UTS MARKETING SOLUTIONS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6113)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2021	2020
	RM'000	*RM'000*
Key financial data		
Revenue	**91,697**	83,904
Profit attributable to equity holders of the Company	**19,156**	16,074
Net profit margin	**20.9%**	19.2%
Interim dividend (per ordinary share)	**HK6.0 cents**	HK4.5 cents
Final dividend (per ordinary share)	**Nil**	HK4.0 cents

The Board declared a second interim dividend of HK5.5 cents per ordinary share for the year ended 31 December 2021. (2020: Nil).

The board of directors (the "**Board**") of UTS Marketing Solutions Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2021 together with the comparative audited figures for the year ended 31 December 2020. The results have been reviewed by the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

		2021	2020
	Note	***RM'000***	*RM'000*
Revenue	*4*	**91,697**	83,904
Other income		**4,064**	3,655
Other gains and losses		**(419)**	(263)
Staff costs		**(52,657)**	(56,464)
Depreciation		**(3,738)**	(2,986)
Other operating expenses	*6*	**(12,507)**	(9,907)
Profit from operations		**26,440**	17,939
Finance costs		**(639)**	(513)
Profit before tax		**25,801**	17,426
Income tax expenses	*7*	**(6,645)**	(1,352)
Profit and total comprehensive income for the year	*8*	**19,156**	16,074
Earnings per share			
Basic	*10(a)*	**RM4.79 cents**	RM4.02 cents
Diluted	*10(b)*	**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Note	2021 RM'000	2020 RM'000
Non-current assets			
Property, plant and equipment		**3,099**	3,044
Right-of-use assets		**3,165**	3,885
Subleasing receivables		**48**	99
Deposits paid for acquisition of properties	*11*	**14,095**	13,451
Deferred tax assets		**–**	1,011
		20,407	21,490
Current assets			
Trade receivables	*12*	**18,725**	22,819
Subleasing receivables		**241**	258
Other receivables		**2,270**	1,730
Financial assets at amortised cost	*13*	**26,511**	26,464
Tax recoverable		**38**	–
Pledged bank deposits		**4,377**	3,903
Bank and cash balances		**17,771**	13,126
		69,933	68,300
Current liabilities			
Accruals and other payables		**7,891**	4,381
Lease liabilities		**3,037**	2,659
Current tax liabilities		**496**	344
		11,424	7,384
Net current assets		**58,509**	60,916
Total assets less current liabilities		**78,916**	82,406
Non-current liabilities			
Lease liabilities		**872**	2,158
NET ASSETS		**78,044**	80,248
Capital and reserves			
Share capital	*14*	**2,199**	2,199
Reserves		**75,845**	78,049
TOTAL EQUITY		**78,044**	80,248

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 at 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.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

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

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

In addition, the Group has early applied the Amendments to HKFRS 16, COVID-19 Related Rent Concessions beyond 30 June 2021.

Except as described below, the application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform — Phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("**IBOR reform**").

The amendments do not have an impact on these financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment in this financial year. There is no impact on the opening balance of equity at 1 January 2021.

(b) New and revised HKFRSs in issue but not yet effective

Other than the amendments to HKFRS 16, COVID-19 Related Rent Concessions beyond 30 June 2021, the Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2021. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to HKAS 37 Onerous contracts — cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRSs 2018 — 2020 Cycle	1 January 2022

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 Classification of liabilities as current or non-current	1 January 2023
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements — Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors — Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 Income Taxes — Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. REVENUE

An analysis of the Group's revenue from contracts with customers for the year from continuing operations is as follows:

	2021	2020
	RM'000	*RM'000*
Revenue from contracts with customers within the scope of HKFRS 15		
— Telemarketing services income	**91,697**	83,904

The Group derives revenue from the transfer of services over time in Malaysia for the years ended 31 December 2021 and 2020.

5. 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 year are located in Malaysia.

Revenue from major customers

Revenue from customers individually contributing over 10% of the total revenue of the Group for the year is as follows:

	2021	2020
	RM'000	*RM'000*
Customer A	**22,701**	24,943
Customer B	**N/A**	12,264
Customer C	**13,119**	N/A
Customer D	**12,886**	N/A

6. OTHER OPERATING EXPENSES

	2021	2020
	RM'000	*RM'000*
Auditor's remuneration	**381**	521
Campaign expenses	**4,383**	1,893
Legal and professional fees	**321**	404
Repair and maintenance expenses	**484**	549
Telephone and internet expenses	**1,351**	2,025
Training related expenses	**543**	641
Utilities expenses	**588**	524
Others	**4,456**	3,350
	12,507	9,907

7. INCOME TAX EXPENSES

	2021	2020
	RM'000	*RM'000*
Current tax — Malaysian Income Tax		
Provision for the year	**5,700**	2,359
(Over)/under-provision in prior years	**(66)**	4
	5,634	2,363
Deferred tax	**1,011**	(1,011)
	6,645	1,352

Malaysian income tax is calculated at the statutory tax rate of 24% (2020: 24%) on the estimated taxable profits for the year ended 31 December 2021.

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 years ended 31 December 2021 and 2020.

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.

8. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2021	2020
	RM'000	*RM'000*
Auditor's remuneration	**381**	521
Depreciation on property, plant and equipment	**991**	789
Depreciation on right-of-use assets	**2,747**	2,197
(Gain)/loss on modification of financial assets at amortised cost	**(121)**	1
Impairment loss on financial assets at amortised cost	**127**	482
Impairment loss on trade receivables	**–**	126
Staff costs (including directors' emoluments) *(note 1)*		
— Salaries, bonuses and allowances	**45,912**	49,743
— Retirement benefit scheme contributions	**6,065**	5,976
— Social insurance contributions	**680**	745
	52,657	56,464

Note 1: For the year ended 31 December 2021, COVID-19 related government grants amounted to approximately RM3,281,000 (2020: Nil) have been offset against staff costs.

9. DIVIDENDS

	2021	2020
	RM'000	*RM'000*
2021 First interim dividends of HK$0.06 (2020: 2020 interim HK$0.045) per ordinary share paid	**12,800**	9,720
2020 Final dividends of HK$0.04 per ordinary share paid	**8,560**	–
	21,360	9,720

Subsequent to the end of the reporting period, a second interim dividend in respect of the year ended 31 December 2021 of HK$0.055 per ordinary share totalling HK$22,000,000 (equivalent to RM12,000,000) has been declared by the directors of the Company. The Board did not recommend payment of a final dividend for the year ended 31 December 2021.

10. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the following:

	2021	2020
	RM'000	*RM'000*
Earnings		
Earnings for the purpose of calculating basic earnings per share	**19,156**	16,074

	2021	2020
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**400,000**	400,000

(b) Diluted earnings per share

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2021 and 2020.

11. DEPOSITS PAID FOR ACQUISITION OF PROPERTIES

	2021	2020
	RM'000	*RM'000*
Deposits for properties	**14,095**	13,451

The amounts represent unsecured deposits paid for acquisition of properties with total purchase consideration of approximately RM17,935,000 (the "**Consideration**"). The deposit is non-interest bearing and will form part of the consideration upon the completion of properties.

On 24 July 2020, UTS Marketing Solutions Sdn. Bhd. ("**UTSM**"), a wholly-owned subsidiary of the Company, entered into sale and purchase agreements with Lim Legacy Development Sdn. Bhd. ("**Lim Legacy**") to acquire 18 office suites (the "**Properties**") locating at Kuala Lumpur, Malaysia. The Properties are expected to be completed by July 2024 and delivered to UTSM. As at 31 December 2021, 79% (2020:75%) of the total Consideration, amounting to approximately RM14,095,000 (2020: RM13,451,000), has been paid to Lim Legacy.

Further details of the above transaction are set out in the Company's announcements dated 24 July 2020 and 28 July 2020 respectively.

12. TRADE RECEIVABLES

	2021	2020
	RM'000	*RM'000*
Trade receivables	**18,851**	22,945
Allowance for doubtful debts	**(126)**	(126)
	18,725	22,819

The Group's trade receivables represent receivables from customers. The general credit term 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, and net of allowance, is as follows:

	2021	2020
	RM'000	*RM'000*
0 to 30 days	**8,664**	7,913
31 to 60 days	**5,765**	7,724
61 to 90 days	**1,574**	2,372
91 to 120 days	**391**	1,919
121 to 180 days	**970**	1,942
Over 180 days	**1,361**	949
	18,725	22,819

The carrying amounts of the Group's trade receivables are denominated in RM.

13. FINANCIAL ASSETS AT AMORTISED COST

	2021	2020
	RM'000	*RM'000*
Loan receivables	**26,185**	26,146
Interest receivables	**1,442**	1,307
	27,627	27,453
Less: Impairment loss	**(1,116)**	(989)
	26,511	26,464

The amounts represent loan advanced to independent third parties with aggregated principal values of RM26,000,000.

On 31 January 2019, UTSM entered into a shares sale agreement with Exsim Development Sdn. Bhd. ("**Exsim**") and Mightyprop Sdn. Bhd. ("**Mightyprop**") to acquire 2% of Mightyprop issued ordinary shares from Exsim with a purchase consideration of RM2. In addition, UTSM agreed to provide an advance of RM12,000,000 to Mightyprop. The advance is unsecured, bearing interest rate of 10% per annum and repayable on or before May 2021. In July 2019, an agreement was entered by UTSM with Exsim and Mightyprop in which (i) the maturity date of the loan is extended to June 2020 with the interest rate remains unchanged; (ii) the proposed transfer of 2% shareholding in Mightyprop by Exsim to UTSM will not be proceeded due to non-fulfillment of certain conditions precedent. In July 2020, the repayment date of the loan was extended one year to June 2021 with no change in interest rate. In June 2021, the repayment date of the loan was further extended one year to June 2022 and interest rate increased from 10% per annum to 11% per annum with other terms and condition remains the same.

On 23 April 2019, UTSM entered into a shares subscription agreement with 2 individuals, Performance Consortium Sdn. Bhd. (collectively referred as "**Arcadia's Shareholders**") and Arcadia Hospitality Sdn. Bhd. ("**Arcadia**"). Pursuant to the agreement, UTSM agreed to subscribe equivalent to 10% of the enlarged issued share capital of Arcadia with a purchase consideration of RM120,000 from Arcadia's Shareholders. In addition, UTSM agreed to provide an advance of RM14,000,000 to Arcadia. The advance is unsecured, bearing interest rate of 10% per annum and repayable on or before July 2020. In July 2020 and December 2020, the repayment date of the loan was extended to December 2020 and December 2021 respectively and interest rate increased from 10% per annum to 11% per annum since 1 January 2021. In December 2021, the repayment date of the loan was further extended one year to December 2022 and interest rate remains unchanged. The share acquisition has not yet been completed as at the date of this announcement.

Further details of the above transaction are set out in the Company's announcement dated 31 January 2019, 23 April 2019, 8 July 2019, 8 July 2020, 10 July 2020, 30 December 2020, 28 June 2021 and 30 December 2021 respectively.

The Group holds the loan receivables to collect contractual cash flows and its contractual terms give rise to cash flows on specified dates which are solely payments of principal and interest on the principal amounts outstanding. The Group applies expected credit loss model to measure the impairment of financial assets at amortised cost. Impairment allowance of approximately RM127,000 (2020: RM482,000) was recognised for the year ended 31 December 2021.

14. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	10,000,000,000	100,000

	Number of shares	Amount	Equivalents to amount
		HK$'000	*RM'000*
Issued and fully paid:			
Ordinary shares of HK$0.01 each			
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	400,000,000	4,000	2,199

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt to asset ratio, being the Group's total liabilities over its total assets, at 31 December 2021 is 14% (2020: 11%).

The externally imposed capital requirement for the Group are: (i) in order to maintain its listing on the Stock Exchange it has to have a public float at least 25% of the issued shares; and (ii) to meet financial covenants attached to the banking facilities.

The Group receives a report from the share registrars regularly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2021, 25% (2020: 25%) of the shares were in public hands.

Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been no breaches in the financial covenants of any interest-bearing borrowings for the years ended 31 December 2021 and 2020.

15. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	2021	2020
	RM'000	*RM'000*
Acquisition of properties	**3,840**	4,484
Capital commitments on potential equity investment	**120**	120
	3,960	4,604

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 authorised financial institutions, card companies or organisations worldwide.

As at 31 December 2021, the Group was operating nine contact centres located within the central business district of Kuala Lumpur, Malaysia. One additional contact centres have been set up during the year to cater for workplace social distancing requirement of the Malaysian Government as well as business expansion.

The Group's net profit for the year ended 31 December 2021 amounted to approximately RM19.16 million, representing an increase of approximately RM3.09 million as compared to approximately RM16.07 million for the year ended 31 December 2020.

The increase in net profit was mainly attributable to the higher revenue from the business in Malaysia by approximately RM7.80 million but partially reduced by the higher income tax expenses of approximately RM5.30 million.

Response to the Outbreak of COVID-19 Pandemic

After the outbreak of COVID-19 in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe, including Hong Kong and Malaysia.

The Malaysian Government announced the implementation of Movement Control Order (the "**MCO**") effective from 18 March 2020. On 4 May 2020, the Malaysian Government had eased lockdown restrictions and announced the Conditional Movement Control Order ("**CMCO**"), which allowed certain business sectors to resume operations. On 10 June 2020, the Malaysian Government implemented the Recovery Movement Control Order ("**RMCO**"). Under RMCO, most of the economic sectors were allowed to resume operations in stages, while in full compliance with the Standard Operating Procedures.

However, the situation of COVID-19 pandemic in Malaysia worsened again in early 2021 and the Malaysian Government implemented the MCO again from 11 January 2021 to 4 March 2021. The MCO was extended for several times and switched to either the CMCO or the RMCO depending on the COVID-19 condition in each state of Malaysia. Further, on 11 January 2021, the head of state of Malaysia declared a Proclamation of Emergency that remained in force until 1 August 2021.

In early June 2021, the COVID-19 infections surged and Malaysia entered a full lockdown from 1 June 2021 to 28 June 2021. On 15 June 2021, the Malaysian Government introduced a four-phase National Recovery Plan to help the country to recover from the COVID-19 pandemic and its economic fallout. Under the National Recovery Plan, each phase will be extended or moved on to the next phase subject to various factors including the number of new infection cases, the number of people requiring intensive treatment and care, and vaccination rates in each state of Malaysia.

In contrast to the first MCO, an expanded list of broadly five essential economic services, namely manufacturing, construction, services, trade distribution and plantation and commodities were allowed to continue operations. Therefore, there was not much impact on the Group and the Group was able to operate as usual within part of the allowable essential service chain and activities during the second phase of the MCO.

To cope with the ongoing situation of the COVID-19 pandemic, the Group has, in a timely manner, put in place numerous precautionary measures and procured essential protective supplies to ensure the health and safety of all its employees in different regions. At the same time, the Group has implemented various flexible working arrangements for its staff. The Group has used, and will continue to use, its best endeavors to mitigate the adverse impact of the COVID-19 pandemic on the Group.

The Group will continue monitoring the development of the COVID-19 pandemic closely to ensure the safety of its employees and stable operations. As and when appropriate, the Group will adjust its measures and business contingency plans for mitigating the potential impacts of the COVID-19 pandemic, operations and business development accordingly.

While the daily number of COVID-19 cases has surged amid the spread of the Omicron variant since early 2022, severe cases (categories 3, 4, and 5 patients) are still relatively low at below 1% in Malaysia and the number of COVID-19 patients requiring intensive care treatment and monitoring is also under control. Beside that, Malaysia's adult population had in general received two doses of COVID-19 vaccine, while some have even received their booster shots as well.

Malaysia will enter into the "Transition to Endemic" phase of COVID-19 on 1 April 2022 with all restrictions on business operating hours removed and prayer activities allowed without physical distancing. The transition to the endemic phase is an exit strategy that would allow Malaysians to return to near-normal life after two years of battling the pandemic.

The transition to the endemic stage was originally planned for last year but it was put off following the increase in COVID-19 cases with the spread of the Omicron variant, and also due to the floods in eight states of Malaysia in December 2021.

FINANCIAL REVIEW

Revenue

	2021	2020
	RM'000	*RM'000*
Industry Sector		
Insurance	**61,304**	63,750
Banking and financial	**3,305**	4,763
Others	**27,088**	15,391
Total	**91,697**	83,904

For the year ended 31 December 2021, the Group recorded revenue of approximately RM91.70 million, representing an increase of approximately 9.29% as compared with approximately RM83.90 million for the year ended 31 December 2020. The increase in the revenue was primarily due to the increase in the revenue generated per workstation partially set off by the slight decrease in the number of the workstations of the Group.

Despite new waves of infections continued to affect the economic activities in Malaysia, the Group's main business activities were not impacted in any material respects and were allowed to operate during the several phases of lockdown and containment measures in the current financial reporting period. Aside from the impact of the pandemic, and compared to the corresponding period in 2020, the Group achieved higher billable workstations revenue through the introduction of a new motor vehicle franchise client in the 4th quarter of 2020 and existing clients from the other industry sectors.

The overall average number of workstations ordered per month remained relatively constant at 1,055 for the year ended 31 December 2021, representing a slight drop if comparing to the average of 1,132 seats for the year ended 31 December 2020. However, the revenue generated per workstation per month improved by RM1,066 from RM6,177 for the year ended 31 December 2020 to RM7,243 for the year ended 31 December 2021 mainly due to higher billable rate from charitable organization and a new client on board since late 2020.

Other income

For the year ended 31 December 2021, other income increased slightly by approximately RM0.41 million as compared to prior year, mainly due to a one-off insurance claim proceed of RM0.27 million and other sundry income of RM0.1 million.

Other gains and losses

For the year ended 31 December 2021, other losses increased by approximately RM0.16 million as compared to prior year, mainly due to changes in unrealised foreign exchange losses, from gains of RM0.38 million to losses of RM0.23 million but offset with lower impairment losses on trade receivables and financial advances from RM0.61 million to RM0.13 million.

Staff costs

For the year ended 31 December 2021, staff costs decreased by approximately RM3.80 million or 6.73%, from approximately RM56.46 million to approximately RM52.66 million.

Average number of staff decreased from a monthly average of 1,456 for the year ended 31 December 2020 to 1,287 for the year ended 31 December 2021.

The Group reported an overall decrease in staff costs by approximately RM3.80 million mainly due to (i) the decrease in the number of the staff employed; (ii) the subsidies received from the Government of Malaysia in relation to COVID-19 pandemic; and partially set off by (iii) the increase in the bonus distributed for the current reporting period.

Depreciation

For the year ended 31 December 2021, depreciation charges increased by approximately RM0.75 million or 25.08%, from approximately RM2.99 million to approximately RM3.74 million. The increase in the depreciation charges was mainly attributable to the new lease agreements for the use of office premises entered into by the Group during the year ended 31 December 2021.

Other operating expenses

For the year ended 31 December 2021, other operating expenses increased by approximately RM2.60 million or 26.24%, from approximately RM9.91 million to approximately RM12.51 million.

The increase was primarily due to the increase in campaign expenses of RM2.49 million which was incidental to the new motor vehicle franchise client on board since late 2020.

Finance costs

For the year ended 31 December 2021, finance costs increased by approximately RM0.13 million from approximately RM0.51 million for the year ended 31 December 2020 to approximately RM0.64 million.

Income tax expenses

The Group reported an income tax expense provision of RM6.65 million and RM1.35 million from the assessable profits for the years ended 31 December 2021 and 2020 respectively.

Net profit and net profit margin

As a result of the above factors, the Group recorded profit after tax of approximately RM19.16 million and RM16.07 million for the years ended 31 December 2021 and 2020 respectively, with net profit margin of approximately 20.9% and 19.2% for the corresponding years.

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. For the year ended 31 December 2021, the Group generated net cash inflow from operating activities of approximately RM28.50 million (2020: approximately RM10.74 million). The Group was able to fulfill its repayment obligations when they became due. The Group has not experienced any material difficulties in rolling over its banking facilities.

Banking facilities and lease liabilities

As at 31 December 2021, the Group had available and unutilised facilities from its banks amounting to approximately RM5.09 million (2020: approximately RM5.10 million). The carrying amount of the Group's facilities are denominated in Malaysian Ringgit.

The Group's average effective interest rate for the banking facilities was 7.60% (2020: 8.17%). The banking facilities are secured by the pledged bank deposits and the corporate guarantees provided by the Company.

As at 31 December 2021, the Group had an aggregate amount of current and non-current lease obligations of approximately RM3.91 million (2020: approximately RM4.82 million), denominated in Malaysian Ringgit. The average effective interest rate for the leases was 3.85% (2020: 4.00%). The carrying amount of lease obligations amounted to approximately RM0.22 million (2020: approximately RM0.41 million) is secured by the lessor's retention of title to the leased assets.

Capital Structure

As at 31 December 2021, the Group's total equity and liabilities amounted to approximately RM78.04 million and RM12.30 million respectively (2020: approximately RM80.25 million and RM9.54 million respectively).

Pledge of Assets

As at 31 December 2021, the Group's bank facilities, denominated in Malaysian Ringgit, were (i) secured by the pledged bank deposits of approximately RM4.38 million (2020: approximately RM3.90 million); and (ii) guaranteed by corporate guarantees of the Company.

Gearing Ratio

The gearing ratio of the Group as at 31 December 2021 was 5.0% (2020: 6.0%) which is calculated based on the total debt divided by equity attributable to equity holders of the Company. Total debt represents bank overdrafts and lease liabilities. The Group has a strong liquidity position to meet its operational needs.

RISKS FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

The Company identified and determined the major risks factors which may affect the operation results and financial conditions of the Group through risk management process, which include the following:

Risk in the ability to secure sufficient labour and control staff cost

Contact service industry is a 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 31 December 2021, the Group had 1,170 employees. Total staff costs incurred by the Group for the year ended 31 December 2021 was approximately RM52.66 million (2020: approximately RM56.46 million), representing approximately 57.4% of the Group's revenue for the year ended 31 December 2021 (2020: 67.3%).

To manage such risk, the Group has endeavored to attract and retain sufficient number of staff, in particular our telemarketing sales representatives by offering performance-linked commission and incentive based on pre-determined sales target.

In addition, appropriate corrective actions and re-training measures have been taken to further improve the quality of the services provided by our telemarketing sales representatives.

Delay in settlement of bills from the top five clients

The majority of the Group's revenue is derived from a limited number of clients. Sales to the five largest clients accounted for 71.2% of the total revenue for the year ended 31 December 2021 (2020: 71.5%). All the five largest clients are insurance companies or charitable organisation.

The Group may be subject to the risk of delay in payment from our clients. If settlements of bills 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.

To manage such risk, the Group monitors the trade receivables collection status from time to time in order to ensure the outstanding amounts due from our clients can be fully recovered. As at 31 December 2021, the Group has recorded trade receivables of approximately RM18.73 million. Up to the date of this announcement, approximately RM16.21 million or 86.6% of the outstanding trade receivables balances have been subsequently settled.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

As at 31 December 2021, the Group had fully utilised all net proceeds from its global offering in the manner set out in the prospectus of the Company dated 22 June 2017 for expanding outbound contact service business, setting up inbound contract centre, upgrading and enhancing information technology system and general working capital.

CAPITAL COMMITMENTS

As at 31 December 2021, the Group's capital commitments contracted but not yet incurred are related to potential equity investment and acquisition of collectively 18 office suites, which amounted to RM3.96 million (31 December 2020: RM4.60 million).

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2021.

ADVANCE TO ENTITIES

Advance to Mightyprop Sdn. Bhd.

On 31 January 2019, UTS Marketing Solutions Sdn. Bhd. ("**UTSM**"), a wholly-owned subsidiary of the Company, entered into an agreement with Exsim Development Sdn. Bhd. ("**Exsim**") and Mightyprop Sdn. Bhd. ("**Mightyprop**") to acquire 2% of the entire issued capital of Mightyprop from Exsim with a purchase consideration at nominal value of RM2. In addition, UTSM agreed to provide an advance of RM12,000,000 to Mightyprop (the "**Advance**"). The Advance was unsecured, bearing interest rate of 10% per annum and repayable on or before May 2020. In July 2019, an agreement was entered by UTSM with Exsim and Mightyprop, pursuant to which the proposed acquisition of 2% shareholding in Mightyprop would not be proceeded, the maturity date of the Advance was extended to June 2020 and the interest rate remained unchanged.

On 8 July 2020, UTSM, Exsim and Mightyprop entered into an extension agreement, pursuant to which Exsim has undertaken to (i) repay the advance on or before 30 June 2021 and (ii) pay the interest calculated at the rate of 10% per annum accrued from 1 July 2020 to 31 December 2020 and 30 June 2021, which shall be payable on 7 January 2021 and 7 July 2021 respectively.

On 28 June 2021, the parties entered into a further extension agreement (the "**Further Extension Agreement**"), pursuant to which Exsim has undertaken to (i) repay the Advance on or before 30 June 2022 and (ii) pay the interest calculated at the rate of 11% per annum accrued from 1 July 2021 up to the date of repayment (the "**Further Extension**").

Advance to Arcadia Hospitality Sdn. Bhd.

On 23 April 2019, UTSM entered into a shares subscription agreement with 2 individuals, Performance Consortium Sdn. Bhd. (collectively referred as the "**Arcadia's Shareholders**") and Arcadia Hospitality Sdn. Bhd. ("**Arcadia**"). Pursuant to the agreement, UTSM agreed to subscribe for new shares equivalent to 10% of the enlarged issued share capital of Arcadia with a consideration of RM120,000 from Arcadia's shareholders. In addition, UTSM agreed to provide an advance of RM14,000,000 to Arcadia. The advance was unsecured, bearing interest rate of 10% per annum and repayable on or before July 2020.

On 13 July 2020, Arcadia requested for an extension of the long-stop date for the fulfilment of the conditions precedent for shares subscription transaction. UTSM agreed to extend the same to 31 December 2020, with interest rates remained unchanged.

On 30 December 2020, a further extension was demanded by Arcadia for the shares subscription. As such, UTSM agreed to extend (i) the long-stop date for the fulfillment of the conditions precedent to 31 December 2021, and (ii) the final repayment date of the advance to 31 December 2021, provided that interest rate has been revised to 11% per annum, effective from 1 January 2021.

On 30 December 2021, the parties have entered into an agreement to amend the long-stop date for the fulfilment of the conditions precedent to the shares subscription agreement to 31 December 2022 and the final repayment date of the advance to Arcadia to be extended 31 December 2022 with the interest rate fixed at 11% per annum on the extended term. The share subscription has not yet been completed as at the date of this announcement.

The financial advances to entities under Rule 13.20 of Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the details of the above transactions have been disclosed in the Company's announcements dated 31 January 2019, 23 April 2019, 8 July 2019, 8 July 2020, 10 July 2020, 30 December 2020, 28 June 2021 and 31 December 2021 respectively.

As at 31 December 2021, the circumstances giving rise to the disclosure under Rule 13.13 of the Listing Rules exist and the advances by the Group to Mightyprop and Arcadia as at 31 December 2021 amounted to aggregate principal values of RM12 million and RM14 million with maturity dates on or before 30 June 2022 and 31 December 2022 respectively.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 1,170 (31 December 2020: 1,421) employees. Total staff costs incurred by the Group for the year ended 31 December 2021 were approximately RM52.66 million (2020: approximately RM56.46 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 were given to the employees to motivate productivity and stimulate better performance. The employees are also entitled to annual discretionary performance bonus, salary increment and promotion based on timely performance reviews and annual appraisals.

INTEREST RATE RISK

As at 31 December 2021, the Group's pledged bank deposits, financial advances and lease liabilities bore interest at fixed interest rates and therefore were subject to fair value interest rate risk. The Group's exposure to cash flow interest rate risk arises from its bank deposits. These deposits bore interests at variable rates that are subject to the then prevailing market condition. The Board believes that the Group does not have significant interest rate risk exposures.

FOREIGN CURRENCY EXPOSURE

Save and except that certain bank balances are denominated in Hong Kong dollars, the Group has minimal exposure to foreign currency risk because most of the business transactions, assets and liabilities are principally denominated in Malaysian Ringgit, the functional currency of the Group. The Group currently does not have a hedging policy in respect of foreign currency transactions, assets and liabilities. The management monitors the foreign currency exposure from time to time and will consider hedging significant foreign currency exposure should the need arise.

SIGNIFICANT INVESTMENT HELD

As at 31 December 2021, the Group did not hold any significant investments.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, there was no specific plan for material investments or capital assets as at 31 December 2021.

MATERIAL ACQUISITIONS OR DISPOSALS

During the year ended 31 December 2021, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

OUTLOOK AND FUTURE PROSPECTS

The Group's strategic objective remains unchanged, i.e. to continue focusing on the business strategies as set out in the section headed "Business — Business Strategies" of the Prospectus.

The economic outlook continues to be challenging in Malaysia which continues to face resurgence in cases of COVID-19 infections cases with the spread of the Omicron variant. However, with the accelerated steps undertaken by the Government of Malaysia on the national vaccination programme as well as the implementation of the National Recovery Plan, it is expected that this should alleviate the nation recovery stage and accelerate the process back to normal.

Malaysia will enter the "Transition to Endemic" phase of COVID-19 on 1 April 2022 with all restrictions on business operating hours removed and prayer activities allowed without physical distancing. The transition to the endemic phase is an exit strategy that would allow Malaysians to return to near-normal life after two years of battling the pandemic.

Nevertheless, the Group continues to remain cautious and maintain its efforts to improve productivity and expects the overall outlook for the year 2022 to remain stable and resilient without material deviation from its existing outbound telemarketing workstations ordered from its existing clients.

In addition, the Group had also been constantly identifying potential opportunities to increase its number of workstations ordered beyond its current customer base by either working with new database owners, new insurers or takaful operators in order to improve the Group's financial performance.

DIVIDENDS

The Board has declared a second interim dividend of HK5.5 cents per ordinary share (the "**Second Interim Dividend**") for the year ended 31 December 2021. The Second Interim Dividend is expected to be paid on or about 11 May 2022.

The total amount of dividend attributable to the full financial year ended 31 December 2021 will be HK11.5 cents (2020: HK8.5 cents) per share.

CLOSURE OF REGISTER OF MEMBERS

Determining the eligibility to attend and vote at the AGM

For determining the entitlement to attend and vote at the annual general meeting of the Company, which is scheduled on Wednesday, 18 May 2022 (the "**AGM**"), the register of members of the Company will be closed from Friday, 13 May 2022 to Wednesday, 18 May 2022, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 pm on Thursday, 12 May 2022.

Determining the eligibility to the Second Interim Dividend

The register of members will be closed from Monday, 25 April 2022 to Wednesday, 27 April 2022 (both days inclusive), for the purpose of determining the entitlement to the Second Interim Dividend for the year ended 31 December 2021.

The record date will be on Wednesday, 27 April 2022. In order to qualify for the Second Interim Dividend, all transfer forms accompanied by relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 22 April 2022.

RETIREMENT BENEFIT SCHEME

The Group contributes to Employees Provident Fund for their employees in accordance with the statutory requirements prescribed by the relevant Malaysian laws and regulations. The Group is required to contribute certain percentage (6%–13%) of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

For the year ended 31 December 2021, the total amount contributed by the Group to the retirement benefit scheme was approximately RM6.07 million (2020: approximately RM5.98 million).

During the years ended 31 December 2020 and 2021, the Group had no forfeited contributions under its retirement benefit scheme which may be used to reduce the existing level of contributions as described in paragraph 26(2) of Appendix 16 to the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

There had been no material event subsequent to 31 December 2021 which requires adjustment to or disclosure in this announcement.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors or the controlling shareholders of the Company nor any of their respective close associates that compete or might compete, either directly or indirectly, with the business of the Group and any other conflicts of interest which any such person had or might have with the Group during the year ended 31 December 2021.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Saved as disclosed in the paragraph headed "Response to the Outbreak of COVID-19 Pandemic", there had been no material changes on the business operation of the Group since 31 December 2021.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Share Option Scheme**") on 14 June 2017 and the same became effective from 12 July 2017, the date on which the Shares were listed and commenced trading on the Stock Exchange. No option was granted, exercised, cancelled or lapsed during the year ended 31 December 2021.

The Share Option Scheme is a share incentive scheme and is established to enable the Company to grant options to the eligible participants as incentives or rewards for the contribution they had or may have made to the Group. The Share Option Scheme will provide the eligible participants the opportunity to have personal stake in the Company with the view to achieve the following objectives:

(a) motivate the eligible participants to optimise their performance efficiency for the benefit of the Group; and

(b) attract and retain or otherwise maintain on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.

Eligible participants of the Share Option Scheme include (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (ii) any directors (including independent non-executive directors) of the Company or any of its subsidiaries; (iii) any consultants or advisers (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), contractors, suppliers, service providers, agents, customers and business partners of the Company or any of its subsidiaries; and (iv) any such other persons who in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries.

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 year ended 31 December 2021.

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 Listing Rules as the code for dealings in securities transactions by the Directors. Specific enquiries have been made to all Directors and they have confirmed their compliance with the required standard set out in the Model Code throughout the year ended 31 December 2021.

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 which is effective on or before 31 December 2021 (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 throughout the year ended 31 December 2021, save and except for 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. Such arrangement may be improved, but the Board is not concerned with the lack of segregation of duties by reference to 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 year ended 31 December 2021.

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 comprises 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 annual results of the Company for the year ended 31 December 2021 have been reviewed by the Audit Committee. The Audit Committee also reviewed together with the management the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2021.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary results announcement for the year ended 31 December 2021 have been agreed by the Group's auditor, RSM Hong Kong, to the amounts set out in the Group's consolidated financial statements. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants. Consequently, no assurance has been expressed by RSM Hong Kong on this preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at http://unitedteleservice.com. The 2021 annual report of the Company will be despatched to shareholders of the Company and published on the aforesaid websites in due course.

On behalf of the Board
UTS Marketing Solutions Holdings Limited
Ng Chee Wai
Chairman and Executive Director

Hong Kong, 30 March 2022

As at the date of this announcement, the executive Directors are Mr. Ng Chee Wai (Chairman), Mr. Lee Koon Yew (Chief Executive Officer) and Mr. Kwan Kah Yew; and the independent non-executive Directors are Mr. Lee Shu Sum Sam, Mr. Kow Chee Seng and Mr. Chan Hoi Kuen Matthew.