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 2019

FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2019	2018
	RM'000	*RM'000*
Key financial data		
Revenue	**79,470**	83,140
Profit attributable to equity holders of the Company	**13,362**	15,127
Net profit margin	**16.8%**	18.2%

The Board does not recommend the payment of final dividend for the year ended 31 December 2019 (2018: RM6 cents per ordinary share)

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 2019 together with the comparative audited figures for the year ended 31 December 2018. 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 2019

	Note	**2019**	2018
		RM'000	*RM'000*
Revenue	*4*	**79,470**	83,140
Other income		**3,607**	774
Other gains and losses		**(716)**	1,004
Staff costs		**(55,783)**	(56,271)
Depreciation		**(2,635)**	(1,064)
Other operating expenses		**(9,584)**	(12,377)
Profit from operations		**14,359**	15,206
Finance costs		**(993)**	(75)
Profit before tax		**13,366**	15,131
Income tax expenses	*6*	**(4)**	(4)
Profit and total comprehensive income for the year	*7*	**13,362**	15,127
Earnings per share			
Basic	*9(a)*	**RM3.34 cents**	RM3.78 cents
Diluted	*9(b)*	**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	**2019** **RM'000**	2018 *RM'000*
Non-current assets			
Property, plant and equipment		**2,737**	3,086
Right-of-use assets		**3,203**	–
Subleasing receivables		**24**	–
		5,964	3,086
Current assets			
Trade receivables	*10*	**19,042**	15,533
Subleasing receivables		**239**	–
Other receivables		**1,588**	1,109
Financial assets at amortised cost	*11*	**26,689**	–
Tax recoverable		**32**	109
Pledged bank deposits		**3,428**	2,965
Bank and cash balances		**26,795**	79,888
		77,813	99,604
Current liabilities			
Accruals and other payables		**5,565**	6,692
Bank overdrafts		**387**	–
Lease liabilities		**2,086**	–
Finance lease payables		**–**	183
		8,038	6,875
Net current assets		**69,775**	92,729
Total assets less current liabilities		**75,739**	95,815
Non-current liabilities			
Lease liabilities		**1,845**	–
Finance lease payables		**–**	599
		1,845	599
NET ASSETS		**73,894**	95,216
Capital and reserves			
Share capital	*12*	**2,199**	2,199
Reserves		**71,695**	93,017
TOTAL EQUITY		**73,894**	95,216

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**").

2. BASIS OF PREPARATION

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 new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases-Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from 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 on leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee and lessor accounting and transitional impact

As a lessee

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.20%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

(iii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(iv) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

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

In accordance with the transitional provision in HKFRS 16, except for sublease in which the Group acts as an intermediate lessor, the Group is not required to make any adjustments on transition to HKFRS 16 for leases in which it acts as a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Effective on I January 2019, the Group has applied HKFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease components. The charge in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.

At the date of initial application, leased properties under subleases were assessed and classified as an operating lease or a finance lease individually based on the remaining contractual terms and conditions of the head lease and the sublease at that date.

Impact on the financial statements

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	RM'000
Operating lease commitments disclosed as at 31 December 2018	1,723
Less: commitments relating to lease exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(601)
	1,122
Less: total future interest expenses	(34)
Present value of remaining lease payments, discounted using the incremental borrowing rate as at 1 January 2019	1,088
Add: finance lease liabilities recognised as at 31 December 2018	782
Lease liabilities recognised as at 1 January 2019	1,870
Of which are:	
Current lease liabilities	962
Non-current lease liabilities	908
	1,870

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of consolidated financial position at 31 December 2018.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "Finance lease payables", these amounts are included within "Lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets.

The following table summaries the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16	*Note*	Carrying amount as at 31 December 2018	Effects of adoption of HKFRS 16: Re-classification	Effects of adoption of HKFRS 16: Recognition of leases	Carrying amount as at 1 January 2019
		RM'000	*RM'000*	*RM'000*	*RM'000*
Assets					
Right-of-use assets		–	551	675	1,226
Subleasing receivables	*(iii)*	–	–	329	329
Property, plant and equipment	*(i)*	3,086	(551)	–	2,535
Liabilities					
Lease liabilities		–	782	1,088	1,870
Finance lease payables	*(ii)*	782	(782)	–	–

Notes:

(i) In relation to assets previously under finance leases, the Group recategorises the carrying amount of the relevant assets which were still leased as at 1 January 2019 amounting to RM551,000 as right-of-use assets.

(ii) The Group reclassified the obligation under finance leases of RM183,000 and RM599,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

(iii) Subleasing receivables relate to the arrangements entered by the Group to sublease an underlying asset to third parties while the Group retains the primary obligation under the original lease. RM329,000 of subleasing receivables had been recognised at 1 January 2019.

(c) Impact on the financial results and cash flows of the Group

After the initial recognition of right-of-use assets, subleasing receivables and lease liabilities as at 1 January 2019, the Group as both lessee and lessor is required to recognise interest expenses and finance income accrued on the outstanding balance of the lease liabilities and subleasing receivables, and the depreciation of the right-of-use assets, instead of the previous policy of recognising rental expenses and rental income incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element. These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16	Add back/ (deduct): HKFRS 16 depreciation, loss on derecognised of right-of-use assets upon recognition of subleasing receivables, finance income and interest expenses	Add back/ (deduct): Estimated amounts related to operating lease as if under HKAS 17 *(note 1)*	Hypothetical amounts for 2019 as if under HKAS 17	Compared to amounts reported for 2018 under HKAS 17
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Financial result for the year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Other income	3,607	(17)	360	3,950	774
Other gains and losses	(716)	12	–	(704)	1,004
Depreciation	(2,635)	1,532	–	(1,103)	(1,064)
Other operating expenses	(9,584)	–	(1,963)	(11,547)	(12,377)
Profit from operation	14,359	1,527	(1,603)	14,283	15,206
Finance costs	(993)	134	–	(859)	(75)
Profits before taxation	13,366	1,661	(1,603)	13,424	15,131
Profit for the year	13,362	1,661	(1,603)	13,420	15,127

	2019			2018
	Amounts reported under HKFRS 16	Estimated amounts related to operating leases as if under HKAS 17 *(notes 1 & 2)*	Hypothetical amounts for 2019 as if under HKAS 17	Compared to amounts reported for 2018 under HKAS 17
	RM'000	*RM'000*	*RM'000*	*RM'000*
Line items in the consolidated cash flow statement for the year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash generated from operations	9,287	(1,603)	7,684	23,469
Interest element of lease rentals paid	(169)	134	(35)	(44)
Net cash generated from operating activities	9,158	(1,469)	7,689	23,352
Receipt of subleasing receivables	360	(360)	–	–
Net cash used in investing activities	(26,026)	(360)	(26,386)	(643)
Capital element of lease rentals paid	(2,012)	1,829	(183)	(173)
Net cash used in financing activities	(36,612)	1,829	(34,783)	(173)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table, these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

(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 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform	1 January 2020

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 it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. REVENUE

An analysis of the Group's revenue from contracts with customers for the year from continuing operations is as follows:

	2019	2018
	RM'000	*RM'000*
Revenue from contracts with customers within the scope of HKFRS 15		
— Telemarketing services income	**79,470**	83,140

The Group derives revenue from the transfer of services over time in Malaysia for the years ended 31 December 2019 and 2018.

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:

	2019	2018
	RM'000	*RM'000*
Customer A	**23,501**	22,396
Customer B *(note i)*	**11,040**	N/A
Customer C *(note ii)*	**N/A**	10,114
Customer D *(note ii)*	**N/A**	9,016

Notes:

(i) Customer B did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2018.

(ii) Customers C and D did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2019.

6. INCOME TAX EXPENSES

	2019	2018
	RM'000	*RM'000*
Current tax — Malaysian Income Tax		
Provision for the year	**–**	–
Under-provision in prior years	**4**	4
	4	4

Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 24%) on the estimated taxable profits for the year ended 31 December 2019.

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 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 YEAR

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

	2019	2018
	RM'000	*RM'000*
Auditor's remuneration	**484**	459
Depreciation on property, plant and equipment	**828**	1,064
Depreciation on right-of-use assets	**1,807**	–
Loss on modification of financial assets at amortised cost	**159**	–
Impairment loss on financial assets at amortised cost	**507**	–
Operating lease charges in respect of		
— Hire of plant and equipment	**–**	131
— Land and buildings	**–**	2,883
	–	3,014
Staff costs (including directors' emoluments)		
— Salaries, bonuses and allowances	**48,948**	49,625
— Retirement benefit scheme contributions	**6,127**	5,919
— Social insurance contributions	**708**	727
	55,783	56,271

8. DIVIDENDS

	2019	2018
	RM'000	*RM'000*
2018 final dividends of RM6 cents per ordinary share paid	**24,000**	–
2019 special dividends of HK$5 cents per ordinary share paid	**10,600**	–
	34,600	–

The Board did not recommend payment of a final dividend for the year ended 31 December 2019.

9. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2019	2018
	RM'000	*RM'000*
Earnings		
Earnings for the purpose of calculating basic earnings per share	**13,362**	15,127

	2019	2018
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**400,000**	400,000

(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 2019 and 2018.

10. TRADE RECEIVABLES

	2019	2018
	RM'000	*RM'000*
Trade receivables	**19,042**	15,533

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:

	2019	2018
	RM'000	*RM'000*
0 to 30 days	**7,556**	6,522
31 to 60 days	**6,758**	5,726
61 to 90 days	**2,608**	1,968
91 to 120 days	**680**	564
121 to 180 days	**1,148**	753
Over 180 days	**292**	–
	19,042	15,533

As at 31 December 2019, none (2018: 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. FINANCIAL ASSETS AT AMORTISED COST

	2019	2018
	RM'000	*RM'000*
Loan receivables	**25,885**	–
Interest receivables	**1,311**	–
	27,196	–
Less: Impairment loss	**(507)**	–
	26,689	–

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 (i) the maturity date of the loan is extended to June 2020 with the interest rate remains unchanged; (ii) the proposed transfer of 2% shareholding in Mightyprop by Exsim to UTSM will not be proceeded due to non-fulfillment of certain conditions precedent.

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 this results announcement.

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. Impairment allowance of approximately RM507,000 was recognised for the year ended 31 December 2019 (2018: Nil).

12. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
At 31 December 2018, 1 January 2019 and 31 December 2019	10,000,000,000	100,000

	Number of shares	Amount	Equivalents to amount
		HK$'000	*RM'000*
Issued and fully paid:			
At 31 December 2018, 1 January 2019 and 31 December 2019	400,000,000	4,000	2,199

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt to asset ratio, being the Group's total liabilities over its total assets, at 31 December 2019 is 12% (2018: 7%).

The externally imposed capital requirement for the Group are: (i) in order to maintain its listing on the Stock Exchange it has to have a public float at least 25% of the issued shares; and (ii) to meet financial covenants attached to the banking facilities.

The Group receives a report from the share registrars regularly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2019, 25% (2018: 25%) of the shares were in public hands.

Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been no breaches in the financial covenants of any interest-bearing borrowings for the years ended 31 December 2019 and 2018.

13. CAPITAL COMMITMENT

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

	2019	2018
	RM'000	*RM'000*
Capital commitment on potential equity investment	**120**	–

14. EVENTS AFTER THE REPORTING PERIOD

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impact on the Group's financial position, cash flows and operating results at the date on which this results announcement is issued.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

As at 31 December 2019, the Group was operating six contact centres located within the central business district of Kuala Lumpur, Malaysia with approximately 1,596 employees.

The Group's net profit for the year ended 31 December 2019 amounted to approximately RM13.36 million, representing a decrease of approximately RM1.77 million as compared to approximately RM15.13 million for the corresponding year ended 31 December 2018.

The decrease in net profit was mainly attributable to the net effect of: (i) the decrease in revenue from the business in Malaysia by approximately RM3.67 million; (ii) the increase in foreign exchange loss by approximately RM1.01 million; and (iii) the increase in interest income on bank deposits and financial advances by approximately RM2.35 million in total.

Financial Review

Revenue

	2019	2018
	RM'000	*RM'000*
Industry sector		
Insurance	**68,608**	69,746
Banking and financial	**4,628**	4,855
Others	**6,234**	8,539
Total	**79,470**	83,140

For the year ended 31 December 2019, the Group recorded revenue of approximately RM79.47 million, representing a decrease of approximately 4.41% as compared with approximately RM83.14 million for the corresponding year ended 31 December 2018. Such 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 1,139 for the year ended 31 December 2018 to approximately 1,101 for the year ended 31 December 2019. Revenue generated per workstation per month remained relatively stable for the years ended 31 December 2019 and 2018, which were approximately RM6,015 and RM6,083 respectively.

Other income

For the year ended 31 December 2019, other income increased substantially by approximately RM2.83 million as compared to the amount of approximately RM0.77 million in prior year, mainly due to the imputed and accrued interest income generated from the financial advances to two independent third parties with aggregate principal sums of RM26 million. Both financial advances bear interest at the rate of 10% per annum.

Other gains and losses

For the year ended 31 December 2019, other gains and losses decreased by approximately RM1.72 million as compared to prior year, from gains of approximately RM1.00 million to losses of approximately RM0.72 million, which was mainly due to the increase in unrealised foreign exchange losses and impairment loss on financial advances.

Staff costs

For the year ended 31 December 2019, the staff costs decreased slightly by approximately RM0.49 million or 0.87%, from approximately RM56.27 million to approximately RM55.78 million.

The number of staff remained stable at a monthly average of 1,430 for the year ended 31 December 2019 (2018: 1,427). The overall average staff cost per month also remained stable at RM3,251 for the year ended 31 December 2019 (2018: RM3,286).

Depreciation

For the year ended 31 December 2019, depreciation charges increased by approximately RM1.57 million or 148.1%, from approximately RM1.06 million to approximately RM2.63 million. The increase in the depreciation charges was mainly attributable to the adoption of HKFRS 16, pursuant to which the Group has recognised depreciation and finance cost, instead of operating lease charges for the Group's office premises. During the year ended 31 December 2019, the Group recognised depreciation charges of approximately RM1.81 million from its right-of-use assets of approximately RM3.20 million.

Other operating expenses

For the year ended 31 December 2019, other operating expenses decreased by approximately RM2.80 million or 22.6%, from approximately RM12.38 million to approximately RM9.58 million. The decrease was primarily due to the change in the recognition and classification of the Group's leased properties as depreciation and finance costs, instead of operating lease expenses as previously classified.

Finance costs

For the year ended 31 December 2019, the finance costs increased by approximately RM0.92 million, from approximately RM0.07 million to RM0.99 million. The increase was primarily due to the imputed interest expenses upon the inception of the financial advances to independent third parties and interest expenses on lease liabilities during the year.

Income tax expenses

No income tax expenses provision was required for the year ended 31 December 2019 since the Group did not generate any assessable profits arising from the year ended 31 December 2019. One of the subsidiaries of the Group was 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 profit after tax of approximately RM13.36 million and RM15.13 million for the years ended 31 December 2019 and 2018 respectively. Net profit margin was approximately 16.8% and 18.2% for the years ended 31 December 2019 and 2018 respectively. The decrease in net profit margin by 1.4% was mainly due to the decrease in revenue.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Financial resources

The Group generally met its working capital requirements and capital expenditures on plant and equipment from its internally generated funds. For the year ended 31 December 2019, the Group generated net cash inflow from operating activities of approximately RM9.16 million (2018: approximately RM23.35 million). The Group was able to fulfill its repayment 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 31 December 2019, the Group has available and unutilised facilities from banks amounting to RM4.71 million (2018: 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 8.75% (2018: 8.80%). The Group's banking facilities are secured by the pledged bank deposits and the corporate guarantees provided by the Company.

As at 31 December 2019, the Group has an aggregate amount of current and non-current lease obligations of approximately RM3.93 million (2018: finance lease payables of approximately RM0.78 million), all denominated in Malaysian Ringgit. The average effective interest rate for the lease is 4.34% (2018: 5.14%). The carrying amount of approximately RM0.60 million (2018: approximately RM0.78 million) is secured by the lessor's retention of title to the leased assets.

Capital Structure

As at 31 December 2019, the Group's total equity and liabilities amounted to approximately RM73.89 million and RM9.88 million respectively (2018: approximately RM95.22 million and RM7.47 million respectively).

Gearing Ratio

The gearing ratio of the Group as at 31 December 2019 was 5.8% (2018: 0.8%) which is calculated based on the total debt divided by equity attributable to equity holders of the Company, and total debt represents bank overdrafts and lease liabilities (2018: finance lease payables). The Group has a strong liquidity position to meet its operational needs.

RISKS FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

The Company identified and determined the major risks factors which may affect the operations results and financial conditions of the Group through risk management process, which include the following:

Risk in 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 31 December 2019, the Group had 1,596 employees. Total staff costs incurred by the Group for the year ended 31 December 2019 were approximately RM55.78 million (2018: approximately RM56.27 million), representing approximately 70.2% of the revenue of the Group for the year ended 31 December 2019 (2018: 67.7%).

To manage such risk, the Group endeavoured to attract and retain sufficient number of staff, in particular our telemarketing sales representatives by giving performance-linked commission and incentive based on predetermined sales target.

In addition, appropriate corrective actions 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 revenue of the Group is derived from a limited number of clients. Sales to the five largest clients accounted for approximately 70.0% of the total revenue for the year ended 31 December 2019 (2018: 66.6%). 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.

To manage such risk, 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 2019, the trade receivables were approximately RM19.04 million. Subsequent to 31 December 2019 and up to the date of this results announcement, approximately RM16.86 million or 89% of the outstanding balances of trade receivables were 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 total gross proceeds of HK$138 million. The total net proceeds raised from the initial public offering of the Company were approximately HK$109.7 million (equivalent to approximately RM60.3 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 (the "**Prospectus**"). Up to 31 December 2019, the respective use of the net proceeds are as follows:

Intended usage	**Actual net proceeds received** *RM'000*	**Amount utilised as at 31 December 2019** *RM'000*	**Amount unutilised as at 31 December 2019** *RM'000*
Expanding outbound contact service business	30,137	28,522	1,615
Setting up inbound contact centre	15,070	–	15,070
Upgrading and enhancing information technology system	9,041	832	8,209
Working capital	6,027	6,027	–
Total	60,275	35,381	24,894

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

PLEDGE OF ASSETS

As at 31 December 2019, the Group's bank facilities, all denominated in Malaysian Ringgit, were (i) secured by the pledged bank deposits of approximately RM3.43 million (2018: approximately RM2.97 million); and (ii) guaranteed by corporate guarantees of the Company.

CAPITAL COMMITMENTS

As at 31 December 2019, the Group's capital commitment contracted but not yet incurred is related to potential equity investment amounted to RM0.12 million (31 December 2018: Nil).

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2019.

ADVANCE TO ENTITIES

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 the issued ordinary shares of Mightyprop 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 4 May 2020. In July 2019, an agreement was entered into by UTSM with Exsim and Mightyprop in which (i) the maturity date of the loan was extended to 30 June 2020 with the interest rate remaining unchanged; (ii) the proposed transfer of 2% shareholding in Mightyprop by Exsim to UTSM would not be proceeded with due to non-fulfilment of certain conditions precedent.

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 the 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 25 July 2020. The share subscription has not yet been completed as at the date of this results announcement.

The financial advances to entity under Rule 13.20 of the Listing Rules and the details of the above transaction were disclosed in the Company's announcements dated 31 January 2019, 23 April 2019 and 8 July 2019 respectively.

As at 31 December 2019, the circumstances giving rise to the disclosure under Rule 13.13 of the Listing Rules continued to exist and the advances by the Group to Mightyprop and Arcadia as at 31 December 2019 amounted to aggregate principal values of RM26,000,000 with maturity dates on or before June 2020 and July 2020 respectively.

EMPLOYEES AND REMUNERATIONS POLICIES

As at 31 December 2019, the Group had 1,596 (31 December 2018: 1,341) employees. Total staff costs incurred by the Group for the year ended 31 December 2019 were approximately RM55.78 million (2018: approximately RM56.27 million).

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

INTEREST RATE RISK

As at 31 December 2019, the Group's pledged bank deposits, financial advances and lease liabilities bore interest at fixed interest rates and therefore were subject to fair value interest rate risk. The Group's exposure to cash flow interest rate risk arises from its bank deposits and bank overdrafts. These deposits bore interests at variable rates that varied with the then prevailing market condition. The Board believes that the Group does not have significant interest rate risk exposures.

FOREIGN CURRENCY EXPOSURE

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

SIGNIFICANT INVESTMENT HELD

As at 31 December 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 31 December 2019.

MATERIAL ACQUISITIONS OR DISPOSALS

During the year ended 31 December 2019, there was no material acquisition or disposal by the Group.

DIVIDENDS

During the year ended 31 December 2019, the Board did not recommend any interim dividend (2018: Nil) but declared a special dividend of HK$5 cents per ordinary share (2018: Nil) on 29 November 2019 and the same was paid on 23 December 2019.

The Board does not recommend the payment of final dividend for the year ended 31 December 2019 (2018: RM6 cents per ordinary share).

EVENTS AFTER THE REPORTING PERIOD

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to, business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impact on the Group's financial position, cash flows and operating results at the date of this results announcement.

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 year ended 31 December 2019.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Since the outbreak of the COVID-19, the Government of Malaysia (the "**Government**") has responded to major public health emergencies and implemented measures (the "**Order**") in order to curb the spread of the COVID-19. Pursuant to the Order, all Government and private premises except those involved with national essential services have to be temporarily closed. As part of our efforts to facilitate the prevention and control of the COVID-19 and ensure the health and safety of our employees and customers, the Board had temporarily closed its offices (including contact centres) and suspend the telemarketing services in Malaysia from 19 March 2020 to 14 April 2020. The Directors are of the view that such measures are merely temporary and will not have any material impact on the operations of the Company in the long run.

There had been no material changes on the business operation of the Group since 31 December 2019.

OUTLOOK AND FUTURE PROSPECTS

The Group's strategic objective remains unchanged, i.e. to continue focusing on the business strategies according to the details as disclosed in the section headed "**Business — Business Strategies**" on pages 92 to 99 of the Prospectus.

Despite the challenging and uncertainties in the global economies, unresolved trade war, deteriorated market sentiments which suffer from further headwind brought by the coronavirus (COVID-19) outbreak, the Group expects the overall outlook to remain resilient without material deviation from its existing outbound telemarketing workstations ordered by its clients.

The Group had also been constantly reviewing potential opportunities to increase its number of workstations ordered beyond its current customer base by either working with new database owners, new insurers or takaful operators in order to improve the Group's financial performance.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Share Option Scheme**") on 14 June 2017 and the same became effective from 12 July 2017, the date on which the Shares were listed and commenced trading on the Stock Exchange. No option was granted, exercised, cancelled or lapsed during the year ended 31 December 2019.

The Share Option Scheme is a share incentive scheme and is established to enable the Company to grant options to the eligible participants as incentives or rewards for their contribution they had or may have made to the Group. The Share Option Scheme will provide the eligible participants with an opportunity to have a personal stake in the Company with the view to achieve the following objectives:

(a) motivate the eligible participants to optimise their performance efficiency for the benefit of the Group; and

(b) attract and retain or otherwise maintain on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.

Eligible participants of the Share Option Scheme include (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (ii) any directors (including independent non-executive directors) of the Company or any of its subsidiaries; (iii) any consultant or adviser (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), contractor, supplier, service provider, agent, customer and business partner of the Company or any of its subsidiaries); and (iv) any such other persons who in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries.

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 year ended 31 December 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 Rules Governing the Listing of Securities on the Stock Exchange (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 year ended 31 December 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 year ended 31 December 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 year ended 31 December 2019.

CHANGE OF PARTICULARS OF DIRECTORS

With effect from 1 January 2019, the monthly basic salary of Mr. Ng Chee Wai was increased by 57.7% from RM52,000 to RM82,000 while the monthly basic salaries of Mr. Lee Koon Yew and Mr. Kwan Kah Yew were increased by 60% from RM50,000 to RM80,000.

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 annual results of the Company for the year ended 31 December 2019 have been reviewed by the Audit Committee. The Audit Committee also reviewed together with the management the accounting principles and policies adopted by the Group and reviewed the audited consolidated financial statements for the year ended 31 December 2019.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2019 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.

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 2019 annual report of the Company will be despatched to shareholders of the Company and published on the aforesaid websites in due course.

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

Hong Kong, 30 March 2020

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.