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 2023

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 referred to as the "**Group**") for the six months ended 30 June 2023, 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 2023

		Six months ended 30 June	
		2023	2022
	Note	***RM'000***	*RM'000*
		(unaudited)	(unaudited)
Revenue	*5*	**46,256**	44,315
Other income		**1,410**	2,971
Other gains and losses		**(2,963)**	14
Staff costs		**(32,209)**	(27,183)
Depreciation		**(2,516)**	(1,682)
Other operating expenses	*6*	**(5,431)**	(6,413)
Profit from operations		**4,547**	12,022
Finance costs		**(319)**	(72)
Profit before tax		**4,228**	11,950
Income tax expense	*7*	**(2,048)**	(2,747)
Profit and total comprehensive income for the period	*8*	**2,180**	9,203
		RM	*RM*
Earnings per share	*10*		
Basic		**0.55 cents**	2.30 cents
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Note	**30 June 2023 RM'000 (Unaudited)**	31 December 2022 RM'000 (Audited)
Non-current assets			
Property, plant and equipment	*11*	**4,994**	4,966
Right-of-use assets	*12*	**8,458**	8,745
Subleasing receivables		**–**	100
Deposits paid for acquisition of properties	*13*	**–**	14,095
Financial assets at amortised cost	*15*	**11,291**	–
Deferred tax assets		**62**	62
		24,805	27,968
Current assets			
Trade receivables	*14*	**19,547**	17,533
Subleasing receivables		**217**	281
Other receivables		**3,403**	3,490
Financial assets at amortised cost	*15*	**8,955**	24,921
Tax recoverable		**1,620**	1,327
Pledged bank deposits		**3,884**	1,700
Bank and cash balances		**8,484**	8,257
		46,110	57,509
Current liabilities			
Accruals and other payables		**5,429**	5,597
Lease liabilities		**3,475**	3,276
Borrowings		**4,129**	4,933
Current tax liabilities		**86**	20
		13,119	13,826
Net current assets		**32,991**	43,683
Total assets less current liabilities		**57,796**	71,651
Non-current liabilities			
Lease liabilities		**4,761**	5,459
Deferred tax liabilities		**207**	207
		4,968	5,666
NET ASSETS		**52,828**	65,985
Capital and reserves			
Share capital	*16*	**2,199**	2,199
Reserves		**50,629**	63,786
TOTAL EQUITY		**52,828**	65,985

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Act 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 23rd Floor, Plaza See Hoy Chan, Jalan 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 2022 annual consolidated financial statements. Except as described below, 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 2022.

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

Deferred tax related to assets and liabilities arising from a single transaction

The Group has adopted Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences — e.g. leases. For leasing transactions, the Group is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur after the beginning of the earliest period presented.

The Group previously accounted for deferred tax on leases applying the "integrally linked" approach, resulting in a similar outcome to the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the condensed consolidated statement of financial position because the balances qualify for offset under paragraph 74 of HKAS 12. There was also no impact on the opening retained earnings as at 1 January 2022 as a result of the change. The key impact for the Group relates to disclosure of the deferred tax assets and liabilities recognised. This disclosure will be provided in the annual financial statements.

The change in accounting policy will also be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2023.

In addition to the adoption of the above amendments to standards, in the current period, the Group has adopted all other 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 2023. They do not have a material effect on the Group's condensed consolidated interim financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 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's revenue is derived 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	
	2023	2022
	RM'000	*RM'000*
	(unaudited)	(unaudited)
Auditor's remuneration	**207**	161
Campaign costs	**1,154**	1,855
Legal and professional fees	**268**	174
Training expenses	**372**	297
Repair and maintenance expenses	**242**	231
Telephone and internet expenses	**173**	485
Utilities expenses	**276**	284
Others	**2,739**	2,926
	5,431	6,413

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2023	2022
	RM'000	*RM'000*
	(unaudited)	(unaudited)
Current tax — Malaysian Income Tax	**2,048**	2,747

Malaysian income tax is calculated at the statutory tax rates of 24% (30 June 2022: 24%) on the estimated taxable profits for the six months ended 30 June 2023.

No provision of profit tax in the Cayman Islands, the 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 2023 and 2022.

Tax charge on profits assessable elsewhere has 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	
	2023	2022
	RM'000	*RM'000*
	(unaudited)	(unaudited)
Gains on disposals of property, plant and equipment	**(4)**	(179)
Loss on modification of financial assets at amortised cost	**290**	453
Reversal of impairment losses on financial assets at amortised cost[#]	**(35)**	(504)
Staff costs (including directors' emoluments)*		
— Salaries, bonuses and allowances	**28,319**	23,746
— Retirement benefit scheme contributions	**3,442**	3,073
— Social insurance contributions	**448**	364
	32,209	27,183

\# Due to the recovery of Malaysia's economy from the outbreak of the COVID-19 pandemic and the partial loan repayment of loan advances, there were decreases in credit risk in respect of the collection of loan advances upon their due dates. As a result, reversal of impairment losses on financial assets at amortised cost of approximately RM35,000 (30 June 2022: RM504,000) was made during the period.

* For the period ended 30 June 2023, COVID-19 related government grants amounted to approximately RM154,000 (30 June 2022: RM1,460,000) have been offset against staff costs.

9. DIVIDEND

	Six months ended 30 June	
	2023	2022
	RM'000	*RM'000*
	(unaudited)	(unaudited)
Special dividend — HK$0.065 (equivalent to RM0.038) per ordinary share	**15,337**	–
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
	15,337	12,000

The board has not declared an interim dividend for the six months ended 30 June 2023 and 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 2023 of approximately RM2,180,000 (30 June 2022: approximately RM9,203,000) and the weighted average number of 400,000,000 (30 June 2022: 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 2023 and 2022.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired property, plant and equipment with a cost of approximately RM582,000 (30 June 2022: approximately RM584,000). Property, plant and equipment with a net book value of approximately RMNil (30 June 2022: RM7,000) were disposed of during the six months ended 30 June 2023, resulting a gain on disposal of approximately RM4,000 (30 June 2022: RM179,000).

12. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2023, the Group entered into new lease agreements for use of office premises and office equipment for 2 to 3 years (30 June 2022: office premises and motor vehicles for 3 to 7 years). The Group makes fixed payments during the contract period. On lease commencement, the Group recognised approximately RM1,674,000 (30 June 2022: approximately RM1,362,000) of right-of-use asset and approximately RM1,674,000 (30 June 2022: approximately RM1,749,000) of lease liabilities.

13. DEPOSITS PAID FOR ACQUISITION OF PROPERTIES

	30 June 2023	31 December 2022
	RM'000	*RM'000*
	(unaudited)	(audited)
Deposits for properties	**–**	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 11 April 2023, UTS Marketing Solutions Sdn. Bhd. ("**UTSM**"), a wholly-owned subsidiary of the Company and Lim Legacy Development Sdn. Bhd. ("**the Vendor**") entered into a deed of revocation ("**the Deed**"). Pursuant to the Deed, both parties agree that (i) the acquisition agreements in relation to the acquisition of the properties be revoked and rescinded, (ii) a sum of approximately RM2,690,000 be forfeited to the Vendor as agreed liquidated damages and (iii) the remaining balance of the deposit paid by the Group in the sum of approximately RM11,405,000 shall be refunded to the Group.

Further details of the above transaction are set out in the Company's announcements dated 24 July 2020, 28 July 2020 and 11 April 2023 respectively.

14. TRADE RECEIVABLES

The general credit terms of trade receivables are 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 2023	31 December 2022
	RM'000	*RM'000*
	(unaudited)	(audited)
0 to 30 days	**8,099**	6,706
31 to 60 days	**6,692**	5,856
61 to 90 days	**2,815**	2,678
91 to 120 days	**1,173**	1,278
121 to 180 days	**696**	1,015
Over 180 days	**72**	–
	19,547	17,533

15. FINANCIAL ASSETS AT AMORTISED COST

	30 June 2023	31 December 2022
	RM'000	*RM'000*
	(unaudited)	(audited)
Loan receivables	**20,749**	24,017
Interest receivables	**–**	1,442
	20,749	25,459
Less: Impairment losses	**(503)**	(538)
	20,246	24,921

	30 June 2023	31 December 2022
	RM'000	*RM'000*
	(unaudited)	(audited)
Analysed as:		
Non-current assets	**11,291**	–
Current assets	**8,955**	24,921
	20,246	24,921

The amounts represent loan advanced to independent third parties with aggregated principal values of RM21,000,000 (31 December 2022: RM24,000,000).

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 2023. In June 2023, the repayment date was further extended one year to July 2024 with the interest rate increased from 11% per annum to 12% per annum.

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 by 5 instalments with the last payment due and payable on 29 December 2023.

On 28 June 2023, Arcadia applied for deferment of loan repayment of RM3,000,000 from 30 June 2023 to 29 September 2023 with the remaining unpaid principal sum of loan advance remain unchanged. Interest shall continue to accrue on the remaining unpaid principal sum of the loan advance until full payment.

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, 24 June 2022, 18 October 2022, 10 November 2022, 3 July 2023 and 27 July 2023 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 RM35,000 was recognised for the six months ended 30 June 2023 (30 June 2022: approximately RM504,000).

16. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	10,000,000,000	100,000

	Number of shares	Amount HK$'000	Equivalent to amount RM'000
Issued and fully paid:			
Ordinary shares of HK$0.01 each			
At 1 January 2022, 31 December 2022, 1 January 2023 (audited) and 30 June 2023 (unaudited)	400,000,000	4,000	2,199

17. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2023	2022
	RM'000	*RM'000*
	(unaudited)	(unaudited)
Short term employee benefits	**3,583**	3,529
Retirement benefit scheme contributions	**520**	714
Social insurance contributions	**9**	7
Total compensation paid to key management personnel	**4,112**	4,250

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 these condensed consolidated financial statements.

19. CAPITAL COMMITMENTS

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

	30 June 2023	31 December 2022
	RM'000	*RM'000*
	(unaudited)	(audited)
Acquisition of properties	**–**	3,840

20. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2023 (31 December 2022: 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 2023, the Group was operating eight contact centers situated within the central business district of Kuala Lumpur, Malaysia and one new branch contact center outside the central business district of Kuala Lumpur was set up in the state of Melaka, Malaysia. The new Melaka contact center was officially launched in early March 2023.

The Group's net profit for the six months ended 30 June 2023 amounted to approximately RM2.18 million, representing a decrease of approximately RM7.02 million as compared to approximately RM9.20 million for the corresponding six months ended 30 June 2022. The decrease in net profit for the six months ended 30 June 2023 was primarily attributable to higher staff costs by approximately RM5.03 million and an one-off deposit written-off liquidated damages of approximately RM2.69 million.

FINANCIAL REVIEW

Revenue

	Six months ended 30 June	
	2023	2022
	RM'000	*RM'000*
Industry sector		
Insurance	**29,861**	30,875
Banking and financial	**3,271**	2,371
Others	**13,124**	11,069
	46,256	44,315

For the six months ended 30 June 2023, the Group recorded a revenue of approximately RM46.26 million, representing an increase of approximately 4.38% as compared with approximately RM44.32 million for the corresponding period in 2022.

The overall average number of workstation orders per month remained constant at approximately 1,114 for the six months ended 30 June 2023 as compared to approximately 1,100 for the six months ended 30 June 2022. The revenue generated per workstation per month increased slightly from RM6,714 for the six months ended 30 June 2022 to RM6,920 for the six months ended 30 June 2023.

The revenue generated per workstation per month increased by RM206, mainly due to higher billable rate from other sectors, especially charitable organisation, during the period under review.

Other income

For the six months ended 30 June 2023, other income decreased by approximately RM1.56 million as compared to approximately RM2.97 million for the corresponding period in the prior year, mainly due to lower imputed and accrued interest income generated from the loan advances to two independent third parties with an aggregate principal amount of RM21 million. During the six months ended 30 June 2023, both the loan advances bore interest rates of 11% per annum respectively.

Other gains and losses

For the six months ended 30 June 2023, other gains decreased by approximately RM2.97 million as compared to the corresponding period in the prior year, from a gain of approximately RM0.01 million to a loss of approximately RM2.96 million.

The decrease in other gains were mainly due to a one-off deposit written off by approximately RM2.69 million as liquidated damages to the developer upon termination of the acquisition agreements of properties.

Staff costs

For the six months ended 30 June 2023, staff costs increased by approximately RM5.03 million or 18.51%, from approximately RM27.18 million for the corresponding period in the prior year to approximately RM32.21 million.

The average number of staff increased from a monthly average of 1,229 for the six months ended 30 June 2022 to 1,442 for the six months ended 30 June 2023.

Overall staff costs per staff per month remained relatively stable at approximately RM3,723 for the six months ended 30 June 2023 as compared to approximately RM3,686 for the six months ended 30 June 2022.

Depreciation

For the six months ended 30 June 2023, depreciation charges increased by approximately RM0.84 million or 50.0%, from approximately RM1.68 million for the corresponding period in the prior year to approximately RM2.52 million, mainly due to the entering into of new lease agreements for the office premises and office equipment for the new branch contact centre at Melaka, Malaysia.

Other operating expenses

For the six months ended 30 June 2023, other operating expenses decreased by approximately RM0.98 million or 15.29%, from approximately RM6.41 million for the corresponding period in the prior year to approximately RM5.43 million.

The decrease was primarily due to lower campaign costs of RM0.70 million and lower telephone and internet expenses of RM0.31 million.

Finance costs

For the six months ended 30 June 2023, finance costs increased by approximately RM0.25 million from approximately RM0.07 million for the corresponding period in the prior year to approximately RM0.32 million.

Income tax expenses

The Group reported an income tax expense provision of RM2.05 million and RM2.75 million from the assessable profits arising during the six months ended 30 June 2023 and 2022 respectively.

Net profit and net profit margin

As a result of the above factors, the Group recorded a profit after tax of approximately RM2.18 million and RM9.20 million for the six months ended 30 June 2023 and 2022 respectively. Net profit margin was approximately 4.7% and 20.8% for the six months ended 30 June 2023 and 2022 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 2023, the Group generated net cash inflow from operating activities of approximately RM4.01 million (30 June 2022: approximately RM5.10 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 2023, the Group had available and unutilised facilities denominated in Malaysia Ringgit of approximately RM11.97 million (31 December 2022: approximately RM0.17 million) from its banks.

The Group's average effective interest rate for the banking facilities is 11.58% (31 December 2022: 7.76%). The Group's banking facilities are secured by the pledged bank deposits and the corporate guarantees provided by the Company.

As at 30 June 2023, the Group had an aggregate amount of current and non-current lease liabilities of approximately RM8.24 million (31 December 2022: approximately RM8.74 million), all denominated in Malaysian Ringgit. The average effective interest rate for the lease was 4.21% (31 December 2022: 4.21%). The carrying amount of approximately RM0.53 million (31 December 2022: approximately RM2.09 million) is secured by (i) the lessor's retention of title to the leased assets and (ii) the corporate guarantees provided by the Company.

Pledge of Assets

As at 30 June 2023, the Group's banking facilities, which were all denominated in Malaysian Ringgit, were secured by (i) the pledged bank deposits of approximately RM3.88 million (31 December 2022: approximately RM1.70 million), and (ii) the corporate guarantees provided by the Company.

Gearing Ratio

The gearing ratio of the Group as at 30 June 2023 was approximately 23.4% (31 December 2022: approximately 20.7%) 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 2023, the Group had 1,376 employees. Total staff costs incurred by the Group for the six months ended 30 June 2023 were approximately RM32.21 million (30 June 2022: approximately RM27.18 million), representing 69.6% of the revenue of the Group for the six months ended 30 June 2023 (30 June 2022: 61.3%).

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 74.5% of the total revenue for the six months ended 30 June 2023 (30 June 2022: approximately 75.7%). 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 to monitor the trade receivables collection cycle in order to fully recover the outstanding amounts due from our clients. As at 30 June 2023, the trade receivables were approximately RM19.55 million. Subsequent to 30 June 2023 and up to the date of this announcement, approximately RM15.13 million or 77.4% of the outstanding balances of trade receivables as at 30 June 2023 have been settled.

CAPITAL COMMITMENTS

As at 30 June 2023, the Group did not have any significant capital commitments (31 December 2022: RM3.84 million related to acquisition of 18 offices suites).

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2023.

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 respectively, 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.

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 30 June 2023, the parties entered into a fourth extension agreement (the "**Fourth Extension Agreement**"), pursuant to which Exsim has undertaken to repay the advance on or before 1 July 2024 with the interest calculated at the increased rate of 12 % per annum accrued from 1 July 2023 up to the date of repayment on a daily basis and UTSM agreed to such arrangement.

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 remained unchanged.

On 30 December 2020, upon further discussion among the parties to the said shares subscription agreement, the parties 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.

On 31 October 2022, Arcadia delivered a notice of termination to UTSM to terminate the said shares subscription agreement due to non-fulfilment of the conditions precedent. UTSM confirmed acceptance of the termination of the agreement on 10 November 2022. In connection with the termination, it was agreed that the repayment schedule shall be amended such that Arcadia shall refund in full to UTSM of all monies advanced by UTSM (i.e. RM14,000,000.00) via few instalment payments across five (5) quarters, with the first payment becoming due and payable on 30 December 2022 and the last payment becoming due and payable on 29 December 2023 in accordance with the agreed repayment arrangement. Interest will continue to accrue on the remaining unpaid portion of the advance at the rate of 11% per annum calculated on a daily basis. The interest shall be paid on a quarterly basis on the proposed quarterly payment dates as agreed or such other period as may be mutually agreed between the parties.

On 28 June 2023, Arcadia applied for deferment of loan repayment of RM3,000,000 from 30 June 2023 to 29 September 2023 with the remaining unpaid principal sum of loan advance remain unchanged. Interest shall continue to accrue on the remaining unpaid principal sum of the loan advance until full payment.

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, 24 June 2022, 18 October 2022, 10 November 2022, 3 July 2023 and 27 July 2023 respectively.

As at 30 June 2023, 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 2023 amounted to aggregated principal values of RM12 million and RM9 million with maturity dates on or before 1 July 2024 and 29 December 2023 respectively.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group had 1,376 (30 June 2022: 1,282) employees. Total staff costs incurred by the Group for the six months ended 30 June 2023 were approximately RM32.21 million (30 June 2022: approximately RM27.18 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 2023, 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 2023.

MATERIAL ACQUISITIONS OR DISPOSALS

During the six months ended 30 June 2023, 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 2022.

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.

The Group continues to remain cautious and maintain its efforts to improve productivity and expects the overall outlook for the second half of 2023 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 DIVIDEND

The Board does not recommend payment of interim dividend for the six months ended 30 June 2023 (30 June 2022: Nil).

EVENTS AFTER THE REPORTING PERIOD

There was no material events subsequent to 30 June 2023 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 2023.

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 2023.

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 2023.

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 2023, 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 2023.

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 interim results for the six months ended 30 June 2023 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 2023 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 2023 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 2023 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

Hong Kong, 28 August 2023

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.