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UTS MARKETING SOLUTIONS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6113)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of directors (the "Board") of UTS Marketing Solutions Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively refer to as the "Group") for the six months ended 30 June 2019, together with the comparative figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	Note	***RM'000***	*RM'000*
		(unaudited)	(unaudited)
Revenue	*5*	**39,037**	45,042
Other income		**1,576**	385
Other gains and losses		**389**	(366)
Staff costs		**(27,982)**	(28,897)
Depreciation		**(1,106)**	(518)
Other operating expenses		**(5,187)**	(6,502)
Profit from operations		**6,727**	9,144
Finance costs		**(789)**	(53)
Profit before tax		**5,938**	9,091
Income tax expense	*6*	**–**	–
Profit and total comprehensive income for the period	*7*	**5,938**	9,091
		RM	*RM*
Earnings per share	*9*		
Basic		**1.48 cents**	2.27 cents
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Note	**30 June 2019** *RM'000* **(unaudited)**	31 December 2018 *RM'000* (audited)
Non-current assets			
Property, plant and equipment	*10*	**2,912**	3,086
Right-of-use assets	*11*	**2,881**	–
Subleasing receivables		**445**	–
Financial assets at amortised cost	*12*	**14,545**	–
		20,783	3,086
Current assets			
Trade receivables	*13*	**18,728**	15,533
Other receivables		**1,191**	1,109
Financial assets at amortised cost	*12*	**12,077**	–
Tax recoverable		**55**	109
Pledged bank deposits		**3,206**	2,965
Bank and cash balances		**30,277**	79,888
		65,534	99,604
Current liabilities			
Accruals and other payables		**5,555**	6,692
Lease liabilities		**1,957**	–
Finance lease payables		**–**	183
		7,512	6,875
Net current assets		**58,022**	92,729
Total assets less current liabilities		**78,805**	95,815
Non-current liabilities			
Lease liabilities		**1,737**	–
Finance lease payables		**–**	599
		1,737	599
NET ASSETS		**77,068**	95,216
Capital and reserves			
Share capital	*14*	**2,199**	2,199
Reserves		**74,869**	93,017
TOTAL EQUITY		**77,068**	95,216

NOTES TO THE CONDENSED 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").

2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These condensed consolidated financial statements should be read in conjunction with the 2018 annual consolidated financial statements. The accounting policies (including the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2018 except as stated below.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has initially adopted HKFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

Lessor accounting under HKFRS 16 is substantially unchanged under HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor.

The Group has applied HKFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated — i.e. it is presented, as previously reported, under HKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under HK(IFRIC)-Int 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(b) As a lessee

The Group leases many assets, including properties and motor vehicles.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under HKFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. IT equipment and office equipment). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The recognised right-of-use assets relate to the following types of assets:

	Balance as at	
	30 June 2019	1 January 2019
	RM'000	*RM'000*
Properties	**2,468**	670
Motor vehicles	**413**	551
Total right-of-use assets	**2,881**	1,221

Significant accounting policies

The Group recognises a right-of-use assets and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Transition

Previously, the Group classified property leases as operating leases under HKAS 17. These include office premises. The leases typically run for a period of 2–3 years.

At transition, for leases classified as operating leases under HKAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at their carrying amount as if HKFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application — the Group applied this approach to all its property leases.

The Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating leases under HKAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group leases a number of items of motor vehicles. These leases were classified as finance leases under HKAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under HKAS 17 immediately before that date.

(c) As a lessor

The accounting policies applicable to the Group as a lessor are not different from those under HKAS 17. However, when the Group is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group enters into arrangements to sublease an underlying asset to a third party, while the Group retains the primary obligation under the original lease. In these arrangements, the Group acts as both the lessee and lessor of the same underlying asset.

If the property lease is subleased under terms transferring substantially all remaining risks and rewards under the head lease to the lessee in the sublease, the right-of-use asset is derecognised, and a subleasing receivable is recognised and classified as a finance lease. Gain/loss on the derecognised right-of-use asset, if any, is recognised in the profit or loss account as income/expenses.

During the term of the sublease, the Group recognises both finance income on the sublease and finance costs on the head lease.

The Group is not required to make any adjustments on transition to HKFRS 16 for leases in which it acts as a lessor. However, the Group has applied HKFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

(d) Impacts of financial statements

Impact on transition

On transition to HKFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The change in accounting policy affected the following items on the condensed consolidated statement of financial position (increase/(decrease)) as at 1 January 2019 is summarised below.

	1 January 2019 *RM'000*
Assets	
Right-of-use assets	1,221
Subleasing receivables	328
Property, plant and equipment	(551)
Total assets	998
Liabilities	
Finance lease payables	(782)
Lease liabilities	1,866
Total liabilities	1,084
Equity	
Retained earnings	(86)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 4.75%.

	1 January 2019 *RM'000*
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	1,723
Less: Recognition exemption for leases with less than 12 months of leases term at transition	(600)
Gross operating lease obligations at 1 January 2019	1,123
Less: Discounting	(39)
Lease liabilities relating to operating leases, discounted at relevant incremental borrowing rates upon application of HKFRS 16 at 1 January 2019	1,084
Add: Obligations under finance leases recognised at 31 December 2018	782
Lease liabilities recognised as at 1 January 2019	1,866
Of which are:	
Current lease liabilities	958
Non-current lease liabilities	908
	1,866

Impacts for the period

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised approximately RM426,000 of right-of-use assets, approximately RM215,000 of subleasing receivables and approximately RM701,000 of lease liabilities as at 30 June 2019.

Also in relation to those leases under HKFRS 16, the Group has recognised depreciation and finance costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised approximately RM244,000 of depreciation charges, approximately RM7,000 of finance income and approximately RM22,000 of finance costs from these leases.

4. FAIR VALUE MEASUREMENTS

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

5. REVENUE AND SEGMENT INFORMATION

Operating segment information

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

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

Geographical information

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

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RM'000	*RM'000*
	(unaudited)	(unaudited)
Current tax — Malaysian Income Tax	**–**	–

Malaysian income tax is calculated at the statutory tax rates of 24% on the estimated taxable profits for the six months ended 30 June 2019 and 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 six months ended 30 June 2019 and 2018.

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 PERIOD

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

	Six months ended 30 June	
	2019	2018
	RM'000	*RM'000*
	(unaudited)	(unaudited)
Loss on disposals of property, plant and equipment	**32**	–
Operating lease charges in respect of		
— Hire of plant and equipment	**62**	69
— Land and buildings	**780**	1,483
	842	1,552
Staff costs (including directors' emoluments)		
— Salaries, bonuses and allowances	**24,599**	25,439
— Retirement benefit scheme contributions	**3,038**	3,076
— Social insurance contributions	**345**	382
	27,982	28,897

8. DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2019.

The final dividend of RM24,000,000 for the year ended 31 December 2018 was proposed in March 2019 and paid in June 2019.

9. EARNINGS PER SHARE

Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to owners of the Company for the six months ended 30 June 2019 of approximately RM5,938,000 (30 June 2018: approximately RM9,091,000) and the weighted average number of 400,000,000 (30 June 2018: 400,000,000) ordinary shares in issue during the period.

Diluted earnings per share

No diluted earnings per share are presented as there are no dilutive potential ordinary shares during the six months ended 30 June 2019 and 2018.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment with a cost of approximately RM794,000 (30 June 2018: approximately RM215,000). Property, plant and equipment with a net book value of approximately RM35,000 (30 June 2018: RM Nil) were disposed of during the six months ended 30 June 2019 and resulting a loss on disposal of approximately RM32,000 (30 June 2018: RM Nil).

Property, plant and equipment decreased by approximately RM551,000 on 1 January 2019 following the adoption of HKFRS 16, see note 3 for details.

11. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2019, the Group entered into certain new lease agreements for use of office premises for 2–3 years. The Group makes fixed payments during the contract period. On lease commencement, the Group recognised approximately RM2,384,000 of right-of-use assets and lease liabilities.

12. FINANCIAL ASSETS AT AMORTISED COST

	30 June 2019	31 December 2018
	RM'000	*RM'000*
	(unaudited)	(audited)
Loan receivables	**25,885**	–
Interest receivables	**737**	–
	26,622	–
Analysed as:		
Current assets	**12,077**	–
Non-current assets	**14,545**	–
	26,622	–

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

On 31 January 2019, UTS Marketing Solutions Sdn. Bhd. ("UTSM"), a wholly-owned subsidiary of the Company, entered into a shares sale agreement with Exsim Development Sdn. Bhd. ("Exsim") and Mightyprop Sdn. Bhd. ("Mightyprop") to acquire 2% of Mightyprop issued ordinary shares from Exsim with a purchase consideration of RM2. In addition, UTSM agreed to provide an advance of RM12,000,000 to Mightyprop. The advance is unsecured, bearing interest rate of 10% per annum and repayable on or before May 2020. In July 2019, an agreement was entered by UTSM with Exsim and Mightyprop in which the maturity date of the loan is extended to June 2020 and the interest rate remains unchanged.

On 23 April 2019, UTSM entered into a shares subscription agreement with 2 individuals, Performance Consortium Sdn. Bhd. (collectively referred as "Arcadia's Shareholders") and Arcadia Hospitality Sdn. Bhd. ("Arcadia"). Pursuant to the agreement, UTSM agreed to subscribe equivalent to 10% of the enlarged issued share capital of Arcadia with a purchase consideration of RM120,000 from Arcadia's Shareholders. In addition, UTSM agreed to provide an advance of RM14,000,000 to Arcadia. The advance is unsecured, bearing interest rate of 10% per annum and repayable on or before July 2020. The share acquisition has not yet been completed as at the date of issuance of these condensed consolidated financial statements.

Further details of the above transaction are set out in the Company's announcement dated 31 January 2019, 23 April 2019 and 8 July 2019 respectively.

The Group holds the loan receivables to collect contractual cash flows and its contractual terms give rise to cash flows on specified dates which are solely payments of principal and interest on the principal amounts outstanding. The Group applies expected credit loss model to measure the impairment of financial assets at amortised cost. No impairment allowance was recognised for the six months ended 30 June 2019.

13. TRADE RECEIVABLES

The general credit terms of trade receivables is 30 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by directors.

The aging analysis of trade receivables, based on the date of invoice, is as follows:

	30 June 2019	31 December 2018
	RM'000	*RM'000*
	(unaudited)	(audited)
0 to 30 days	**6,545**	6,522
31 to 60 days	**6,702**	5,726
61 to 90 days	**3,178**	1,968
91 to 120 days	**1,665**	564
121 to 180 days	**638**	753
	18,728	15,533

14. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 December 2018, 1 January 2019 and 30 June 2019	10,000,000,000	100,000

	Number of shares	**Amount**	**Equivalent to amount**
		HK$'000	*RM'000*
Issued and fully paid:			
Ordinary shares of HK$0.01 each			
At 31 December 2018, 1 January 2019 (audited) and 30 June 2019 (unaudited)	400,000,000	4,000	2,199

15. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2019	2018
	RM'000	*RM'000*
	(unaudited)	(unaudited)
Short term employee benefits	**3,208**	2,516
Retirement benefit scheme contributions	**679**	443
Social insurance contributions	**7**	7
Total compensation paid to key management personnel	**3,894**	2,966

16. SHARE-BASED PAYMENT TRANSACTIONS

The Group conditionally adopted a share option scheme on 14 June 2017 ("Share Option Scheme"). The purpose of Share Option Scheme is to provide any directors and full-time or part-time employees, executive, consultants or any members of the Group who have contributed or will contribute to the Group ("Eligible Participants") with the opportunity to acquire proprietary interests in the Company and to motivate Eligible Participants to optimise their performance efficiency and to maintain business relationship with the Eligible Participants for the benefits of the Group.

Pursuant to the Share Option Scheme, the directors of the Company may invite Eligible Participants to take up options at a price determined by the board of directors provided that it shall be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (b) a price being the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the total number of shares in issue unless the Company obtains a fresh approval from the shareholders to refresh the limit.

The maximum entitlement for any one Eligible Participant is that the total number of the shares issued and to be issued upon exercise of the options granted under the Share Option Scheme to each Eligible Participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue unless otherwise approved by the shareholders at a general meeting of the Company.

The option may be exercised in accordance with the terms of the Share Option Scheme at any time during the option period which would be determined and notified by the board of directors to the grantee at the time of making an offer.

No share options have been granted by the Group up to the date of issuance of these condensed consolidated financial statements.

17. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2019 (31 December 2018: Nil).

18. EVENTS AFTER REPORTING PERIOD

As referred to note 12 to the condensed consolidated financial statement, UTSM, Exsim and Mightyprop entered into an agreement on 1 July 2019 to amend the terms in the shares sale agreement that (i) the proposed transfer of 2% shareholding in Mightyprop by Exsim to UTSM will not be proceeded due to non-fulfillment of certain conditions precedent; and (ii) the repayment date of loan advance to Mightyprop is extended to 12 months from 1 July 2019 with interest rate remains unchanged.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of outbound telemarketing services and contact centre facilities for promotion of financial products and its related activities issued by authorised financial institutions, card companies or organisation worldwide.

As at 30 June 2019, the Group was operating six contact centers situated within the central business district of Kuala Lumpur, Malaysia with approximately 1,360 employees.

The Group's net profit for the six months ended 30 June 2019 amounted to approximately RM5.94 million, representing a decrease of approximately RM3.15 million as compared to approximately RM9.09 million for the corresponding six months ended 30 June 2018. The decrease in net profit for the six months ended 30 June 2019 was primarily attributable to the decrease in revenue from the business in Malaysia by approximately RM6.00 million but offset by (i) the increase in other income by approximately RM1.19 million; (ii) the increase in unrealised foreign exchange gain by approximately RM0.76 million; and (iii) the decrease in staff costs by approximately RM0.92 million.

FINANCIAL REVIEW

Revenue

	Six months ended 30 June	
	2019	2018
	RM'000	*RM'000*
Industry sector		
Insurance	**33,952**	36,017
Banking and financial	**2,306**	2,180
Others	**2,779**	6,845
Total	**39,037**	45,042

For the six months ended 30 June 2019, the Group recorded a revenue of approximately RM39.04 million, representing a decrease of approximately 13.3% as compared with approximately RM45.04 million for the corresponding period in 2018. Such a decrease was attributable to the decrease in the number of workstations ordered by our clients, particularly from insurance sector and charitable organisations.

The overall average number of workstation orders per month decreased from approximately 1,193 for the six months ended 30 June 2018 to approximately 1,056 for the six months ended 30 June 2019. The revenue generated per workstation per month decreased from RM6,293 for the six months ended 30 June 2018 to RM6,161 for the six months ended 30 June 2019, representing a slight drop of approximately RM132 per workstation per month.

Other income

For the six months ended 30 June 2019, other income increased substantially by approximately RM1.19 million as compared to the amount of approximately RM0.39 million for the corresponding period in prior year, mainly due to the imputed and accrued interest income generated from the loan advances to two independent third parties with aggregated principal values of RM26 million. Both loan advances bear interest rate of 10% per annum.

Other gains and losses

For the six months ended 30 June 2019, other gains and losses increased by approximately RM0.76 million as compared to the corresponding period in prior year, from losses of approximately RM0.37 million to gains of approximately RM0.39 million, which was primarily due to the increase in unrealised foreign exchange gains.

Staff costs

For the six months ended 30 June 2019, staff costs decreased by approximately RM0.92 million or 3.2%, from approximately RM28.90 million to approximately RM27.98 million. This was mainly due to a decrease in the number of staff from a monthly average of 1,495 for the six months ended 30 June 2018 to a monthly average of 1,396 for the six months ended 30 June 2019 with a relative stable overall staff costs per staff per month of RM3,340 for the six months ended 30 June 2019 (30 June 2018: RM3,222).

The decrease in the average number of staff was in proportion to the decrease in number of workstations ordered by our clients but contracted by the relatively stable incidental back office operational staff.

Depreciation

For the six months ended 30 June 2019, depreciation charges increased by approximately RM0.59 million or 113.5%, from approximately RM0.52 million to approximately RM1.11 million. The increase in the depreciation charges was mainly attributable to the result of initial application of HKFRS 16, the Group has recognised depreciation and finance cost, instead of operating lease charges. During the six months ended 30 June 2019, the Group recognised depreciation charges of approximately RM0.72 million from its right-of-use assets of approximately RM2.88 million.

Other operating expenses

For the six months ended 30 June 2019, other operating expenses decreased by approximately RM1.31 million or 20.2%, from approximately RM6.50 million to approximately RM5.19 million. The decrease was primarily due to initial recognition and classification of the Group leased properties as depreciation and finance costs, instead of operating lease charges as per previously classified.

Finance costs

For the six months ended 30 June 2019, finance costs increased by approximately RM0.74 million from approximately RM0.05 million to approximately RM0.79 million. The increase was primarily due to the imputed interest expense upon inception on the loan advances to independent third parties during the reporting period.

Income tax expense

No income tax expense provision was required for the six months ended 30 June 2019 as the Group did not generate any assessable profits arising from the six months ended 30 June 2019. A subsidiary of the Group is entitled to 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 RM5.94 million and RM9.09 million for the six months ended 30 June 2019 and 2018 respectively. Net profit margin was approximately 15.2% and 20.2% for the six months ended 30 June 2019 and 2018 respectively. The decrease in net profit margin by 5.0% was mainly due to decrease in revenue.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Financial resources

The Group generally meets its working capital requirements and capital expenditures on plant and equipment from its internally generated funds. For the six months ended 30 June 2019, the Group generated net cash inflow from operating activities of approximately RM2.00 million (30 June 2018: approximately RM7.46 million). The Group was able to repay its obligations when they became due. The Group did not experience any material difficulties in rolling over its banking facilities.

Banking facilities and lease liabilities

As at 30 June 2019, 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 9.38% (31 December 2018: 8.80%). The Group's banking facilities are secured by the pledged bank deposits and guaranteed by corporate guarantees of the Company.

As at 30 June 2019, the Group has an aggregate amount of current and non-current lease liabilities of approximately RM3.69 million (31 December 2018: approximately RM0.78 million), all denominated in Malaysian Ringgit. The average effective interest rate for the lease is 4.83% (31 December 2018: 5.14%). The carrying amount of approximately RM0.69 million (31 December 2018: approximately RM0.78 million) is secured by the lessor's retention of title to the leased assets.

PLEDGE OF ASSETS

As at 30 June 2019, the Group's banking facilities, which were all denominated in Malaysian Ringgit, were (i) secured by the pledged bank deposits of approximately RM3.21 million (31 December 2018: approximately RM2.97 million), and (ii) guaranteed by corporate guarantees of the Company.

GEARING RATIO

The gearing ratio of the Group as at 30 June 2019 was 4.79% (31 December 2018: 0.82%) which is calculated based on the total debt divided by equity attributable to equity holders of the Company, and total debt is lease liabilities. The Group has a strong liquidity position to meet its operational needs.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

The major factors which may affect the operations results and financial conditions of the Group include the following:

Ability to secure sufficient labour and control staff cost

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

As at 30 June 2019, the Group had 1,360 employees. Total staff costs incurred by the Group for the six months ended 30 June 2019 were approximately RM27.98 million (30 June 2018: approximately RM28.90 million), representing 71.7% of the revenue of the Group for the six months ended 30 June 2019 (30 June 2018: 64.2%).

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

Delay in settlement of bills from the top five clients

The majority of the Group's revenue is derived from a limited number of clients. Sales to the five largest clients accounted for approximately 70.8% of the total revenue for the six months ended 30 June 2019 (30 June 2018: 64.4%). All the five largest clients are insurance companies.

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 will continue monitoring the trade receivables collection cycle in order to fully recover the outstanding amounts due from our clients. As at 30 June 2019, the trade receivables were approximately RM18.73 million. Subsequent to 30 June 2019 and up to the date of this announcement, approximately RM13.84 million or 73.9% of the outstanding balances of trade receivables as at 30 June 2019 have been settled.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

On 12 July 2017, the Company's shares were listed on the Main Board of the Stock Exchange. A total number of 100,000,000 shares were issued to the public at HK$1.38 per share for a gross proceeds of HK$138 million. The total net proceeds raised from the global offering 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 30 June 2019, the respective use of the net proceeds is as follows:

Intended applications	**Actual net proceeds received** *RM'000*	**Amount utilised as at 30 June 2019** *RM'000*	**Amount unutilised as at 30 June 2019** *RM'000*
Expanding outbound contact service business	30,137	782	29,355
Setting up inbound contact centre	15,070	–	15,070
Upgrading and enhancing information technology system	9,041	63	8,978
Working capital	6,027	6,027	–
Total	60,275	6,872	53,403

The management is in the process of evaluating the best time to proceed with the expansion of outbound contact centre and setup of inbound contact centre by taking into account the market conditions.

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

CAPITAL COMMITMENTS

The Group did not have any material capital commitments as at 30 June 2019.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2019.

ADVANCE TO ENTITIES

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

On 23 April 2019, UTSM entered into a shares subscription agreement with 2 individuals, Performance Consortium Sdn. Bhd. (collectively referred as "Arcadia's Shareholders") and Arcadia Hospitality Sdn. Bhd. ("Arcadia"). Pursuant to the agreement, UTSM agreed to subscribe for new shares equivalent to 10% of the enlarged issued share capital of Arcadia with a consideration of RM120,000. In addition, UTSM agreed to provide an advance of RM14,000,000 to Arcadia. The advance was unsecured, bearing interest rate of 10% per annum and repayable on or before July 2020. The share subscription has not yet been completed as at the date of this announcement.

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

As at 30 June 2019, the circumstances giving rise to the disclosure under Rule 13.13 of the Listing Rules exist and the advances by the Group to Mightyprop and Arcadia as at 30 June 2019 amounted to aggregated principal values of RM26,000,000 with maturity dates on or before June 2020 and July 2020 respectively.

EMPLOYEES AND REMUNERATIONS POLICIES

As at 30 June 2019, the Group had 1,360 (30 June 2018: 1,413) employees. Total staff costs incurred by the Group for the six months ended 30 June 2019 were approximately RM27.98 million (30 June 2018: approximately RM28.90 million).

The employees of the Group are remunerated according to their job scope and responsibilities. Performance linked commission and allowances on top of fixed salary are paid to the employees to motivate productivity and performance. The employees are also entitled to annual discretionary performance bonus, salary increment and promotion based on timely performance reviews and annual appraisals.

FOREIGN CURRENCY EXPOSURE

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

SIGNIFICANT INVESTMENT HELD

As at 30 June 2019, the Group did not hold any significant investments.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 30 June 2019.

MATERIAL ACQUISITIONS OR DISPOSALS

During the six months ended 30 June 2019, there was no material acquisition or disposal by the Group.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

There had been no material changes on the business operation of the Group since 31 December 2018.

OUTLOOK AND FUTURE 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" 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 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 reconciliations services.

The Group expects overall outlook for the domestic market for the second half of 2019 remains stable and resilient. The Group is in the course of commencing a number of new programmes with a new insurer and expect to increase the number of workstations order from existing insurance clients as well as existing banking and financial clients.

In addition, the Group is also in the process of exploring with a few database sponsors from the banking and financial sector on outbound telemarketing services opportunity.

The Group remains optimistic in the financial performance of the Group for the financial year ending 31 December 2019.

INTERIM DIVIDENDS

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2019 (30 June 2018: nil).

EVENTS AFTER THE REPORTING PERIOD

As disclosed in the announcement of the Company dated 8 July 2019, UTSM, Exsim and Mightyprop entered into an agreement on 1 July 2019 to amend the terms in the shares sale agreement that (i) the proposed transfer of 2% shareholding in Mightyprop by Exsim to UTSM will not be proceeded due to non-fulfillment of certain conditions precedent; and (ii) the repayment date of loan advance to Mightyprop is extended to 12 months from 1 July 2019 with interest rate remains unchanged.

Save for the aforesaid, there is no other event subsequent to 30 June 2019 which requires adjustment to or disclosure in this announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors or the controlling shareholders of the Company nor any of their respective close associates that compete or might compete, either directly or indirectly, with the business of the Group and any other conflicts of interest which any such person had or might have with the Group during the six months ended 30 June 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code for dealings in securities transactions by the Directors. Specific enquiries have been made to all Directors and they have confirmed their compliance with the required standard set out in the Model Code throughout the six months ended 30 June 2019.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining good corporate governance standard and procedures with a view to enhance investors' confidence and the Company's accountability and transparency.

The Company has complied with the code provisions included in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules and there has been no deviation from the code provisions as set forth under the CG Code for the six months ended 30 June 2019, 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. Such an arrangement may be improved, but the Board is not concerned with the lack of segregation of duties by having assumed the current organisational structure, lines of responsibility and authority of the management team and the risks associated with the operations of the Group. The Board considers that the internal control and risk management system of the Group was effective during the six months ended 30 June 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 comprising three independent non-executive directors, namely Mr. Kow Chee Seng (chairman of the audit committee), Mr. Lee Shu Sum Sam and Mr. Chan Hoi Kuen Matthew.

The interim results for the six months ended 30 June 2019 have been reviewed by the audit committee, and no disagreement was raised by the audit committee in respect of the accounting treatment adopted by the Group.

The unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2019 have also been reviewed by the Company's auditor, RSM Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The auditor's independent review report will be included in the Company's interim report for the six months ended 30 June 2019 to the Shareholders.

PUBLICATION OF FINANCIAL INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

This interim results announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.unitedteleservice.com. The interim report of the Company for the six months ended 30 June 2019 will be despatched to the Shareholders of the Company and published on the aforesaid websites in due course.

By Order of the Board
UTS Marketing Solutions Holdings Limited
Ng Chee Wai
Chairman

Hong Kong, 30 August 2019