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 2017

FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2017	2016
	RM'000	*RM'000*
Key financial data		
Revenue	**85,669**	**73,161**
Profit attributable to equity holders of the Company	**5,257**	**14,302**
Net profit margin	**6.1%**	**19.5%**
Interim dividends (per ordinary share)	**RM2 cents**	**Nil**

- As compared with the year ended 31 December 2016:
  — Total revenue increased by 17% or RM12.51 million
  — Profit attributable to equity holders decreased by 63% or RM9.05 million
  — Net profit margin stated at 6.1%
  — Interim dividend reached RM2 cents per share
- The Board does not recommend payment of a final dividend for the year ended 31 December 2017 (2016: 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 2017 together with the comparative audited figures for the year ended 31 December 2016. 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 2017

	Note	2017 *RM'000*	2016 *RM'000*
Revenue	*4*	**85,669**	73,161
Other income		**744**	671
Other gains and losses		**(2,465)**	163
Staff costs		**(58,341)**	(44,795)
Depreciation		**(1,331)**	(1,343)
Other operating expenses		**(18,730)**	(13,291)
Profit from operations		**5,546**	14,566
Finance costs		**(278)**	(248)
Profit before tax		**5,268**	14,318
Income tax expenses	*6*	**(11)**	(3)
Profit and total comprehensive income for the year	*7*	**5,257**	14,315
Profit and total comprehensive income attributable to:			
Owners of the Company		**5,257**	14,302
Non-controlling interests		**–**	13
		5,257	14,315
Earnings per share			
Basic	*9(a)*	**RM1.51 cents**	RM4.77 cents
Diluted	*9(b)*	**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Note	**2017** **RM'000**	2016 *RM'000*
Non-current assets			
Property, plant and equipment		**3,819**	2,823
Current assets			
Trade receivables	*10*	**22,245**	15,425
Other receivables		**1,401**	3,034
Tax recoverable		**71**	132
Pledged bank deposits		**2,552**	2,121
Bank and cash balances		**57,352**	2,653
		83,621	23,365
Current liabilities			
Accruals and other payables		**6,396**	4,877
Finance lease payables		**173**	163
Borrowings	*11*	**–**	2,423
		6,569	7,463
Net current assets		**77,052**	15,902
Total assets less current liabilities		**80,871**	18,725
Non-current liabilities			
Finance lease payables		**782**	955
NET ASSETS		**80,089**	17,770
Capital and reserves			
Share capital	*12*	**2,199**	250
Reserves		**77,890**	17,520
TOTAL EQUITY		**80,089**	17,770

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

On 12 July 2017 (the "Listing Date"), the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing") (the "Stock Exchange").

2. REORGANISATION AND BASIS OF PREPARATION

Prior to the incorporation of the Company and the completion of the reorganisation for the purpose of the Listing (the "Reorganisation"), the Business was carried out by companies now comprising the Group (collectively the "Operating Companies"). The Operating Companies were controlled by Marketing Intellect (UTS) Limited ("Marketing UTS") and Mr. Ng Chee Wai is the ultimate controlling party of Marketing UTS.

Immediately prior to and after the Reorganisation, the Business was and continues to be held by the Operating Companies. Pursuant to the Reorganisation, the Operating Companies together with the Business were transferred to and are held by the Company through UTS Marketing Solutions (BVI) Limited. The Reorganisation was completed on 14 June 2017 and thereafter, the Company became the holding company of the Group.

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).

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 HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2017. None of these impact on the accounting policies of the Group. However, the Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative require disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Group has provided the information for current period in the consolidated financial statements.

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2017. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019

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 the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

HKFRS 9 Financial Instruments

HKFRS 9 will replace HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of HKFRS 9 to the Group's consolidated financial statements as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at amortised costs, fair value through profit or loss and fair value through other comprehensive income. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics.

Based on the preliminary assessment, the Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. The Group expects that its financial assets currently measured at amortised cost will continue with their classification and measurement upon the adoption of HKFRS 9.

(b) ***Impairment***

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets.

Based on historical experience of the Group, the default rate of the outstanding balances with customers is low. Hence, the directors of the Company anticipate that the application of HKFRS 9 would not have material impact on the Group's future consolidated financial statements. The above assessments were made based on an analysis of the Group's financial assets as at 31 December 2017 on the basis of the facts and circumstances that existed at that date.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) ***Timing of revenue recognition***

Currently, revenue arising from the provision of telemarketing services is recognised over time.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group is currently evaluating the impact of adoption of HKFRS 15. Based on the preliminary assessment that the Group recognises revenue from provision of telemarketing services when services are rendered, which is generally consistent with the requirement under HKFRS 15, thus the Group considers that the initial application of HKFRS 15 will not have a significant impact on the Group's results of operation and financial position.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

The Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to RM3,366,000 as at 31 December 2017. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

HK(IFRIC) 23 Uncertainty over Income Tax Treatments

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

4. REVENUE

An analysis of the Group's revenue is as follows:

	2017	2016
	RM'000	*RM'000*
Telemarketing services income	**85,669**	73,161

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 were as follow:

	2017	2016
	RM'000	*RM'000*
Customer A	**12,139**	10,324
Customer B	**13,931**	8,759
Customer C *(note i)*	**8,500**	N/A
Customer D *(note i)*	**17,762**	N/A
Customer E *(note ii)*	**N/A**	9,493

Note:

(i) Customer C and D did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2016.

(ii) Customer E did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2017.

6. INCOME TAX EXPENSES

	2017	2016
	RM'000	*RM'000*
Current tax — Malaysian Income Tax		
Provision for the year	**–**	–
Under-provision in prior years	**11**	3
	11	3

Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) on the estimated taxable profits for the year ended 31 December 2017.

Certain subsidiaries incorporated in Malaysia enjoy tax rate of 19% on the first RM500,000 and remaining balance of the estimated taxable profit at tax rate of 24% for the year ended 31 December 2016.

No provision of profit tax in Cayman Islands, British Virgin Islands, Hong Kong and Indonesia is required as the Group has no assessable profit for the year arising in or derived from these jurisdictions for the years ended 31 December 2017 and 2016.

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

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

7. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging the following:

	2017	2016
	RM'000	*RM'000*
Auditor's remuneration	**462**	37
Listing expenses	**7,297**	3,470
Operating lease charges in respect of		
— Hire of plant and equipment	**106**	55
— Land and buildings	**2,988**	2,535
	3,094	2,590
Staff costs (including directors' emoluments)		
— Salaries, bonuses and allowances	**51,541**	39,394
— Retirement benefit scheme contributions	**6,100**	4,854
— Social insurance contributions	**700**	547
	58,341	44,795

8. DIVIDENDS

	2017 *RM'000*	2016 *RM'000*
Dividends declared and paid to the then shareholders of a subsidiary of the Company prior to the Listing	**5,000**	12,300
2017 Interim dividends of RM2 cents (2016: Nil) per ordinary share paid	**8,000**	–
	13,000	12,300

The Board does not recommend payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

9. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2017 *RM'000*	2016 *RM'000*
Earnings		
Earnings for the purpose of calculating basic earnings per share	**5,257**	14,302

	2017 *'000*	2016 *'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share *(Note)*	**347,397**	300,000

Note: In determining the number of shares in issue, the total of 300,000,000 shares issued (1 share issued on the incorporation of the Company, 99 shares issued on Reorganisation and 299,999,900 shares issued on capitalisation issue) were deemed to have been in issue since 1 January 2016.

(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 2017 and 2016.

10. TRADE RECEIVABLES

	2017	2016
	RM'000	*RM'000*
Trade receivables	**22,245**	15,425

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 is as follows:

	2017	2016
	RM'000	*RM'000*
0 to 30 days	**8,442**	8,738
31 to 60 days	**7,325**	5,826
61 to 90 days	**2,228**	648
91 to 120 days	**1,348**	213
121 to 180 days	**2,902**	–
	22,245	15,425

As at 31 December 2017, trade receivables of approximately RM13,803,000 (2016: RM6,687,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2017	2016
	RM'000	*RM'000*
Up to 3 months	**10,901**	6,687
Over 3 months	**2,902**	–
	13,803	6,687

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

11. BORROWINGS

	2017 RM'000	2016 RM'000
Bank overdrafts, secured and repayable on demand	–	2,423

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

At 31 December 2017, the Group's average interest rates for the bank overdrafts is 8.49% (2016: 8.60%).

The Group's bank overdrafts are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

As at 31 December 2017, the Group's bank overdrafts are secured by the pledged bank deposits and the corporate guarantees provided by the Company.

As at 31 December 2016, the Group's bank overdrafts are secured by the personal guarantees executed jointly and severally by the directors of the Company and pledged bank deposits. Such personal guarantees have been fully released in 2017.

12. SHARE CAPITAL

	Note	Number of shares	Amount *HK$'000*
Authorised:			
Ordinary shares of HK$0.01 each			
On incorporation, at 31 December 2016 and 1 January 2017	*(a)*	38,000,000	380
Increase in authorised share capital	*(d)*	9,962,000,000	99,620
At 31 December 2017		10,000,000,000	100,000

		Number of shares	Amount *HK$'000*	Equivalents to amount *RM'000*
Issued and fully paid:				
On incorporation, at 31 December 2016 and 1 January 2017	*(b)*	1	–*	–*
Issue of ordinary shares pursuant to the Reorganisation	*(c)*	99	–*	–*
Share capitalisation	*(e)*	299,999,900	3,000	1,649
Issue of new shares pursuant to public offer	*(f)*	100,000,000	1,000	550
At 31 December 2017		400,000,000	4,000	2,199

* *Represents the amount less than HK$1,000 and RM1,000.*

Note:

(a) The Company was incorporated as an exempted company in the Cayman Islands on 23 August 2016 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each.

(b) On incorporation, one subscriber share was allotted and issued to the initial subscriber at par, which was transferred subsequently to Marketing Intellect (UTS) Limited, a company wholly owned by Mr. Ng Chee Wai, at par value on the same date.

(c) On 14 June 2017, 22, 18 and 59 shares were allotted and issued and fully paid to Marketing Talent (UTS) Limited, Marketing Wisdom (UTS) Limited and Marketing Intellect (UTS) Limited respectively.

(d) Pursuant to the written resolutions passed by the shareholders of the Company held on 14 June 2017, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each by the creation of 9,962,000,000 shares of HK$0.01 each.

(e) Pursuant to the written resolutions passed by the shareholders of the Company on 14 June 2017, conditional on share premium account of the Company being credited as a result of the Listing, the directors were authorised to capitalise an amount of approximately RM1,649,000 (equivalent to approximately HK$3,000,000) standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 299,999,900 shares for allotment and issue to the then existing shareholders in proportion to their respective shareholdings. The capitalisation was completed on 12 July 2017.

(f) On the Listing Date, the Company issued 100,000,000 new shares at HK$1.38 each in relation to the Listing. The premium on the issue of shares, amounting to approximately RM75,324,000 (equivalent to approximately HK$137,000,000) was credited to the Company's share premium account. These new shares rank pari passu with the existing shares in all respects.

Share capital as presented in the consolidated statement of financial position as at 31 December 2016 represented the issued and paid up capital of UTS Marketing Solutions Sdn. Bhd., a subsidiary of the Company, of 250,000 ordinary shares of RM1 each.

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 2017 is 8% (2016: 32%).

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 bank borrowings.

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 2017, 25% (2016: Nil) 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 2017 and 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in outbound telemarketing services of financial products, which include insurance products (conventional and takaful insurance products), promoting credit cards and balance transfer, and soliciting donation programmes for our clients in Malaysia. Our current clienteles are mainly banks, insurance companies, takaful operators, and charitable organisations in Malaysia. On 28 April 2017, the Group entered into a new lease agreement to lease a property with an approximate gross floor area of 9,649 sq. ft. located at Tingkat 9, Bangunan KWSP, No. 3, Changkat Raja Chulan, 50200 Kuala Lumpur, Malaysia with effect from 1 April 2017 as an additional contact centre for outbound contact services. Such new contact centre provides 276 workstations and has been in operation since May 2017.

As at 31 December 2017, the total number of workstation orders that the Group received from its clients was approximately 1,229. A new project, being a CoBrand Credit Card outsource telemarketing project was launched in mid-April 2017 with a pilot order of 10 workstations per month from the client and increased to 40 workstations per month thereafter. For the year ended 31 December 2017, the Group operated six contact centres situated within the central business district of Kuala Lumpur, Malaysia with monthly average number of staff of 1,446.

The Group's net profit for the year ended 31 December 2017 amounted to approximately RM5.26 million, representing a decrease of approximately RM9.06 million as compared to approximately RM14.32 million for the corresponding year ended 31 December 2016. The decrease was mainly due to increase in one-off listing expenses incurred on professional and consultancy fees in preparation for the Listing of approximately RM3.83 million, the recognition of unrealised foreign exchange loss of approximately RM2.63 million for the year ended 31 December 2017, and the higher staff costs of approximately RM13.54 million.

Prospect

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

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

From 1 July 2017 onwards, a new policy on motor insurance coverage comes into effect, as Bank Negara Malaysia (BNM) introduces flexible premium pricing rate for comprehensive and third-party fire and theft insurance products where premium pricing will be determined by individual insurers and takaful operators. Prior to that, premiums were tariffed, insurance companies were not allowed to vary the prices chargeable on the insurance policy (**"**Liberalisation").

The Group remains optimistic on the motor insurance sector because the Liberalisation encourages innovation and competition among insurers and takaful operators.

The Liberalisation is expected to result in insurance companies and takaful operators increasing their competitive advantage by offering customers creative and attractive packages via new distribution channels such as cost efficient telemarketing and online channels that would enable insurance protection to be purchased in a manner most accessible and convenient to consumers.

Financial Review

Revenue

	2017	2016
	RM'000	*RM'000*
Industry sector		
Insurance	**73,668**	59,069
Banking and Financial	**6,410**	7,136
Telecommunications	**–**	713
Others	**5,591**	6,243
Total	**85,669**	73,161

For the year ended 31 December 2017, the Group recorded revenue of approximately RM85.67 million, representing an increase of approximately 17% as compared with approximately RM73.16 million for the year ended 31 December 2016. Such increase in revenue was attributable to the increase in the number of workstations ordered by our clients, particularly from the insurance sector.

The overall average number of workstation orders per month increased from 1,022 for the year ended 31 December 2016 to 1,172 for the year ended 31 December 2017. Revenue generated per workstation per month remained relatively stable for the years ended 31 December 2017 and 2016, which were RM6,091 and RM5,967 respectively.

Other income

For the year ended 31 December 2017, other income increased by approximately RM0.07 million or 10% compared to the year ended 31 December 2016, from approximately RM0.67 million to approximately RM0.74 million, primarily due to higher interest income from the pledged bank deposits.

Other gains and losses

For the year ended 31 December 2017, other gains and losses decreased by approximately RM2.63 million compared to the year ended 31 December 2016, from gains of approximately RM0.16 million to losses of approximately RM2.47 million, primarily due to increase in unrealised foreign exchange loss.

Staff costs

For the year ended 31 December 2017, staff costs increased by approximately RM13.54 million or 30% compared to the year ended 31 December 2016, from approximately RM44.80 million to approximately RM58.34 million. This was mainly due to the increase in average staff costs per staff per month of RM2,961 for the year ended 31 December 2016 to RM3,362 for the year ended 31 December 2017.

The monthly average number of staff increased from 1,261 for year ended 31 December 2016 to 1,446 for the year ended 31 December 2017. The increase was in tandem to the increase in the number of workstations ordered by our clients.

Depreciation

For the year ended 31 December 2017, depreciation charges decreased by approximately RM0.01 million or 1% compared to the year ended 31 December 2016, from approximately RM1.34 million to approximately RM1.33 million. The decrease in depreciation charges was mainly due to increase in fully depreciated property, plant and equipment during the year.

Other operating expenses

For the year ended 31 December 2017, other operating expenses increased by approximately RM5.44 million or 41% compared to the year ended 31 December 2016, from approximately RM13.29 million to approximately RM18.73 million. The increase was primarily due to (i) higher audit fee of approximately RM0.43 million, (ii) one-off donation of approximately RM0.57 million, (iii) higher consultancy and professional fees of approximately RM0.57 million and (iv) higher listing expenses incurred. Listing expenses increased by approximately RM3.83 million or 110% compared to the year ended 31 December 2016, from approximately RM3.47 million to approximately RM7.30 million.

Finance costs

For the year ended 31 December 2017, finance costs increased by approximately RM0.03 million or 12% compared to the year ended 31 December 2016, from approximately RM0.25 million to approximately RM0.28 million. The increase was primarily due to increase in bank overdraft interest on higher utilisation of bank overdraft facilities to fund the listing expenses incurred during the year.

Income tax expenses

Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) on the estimated taxable profits for the year ended 31 December 2017.

One of our subsidiaries, Tele Response Sdn. Bhd., obtained a pioneer certificate from the Malaysian Investment Development Authority in 2011 and was entitled to tax exemption of its statutory income for a period of 5 years from 10 February 2010 to 9 February 2015, which was then renewed for a further 5 years from 10 February 2015 to 9 February 2020.

For the year ended 31 December 2017, income tax expenses increased by RM8,000, from approximately RM3,000 for the year ended 31 December 2016 to approximately RM11,000 for the year ended 31 December 2017.

Net profit and net profit margin

As a result of the above factors, the Group recorded a profit after tax of approximately RM5.26 million and RM14.32 million for the years ended 31 December 2017 and 2016 respectively. Net profit margin was approximately 6.1% and 19.5% for the years ended 31 December 2017 and 2016 respectively. The decrease in net profit margin by 13.4% was mainly due to the increase in other operating expenses as a result of the one-off listing expenses incurred for the preparation for the Listing during the year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Financial resources

The Group generally meets its working capital requirements and capital expenditures on plant and equipment from its internally generated funds and bank overdrafts. For the year ended 31 December 2017, the Group generated net cash inflow from operating activities of approximately RM2.82 million (2016: approximately RM13.04 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.

Borrowings and finance lease payables

As at 31 December 2017, the Group had an aggregate of current and non-current bank borrowings and finance lease obligations of approximately RM0.96 million (2016: approximately RM3.54 million), which were all denominated in Malaysian Ringgit. The Group's average interest rate for the bank overdrafts was 8.49% (2016: 8.60%) whereas the average effective interest rate for finance lease was 5.13% (2016: 5.12%).

Capital Structure

As at 31 December 2017, the Group's total equity and liabilities amounted to approximately RM80.09 million and RM7.35 million respectively (2016: approximately RM17.77 million and RM8.42 million respectively).

PLEDGE OF ASSETS

As at 31 December 2017, the Group's bank borrowings, which were all denominated in Malaysian Ringgit, were secured by (i) the pledged bank deposits of approximately RM2.55 million (2016: approximately RM2.12 million), and (ii) corporate guarantees provided by the Company (2016: personal guarantees executed jointly and severally by the directors of the Company which were fully released in 2017).

CAPITAL COMMITMENTS

The Group did not have any material capital commitments as at 31 December 2017.

INTEREST RATE RISK

As at 31 December 2017, our Group's pledged bank deposits and finance lease payables bear interest at fixed interest rates and therefore are subject to fair value interest rate risk. Our Group's exposure to cash flow interest rate risk arises from its borrowings. These borrowings bear interests at variable rates that varied with the then prevailing market condition. The Directors believe that the Group does not have significant interest rate risk exposures.

FOREIGN CURRENCY EXPOSURE

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

HUMAN RESOURCES

For the year ended 31 December 2017, the Group had monthly average number of staff of 1,446 (2016: 1,261). Total staff costs incurred by the Group for the year ended 31 December 2017 were approximately RM58.34 million (2016: approximately RM44.80 million).

The employees of the Group are remunerated according to their job scope and responsibilities. Performance linked commission and allowances in addition to fixed salary are paid to the employees to drive productivity and performance. The employees are also entitled to annual discretionary performance bonus, salary increment and promotion based on regular performance review and annual appraisal.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any significant contingent liabilities (2016: Nil).

SIGNIFICANT INVESTMENTS

As at 31 December 2017, the Group did not hold any significant investments (2016: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2017, save for the reorganisation of the Group in preparation of the Listing, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

DIVIDEND

The Company has declared and fully paid an interim dividend of RM2 cents per share for the year ended 31 December 2017.

The Board does not recommend payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

EVENTS AFTER THE REPORTING PERIOD

There had been no event subsequent to 31 December 2017 which requires adjustment to or disclosure in this results announcement.

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 costs

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

For the year ended 31 December 2017, the Group had a monthly average number of staff of 1,446 (2016: 1,261). Total staff costs incurred by the Group for the year ended 31 December 2017 were approximately RM58.34 million (2016: approximately RM44.80 million), representing approximately 68% of the revenue of the Group for the year ended 31 December 2017 (2016: 61%).

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

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

Delay in settlement of bills from the five largest clients

The majority of the Group's revenue is derived from a limited number of clients. Sales to the five largest clients accounted for approximately 69% of the total revenue for the year ended 31 December 2017 (2016: approximately 55%). All the five largest clients are in the insurance sector.

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

The Group will continue monitoring the trade receivables collection cycle in order to fully recover the outstanding amounts due from our clients. As at 31 December 2017, the trade receivables were approximately RM22.25 million. Subsequent to 31 December 2017 and up to the date of this announcement, approximately RM19.63 million or 88% of the outstanding balances of trade receivables as at 31 December 2017 were settled.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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 2017.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Group's auditor, RSM Hong Kong, to the amounts set out in the Group's consolidated financial statements for the year. 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 and consequently no assurance has been expressed by RSM Hong Kong on this preliminary announcement.

CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. During the year, the Company has complied with the relevant provisions of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standards as set out in the Model Code during the year.

USE OF PROCEEDS FROM IPO

On 12 July 2017, the Company's shares were listed on the Main Board of the Stock Exchange. A total of 100,000,000 shares were issued to the public at HK$1.38 per share for a total gross proceeds of HK$138 million. The total net proceeds raised from the IPO of the Company were approximately HK$109.7 million after the deduction of related listing expenses. The use of proceeds has been consistent with the disclosure in the prospectus of the Company dated 22 June 2017. Up to 31 December 2017, the respective use of the net proceeds is as follows:

Intended applications	**Actual net proceeds received**	**Amount utilised as at 31 December 2017**	**Amount unutilised as at 31 December 2017**
	RM'000	*RM'000*	*RM'000*
Expanding of outbound contact service business	30,137	–	30,137
Setting up inbound contact centre	15,070	–	15,070
Upgrading and enhancing information technology system	9,041	–	9,041
Working capital	6,027	6,027	–
Total	60,275	6,027	54,248

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

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

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from 21 May 2018 to 25 May 2018 (both days inclusive), during such period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting, all transfer of shares of the Company accompanied by the relevant share certificate(s) and appropriate transfer form(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 18 May 2018.

AUDIT COMMITTEE

The Audit Committee of the Company was established on 14 June 2017 with written terms of reference in compliance with the Listing Rules. The committee 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 2017 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 reviewed the audited consolidated financial statements for the year ended 31 December 2017.

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 www.unitedteleservice.com. The 2017 annual report of the Company will be despatched to shareholders of the Company and published on the aforesaid websites on or before 24 April 2018.

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

Hong Kong, 26 March 2018

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.