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 2022

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 2022, 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 2022

		Six months ended 30 June	
		2022	2021
	Note	***RM'000***	*RM'000*
		(unaudited)	(unaudited)
Revenue	*5*	**44,315**	46,760
Other income		**2,971**	2,289
Other gains and losses		**14**	(97)
Staff costs		**(27,183)**	(25,759)
Depreciation		**(1,682)**	(1,772)
Other operating expenses	*6*	**(6,413)**	(6,066)
Profit from operations		**12,022**	15,355
Finance costs		**(72)**	(314)
Profit before tax		**11,950**	15,041
Income tax expense	*7*	**(2,747)**	(3,749)
Profit and total comprehensive income for the period	*8*	**9,203**	11,292
		RM	*RM*
Earnings per share	*10*		
Basic		**2.30 cents**	2.82 cents
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Note	30 June 2022 RM'000 (unaudited)	31 December 2021 RM'000 (audited)
Non-current assets			
Property, plant and equipment	*11*	**3,298**	3,099
Right-of-use assets	*12*	**3,223**	3,165
Subleasing receivables		**217**	48
Deposits paid for acquisition of properties	*13*	**14,095**	14,095
		20,833	20,407
Current assets			
Trade receivables	*14*	**17,370**	18,725
Subleasing receivables		**349**	241
Other receivables		**2,704**	2,270
Financial assets at amortised cost	*15*	**27,996**	26,511
Tax recoverable		**–**	38
Pledged bank deposits		**1,018**	4,377
Bank and cash balances		**13,524**	17,771
		62,961	69,933
Current liabilities			
Accruals and other payables		**4,495**	7,891
Lease liabilities		**2,611**	3,037
Current tax liabilities		**165**	496
		7,271	11,424
Net current assets		**55,690**	58,509
Total assets less current liabilities		**76,523**	78,916
Non-current liabilities			
Lease liabilities		**1,276**	872
NET ASSETS		**75,247**	78,044
Capital and reserves			
Share capital	*16*	**2,199**	2,199
Reserves		**73,048**	75,845
TOTAL EQUITY		**75,247**	78,044

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 condensed consolidated 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.

These condensed consolidated financial statements should be read in conjunction with the 2021 annual consolidated financial statements. The accounting policies (including the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2021.

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

The accounting policies applied in these condensed financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2021. In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2022 but they do not have a material effect on the Group's financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim 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

The Group's operations and main revenue stream are those described in the last annual consolidated financial statements. The Group derives revenue from the transfer of telemarketing services over time in Malaysia.

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. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2022	2021
	RM'000	*RM'000*
	(unaudited)	(unaudited)
Auditor's remuneration	**161**	248
Campaign costs	**1,855**	1,957
Legal and professional fees	**174**	180
Training expenses	**297**	322
Repair and maintenance expenses	**231**	224
Telephone and internet expenses	**485**	835
Utilities expenses	**284**	253
Others	**2,926**	2,047
	6,413	6,066

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2022	2021
	RM'000	*RM'000*
	(unaudited)	(unaudited)
Current tax — Malaysian Income Tax	**2,747**	2,738
Deferred tax	**–**	1,011
	2,747	3,749

Malaysian income tax is calculated at the statutory tax rates of 24% on the estimated taxable profits for the six months ended 30 June 2022 and 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 six months ended 30 June 2022 and 2021.

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 PERIOD

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

	Six months ended 30 June	
	2022	2021
	RM'000	*RM'000*
	(unaudited)	(unaudited)
Gains on disposals of property, plant and equipment	**(179)**	–
Loss on modification of financial assets at amortised cost	**453**	461
Reversal of impairment loss on financial assets at amortised cost#	**(504)**	(316)
Staff costs (including directors' emoluments)*		
— Salaries, bonuses and allowances	**23,746**	22,390
— Retirement benefit scheme contributions	**3,073**	3,014
— Social insurance contributions	**364**	355
	27,183	25,759

\# Due to the recovery of Malaysia's economy from the outbreak of the COVID-19 pandemic, there were decrease in credit risk in respect of the collection of loan advances upon its due dates. As a result, reversal of impairment losses on financial assets at amortised cost of approximately RM504,000 (30 June 2021: RM316,000) was made during the period.

* For the period ended 30 June 2022, COVID-19 related government grants amounted to approximately RM1,460,000 (30 June 2021: RM2,232,000) have been offset against staff costs.

9. DIVIDEND

	Six months ended 30 June	
	2022	2021
	RM'000	*RM'000*
	(unaudited)	(unaudited)
First interim dividend — HK$0.060 (equivalent to RM0.032) per ordinary share	**–**	12,800
Final dividend for the year ended 31 December 2020 approved and paid — HK$0.040 (equivalent to RM0.0214) per ordinary share	**–**	8,560
Second interim dividend for the year ended 31 December 2021 approved and paid — HK$0.055 (equivalent to RM0.03) per ordinary share	**12,000**	–
	12,000	21,360

The board has not declared an interim dividend for the six months ended 30 June 2022.

10. 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 2022 of approximately RM9,203,000 (30 June 2021: approximately RM11,292,000) and the weighted average number of 400,000,000 (30 June 2021: 400,000,000) 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 2022 and 2021.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired property, plant and equipment with a cost of approximately RM584,000 (30 June 2021: approximately RM166,000). Property, plant and equipment with a net book value of approximately RM7,000 (30 June 2021: Nil) were disposed of during the six months ended 30 June 2022 resulting a gain on disposal of approximately RM179,000 (30 June 2021: Nil).

12. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2022, the Group entered into certain new lease agreements for use of office premises and motor vehicles for 3 to 7 years (2021: 2 years). The Group makes fixed payments during the contract period. On lease commencement, the Group recognised approximately RM1,362,000 (30 June 2021: approximately RM2,463,000) of right-of-use asset and approximately RM1,749,000 (30 June 2021: approximately RM2,463,000) of lease liability.

13. DEPOSITS PAID FOR ACQUISITION OF PROPERTIES

	30 June 2022 *RM'000* **(unaudited)**	31 December 2021 *RM'000* (audited)
Deposits for properties	**14,095**	14,095

The amounts represent unsecured deposits paid for acquisition of properties with total purchase consideration of approximately RM17,935,000 (the "**Consideration**"). The deposits are 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 30 June 2022, 79% (31 December 2021: 79%) of the total Consideration, amounting to approximately RM14,095,000 (31 December 2021: approximately RM14,095,000), 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.

14. 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 as at the balance sheet date, based on the date of invoice and net of allowance, is as follows:

	30 June 2022	31 December 2021
	RM'000	*RM'000*
	(unaudited)	(audited)
0 to 30 days	**8,220**	8,664
31 to 60 days	**6,223**	5,765
61 to 90 days	**1,831**	1,574
91 to 120 days	**578**	391
121 to 180 days	**507**	970
Over 180 days	**11**	1,361
	17,370	18,725

15. FINANCIAL ASSETS AT AMORTISED COST

	30 June 2022	31 December 2021
	RM'000	*RM'000*
	(unaudited)	(audited)
Loan receivables	**27,190**	26,185
Interest receivables	**1,418**	1,442
	28,608	27,627
Less: Impairment losses	**(612)**	(1,116)
	27,996	26,511

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. In July 2019, an agreement was entered by UTSM with Exsim and Mightyprop in which the proposed transfer of 2% shareholding in Mightyprop by Exsim to UTSM will not be proceeded due to non-fulfillment of certain conditions precedent. The advance is unsecured, bearing interest rate of 11% per annum and repayable on or before June 2022. In June 2022, the repayment date was further extended one year to June 2023 with the interest rate remain unchanged.

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 11% per annum and repayable on or before December 2022. The share acquisition has not yet been completed as at the date of issuance of this interim results announcement.

Further details of the above transactions 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, 30 December 2021 and 24 June 2022 respectively.

The Group holds the loan receivables to collect contractual cash flows and its contractual term give rise to cash flow 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. Reversal of impairment allowance of approximately RM504,000 was recognised for the six months ended 30 June 2022 (30 June 2021: approximately RM316,000).

16. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	10,000,000,000	100,000

	Number of shares	Amount	Equivalent to amount
		HK$'000	*RM'000*
Issued and fully paid:			
Ordinary shares of HK$0.01 each			
At 1 January 2021, 31 December 2021, 1 January 2022 (audited) and 30 June 2022 (unaudited)	400,000,000	4,000	2,199

17. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	30 June 2022 *RM'000* **(unaudited)**	30 June 2021 *RM'000* (unaudited)
Short term employee benefits	**3,529**	3,978
Retirement benefit scheme contributions	**714**	544
Social insurance contributions	**7**	8
Total compensation paid to key management personnel	**4,250**	4,530

18. 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 this interim results announcement.

19. CAPITAL COMMITMENTS

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

	30 June 2022 *RM'000* **(unaudited)**	31 December 2021 *RM'000* (audited)
Acquisition of properties	**3,840**	3,840
Capital commitments on potential equity investment	**120**	120
	3,960	3,960

20. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2022 (31 December 2021: Nil).

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 30 June 2022, the Group was operating nine contact centers situated within the central business district of Kuala Lumpur, Malaysia with approximately 1,282 employees.

The Group's net profit for the six months ended 30 June 2022 amounted to approximately RM9.20 million, representing a decrease of approximately RM2.09 million as compared to approximately RM11.29 million for the corresponding six months ended 30 June 2021. The decrease in net profit for the six months ended 30 June 2022 was primarily attributable to lower revenue generated from the business in Malaysia by approximately RM2.44 million, higher staff cost by approximately RM1.42 million, but partially offset by lower income tax expenses of approximately RM1.00 million.

FINANCIAL REVIEW

Revenue

	Six months ended 30 June	
	2022	2021
	RM'000	*RM'000*
Industry sector		
Insurance	**30,875**	31,732
Banking and financial	**2,371**	1,665
Others	**11,069**	13,363
	44,315	46,760

For the six months ended 30 June 2022, the Group recorded a revenue of approximately RM44.32 million, representing a decrease of approximately 5.2% as compared with approximately RM46.76 million for the corresponding period in 2021.

The overall average number of workstation orders per month remained constant at approximately 1,107 for the six months ended 30 June 2021 as compared to approximately 1,100 for the six months ended 30 June 2022. The revenue generated per workstation per month decreased slightly from RM7,040 for the six months ended 30 June 2021 to RM6,714 for the six months ended 30 June 2022.

The revenue generated per workstation per month decreased by RM326 mainly due to lower billable rate from insurance and others sectors during the period under review.

Other income

For the six months ended 30 June 2022, other income increased by approximately RM0.68 million as compared to approximately RM2.29 million for the corresponding period in the prior year, mainly due to imputed and accrued interest income generated from the loan advances to two independent third parties with an aggregate principal amount of RM26 million. During the six months ended 30 June 2022, both the loan advances bore interest rates of 11% per annum respectively.

Other gains and losses

For the six months ended 30 June 2022, other losses decreased by approximately RM0.11 million as compared to the corresponding period in the prior year, from a loss of approximately RM0.10 million to a gain of RM0.01 million.

The reduction in other losses were mainly due to the reversal of impairment losses on financial assets at amortised cost of approximately RM0.50 million offset by increase in unrealised foreign exchange losses.

Staff costs

For the six months ended 30 June 2022, staff costs increased by approximately RM1.42 million or 5.5%, from approximately RM25.76 million for the corresponding period in the prior year to approximately RM27.18 million.

The average number of staff decreased from the monthly average of 1,358 for the six months ended 30 June 2021 to the monthly average of 1,229 for the six months ended 30 June 2022.

The Group reported an overall increase in staff costs by approximately RM1.42 million mainly as a result of a decrease in COVID-19 related grants received from the government of Malaysia, from RM2.23 million for the six months ended 30 June 2021 to RM1.46 million for the six months ended 30 June 2022, partially offset by recruitment and employment of locals.

Depreciation

For the six months ended 30 June 2022, depreciation charges decreased slightly by approximately RM0.09 million or 5%, from approximately RM1.77 million for the corresponding period in the prior year to approximately RM1.68 million.

Other operating expenses

For the six months ended 30 June 2022, other operating expenses increased by approximately RM0.34 million or 5.6%, from approximately RM6.07 million for the corresponding period in the prior year to approximately RM6.41 million.

The increase was primarily due to higher other general expenses of RM0.88 million, partially offset by lower telephone and internet expenses of RM0.35 million.

Finance costs

For the six months ended 30 June 2022, finance costs decreased by approximately RM0.24 million from approximately RM0.31 million for the corresponding period in the prior year to approximately RM0.07 million.

Income tax expenses

The Group reported an income tax expense provision of RM2.75 million and RM3.75 million from the assessable profits arising during the six months ended 30 June 2022 and 2021 respectively.

Net profit and net profit margin

As a result of the above factors, the Group recorded a profit after tax of approximately RM9.20 million and RM11.29 million for the six months ended 30 June 2022 and 2021 respectively. Net profit margin was approximately 20.8% and 24.1% for the six months ended 30 June 2022 and 2021 respectively.

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 six months ended 30 June 2022, the Group generated net cash inflow from operating activities of approximately RM5.10 million (30 June 2021: approximately RM13.26 million). The Group was able to repay its obligations when they became due. The Group did not experience any material difficulties in rolling over its banking facilities.

Banking facilities and lease liabilities

As at 30 June 2022, the Group had cancelled unutilised facilities denominated in Malaysia Ringgit of approximately RM5 million from banks. The Group's average effective interest rate for the banking facilities is Nil (31 December 2021: approximately 7.60%). The Group's banking facilities are secured by the pledged bank deposits and the corporate guarantees provided by the Company.

As at 30 June 2022, the Group had an aggregate amount of current and non-current lease liabilities of approximately RM3.89 million (31 December 2021: approximately RM3.91 million), all denominated in Malaysian Ringgit. The average effective interest rate for the lease was 4.22% (31 December 2021: 3.85%). The carrying amount of approximately RM0.71 million (31 December 2021: approximately RM0.22 million) is secured by the lessor's retention of title to the leased assets.

Pledge of Assets

As at 30 June 2022, the Group's banking facilities, which were all denominated in Malaysian Ringgit, were secured by (i) the pledged bank deposits of approximately RM1.02 million (31 December 2021: approximately RM4.38 million), and (ii) the corporate guarantees provided by the Company.

Gearing Ratio

The gearing ratio of the Group as at 30 June 2022 was approximately 5.2% (31 December 2021: approximately 5.0%) which is calculated based on the total debt divided by equity attributable to equity holders of the Company, and the total debt represents bank overdrafts and lease liabilities. The Group has a strong liquidity position to meet its operational needs.

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 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 30 June 2022, the Group had 1,282 employees. Total staff costs incurred by the Group for the six months ended 30 June 2022 were approximately RM27.18 million (30 June 2021: approximately RM25.76 million), representing 61.3% of the revenue of the Group for the six months ended 30 June 2022 (30 June 2021: 55.1%).

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

Appropriate trainings are taken by our telemarketing sales representatives to further improve the quality of the services provided.

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. The sales to the five largest clients accounted for approximately 75.7% of the total revenue for the six months ended 30 June 2022 (30 June 2021: approximately 69.1%). All the five largest clients consist of insurance companies and charitable organisation.

The Group may be subject to the risk of delay in payment by our clients. If the settlements of bills by our clients are not made in full or in a timely manner, the cash position and financial conditions of the Group may 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 2022, the trade receivables were approximately RM17.37 million. Subsequent to 30 June 2022 and up to the date of this announcement, approximately RM12.95 million or 74.5% of the outstanding balances of trade receivables as at 30 June 2022 have been settled.

CAPITAL COMMITMENTS

As at 30 June 2022, the Group's capital commitments contracted but not yet incurred are related to potential equity investment and acquisition of 18 office suites, which amounted to RM3.96 million (31 December 2021: RM3.96 million).

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2022.

ADVANCE TO ENTITIES

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 loan was extended to June 2020 and the interest rate remained unchanged.

On 8 July 2020, UTSM, Exsim and Mightyprop entered into the 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 on a daily basis accrued from 4 February 2019 up to the date of repayment and payable on 7 January 2021 and 7 July 2021 and UTSM agreed to such arrangement.

On 28 June 2021, upon further negotiations between UTSM, Exsim and Mightyprop, 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 10% per annum on a daily basis accrued from 4 February 2019 up to 30 June 2021 and at the rate of 11% per annum on a daily basis accrued from 1 July 2021 up to the date of repayment and UTSM agreed to such arrangement (the "**Further Extension**").

On 24 June 2022, the parties entered into a third extension agreement (the "**Third Extension Agreement**"), pursuant to which Exsim has undertaken to repay the advance on or before 30 June 2023 and to pay the interest calculated at the rate of 11% per annum accrued from 1 July 2022 up to the date of repayment on a daily basis and UTSM agreed to such arrangement. Apart from the aforesaid, all other terms of the agreement remained unchanged.

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, the Arcadia's Shareholders requested for further extension of long-stop date of the conditions precedent to complete the share subscription transaction and UTSM agreed to further extend the same to 31 December 2020. Incidental to the said extension, UTSM may refrain from demanding immediate repayment of the advance until 31 December 2020 with interest rate remains unchanged.

On 30 December 2020, upon further discussion among the parties to the said shares subscription agreement, the parties have entered into an agreement on 30 December 2020 to amend the long-stop date for the fulfilment of the conditions precedent to the shares subscription agreement to 31 December 2021 and the final repayment date of the advance to Arcadia to be extended to 31 December 2021, with the interest of 11% per annum, an additional rate of 1% per annum from 10% per annum on the extended term effective from 1 January 2021.

On 30 December 2021, the parties entered into a second supplemental agreement to extend the long-stop date for the fulfilment of the conditions precedent for the subscription of the shares in Arcadia to 31 December 2022 and the final payment date of the advance to 31 December 2022 at the interest rate fixed at 11% per annum on the extended term. As at 30 June 2022 and the date of this announcement, the share subscription has not yet been completed.

The financial advances to entities under Rule 13.20 of 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, 30 December 2021 and 24 June 2022 respectively.

As at 30 June 2022, 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 30 June 2022 amounted to aggregated principal values of RM12 million and RM14 million with maturity dates on or before 30 June 2023 and 31 December 2022 respectively.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had 1,282 (30 June 2021: 1,304) employees. Total staff costs incurred by the Group for the six months ended 30 June 2022 were approximately RM27.18 million (30 June 2021: approximately RM25.76 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

Except for and save as certain bank balances 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 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 INVESTMENT HELD

As at 30 June 2022, 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 other specific plan for material investments or capital assets as at 30 June 2022.

MATERIAL ACQUISITIONS OR DISPOSALS

During the six months ended 30 June 2022, there was no material acquisition or disposal by the Group.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Save as disclosed in this announcement, there had been no material adverse changes in the business operation of the Group since 31 December 2021.

OUTLOOK AND FUTURE PROSPECTS

The Group's strategic objective remains unchanged, i.e. to continue focusing on the business strategies according to the details as disclosed in the section headed "Business — Business Strategies" of the prospectus of the Company dated 22 June 2017.

Malaysia enters into the "Transition to Endemic" phase of COVID-19 since 1 April 2022 with all restrictions on business operating hours removed. The transition to the endemic phase is an exit strategy that would allow Malaysians to return to their 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 second half of 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 reviewing potential opportunities to increase its number of workstations ordered beyond its existing customer base by either working with new database owners, new insurers or takaful operators in order to improve the Group's financial performance.

INTERIM DIVIDENDS

The Board does not recommend payment of interim dividend for the six months ended 30 June 2022 (30 June 2021: HK6 cents per ordinary share).

EVENTS AFTER THE REPORTING PERIOD

There was no material events subsequent to 30 June 2022 and up to the date of this announcement.

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 2022.

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 six months ended 30 June 2022.

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 six months ended 30 June 2022.

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 2022, save and except code provision D.2.5 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 an arrangement may be improved, but the Board is not concerned with the lack of segregation of duties by 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 2022.

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 2022 have been reviewed by the audit committee, and no disagreement was raised by the audit committee in respect of the accounting treatments adopted by the Group. The unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2022 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 2022 to the Shareholders.

PUBLICATION OF FINANCIAL INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at unitedteleservice.com. The interim report of the Company for the six months ended 30 June 2022 will be despatched to the Shareholders of the Company and published 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, 29 August 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.