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 2018

FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2018	2017
	RM'000	*RM'000*
Key financial data		
Revenue	**83,140**	85,669
Profit attributable to equity holders of the Company	**15,127**	5,257
Net profit margin	**18.2%**	6.1%
Interim dividends (per ordinary share)	**Nil**	RM2 cents

- As compared with the year ended 31 December 2017:
  - — Total revenue decreased by 3.0% or RM2.53 million
  - — Profit attributable to equity holders increased by 187.7% or RM9.87 million
  - — Net profit margin stated at 18.2%
- The Board recommends payment of a final dividend of RM6 cents per ordinary share for the year ended 31 December 2018 (2017: 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 2018 together with the comparative audited figures for the year ended 31 December 2017. 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 2018

	Note	**2018**	2017
		RM'000	*RM'000*
Revenue	*4*	**83,140**	85,669
Other income		**774**	744
Other gains and losses		**1,004**	(2,465)
Staff costs		**(56,271)**	(58,341)
Depreciation		**(1,064)**	(1,331)
Other operating expenses		**(12,377)**	(18,730)
Profit from operations		**15,206**	5,546
Finance costs		**(75)**	(278)
Profit before tax		**15,131**	5,268
Income tax expenses	*6*	**(4)**	(11)
Profit and total comprehensive income for the year	*7*	**15,127**	5,257
Earnings per share			
Basic	*9(a)*	**RM3.78 cents**	RM1.51 cents
Diluted	*9(b)*	**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2018

	Note	2018 RM'000	2017 RM'000
Non-current assets			
Property, plant and equipment		**3,086**	3,819
Current assets			
Trade receivables	*10*	**15,533**	22,245
Other receivables		**1,109**	1,401
Tax recoverable		**109**	71
Pledged bank deposits		**2,965**	2,552
Bank and cash balances		**79,888**	57,352
		99,604	83,621
Current liabilities			
Accruals and other payables		**6,692**	6,396
Finance lease payables		**183**	173
		6,875	6,569
Net current assets		**92,729**	77,052
Total assets less current liabilities		**95,815**	80,871
Non-current liabilities			
Finance lease payables		**599**	782
NET ASSETS		**95,216**	80,089
Capital and reserves			
Share capital	*11*	**2,199**	2,199
Reserves		**93,017**	77,890
TOTAL EQUITY		**95,216**	80,089

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 at Unit 1802, 18/F, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong. The headquarters and principal place of business of the Group is at Tingkat 10, Bangunan KWSP, No. 3 Changkat Raja Chulan, 50200 Kuala Lumpur, Malaysia.

The Company is an investment holding company. The Company and its subsidiaries (collectively the "Group") are principally engaged in the provision of outbound telemarketing services and contact centre facilities for promotion of financial products and its related activities issued by authorised financial institutions, card companies or organisation worldwide (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 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) HKFRS 9 Financial Instruments;
(ii) HKFRS 15 Revenue from Contracts with Customers; and
(iii) HK(IFRIC) 22 Foreign Currency Transactions and Advance Consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(i) HKFRS 9 Financial Instruments

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

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. There is no significant impact on the Group's financial position and financial result upon initial application at 1 January 2018.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set below:

(a) Classification

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVTOCI") and at fair value through profit or loss ("FVTPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Under HKFRS 9, the classification for all of the Group's financial assets and financial liabilities measured at amortised cost remain the same. The carrying amounts for all financial assets and financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

(b) Impairment

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

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

(ii) HKFRS 15 Revenue from Contracts with Customers

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

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The adoption of HKFRS 15 does not have any material impact on the Group's financial position and financial result upon initial application at 1 January 2018.

(iii) HK(IFRIC) 22 Foreign Currency Transactions and Advance Consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

(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 2018. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to HKFRSs 2015–2017 Cycle	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 HKFRS 16 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 16, 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 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

(i) 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 RM1,723,000 as at 31 December 2018. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2019 onwards.

(ii) 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 from contracts with customers for the year from continuing operations is as follows:

	2018	2017
	RM'000	*RM'000*
Revenue from contracts with customers within the scope of HKFRS 15		
— Telemarketing services income	**83,140**	85,669

The Group derives revenue from the transfer of services over time in Malaysia for the years ended 31 December 2018 and 2017.

5. SEGMENT INFORMATION

Operating segment information

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

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

Geographical information

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

Revenue from major customers

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

	2018	2017
	RM'000	*RM'000*
Customer A	**22,396**	17,762
Customer B	**10,114**	13,931
Customer C *(note i)*	**9,016**	N/A
Customer D *(note ii)*	**N/A**	12,139
Customer E *(note ii)*	**N/A**	8,500

Notes:

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

(ii) Customers D and E did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2018.

6. INCOME TAX EXPENSES

	2018	2017
	RM'000	*RM'000*
Current tax — Malaysian Income Tax		
Provision for the year	**–**	–
Under-provision in prior years	**4**	11
	4	11

Malaysian income tax is calculated at the statutory tax rate of 24% (2017: 24%) on the estimated taxable profits for the year ended 31 December 2018.

No provision of profit tax in Cayman Islands, British Virgin Islands and Hong Kong is required as the Group has no assessable profit arising in or derived from these jurisdictions for the years ended 31 December 2018 and 2017.

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

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

7. PROFIT FOR THE YEAR

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

	2018	2017
	RM'000	*RM'000*
Auditor's remuneration	**459**	462
Listing expenses	**–**	7,297
Operating lease charges in respect of		
— Hire of plant and equipment	**131**	106
— Land and buildings	**2,883**	2,988
	3,014	3,094
Staff costs (including directors' emoluments)		
— Salaries, bonuses and allowances	**49,625**	51,541
— Retirement benefit scheme contributions	**5,919**	6,100
— Social insurance contributions	**727**	700
	56,271	58,341

8. DIVIDENDS

	2018	2017
	RM'000	*RM'000*
Dividends declared and paid to the then shareholders of a subsidiary of the Company prior to the Listing	**–**	5,000
2017 Interim dividends of RM2 cents per ordinary share paid	**–**	8,000
	–	13,000

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2018 of RM6 cents per ordinary share has been proposed by the directors and is subject to approval by the shareholders at the forthcoming general meeting. The Board did not recommend payment of a final dividend for the year ended 31 December 2017.

9. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2018	2017
	RM'000	*RM'000*
Earnings		
Earnings for the purpose of calculating basic earnings per share	**15,127**	5,257

	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**400,000**	347,397

(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 2018 and 2017.

10. TRADE RECEIVABLES

	2018	2017
	RM'000	*RM'000*
Trade receivables	**15,533**	22,245

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:

	2018	2017
	RM'000	*RM'000*
0 to 30 days	**6,522**	8,442
31 to 60 days	**5,726**	7,325
61 to 90 days	**1,968**	2,228
91 to 120 days	**564**	1,348
121 to 180 days	**753**	2,902
	15,533	22,245

As at 31 December 2018, none (2017: none) of the Group's trade receivables was individually or collectively considered to be impaired. The Group does not hold any collateral over these balances.

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

11. SHARE CAPITAL

	Note	**Number of shares**	**Amount** *HK$'000*
Authorised:			
Ordinary shares of HK$0.01 each			
At 1 January 2017	*(a)*	38,000,000	380
Increase in authorised share capital	*(d)*	9,962,000,000	99,620
At 31 December 2017, 1 January 2018 and 31 December 2018		10,000,000,000	100,000

	Note	Number of shares	Amount	Equivalents to amount
			HK$'000	*RM'000*
Issued and fully paid:				
At 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, 1 January 2018 and 31 December 2018		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.

12. EVENTS AFTER THE REPORTING PERIOD

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 provide an advance of RM12,000,000 ("Advance") to Mightyprop, a wholly owned subsidiary of Exsim. Exsim and Mightyprop are principally engaged in the business of property development in Malaysia.

The Advance is unsecured, interest-bearing at 10% per annum and repayable within 3 months upon expiry of 12 months from the date of Advance. In addition, Exsim agreed to transfer 2 shares of Mightyprop, representing 2% of its entire issued share capital to UTSM at nominal consideration. Details of the transactions are set out in the Company's announcement dated 31 January 2019.

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.

As at 31 December 2018, the total number of workstation orders that the Group received from its clients was approximately 1,062. The Group operates six contact centres situated within the central business district of Kuala Lumpur, Malaysia with an employee strength of approximately 1,341.

The Group was able to sustain its leading role in a challenging business environment during the year by raising more workstation orders from charitable organisations to mitigate the slight reduction in the number of workstation orders from insurance clients.

The Group's net profit for the year ended 31 December 2018 amounted to approximately RM15.13 million, representing an increase of approximately RM9.87 million or 187.7%, as compared to approximately RM5.26 million for the corresponding year ended 31 December 2017, despite of a 3% reduction in total revenue from approximately RM85.67 million to approximately RM83.14 million.

The increase in net profit was mainly attributable to (i) the decrease in non-recurring listing expenses incurred on professional and consultancy fees in preparation for the Listing in prior year by approximately RM7.30 million and (ii) the increase in unrealised foreign exchange gain by approximately RM3.55 million.

Prospects

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

- Further strengthen our market position as one of the leading outbound contact service providers in Malaysia by expanding our capacity;

- Capitalise on the potential inbound contact services by setting up an inbound contact centre. The Group plans to penetrate the market of inbound contact services through sourcing clients form 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.

The Group expects the overall outlook for the domestic market remains stable and resilient. The Group is in the pipeline to kick start a number of new programmes in 2019 with a new financial institution database sponsor.

Financial Review

Revenue

	2018	2017
	RM'000	*RM'000*
Industry sector		
Insurance	**69,746**	73,668
Banking and financial	**4,855**	6,410
Others	**8,539**	5,591
	83,140	85,669

For the year ended 31 December 2018, the Group recorded a revenue of approximately RM83.14 million, representing a decrease of approximately RM2.53 million or 3.0% as compared with approximately RM85.67 million for the corresponding year ended 31 December 2017. Such decrease in revenue was attributable to the decrease in the number of workstations ordered by our clients from, in particular, the insurance, banking and financial sectors, but was offset by more orders from other clients, particularly charitable organisations.

The overall average number of workstation orders per month decreased from approximately 1,172 for the year ended 31 December 2017 to approximately 1,139 for the year ended 31 December 2018. Revenue generated per workstation per month remained relatively stable for the years ended 31 December 2018 and 2017, which were approximately RM6,083 and RM6,091, respectively.

Other income

For the year ended 31 December 2018, other income increased by approximately RM0.03 million or 4.1% as compared to prior year, from approximately RM0.74 million to approximately RM0.77 million, primarily due to higher interest income from pledged bank deposits.

Other gains and losses

For the year ended 31 December 2018, other gains and losses increased by approximately RM3.47 million as compared to prior year, from losses of approximately RM2.47 million to gains of approximately RM1.00 million, primarily due to the increase in unrealised foreign exchange gain by approximately RM3.55 million.

Staff costs

For the year ended 31 December 2018, staff costs decreased by approximately RM2.07 million or 3.5%, from approximately RM58.34 million to approximately RM56.27 million. This was mainly due to the decrease in the monthly average number of staff from 1,446 for the year ended 31 December 2017 to 1,427 for the year ended 31 December 2018.

The decrease in the average number of staff was in line with the decrease in the number of workstations ordered by our clients.

Depreciation

For the year ended 31 December 2018, depreciation charges decreased by approximately RM0.27 million or 20.3%, from approximately RM1.33 million to approximately RM1.06 million. The decrease in the depreciation charges was mainly due to increase in the amount of fully depreciated property, plant and equipment during the year.

Other operating expenses

For the year ended 31 December 2018, other operating expenses decreased by approximately RM6.35 million or 33.9%, from approximately RM18.73 million to approximately RM12.38 million. The decrease was primarily due to the decrease in non-recurring listing expenses incurred on professional and consultancy fees in preparation for the Listing in prior year by approximately RM7.30 million.

Finance costs

For the year ended 31 December 2018, finance costs decreased by approximately RM0.20 million or 71.4%, from approximately RM0.28 million to approximately RM0.08 million. The decrease was primarily due to the decrease in bank overdraft interest on lower utilisation of bank overdraft facilities during the year.

Income tax expenses

No income tax expenses provision was required for the year ended 31 December 2018 as the Group did not generate any assessable profits arising from the year ended 31 December 2018. A subsidiary of the Group was entitled for tax exemption from its statutory income in Malaysia for a period of 5 years from 10 February 2015 to 9 February 2020.

Net profit and net profit margin

As a result of the above factors, the Group recorded a profit after tax of approximately RM15.13 million and RM5.26 million for the years ended 31 December 2018 and 2017 respectively. Net profit margin was approximately 18.2% and 6.1% for the years ended 31 December 2018 and 2017, respectively. The increase in net profit margin by 12.1% was mainly due to the decrease in other operating expenses as a result of the non-recurring listing expenses incurred for the preparation for the Listing in prior 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. For the year ended 31 December 2018, the Group generated net cash inflow from operating activities of approximately RM23.35 million (2017: approximately RM2.82 million). The Group was able to fulfil its repayment obligations when they became due. The Group did not experience any material difficulties in rolling over its banking facilities.

Banking facilities and finance lease payables

As at 31 December 2018 and 2017, the Group has available and unutilised facilities from banks amounting to RM5.00 million. The carrying amount of the Group's facilities are denominated in Malaysian Ringgit.

The Group's average effective interest rate for the banking facilities is 8.80% (2017: 8.49%). The Group's banking facilities are secured by the pledged bank deposits and the corporate guarantees provided by the Company.

As at 31 December 2018, the Group has an aggregate of current and non-current finance lease obligations of approximately RM0.78 million (2017: approximately RM0.96 million), all denominated in Malaysian Ringgit whereas the average effective interest rate for finance lease is 5.14% (2017: 5.13%) secured by the lessor's title to the leased assets.

Capital Structure

As at 31 December 2018, the Group's total equity and liabilities amounted to approximately RM95.22 million and RM7.47 million respectively (2017: approximately RM80.09 million and RM7.35 million respectively).

Gearing ratio

The gearing ratio of the Group as at 31 December 2018 was 0.8% (2017: 1.2%) which is calculated based on the total debt divided by equity attributable to equity holders of the Company, and total debt represents finance lease payables. The Group has a strong liquidity position to meet its operation needs.

PLEDGE OF ASSETS

As at 31 December 2018, the Group's banking facilities, which were all denominated in Malaysian Ringgit, were (i) secured by the pledged bank deposits of approximately RM2.97 million (2017: approximately RM2.55 million), and (ii) guaranteed by corporate guarantees of the Company.

CAPITAL COMMITMENTS

The Group did not have any material capital commitments as at 31 December 2018 (2017: Nil).

INTEREST RATE RISK

As at 31 December 2018, our Group's pledged bank deposits and finance lease payables bore interest at fixed interest rates and therefore were subject to fair value interest rate risk. Our Group's exposure to cash flow interest rate risk arises from its bank deposits. These deposits bore 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

Save and except 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 currency of the Group, Malaysian Ringgit. The Group currently does not have a hedging policy in respect of foreign currency transactions, assets and liabilities. Our management monitors our foreign currency exposure from time to time and will consider hedging significant foreign currency exposure should the need arise.

HUMAN RESOURCES

For the year ended 31 December 2018, the Group had monthly average number of staff of 1,427 (2017: 1,446). Total staff costs incurred by the Group for the year ended 31 December 2018 were approximately RM56.27 million (2017: approximately RM58.34 million).

The employees of the Group are remunerated according to their work 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 bonuses, salary increment and promotion based on regular performance review and annual appraisal.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any significant contingent liabilities (2017: Nil).

SIGNIFICANT INVESTMENTS

As at 31 December 2018, the Group did not hold any significant investments (2017: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2018, there was no material acquisition or disposal by the Group (2017: Nil).

DIVIDEND

The Company did not recommend an interim dividend for the year ended 31 December 2018 (2017: RM2 cents per ordinary share).

The Board recommends the payment of a final dividend of RM6 cents per ordinary share for the year ended 31 December 2018 (2017: Nil).

EVENTS AFTER THE REPORTING PERIOD

As disclosed in the announcement of the Company dated 31 January 2019, UTS Marketing Solutions Sdn. Bhd.("UTS Malaysia"), a wholly-owned subsidiary of the Company, entered into an agreement with Exsim Development Sdn. Bhd.("Exsim") and Mightyprop Sdn. Bhd. ("Mightyprop") in relation to a financial assistance. Pursuant to the agreement, UTS Malaysia agreed to provide an advance of RM12,000,000 (the "Advance") to Mightyprop, a wholly-owned subsidiary of Exsim. Exsim and Mightprop are principally engaged in the business of property development in Malaysia.

The Advance is unsecured, interest-bearing at 10% per annum and repayable within 3 months upon expiry of 12 months from the date of Advance. In addition, Exsim agreed to transfer 2 shares of Mightyprop, representing 2% of its entire issued share capital to UTS Malaysia at nominal consideration.

The Advance constituted a discloseable transaction of the Company under the Listing Rules.

Save for the aforesaid, there is no other event subsequent to 31 December 2018 which requires adjustment to or disclosure in this results announcement.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

The major factors which may affecting 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 condition and prospects.

As at 31 December 2018, the Group had 1,341 employees. Total staff costs incurred by the Group for the year ended 31 December 2018 were approximately RM56.27 million (2017: approximately RM58.34 million), representing approximately 67.7% of the total revenue of the Group for the year ended 31 December 2018 (2017: 68.1%).

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 pre-determined sales target.

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

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 66.6% of the total revenue for the year ended 31 December 2018 (2017: 68.5%). All the five largest clients are in the insurance sector.

The Group may be subject to the risk of delay in payment 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 monitors the trade receivables collection status from time to time in order to fully recover the outstanding amounts due from our clients. As at 31 December 2018, the trade receivables were approximately RM15.53 million. Subsequent to 31 December 2018 and up to the date of this announcement, approximately RM13.06 million or 84.1% of the outstanding balances of trade receivables 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 2018.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2018 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 ended 31 December 2018, the Company has complied with the code provisions as set out in the CG Code, save and except code provision C2.5 of the CG Code.

The Company does not have an internal audit function as the Board presently considers that the size, nature and complexity of the Group's business does not require such function. The Board reviews and will continue to review the need to set up an independent internal audit function on an annual basis. At current stage, our finance team assumes the responsibility for conducting regular review of internal control procedures. Although this arrangement can be improved, the Board is not concerned with the lack of segregation of duties having assumed the current organisational structure, lines of responsibility and authority of the management team and the risks associated with the operation of the Group. The Board considers that the internal control and risk management system is effective during the year under review.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code 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 THE INITIAL PUBLIC OFFERING ("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 intended use of proceeds has been consistent with the disclosure in the prospectus of the Company dated 22 June 2017. Up to 31 December 2018, the respective use of the net proceeds is as follows:

Intended applications	**Actual net proceeds received** *RM'000*	**Amount utilised as at 31 December 2018** *RM'000*	**Amount unutilised as at 31 December 2018** *RM'000*
Expanding 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 service business and setup 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 23 April 2019 to 26 April 2019 (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 April 2019.

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 2018 have been reviewed by the Audit Committee. The Audit Committee has 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 2018.

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 2018 annual report of the Company will be despatched to shareholders of the Company and published on the aforesaid websites on or before 25 March 2019.

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

Hong Kong, 18 March 2019

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.