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 2021

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 2021, 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 2021

		Six months ended 30 June	
	Note	**2021** *RM'000* **(unaudited)**	2020 *RM'000* (unaudited)
Revenue	*6*	**46,760**	38,351
Other income		**2,289**	1,905
Other gains and losses		**(97)**	452
Staff costs		**(25,759)**	(27,815)
Depreciation		**(1,772)**	(1,420)
Other operating expenses	*7*	**(6,066)**	(4,058)
Profit from operations		**15,355**	7,415
Finance costs		**(314)**	(258)
Profit before tax		**15,041**	7,157
Income tax expenses	*8*	**(3,749)**	(900)
Profit and total comprehensive income for the period	*9*	**11,292**	6,257
		RM	*RM*
Earnings per share	*11*		
Basic		**2.82 cents**	1.56 cents
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2021

	Note	**30 June 2021** *RM'000* **(unaudited)**	31 December 2020 *RM'000* (audited)
Non-current assets			
Property, plant and equipment	*12*	**2,787**	3,044
Right-of-use assets	*13*	**4,999**	3,885
Subleasing receivables		**–**	99
Deposits paid for acquisition of properties	*14*	**14,095**	13,451
Deferred tax assets		**–**	1,011
		21,881	21,490
Current assets			
Trade receivables	*15*	**23,526**	22,819
Subleasing receivables		**217**	258
Other receivables		**1,987**	1,730
Financial assets at amortised cost	*16*	**26,449**	26,464
Pledged bank deposits		**4,176**	3,903
Bank and cash balances		**16,645**	13,126
		73,000	68,300
Current liabilities			
Accruals and other payables		**4,198**	4,381
Lease liabilities		**3,438**	2,659
Current tax liabilities		**2,032**	344
		9,668	7,384
Net current assets		**63,332**	60,916
Total assets less current liabilities		**85,213**	82,406
Non-current liabilities			
Lease liabilities		**2,233**	2,158
NET ASSETS		**82,980**	80,248
Capital and reserves			
Share capital	*17*	**2,199**	2,199
Reserves		**80,781**	78,049
TOTAL EQUITY		**82,980**	80,248

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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.

2. BASIS OF PREPARATION

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

These condensed consolidated financial statements should be read in conjunction with the 2020 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 2020.

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 issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2021 but they do not have a material effect on the Group's financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2020. In addition, the Group applied the following accounting policy for government grants during the current interim period.

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

5. 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.

6. REVENUE AND SEGMENT INFORMATION

The Group's operations and main revenue stream are those described in the last annual consolidated financial statements. The Group derives revenue from the transfer of telemarketing services over time in Malaysia.

Operating segment information

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

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

Geographical information

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

7. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2021	2020
	RM'000	*RM'000*
	(unaudited)	(unaudited)
Auditor's remuneration	**248**	182
Campaign expenses	**1,957**	632
Legal and professional fees	**180**	220
Training expenses	**322**	294
Repair and maintenance expenses	**224**	285
Telephone and internet expenses	**835**	716
Utilities expenses	**253**	238
Others	**2,047**	1,491
	6,066	4,058

8. INCOME TAX EXPENSES

	Six months ended 30 June	
	2021	2020
	RM'000	*RM'000*
	(unaudited)	(unaudited)
Current tax — Malaysian Income Tax	**2,738**	900
Deferred tax	**1,011**	–
	3,749	900

Malaysian income tax is calculated at the statutory tax rates of 24% on the estimated taxable profits for the six months ended 30 June 2021 and 2020.

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 2021 and 2020.

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. No further renewal of tax exemption was obtained after 9 February 2020.

9. PROFIT FOR THE PERIOD

The Group's profit for the period is stated after charging/(crediting) the following:

	Six months ended 30 June	
	2021	2020
	RM'000	*RM'000*
	(unaudited)	(unaudited)
Loss on disposals of property, plant and equipment	**–**	1
Loss on modification of financial assets at amortised cost	**461**	–
(Reversal of impairment)/impairment losses on financial assets at amortised cost#	**(316)**	528
Impairment losses on trade receivables	**–**	239
Staff costs (including directors' emoluments)*		
— Salaries, bonuses and allowances	**22,390**	24,538
— Retirement benefit scheme contributions	**3,014**	2,911
— Social insurance contributions	**355**	366
	25,759	27,815

\# Due to the recovery of Malaysia's economy from the outbreak of the COVID-19 pandemic, there were decreases in credit risk in respect of the collection of loan advances upon its due dates. As a result, reversal of impairment losses on financial assets at amortised cost of approximately RM316,000 (30 June 2020: impairment losses of approximately RM528,000) was made during the period.

* For the period ended 30 June 2021, COVID-19 related government grants amounted to approximately RM2,232,000 have been offset against staff costs.

10. DIVIDEND

The board has resolved to declare an interim dividend of HK$0.060 per ordinary share (equivalent to RM0.032 per ordinary share) (30 June 2020: HK$0.045 per ordinary share (equivalent to RM0.0243 per ordinary share)) totaling HK$24,000,000 (equivalent to approximately RM12,800,000) (30 June 2020: HK$18,000,000 (equivalent to approximately RM9,720,000)) for the six months ended 30 June 2021.

The final dividend for the year ended 31 December 2020 of HK$0.040 per ordinary share (equivalent to RM0.0214 per ordinary share) totaling HK$16,000,000 (equivalent to approximately RM8,560,000) was proposed in March 2021 and paid in June 2021.

11. 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 2021 of approximately RM11,292,000 (30 June 2020: approximately RM6,257,000) and the weighted average number of 400,000,000 (30 June 2020: 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 2021 and 2020.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment with a cost of approximately RM166,000 (30 June 2020: approximately RM192,000). Property, plant and equipment with a net book value of RM Nil (30 June 2020: approximately RM1,000) were disposed of during the six months ended 30 June 2021 resulting a loss on disposal of RM Nil (30 June 2020: approximately RM1,000).

13. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2021, the Group entered into certain new lease agreements for use of office premises for 2 years. The Group makes fixed payments during the contract period. On lease commencement, the Group recognised approximately RM2,463,000 (30 June 2020: approximately RM1,204,000) of right-of-use asset and lease liability.

14. DEPOSITS PAID FOR ACQUISITION OF PROPERTIES

	30 June 2021 *RM'000* **(unaudited)**	31 December 2020 *RM'000* (audited)
Deposits for properties	**14,095**	13,451

The amounts represent unsecured deposits paid for acquisition of properties with total purchase consideration of approximately RM17,935,000 (the "**Consideration**"). The deposits are non-interest bearing and will form part of the consideration upon the completion of properties.

On 24 July 2020, UTS Marketing Solutions Sdn. Bhd. ("**UTSM**"), a wholly-owned subsidiary of the Company, entered into sale and purchase agreements with Lim Legacy Development Sdn. Bhd. ("**Lim Legacy**") to acquire 18 office suites (the "**Properties**") locating at Kuala Lumpur, Malaysia. The Properties are expected to be completed by July 2024 and delivered to UTSM. As at 30 June 2021, 79% (31 December 2020: 75%) of the total Consideration, amounting to approximately RM14,095,000 (31 December 2020: approximately RM13,451,000), has been paid to Lim Legacy.

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

15. TRADE RECEIVABLES

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 as at the balance sheet date, based on the date of invoice and net of allowance, is as follows:

	30 June 2021	31 December 2020
	RM'000	*RM'000*
	(unaudited)	(audited)
0 to 30 days	**8,873**	7,913
31 to 60 days	**6,475**	7,724
61 to 90 days	**2,470**	2,372
91 to 120 days	**2,555**	1,919
121 to 180 days	**1,654**	1,942
Over 180 days	**1,499**	949
	23,526	22,819

16. FINANCIAL ASSETS AT AMORTISED COST

	30 June 2021	31 December 2020
	RM'000	*RM'000*
	(unaudited)	(audited)
Loan receivables	**25,763**	26,146
Interest receivables	**1,359**	1,307
	27,122	27,453
Less: Impairment losses	**(673)**	(989)
	26,449	26,464

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

On 31 January 2019, UTSM entered into a shares sale agreement with Exsim Development Sdn. Bhd. ("**Exsim**") and Mightyprop Sdn. Bhd. ("**Mightyprop**") to acquire 2% of Mightyprop issued ordinary shares from Exsim with a purchase consideration of RM2. In addition, UTSM agreed to provide an advance of RM12,000,000 to Mightyprop. 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. In July 2020, the repayment date of the loan was extended one year to June 2021 with no change in interest rate. In June 2021, the repayment date was further extended one year to June 2022 and interest rate increased from 10% per annum to 11% per annum.

On 23 April 2019, UTSM entered into a shares subscription agreement with 2 individuals, Performance Consortium Sdn. Bhd. (collectively referred as "**Arcadia's Shareholders**") and Arcadia Hospitality Sdn. Bhd. ("**Arcadia**"). Pursuant to the agreement, UTSM agreed to subscribe equivalent to 10% of the enlarged issued share capital of Arcadia with a purchase consideration of RM120,000 from Arcadia's Shareholders. In addition, UTSM agreed to provide an advance of RM14,000,000 to Arcadia. The advance is unsecured, bearing interest rate of 10% per annum and repayable on or before July 2020. In July 2020, the repayment date of the loan was extended to December 2020 and interest rate remains unchanged. In December 2020, the repayment date was further extended one year to December 2021 and interest rate increased from 10% per annum to 11% per annum. The share acquisition has not yet been completed as at the date of issuance of this interim results announcement.

Further details of the above transaction are set out in the Company's announcement dated 31 January 2019, 23 April 2019, 8 July 2019, 8 July 2020, 10 July 2020, 30 December 2020 and 28 June 2021 respectively.

The Group holds the loan receivables to collect contractual cash flows and its contractual term give rise to cash flow on specified dates which are solely payments of principal and interest on the principal amounts outstanding. The Group applies expected credit loss model to measure the impairment of financial assets at amortised cost. Reversal of impairment allowance of approximately RM316,000 was recognised for the six months ended 30 June 2021 (30 June 2020: impairment allowance of approximately RM528,000).

17. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021	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 1 January 2020, 31 December 2020, 1 January 2021 (audited) and 30 June 2021 (unaudited)	400,000,000	4,000	2,199

18. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2021	2020
	RM'000	*RM'000*
	(unaudited)	(unaudited)
Short term employee benefits	**3,978**	3,239
Retirement benefit scheme contributions	**544**	419
Social insurance contributions	**8**	8
Total compensation paid to key management personnel	**4,530**	3,666

19. 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 this interim results announcement.

20. CAPITAL COMMITMENTS

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

	30 June 2021	31 December 2020
	RM'000	*RM'000*
	(unaudited)	(audited)
Acquisition of properties	**3,840**	4,484
Capital commitments on potential equity investment	**120**	120
	3,960	4,604

21. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2021 (31 December 2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of outbound telemarketing services and contact centre facilities for promotion of financial products and its related activities issued by authorised financial institutions, card companies or organisations worldwide. As at 30 June 2021, the Group was operating eight contact centers situated within the central business district of Kuala Lumpur, Malaysia with approximately 1,304 employees. The Group's net profit for the six months ended 30 June 2021 amounted to approximately RM11.29 million, representing an increase of approximately RM5.03 million as compared to approximately RM6.26 million for the corresponding six months ended 30 June 2020. The increase in net profit for the six months ended 30 June 2021 was primarily attributable to higher revenue from the business in Malaysia by approximately RM8.41 million but contracted by higher income tax expenses of approximately RM2.85 million.

FINANCIAL REVIEW

Revenue

	Six months ended 30 June	
	2021	2020
	RM'000	*RM'000*
Industry sector		
Insurance	**31,732**	30,406
Banking and financial	**1,665**	2,019
Others	**13,363**	5,926
	46,760	38,351

For the six months ended 30 June 2021, the Group recorded a revenue of approximately RM46.76 million, representing an increase of approximately 21.9% as compared with approximately RM38.35 million for the corresponding period in 2020. In the corresponding period in 2020, due to the COVID-19 outbreak which resulted in lockdown and containment measures in Malaysia and led to lower billable workstations revenue to the Group during the lockdown period. Despite new waves of infections continued to affect the economic activities in Malaysia, the Group's main business activities were not impacted and were allowed to operate during the several phases of lockdown and containment measures in the current reporting period. Aside from the impact of the pandemic, and compared to the corresponding period in 2020, the Group achieved higher billable workstation revenue through the introduction of a new motor vehicle franchise client in the 4th quarter of 2020 and existing clients from the insurance sector and charity organisations.

The overall average number of workstation orders per month decreased from approximately 1,152 for the six months ended 30 June 2020 to approximately 1,107 for the six months ended 30 June 2021. The revenue generated per workstation per month increased from RM5,548 for the six months ended 30 June 2020 to RM7,040 for the six months ended 30 June 2021.

The revenue generated per workstation per month increased by RM1,492 was mainly due to higher billable rate from charitable organisation and a new client on board since late last year.

Other income

For the six months ended 30 June 2021, other income increased by approximately RM0.38 million as compared to approximately RM1.91 million for the corresponding period in the prior year, mainly due to a one-off insurance claim proceed of RM0.27 million and the imputed and accrued interest income generated from the loan advances to two independent third parties with an aggregate principal amount of RM26 million. During the current reporting period, the loan advances bore interest rates of 10% and 11% per annum respectively.

Other gains and losses

For the six months ended 30 June 2021, other gains and losses decreased by approximately RM0.55 million as compared to the corresponding period in the prior year, from gains of approximately RM0.45 million to losses of approximately RM0.10 million. The reduction in other gains and losses were mainly due to the decrease in the unrealised foreign exchange gains.

Staff costs

For the six months ended 30 June 2021, staff costs decreased by approximately RM2.06 million or 7.4%, from approximately RM27.82 million for the corresponding period in the prior year to approximately RM25.76 million.

Average number of staff decreased from the monthly average of 1,532 for the six months ended 30 June 2020 to the monthly average of 1,358 for the six months ended 30 June 2021. The Group reported an overall decrease in staff costs by approximately RM2.06 million mainly due to the COVID-19 related grant received from the government of Malaysia by recruiting and employing locals which have been partially offset against staff costs.

Depreciation

For the six months ended 30 June 2021, depreciation charges increased by approximately RM0.35 million or 24.6%, from approximately RM1.42 million for the corresponding period in the prior year to approximately RM1.77 million. The increase in the depreciation charges was mainly attributable to the new lease agreements for the use of office premises entered into by the Group during the six months ended 30 June 2021.

Other operating expenses

For the six months ended 30 June 2021, other operating expenses increased by approximately RM2.01 million or 49.5%, from approximately RM4.06 million for the corresponding period in the prior year to approximately RM6.07 million.

The increase was primarily due to an increase in campaign expenses of RM1.32 million and other general expenses of RM0.56 million.

Finance costs

For the six months ended 30 June 2021, finance costs increased slightly by approximately RM0.05 million from approximately RM0.26 million for the corresponding period in the prior year to approximately RM0.31 million.

Income tax expenses

The Group reported an income tax expense provision of RM3.75 million and RM0.90 million from the assessable profits arising during the six months ended 30 June 2021 and 2020 respectively.

Net profit and net profit margin

As a result of the above factors, the Group recorded a profit after tax of approximately RM11.29 million and RM6.26 million for the six months ended 30 June 2021 and 2020 respectively. Net profit margin was approximately 24.1% and 16.3% for the six months ended 30 June 2021 and 2020 respectively.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Financial resources

The Group generally meets its working capital requirements and capital expenditures on plant and equipment from its internally generated funds. For the six months ended 30 June 2021, the Group generated net cash inflow from operating activities of approximately RM13.26 million (30 June 2020: approximately RM0.06 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 2021, the Group has available and unutilised facilities from banks amounting to RM5.10 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 approximately 7.60% (31 December 2020: approximately 8.17%). The Group's banking facilities are secured by the pledged bank deposits and the corporate guarantees provided by the Company.

As at 30 June 2021, the Group has an aggregate amount of current and non-current lease liabilities of approximately RM5.67 million (31 December 2020: approximately RM4.82 million), all denominated in Malaysian Ringgit. The average effective interest rate for the lease is 3.86% (31 December 2020: 4.00%). The carrying amount of approximately RM0.31 million (31 December 2020: approximately RM0.41 million) is secured by the lessor's retention of title to the leased assets.

Pledge of Assets

As at 30 June 2021, the Group's banking facilities, which were all denominated in Malaysian Ringgit, were secured by (i) the pledged bank deposits of approximately RM4.18 million (31 December 2020: approximately RM3.90 million), and (ii) the corporate guarantees provided by the Company.

Gearing Ratio

The gearing ratio of the Group as at 30 June 2021 was approximately 7.00% (31 December 2020: approximately 6.00%) which is calculated based on the total debt divided by equity attributable to equity holders of the Company, and the total debt represents bank overdrafts and lease liabilities. The Group has a strong liquidity position to meet its operational needs.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

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

Ability to secure sufficient labour and control staff cost

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

As at 30 June 2021, the Group had 1,304 employees. Total staff costs incurred by the Group for the six months ended 30 June 2021 were approximately RM25.76 million (30 June 2020: approximately RM27.82 million), representing 55.1% of the revenue of the Group for the six months ended 30 June 2021 (30 June 2020: 72.5%).

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

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

Delay in settlement of bills from the top five clients

The majority of the Group's revenue is derived from a limited number of clients. The sales to the five largest clients accounted for approximately 69.1% of the total revenue for the six months ended 30 June 2021 (30 June 2020: approximately 72.0%). All the five largest clients consist of insurance companies and charitable organisation.

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

The Group will continue monitoring the trade receivables collection cycle in order to fully recover the outstanding amounts due from our clients. As at 30 June 2021, the trade receivables were approximately RM23.5 million. Subsequent to 30 June 2021 and up to the date of this announcement, approximately RM15.6 million or 66.4% of the outstanding balances of trade receivables as at 30 June 2021 have been settled.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

On 12 July 2017, the Company's shares (the "**Shares**") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). A total of 100,000,000 Shares were issued to the public at HK$1.38 per share for a total gross proceeds of HK$138 million. The total net proceeds raised from the global 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 30 June 2021, the respective use of the net proceeds were as follows:

Intended usage	**Actual net proceeds received** *RM'000*	**Amount utilised as at 30 June 2021** *RM'000*	**Amount unutilised as at 30 June 2021** *RM'000*
Expanding outbound contact service business	30,137	30,137	–
Setting up inbound contact centre	15,070	15,070	–
Upgrading and enhancing information technology system	9,041	2,329	6,712
General working capital	6,027	6,027	–
Total	60,275	53,563	6,712

The balance of the net proceeds is currently deposited in licensed financial institutions in Hong Kong and Malaysia.

The total unutilised net proceeds of approximately RM6.71 million will be applied consistently to that disclosed in the Prospectus. The Directors are not aware of any material changes to the intended usage of proceeds as at the date of this announcement.

The Board had prudently reviewed and considered the market condition before making any expenditures for the above intended usage, mainly due to the following factors: (i) the Group is still in the infancy stage of setting up a new inbound contact centre and the incidental information technology equipment, (ii) the Group is still searching for experienced consultant and inbound management team, (iii) increasing demand on more advanced information technologies on e-commerce and work from home as compared to conventional one, and (iv) increasing demand on operating spaces in order to promote better workplace social distancing practice.

The balance of the unutilised proceeds is expected to be utilised by 31 December 2021. The intended time frame has been envisaged on the best possible estimation and assumption of the market condition and development by the Group as at the date of this announcement. The outbreak of COVID-19 pandemic was unprecedented and has created uncertainties on the global and domestic economies. However, this opens up an opportunity for outsourcing risk management strategy for global and domestic clients.

CAPITAL COMMITMENTS

As at 30 June 2021, the Group's capital commitments contracted but not yet incurred are related to potential equity investment and acquisition of collectively 18 office suites, which amounted to RM3.96 million (31 December 2020: RM4.60 million).

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2021.

ADVANCE TO ENTITIES

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

On 8 July 2020, UTSM, Exsim and Mightyprop entered into the extension agreement, pursuant to which Exsim has undertaken to (i) repay the Advance on or before 30 June 2021 and (ii) pay the interest calculated at the rate of 10% per annum on a daily basis accrued from 4 February 2019 up to the date of repayment and payable on 7 January 2021 and 7 July 2021 and UTSM agreed to such arrangement.

On 28 June 2021, upon further negotiations between UTSM, Exsim and Mightyprop, the parties entered into a further extension agreement (the "**Further Extension Agreement**"), pursuant to which Exsim has undertaken to (i) repay the Advance on or before 30 June 2022 and (ii) pay the interest calculated at the rate of 10% per annum on a daily basis accrued from 4 February 2019 up to 30 June 2021 and at the rate of 11% per annum on a daily basis accrued from 1 July 2021 up to the date of repayment and UTSM agreed to such arrangement (the "**Further Extension**").

On 23 April 2019, UTSM entered into a shares subscription agreement with 2 individuals, Performance Consortium Sdn. Bhd. (collectively referred as the "**Arcadia's Shareholders**") and Arcadia Hospitality Sdn. Bhd. ("**Arcadia**"). Pursuant to the agreement, UTSM agreed to subscribe for new shares equivalent to 10% of the enlarged issued share capital of Arcadia with a consideration of RM120,000 from Arcadia's shareholders. In addition, UTSM agreed to provide an advance of RM14,000,000 to Arcadia. The advance was unsecured, bearing interest rate of 10% per annum and repayable on or before July 2020.

On 13 July 2020, the Arcadia's Shareholders requested for further extension of long-stop date of the conditions precedent to complete the share subscription transaction and UTSM agreed to further extend the same to 31 December 2020. Incidental to the said extension, UTSM may refrain from demanding immediate repayment of the advance until 31 December 2020 with interest rate remains unchanged.

On 30 December 2020, upon further discussion among the parties to the said shares subscription agreement, the parties have entered into an agreement on 30 December 2020 to amend the long-stop date for the fulfilment of the conditions precedent to the shares subscription agreement to 31 December 2021 and the final repayment date of the advance to Arcadia to be extended to 31 December 2021, with the interest of 11% per annum, an additional rate of 1% per annum from 10% per annum on the extended term effective from 1 January 2021. 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 announcements dated 31 January 2019, 23 April 2019, 8 July 2019, 8 July 2020, 10 July 2020, 30 December 2020 and 28 June 2021 respectively.

As at 30 June 2021, 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 2021 amounted to aggregated principal values of RM12 million and RM14 million with maturity dates on or before 30 June 2022 and 31 December 2021 respectively.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had 1,304 (30 June 2020: 1,346) employees. Total staff costs incurred by the Group for the six months ended 30 June 2021 were approximately RM25.76v million (30 June 2020: approximately RM27.82 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 2021, the Group did not hold any significant investments.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed elsewhere in this announcement, there was no other specific plan for material investments or capital assets as at 30 June 2021.

MATERIAL ACQUISITIONS OR DISPOSALS

During the six months ended 30 June 2021, there was no material acquisition or disposal by the Group.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Save as disclosed in this announcement, there had been no material changes in the business operation of the Group since 31 December 2020.

OUTLOOK AND FUTURE PROSPECTS

The Group’s strategic objective remains unchanged, i.e. to continue focusing on the business strategies according to the details as disclosed in the section headed “Business — Business Strategies” of the Prospectus.

The economic outlook continues to be challenging in Malaysia which continues to face resurgence in cases of COVID-19 infections. However, with the accelerated steps undertaken by the government of Malaysia on the national vaccination programme, this should alleviate the nation recovery stage and fasten the process back to normalcy.

Nevertheless, the Group continues to remain cautious and maintain its efforts to improve productivity by setting up another new contact center in the coming quarter to cater for workplace social distancing requirements.

The Group expects the overall outlook for the second half of 2021 to remain stable and resilient without material deviation from its existing outbound telemarketing workstations ordered from its existing clients.

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

INTERIM DIVIDENDS

The Board has resolved to declare an interim dividend of HK6 cents per ordinary share for the six months ended 30 June 2021 (30 June 2020: HK4.5 cents per ordinary share), the same of which will be paid on or before Thursday, 23 September 2021 to those shareholders of the Company whose names appear in the register of members of the Company at the close of business on Monday, 13 September 2021 (the record date).

There will be no book closure period. In order to be qualified for the interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 13 September 2021, which is also the record date for the distribution of interim dividend.

EVENTS AFTER THE REPORTING PERIOD

No material events was taken by the Group subsequent to 30 June 2021 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

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 2021.

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 2021.

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 2021, 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 2021.

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 2021 have been reviewed by the audit committee, and no disagreement was raised by the audit committee in respect of the accounting treatments adopted by the Group. The unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2021 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 2021 to the Shareholders.

PUBLICATION OF FINANCIAL INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at unitedteleservice.com. The interim report of the Company for the six months ended 30 June 2021 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 and Executive Director

Hong Kong, 27 August 2021

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.