)	(9,136)
Profit from operations		9,144	5,621
Finance costs		(53)	(137)
Profit before tax		9,091	5,484
Income tax expense	6	–	–
Profit and total comprehensive income for the period	7	9,091	5,484
		RM	RM
Earnings per share	9		
Basic		2.27 cents	1.83 cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

		30 June 2018	31 December 2017
	<i>Note</i>	RM'000	RM'000
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment	10	<u>3,516</u>	<u>3,819</u>
Current assets			
Trade receivables	11	23,500	22,245
Other receivables		1,133	1,401
Tax recoverable		98	71
Pledged bank deposits		2,782	2,552
Bank and cash balances		<u>64,330</u>	<u>57,352</u>
		<u>91,843</u>	<u>83,621</u>
Current liabilities			
Accruals and other payables		5,310	6,396
Finance lease payables		<u>178</u>	<u>173</u>
		<u>5,488</u>	<u>6,569</u>
Net current assets		<u>86,355</u>	<u>77,052</u>
Total assets less current liabilities		<u>89,871</u>	<u>80,871</u>
Non-current liabilities			
Finance lease payables		<u>691</u>	<u>782</u>
NET ASSETS		<u>89,180</u>	<u>80,089</u>
Capital and reserves			
Share capital	12	2,199	2,199
Reserves		<u>86,981</u>	<u>77,890</u>
TOTAL EQUITY		<u>89,180</u>	<u>80,089</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 23 August 2016. The address of its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business registered in Hong Kong is Unit 1802, 18/F, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong. The headquarters and principal place of business of the Group is at Tingkat 10, Bangunan KWSP, No. 3, Changkat Raja Chulan, 50200 Kuala Lumpur, Malaysia.

The Company is an investment holding company. The Company and its subsidiaries (collectively the “Group”) are principally engaged in the provision of outbound telemarketing services and contact centre facilities for promotion of financial products and its related activities issued by authorised financial institutions, card companies or organisation worldwide (the “Business”).

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2017. The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2017, except as stated below.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations.

The Group has initially adopted HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group’s consolidated financial statements. The impact of the adoption of HKFRS 9 and HKFRS 15 have been summarised in below.

HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 resulted in the following changes to the Group’s accounting policies.

(a) Classification

From 1 January 2018, the Group classifies its financial assets including trade and other receivables and cash and cash equivalents at amortised cost.

The classification depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows.

(b) Measurement

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

At initial recognition, the Group measures a financial assets at its fair value plus, in the case of a financial assets not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVTOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment losses are presented as separate line item in the statement of profit or loss.
- **FVTPL:** Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(c) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

No additional impairment for trade and other receivables as at 1 January 2018 is recognised as the amount of additional impairment measured under the expected credit losses model is immaterial.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The adoption of HKFRS 15 does not have any material impact on the Group’s consolidated financial statements.

4. FAIR VALUE MEASUREMENTS

The carrying amounts of the Group’s financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

5. REVENUE AND SEGMENT INFORMATION

Operating segment information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

As the Group is principally engaged in the provision of telemarketing services in Malaysia, which are subject to similar business risk, and resources are allocated based on what is beneficial to the Group in enhancing the value of the Group as a whole, the Group’s chief operating decision maker considers the performance assessment of the Group should be based on the profit before tax of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of Hong Kong Financial Reporting Standard 8 “Operating Segments”.

Geographical information

All non-current assets and the Group’s revenue from external customers during the period are located in Malaysia.

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RM’000	RM’000
	(unaudited)	(unaudited)
Current tax — Malaysian Income Tax	—	—

Malaysian income tax is calculated at the statutory tax rates of 24% on the estimated taxable profits for the six months ended 30 June 2018 and 2017.

Certain subsidiaries incorporated in Malaysia enjoy tax rates of 18% on the first RM500,000 and remaining balance of the estimated taxable profit at tax rates of 24% for the six months ended 30 June 2017.

No provision of profit tax in Cayman Islands, British Virgin Islands and Hong Kong is required as the Group has no assessable profit arising in or derived from these jurisdictions for the six months ended 30 June 2018 and 2017.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Tele Response Sdn. Bhd. (“Tele Response”), a subsidiary of the Group obtained the pioneer certificate from the Malaysian Investment Development Authority in 2011 and was entitled to tax exemption of its statutory income for a period of 5 years from 10 February 2010 to 9 February 2015. Such tax exemption was renewed in 2015 and accordingly Tele Response was entitled to tax exemption of its statutory income for a period of 5 years from 10 February 2015 to 9 February 2020.

7. PROFIT FOR THE PERIOD

The Group’s profit for the period is stated after charging the following:

	Six months ended 30 June	
	2018	2017
	RM’000	RM’000
	(unaudited)	(unaudited)
Listing expenses	–	3,472
Operating lease charges in respect of		
— Hire of plant and equipment	69	42
— Land and buildings	1,483	1,423
	1,552	1,465
Staff costs (including directors’ emoluments)		
— Salaries, bonuses and allowances	25,439	24,173
— Retirement benefit scheme contributions	3,076	2,981
— Social insurance contributions	382	345
	28,897	27,499

8. DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2018.

The Board has resolved to declare an interim dividend of RM0.02 per share totaling RM8,000,000 for the six months ended 30 June 2017.

9. EARNINGS PER SHARE

Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to owners of the Company for the six months ended 30 June 2018 of approximately RM9,091,000 (30 June 2017: approximately RM5,484,000) and the weighted average number of 400,000,000 (30 June 2017: 300,000,000, assuming the capitalisation issue of 299,999,900 (as detailed in note 16(a)) ordinary shares has been completed on 1 January 2017) ordinary shares in issue during the period.

Diluted earnings per share

No diluted earnings per share are presented as there are no dilutive potential ordinary shares during the six months ended 30 June 2018 and 2017.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment with a cost of approximately RM215,000 (30 June 2017: approximately RM1,566,000). Property, plant and equipment with a net book value of approximately RM78,000 were disposed of during the six months ended 30 June 2017 resulting a gain on disposal of RM86,000.

11. TRADE RECEIVABLES

The general credit terms of trade receivables is 30 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by directors.

The aging analysis of trade receivables, based on the invoice date is as follows:

	30 June 2018 RM'000 (unaudited)	31 December 2017 RM'000 (audited)
0 to 30 days	9,961	8,442
31 to 60 days	8,371	7,325
61 to 90 days	3,196	2,228
91 to 120 days	745	1,348
121 to 180 days	626	2,902
Over 180 days	601	–
	23,500	22,245

12. SHARE CAPITAL

	Number of shares	Amount HK\$'000	
Authorised:			
Ordinary shares of HK\$0.01 each			
At 31 December 2017, 1 January 2018 and 30 June 2018	10,000,000,000	100,000	
	Number of shares	Amount HK\$'000	Equivalent to amount RM'000
Issued and fully paid:			
Ordinary shares of HK\$0.01 each			
At 31 December 2017, 1 January 2018 (audited) and 30 June 2018 (unaudited)	400,000,000	4,000	2,199

13. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	30 June 2018 RM'000 (unaudited)	30 June 2017 RM'000 (unaudited)
Short term employee benefits	2,516	2,055
Retirement benefit scheme contributions	443	276
Social insurance contributions	7	6
	<hr/>	<hr/>
Total compensation paid to key management personnel	<u>2,966</u>	<u>2,337</u>

14. SHARE-BASED PAYMENT TRANSACTIONS

The Group conditionally adopted a share option scheme on 14 June 2017 (“Share Option Scheme”). The purpose of Share Option Scheme is to provide any directors and full-time or part-time employees, executive, consultants or any members of the Group who have contributed or will contribute to the Group (“Eligible Participants”) with the opportunity to acquire proprietary interests in the Company and to motivate Eligible Participants to optimise their performance efficiency and to maintain business relationship with the Eligible Participants for the benefits of the Group.

Pursuant to the Share Option Scheme, the directors of the Company may invite Eligible Participants to take up options at a price determined by the board of directors provided that it shall be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant; and (b) a price being the average of the closing prices of the shares of the Company as stated in the Stock Exchange’s daily quotations sheets for the 5 business days immediately preceding the date of grant.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the total number of shares in issue unless the Company obtains a fresh approval from the shareholders to refresh the limit.

The maximum entitlement for any one Eligible Participant is that the total number of the shares issued and to be issued upon exercise of the options granted under the Share Option Scheme to each Eligible Participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue unless otherwise approved by the shareholders at a general meeting of the Company.

The option may be exercised in accordance with the terms of the Share Option Scheme at any time during the option period which would be determined and notified by the board of directors to the grantee at the time of making an offer.

No share options have been granted by the Group up to the date of issuance of these condensed consolidated financial statements.

15. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2018 (31 December 2017: Nil).

16. EVENTS AFTER THE REPORTING PERIOD

- (a) Pursuant to the written resolutions passed by the shareholders of the Company on 14 June 2017, conditional on share premium account of the Company being credited as a result of the Global Offering (as defined in the Prospectus), the directors were authorised to capitalise an amount of HK\$2,999,999 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 299,999,900 shares for allotment and issue to the then existing shareholders in proportion to their respective shareholdings. The capitalisation was completed on 12 July 2017.
- (b) On 12 July 2017, the Company issued 100,000,000 new ordinary shares by way of Global Offering.

17. NEW AND REVISED HKFRSS IN ISSUE BUT NOT YET EFFECTIVE

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. The Group has not early adopted any new or amended standards that has been issued but is not yet effective.

The Group has the following updates to the information provided in the last annual financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

The Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to RM2,698,000 as at 30 June 2018. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of outbound telemarketing services and contact centre facilities for promotion of financial products and its related activities issued by authorized financial institutions, card companies or organization worldwide.

As at 30 June 2018, the Group was operating six contact centers situated within the central business district of Kuala Lumpur, Malaysia with approximately 1,413 employees.

The Group's net profit for the six months ended 30 June 2018 amounted to approximately RM9.09 million, representing an increase of approximately RM3.61 million as compared to approximately RM5.48 million for the corresponding six months ended 30 June 2017. The increase was mainly due to reduction of non-recurring listing expenses incurred for professional and consultancy fees in preparation for the listing of the Group in the prior corresponding period.

FINANCIAL REVIEW

Revenue

	Six months ended 30 June	
	2018 <i>RM'000</i>	2017 <i>RM'000</i>
Industry sector		
Insurance	36,017	36,161
Banking and financial	2,180	3,715
Others	6,845	2,417
	45,042	42,293

For the six months ended 30 June 2018, the Group recorded revenue of approximately RM45.04 million, representing an increase of approximately 6.5% as compared with approximately RM42.29 million for the corresponding period in 2017. Such an increase was attributable to the increase in the number of workstations ordered by our clients, particularly from charitable organisations.

The overall average number of workstation orders per month increased from approximately 1,158 for the six months ended 30 June 2017 to approximately 1,193 for the six months ended 30 June 2018. The revenue generated per workstation per month remained relatively stable for the six months ended 30 June 2018 and 2017, which were RM6,293 and RM6,087 respectively.

Other income

For the six months ended 30 June 2018, other income remained relatively stable, which was approximately RM0.38 million as compared to the amount of approximately RM0.39 million for the corresponding period in prior year.

Other gains and losses

For the six months ended 30 June 2018, other gains and losses decreased by approximately RM0.48 million as compared to the corresponding period in prior year, from gains of approximately RM0.11 million to losses of approximately RM0.37 million, which was primarily due to an increase in unrealised foreign exchange loss and a reduction of non-recurring gain on disposal of property, plant and equipment.

Staff costs

For the six months ended 30 June 2018, staff costs increased by approximately RM1.40 million or 5.1%, from approximately RM27.50 million to approximately RM28.90 million. This was mainly due to an increase in the number of staff from a monthly average of 1,425 for the six months ended 30 June 2017 to a monthly average of 1,495 for the six months ended 30 June 2018 with a relative stable overall staff costs per staff per month of RM3,222 for the six months ended 30 June 2018 (30 June 2017: RM3,216).

The increase in the average number of staff was in proportion to the increase in number of workstations ordered by our clients and the increase in incidental back office operational staff.

Depreciation

For the six months ended 30 June 2018, depreciation charges decreased by approximately RM0.02 million or 3.7%, from approximately RM0.54 million to approximately RM0.52 million. The decrease in the depreciation charges was mainly due to increase in the amount of fully depreciated property, plant and equipment during the reporting period.

Other operating expenses

For the six months ended 30 June 2018, other operating expenses decreased by approximately RM2.64 million or 28.9%, from approximately RM9.14 million to approximately RM6.50 million. The decrease was primarily due to reduction of non-recurring listing expenses of approximately RM3.47 million incurred for the professional and consultancy fees in preparation for the listing of the Group in prior corresponding period.

Finance costs

For the six months ended 30 June 2018, finance costs decreased by approximately RM0.09 million or 64.3%, from approximately RM0.14 million to RM0.05 million. The decrease was primarily due to the decrease in bank overdraft interest incurred for lower utilisation of bank overdraft facilities during the reporting period.

Income tax expense

No income tax expense provision was required for the six months ended 30 June 2018 as the Group did not generate any assessable profits arising from the six months ended 30 June 2018. A subsidiary of the Group is entitled to tax exemption from its statutory income in Malaysia for a period of 5 years from 10 February 2015 to 9 February 2020.

Net profit and net profit margin

As a result of the above factors, the Group recorded a profit after tax of approximately RM9.09 million and RM5.48 million for the six months ended 30 June 2018 and 2017 respectively. Net profit margin was approximately 20.2% and 13.0% for the six months ended 30 June 2018 and 2017 respectively. The increase in net profit margin by 7.2% was mainly due to the decrease in other operating expenses as a result of the non-recurring listing expenses incurred for the preparation for the listing of the Group on the Stock Exchange during the prior corresponding period.

MATERIAL CHANGE

There had been no material changes on the business operation of the Group since 31 December 2017.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

On 12 July 2017, the Company's shares were listed on the Main Board of the Stock Exchange. A total number of 100,000,000 shares were issued to the public at HK\$1.38 per share for a gross proceeds of HK\$138 million. The total net proceeds raised from the initial public offering of the Company were approximately HK\$109.7 million (equivalent to approximately RM60.3 million) after the deduction of related listing expenses. The use of proceeds has been consistent with the disclosure in the prospectus of the Company dated 22 June 2017. Up to 30 June 2018, the respective use of the net proceeds is as follows:

Intended usage	Actual net proceeds received RM'000	Amount utilised as at 30 June 2018 RM'000	Amount unutilised as at 30 June 2018 RM'000
Expanding of outbound contact service business	30,137	–	30,137
Setting up inbound contact centre	15,070	–	15,070
Upgrading and enhancing information technology system	9,041	–	9,041
Working capital	6,027	6,027	–
Total	60,275	6,027	54,248

The management is now evaluating the best time to proceed with the expansion of outbound contact centre and setting up of inbound contact centre, taking into account the market conditions.

The balance of the net proceeds is currently deposited in a licensed financial institution in Hong Kong.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Financial resources

The Group generally meets its working capital requirements and capital expenditures on plant and equipment from its internally generated funds and bank borrowings. For the six months ended 30 June 2018, the Group generated net cash inflow from operating activities of approximately RM7.46 million (30 June 2017: approximately RM7.55 million). The Group was able to repay its obligations when they became due. The Group did not experience material difficulties in rolling over its existing banking facilities.

Banking facilities and finance lease payables

As at 30 June 2018, the Group has available and unutilised facilities from banks amounting to RM5.00 million. The carrying amount of the Group's facilities are denominated in Malaysian Ringgit. The Group's average interest rate for the banking facilities is 9.01% (31 December 2017: 8.49%). The Group's banking facilities are secured by the pledged bank deposits and the corporate guarantees provided by the Company.

As at 30 June 2018, the Group has an aggregate amount of current and non-current finance lease obligations of approximately RM0.87 million (31 December 2017: approximately RM0.96 million), all denominated in Malaysian Ringgit. The average interest rate for finance lease is 5.13% (31 December 2017: 5.13%) and our finance lease is secured by the lessor's retention of title to the leased assets.

Gearing ratio

The gearing ratio of the Group as at 30 June 2018 was 0.97% (31 December 2017: 1.19%) which is calculated based on the total debt divided by equity attributable to equity holders of the Company, and total debt is finance lease payables. The Group has a strong liquidity position to meet its operational needs.

PLEDGE OF ASSETS

As at 30 June 2018, the Group's bank borrowings, all denominated in Malaysian Ringgit, were secured by (i) the pledge of bank deposits of approximately RM2.78 million (31 December 2017: approximately RM2.55 million), and (ii) corporate guarantees provided by the Company.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

The major factors which may affect the operations results and financial conditions of the Group include the following:

Ability to secure sufficient labour and control staff cost

Contact service industry is service-oriented and labour intensive business, any shortage in staff, or increase in staff costs may materially and adversely affect our business, results of operations, financial condition and prospects.

As at 30 June 2018, the Group had 1,413 employees. Total staff costs incurred by the Group for the six months ended 30 June 2018 were approximately RM28.90 million (30 June 2017: approximately RM27.50 million), representing approximately 64.2% of the revenue of the Group for the six months ended 30 June 2018 (30 June 2017: 65.0%).

The Group is able to attract and retain sufficient number of staff, in particular our telemarketing sales representatives by giving performance linked commission and incentive based on pre-determined sales target.

Appropriate corrective action and re-training measures are taken to further improve the quality of the services provided by the telemarketing sales representatives.

Delay in settlement of bills from the top five clients

The majority of the Group revenue is derived from a limited number of clients. Sales to the five largest clients accounted for approximately 64.4% of the total revenue for the six months ended 30 June 2018 (30 June 2017: 71.5%). All the five largest clients are insurance companies and charitable organisations.

The Group may be subject to the risk of payment deferral by our clients. If settlements by our clients are not made in full or in a timely manner, the cash position and financial conditions of the Group will be materially and adversely affected.

The Group will continue monitoring the trade receivables collection cycle in order to fully recover the outstanding amounts due from our clients. As at 30 June 2018, the trade receivables were approximately RM23.50 million. Subsequent to 30 June 2018 and up to the date of this announcement, approximately RM13.21 million or 56.2% of the outstanding balances of trade receivables as at 30 June 2018 was settled.

CAPITAL COMMITMENTS

The Group did not have any material capital commitments as at 30 June 2018.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2018.

EMPLOYEES AND REMUNERATIONS POLICIES

As at 30 June 2018, the Group had 1,413 (30 June 2017: 1,515) employees. Total staff costs incurred by the Group for the six months ended 30 June 2018 were approximately RM28.90 million (30 June 2017: approximately RM27.50 million).

The employees of the Group are remunerated according to their job scope and responsibilities. Performance linked commission and allowances on top of fixed salary are paid to the employees to motivate productivity and performance. The employees are also entitled to annual discretionary performance bonus, salary increment and promotion based on timely performance reviews and annual appraisals.

FOREIGN CURRENCY EXPOSURE

Apart from certain bank balances denominated in Hong Kong dollars, the Group has minimal exposure to foreign currency risk as most of the business transactions, assets and liabilities are principally denominated in the functional currencies of the Group, Malaysian Ringgit. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. Our management monitors the foreign currency exposure closely and will consider necessary hedging strategies should the need arise.

SIGNIFICANT INVESTMENTS

As at 30 June 2018, the Group did not hold any significant investment.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 30 June 2018.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2018, there was no material acquisition or disposal by the Group.

IMPORTANT EVENTS SINCE 30 JUNE 2018

No important events affecting the Group have been occurred since 30 June 2018.

OUTLOOK AND FUTURE PROSPECTS

The Group's strategic objective is to continue focusing on the following business strategies according to the details as disclosed in the section headed "Business — Our Business Strategies" on pages 92 to 99 of the Prospectus.

- Further strengthen our market position as one of the leading outbound contact service providers in Malaysia by expanding our capacity;
- Capitalise on the potential inbound contact services by setting up an inbound contact centre. The Group plans to penetrate the market of inbound contact services through sourcing clients from our existing clients of outbound contact services which are mainly financial institutions; and
- Upgrade and enhance existing information technology system and develop a comprehensive system for billing and reconciliations services.

The 6% Goods and Services Tax (GST) was reduced to 0% effective from 1 June 2018 by the newly elected Malaysian Government following the recent election pledge on 9 May 2018 and a replacement sales tax will not be introduced until September 2018. The general public are taking advantage of the three-month tax holiday before the implementation of the revamped Sales and Services Tax (SST) on 1 September 2018. The new Malaysian Government is also subsidising some domestic fuel prices for the rest of the year 2018. With consumer spending intentions likely to rise, which could result in increased demand on non-essential purchases such as insurance protection.

The Group remains optimistic in the financial performance of the Group for the financial year ending 31 December 2018.

INTERIM DIVIDEND

The Board of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (30 June 2017: RM0.02 per share).

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") as the code for dealings in securities transactions by the Directors. Specific enquiries have been made with all Directors and they have confirmed their compliance with the required standard set out in the Model Code throughout the six months ended 30 June 2018.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining good corporate governance standard and procedures with a view to enhance investors' confidence and the Company's accountability and transparency.

The Company has complied with the code provisions included in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules and there has been no deviation from the code provisions as set forth under the CG Code for the six months ended 30 June 2018, save and except code provision C2.5 of the CG Code. The Company does not have an internal audit function as the Board presently considers that the size, nature and complexity of the Group's business does not require such function. The Board reviews and will continue to review the need to set up an independent internal audit function on an annual basis. At current stage, our finance team assumes the responsibility for conducting regular review of internal control procedures. Although this arrangement can be improved, the Board is not concerned with the lack of segregation of duties having assumed the current organisational structure, lines of responsibility and authority of the management team and the risks associated with the operations of the Group. The Board considers that the internal control and risk management system of the Group was effective during the six months ended 30 June 2018.

AUDIT COMMITTEE

The audit committee of the Company was established on 14 June 2017 with written terms of reference in compliance with the Listing Rules. The committee comprising three independent non-executive directors, namely Mr. Kow Chee Seng (chairman of the audit committee), Mr. Lee Shu Sum Sam and Mr. Chan Hoi Kuen Matthew.

The interim results for the six months ended 30 June 2018 have been reviewed by the audit committee, and no disagreement was raised by the audit committee in respect of the accounting treatment adopted by the Group.

The unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2018 have also been reviewed by the Company's auditor, RSM Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The auditor's independent review report will be included in the Company's interim report for the six months ended 30 June 2018 to the Shareholders.

**PUBLICATION OF FINANCIAL INFORMATION ON THE STOCK EXCHANGE'S
AND THE COMPANY'S WEBSITES**

This interim results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.unitedteleservice.com>). The interim reports of the Company for the six months ended 30 June 2018 containing all the information required by the Listing Rules will be despatched to the Shareholders and made available for review on the aforesaid websites in due course.

By Order of the Board
UTS Marketing Solutions Holdings Limited
Ng Chee Wai
Chairman and Executive Director

Hong Kong, 13 August 2018

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Ng Chee Wai, Mr. Lee Koon Yew and Mr. Kwan Kah Yew as executive Directors; and Mr. Lee Shu Sum Sam, Mr. Kow Chee Seng and Mr. Chan Hoi Kuen Matthew as independent non-executive Directors.