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 2022

FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2022	2021
	RM'000	*RM'000*
Key financial data		
Revenue	**87,049**	91,697
Profit attributable to equity holders of the Company	**10,141**	19,156
Net profit margin	**11.6%**	20.9%
Interim dividend (per ordinary share)	**Nil**	HK6.0 cents
Second interim dividend (per ordinary share)	**Nil**	HK5.5 cents
Special dividend (per ordinary share)	**HK4.5 cents**	Nil

The Board did not recommend payment of final dividend for the year ended 31 December 2022 (2021: Nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	**2022** *RM'000*	2021 *RM'000*
Revenue	*4*	**87,049**	91,697
Other income		**3,034**	4,064
Other gains and losses		**581**	(419)
Staff costs		**(59,317)**	(52,657)
Depreciation		**(4,326)**	(3,738)
Other operating expenses	*6*	**(12,607)**	(12,507)
Profit from operations		**14,414**	26,440
Finance costs		**(249)**	(639)
Profit before tax		**14,165**	25,801
Income tax expenses	*7*	**(4,024)**	(6,645)
Profit and total comprehensive income for the year	*8*	**10,141**	19,156
Earnings per share			
Basic	*10(a)*	**RM2.54 cents**	RM4.79 cents
Diluted	*10(b)*	**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2022

	Note	**2022**	2021
		RM'000	*RM'000*
Non-current assets			
Property, plant and equipment		**4,966**	3,099
Right-of-use assets		**8,745**	3,165
Subleasing receivables		**100**	48
Deposits paid for acquisition of properties	*11*	**14,095**	14,095
Deferred tax assets		**62**	–
		27,968	20,407
Current assets			
Trade receivables	*12*	**17,533**	18,725
Subleasing receivables		**281**	241
Other receivables		**3,490**	2,270
Financial assets at amortised cost	*13*	**24,921**	26,511
Tax recoverable		**1,327**	38
Pledged bank deposits		**1,700**	4,377
Bank and cash balances		**8,257**	17,771
		57,509	69,933
Current liabilities			
Accruals and other payables		**5,597**	7,891
Lease liabilities		**3,276**	3,037
Borrowings	*14*	**4,933**	–
Current tax liabilities		**20**	496
		13,826	11,424
Net current assets		**43,683**	58,509
Total assets less current liabilities		**71,651**	78,916
Non-current liabilities			
Lease liabilities		**5,459**	872
Deferred tax liabilities		**207**	–
		5,666	872
NET ASSETS		**65,985**	78,044
Capital and reserves			
Share capital	*15*	**2,199**	2,199
Reserves		**63,786**	75,845
TOTAL EQUITY		**65,985**	78,044

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 23rd Floor, Plaza See Hoy Chan, Jalan 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 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). Significant accounting policies adopted by the Group are disclosed below.

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 Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018–2020
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

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

The Group has not applied any new standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2022. The new standard, amendments to standards and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 — Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2 — Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 — Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 — Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16 — Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

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:

	2022	2021
	RM'000	*RM'000*
Revenue from contracts with customers within the scope of HKFRS 15		
— Telemarketing services income	**87,049**	91,697

The Group derives revenue from the transfer of services over time in Malaysia for the years ended 31 December 2022 and 2021.

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:

	2022	2021
	RM'000	*RM'000*
Customer A	**22,095**	22,701
Customer B	**15,126**	13,119
Customer C	**11,546**	12,886
Customer D *(note 1)*	**10,561**	N/A

Note 1: Customer D did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2021.

6. OTHER OPERATING EXPENSES

	2022	2021
	RM'000	*RM'000*
Auditor's remuneration	**412**	381
Campaign expenses	**3,056**	4,383
Entertainment expenses	**1,186**	476
Legal and professional fees	**446**	321
Repair and maintenance expenses	**551**	484
Telephone and internet expenses	**776**	1,351
Training related expenses	**646**	543
Utilities expenses	**677**	588
Others	**4,857**	3,980
	12,607	12,507

7. INCOME TAX EXPENSES

	2022	2021
	RM'000	*RM'000*
Current tax — Malaysian Income Tax		
Provision for the year	**4,000**	5,700
Over-provision in prior years	**(121)**	(66)
	3,879	5,634
Deferred tax	**145**	1,011
	4,024	6,645

Malaysian income tax is calculated at the statutory tax rate of 24% (2021: 24%) on the estimated taxable profits for the year ended 31 December 2022.

No provision of profit tax in the Cayman Islands, the 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 2022 and 2021.

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.

8. PROFIT FOR THE YEAR

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

	2022	2021
	RM'000	*RM'000*
Auditor's remuneration	**412**	381
Depreciation on property, plant and equipment	**1,109**	991
Depreciation on right-of-use assets	**3,217**	2,747
Loss/(gain) on modification of financial assets at amortised cost	**122**	(121)
(Reversal of impairment losses)/impairment losses on financial assets at amortised cost	**(578)**	127
Staff costs (including directors' emoluments) *(note 1)*		
— Salaries, bonuses and allowances	**52,031**	45,912
— Retirement benefit scheme contributions	**6,498**	6,065
— Social insurance contributions	**788**	680
	59,317	52,657

Note 1: For the year ended 31 December 2022, COVID-19 related government grants amounted to approximately RM1,271,000 (2021: RM3,281,000) have been offset against staff costs.

9. DIVIDENDS

	2022	2021
	RM'000	*RM'000*
First interim dividend — HK$0.060 (equivalent to RM0.032) per ordinary share	**–**	12,800
Final dividend for the year ended 31 December 2020 approved and paid — HK$0.040 (equivalent to RM0.0214) per ordinary share	**–**	8,560
Second interim dividend for the year ended 31 December 2021 approved and paid — HK$0.055 (equivalent to RM0.03) per ordinary share	**12,000**	–
Special dividend for the year ended 31 December 2022 approved and paid — HK$0.045 (equivalent to RM0.0255) per ordinary share	**10,200**	–
	22,200	21,360

The Board did not recommend payment of a final dividend for the years ended 31 December 2022 and 2021 respectively.

Second interim dividend in respect of the year ended 31 December 2021 of HK$0.055 per ordinary share totalling HK$22,000,000 (equivalent to RM12,000,000) has been declared by the directors of the Company subsequent to the end of the reporting period of year 2021.

10. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2022	2021
	RM'000	*RM'000*
Earnings		
Earnings for the purpose of calculating basic earnings per share	**10,141**	19,156

	2022	2021
	'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 2022 and 2021.

11. DEPOSITS PAID FOR ACQUISITION OF PROPERTIES

	2022	2021
	RM'000	*RM'000*
Deposits for properties	**14,095**	14,095

The amounts represent unsecured deposits paid for acquisition of properties with total purchase consideration of approximately RM17,935,000 (the "**Consideration**"). The deposit is 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 development of the Properties was completed subsequent to the reporting period. As at 31 December 2022, 79% (2021: 79%) of the total Consideration, amounting to approximately RM14,095,000 (2021: RM14,095,000), 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.

12. TRADE RECEIVABLES

	2022	2021
	RM'000	*RM'000*
Trade receivables	**17,659**	18,851
Allowance for doubtful debts	**(126)**	(126)
	17,533	18,725

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 and net of allowance, is as follows:

	2022	2021
	RM'000	*RM'000*
0 to 30 days	**6,706**	8,664
31 to 60 days	**5,856**	5,765
61 to 90 days	**2,678**	1,574
91 to 120 days	**1,278**	391
121 to 180 days	**1,015**	970
Over 180 days	**–**	1,361
	17,533	18,725

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

13. FINANCIAL ASSETS AT AMORTISED COST

	2022	2021
	RM'000	*RM'000*
Loan receivables	**24,017**	26,185
Interest receivables	**1,442**	1,442
	25,459	27,627
Less: Impairment loss	**(538)**	(1,116)
	24,921	26,511

The amounts represent loan advanced to independent third parties with aggregated principal values of RM24,000,000. (2021: 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. In July 2019, an agreement was entered by UTSM with Exsim and Mightyprop in which 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 24 June 2022, UTSM, Exsim and Mightyprop entered into a third extension agreement, the repayment date of the loan was extended one year to 30 June 2023 with no change in interest rate. The advance is unsecured, bearing interest rate of 11% per annum and repayable on or before 30 June 2023.

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 11% per annum and repayable on or before December 2022. On 31 October 2022, Arcadia has delivered a notice of termination to UTSM to terminate the share subscription agreement due to non-fulfilment of the conditions precedent. UTSM has confirmed the acceptance of the notice of termination on 10 November 2022. In connection with the termination, the loan advance to Arcadia will be settled by 5 instalments, with the first payment of RM2,000,000 being settled on 30 December 2022 and the last payment becoming due and payable on 29 December 2023 in accordance with the agreed repayment schedule.

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, 28 June 2021, 30 December 2021, 24 June 2022, 18 October 2022 and 10 November 2022 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. Reversal of impairment losses of approximately RM578,000 (2021: impairment losses of RM127,000) was recognised for the year ended 31 December 2022.

14. BORROWINGS

	2022	2021
	RM'000	*RM'000*
Bank overdrafts, secured and repayable on demand	**4,933**	–

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

At 31 December 2022, the Group's average interest rates for the bank overdrafts is 7.76%.

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

As at 31 December 2022, the Group's bank overdrafts are secured by the pledged bank deposits and the corporate guarantees provided by the Company.

15. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	10,000,000,000	100,000

	Number of shares	Amount	Equivalents to amount
		HK$'000	*RM'000*
Issued and fully paid:			
Ordinary shares of HK$0.01 each			
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	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 2022 is 23% (2021: 14%).

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 2022, 25% (2021: 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 2022 and 2021.

16. CAPITAL COMMITMENTS

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

	2022	2021
	RM'000	*RM'000*
Acquisition of properties	**3,840**	3,840
Capital commitments on potential equity investment	**–**	120
	3,840	3,960

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 2022, the Group was operating eight contact centres located within the central business district of Kuala Lumpur, Malaysia. The Group relocated its headquarters to a new premise at 23rd Floor, Plaza See Hoy Chan, Jalan Raja Chulan, 50200 Kuala Lumpur effective from the fourth quarter of 2022 and consolidate some of the excess contact centres capacity which were set up in prior years to cater for social distancing.

The Group's net profit for the year ended 31 December 2022 amounted to approximately RM10.14 million, representing a decrease of approximately RM9.02 million as compared to approximately RM19.16 million for the year ended 31 December 2021.

The decrease in net profit was mainly attributable to the lower revenue from the business in Malaysia by approximately RM4.65 million, higher staff costs by approximately RM6.66 million and partially offset by the lower income tax expenses of approximately RM2.62 million.

Response to the Outbreak of COVID-19 Pandemic

After the outbreak of COVID-19 in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe, including Hong Kong and Malaysia.

The Malaysian Government announced the implementation of Movement Control Order (the "**MCO**"), Conditional Movement Control Order (the "**CMCO**") and Recovery Movement Control Order (the "**RMCO**") in stages in 2020.

However, the situation of COVID-19 pandemic in Malaysia worsened again in early 2021 and the Malaysian Government implemented the MCO again in early 2021 and subsequently the CMCO and RMCO. The head of state of Malaysia declared a Proclamation of Emergency that remained in force until 1 August 2021.

To cope with the ongoing situation of the COVID-19 pandemic, the Group has, in a timely manner, put in place numerous precautionary measures and procured essential protective supplies to ensure the health and safety of all its employees in different regions. At the same time, the Group has implemented various flexible working arrangements for its staff. The Group has used, and will continue to use, its best endeavors to mitigate the adverse impact of the COVID-19 pandemic on the Group.

The year of 2022 was still a challenging year for the Group. The COVID-19 pandemic and the emergence of new variants thereof has continued to pose significant challenges on global economic activities and financial markets and it is infeasible for the Company to totally evaded from its adverse impacts. The market was dampened again by the third wave of the COVID-19 pandemic in Malaysia which directly impacted our Group's business activities.

While the daily number of COVID-19 cases has surged amid the spread of the Omicron variant since early 2022, severe cases (categories 3, 4, and 5 patients) are still relatively low at below 1% in Malaysia and the number of COVID-19 patients requiring intensive care treatment and monitoring is also under control. Besides that, Malaysia's adult population had in general received two doses of COVID-19 vaccine, while some have even received their booster shots as well.

Malaysia entered into the "Transition to Endemic" phase of COVID-19 since 1 April 2022 with all restrictions on business operating hours removed and prayer activities allowed without physical distancing.

The Malaysian economy has recovered strongly from the disruptions of the COVID-19 pandemic in the second half of 2022. Malaysia has progressively reopened its economy despite the resurgence of infections by the Omicron variant in 2022. The full withdrawal of movement restrictions, the re-opened national borders for travellers and the reopening of the economy are expected to reposition Malaysia on a quicker recovery path.

The Group will continue to monitor the development of the COVID-19 pandemic closely to ensure the safety of its employees and stable operations. As and when appropriate, the Group will adjust its measures and business contingency plans for mitigating the potential impacts of the COVID-19 pandemic, operations and business development accordingly.

FINANCIAL REVIEW

Revenue

	2022	2021
	RM'000	*RM'000*
Industry Sector		
Insurance	**61,881**	61,304
Banking and financial	**5,014**	3,243
Others	**20,154**	27,150
Total	**87,049**	91,697

For the year ended 31 December 2022, the Group recorded revenue of approximately RM87.05 million, representing a decrease of approximately 5.07% as compared with approximately RM91.70 million for the year ended 31 December 2021.

After the relaxation of COVID-19 control measures as announced by the Malaysian Government Authority, the overall average number of workstations ordered per month increased by approximately 9.8% from 1,055 seats for the year ended 31 December 2021 to 1,159 for the year ended 31 December 2022.

However, despite the increase in seat orders, revenue generated per workstation per month decreased from RM7,243 for the year ended 31 December 2021 to RM6,259 for the year ended 31 December 2022 mainly due to lower billable rate from charitable organization and other clients.

Other income

For the year ended 31 December 2022, other income decreased by approximately RM1.03 million as compared to prior year, mainly due to (i) lower bank deposit interest and imputed interest income from financial assets at amortised costs of RM0.43 million, (ii) non-recurring one-off insurance claims proceed and other income of RM0.34 million, and (iii) lower rental income of RM0.26 million.

Other gains and losses

For the year ended 31 December 2022, other gains increased by approximately RM1.00 million from losses of approximately RM0.42 million for the year ended 31 December 2021 to gains of approximately RM0.58 million for the year ended 31 December 2022 mainly due to (i) reversal of impairment losses on financial asset at amortised cost of RM0.71 million and (ii) gain of disposal of property, plant, and equipment of RM0.34 million in current year.

Staff Costs

For the year ended 31 December 2022, staff costs increased by approximately RM6.66 million or 12.65% from approximately RM52.66 million for the year ended 31 December 2021 to approximately RM59.32 million.

The average number of staff increased from a monthly average of 1,287 for the year ended 31 December 2021 to 1,318 for the year ended 31 December 2022.

Overall staff costs per staff per month increased from RM3,409 for the year ended 31 December 2021 to RM3,750 for the year ended 31 December 2022 mainly due to (i) decrease of COVID-19 related government grants and subsidies received during the year by recruiting and employing locals which have been partially offset against staff costs; and (ii) increase in minimum wages quantum of RM300 per staff with effect from May 2022 in compliance with to the Minimum Wages Order 2022.

Depreciation

For the year ended 31 December 2022, depreciation charges increased by approximately RM0.59 million or 15.7%, from approximately RM3.74 million for the year ended 31 December 2021 to approximately RM4.33 million for the year ended 31 December 2022. The increase in the depreciation charges was mainly attributable to the new leases agreement for the use of office premises entered into by the Group during the year ended 31 December 2022.

Other operating expense

For the year ended 31 December 2022, other operating expenses increased slightly by approximately RM0.1 million or 0.8%, from approximately RM12.51 million for the year ended 31 December 2021 to approximately RM12.61 million for the year ended 31 December 2022.

Finance costs

For the year ended 31 December 2022, finance costs decreased by approximately RM0.39 million from approximately RM0.64 million for the year ended 31 December 2021 to approximately RM0.25 million for the year ended 31 December 2022.

Income tax expenses

The Group reported an income tax expense provision of RM4.02 million and RM6.65 million from the assessable profits for the years ended 31 December 2022 and 2021 respectively.

Net profit and net profit margin

As a result of the above factors, the Group recorded profit after tax of approximately RM10.14 million and RM19.16 million for the years ended 31 December 2022 and 2021 respectively, with net profit margin of approximately 11.6% and 20.9% for the corresponding years.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Financial resources

The Group generally meets its working capital requirements and capital expenditures on plant and equipment from its internally generated funds. For the year ended 31 December 2022, the Group generated net cash inflow from operating activities of approximately RM6.98 million (2021: approximately RM28.50 million). The Group was able to fulfill its repayment obligations when they became due. The Group has not experienced any material difficulties in rolling over its banking facilities.

Banking facilities and lease liabilities

As at 31 December 2022, the Group had available and unutilised facilities from its banks amounting to approximately RM0.17 million (2021: approximately RM5.09 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 was 7.76% (2021: 7.60%). The banking facilities are secured by the pledged bank deposits and the corporate guarantees provided by the Company.

As at 31 December 2022, the Group had an aggregate amount of current and non-current lease obligations of approximately RM8.74 million (2021: approximately RM3.91 million), denominated in Malaysian Ringgit. The average effective interest rate for the leases was 4.21% (2021: 3.85%). The carrying amount of lease obligations amounted to approximately RM2.09 million (2021: approximately RM0.22 million) is secured by the lessor's retention of title to the leased assets.

Capital Structure

As at 31 December 2022, the Group's total equity and liabilities amounted to approximately RM65.99 million and RM19.49 million respectively (2021: approximately RM78.04 million and RM12.30 million respectively).

Pledge of Assets

As at 31 December 2022, the Group's bank facilities, denominated in Malaysian Ringgit, were (i) secured by the pledged bank deposits of approximately RM1.7 million (2021: approximately RM4.38 million); and (ii) guaranteed by corporate guarantees of the Company.

Gearing Ratio

The gearing ratio of the Group as at 31 December 2022 was 20.7% (2021: 5.0%) which is calculated based on the total debt divided by equity attributable to equity holders of the Company. Total debt represents bank overdrafts and lease liabilities. The Group has a strong liquidity position to meet its operational needs.

RISKS FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

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

Risk in the 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 31 December 2022, the Group had 1,388 employees. Total staff costs incurred by the Group for the year ended 31 December 2022 was approximately RM59.32 million (2021: approximately RM52.66 million), representing approximately 68.1% of the Group's revenue for the year ended 31 December 2022 (2021: 57.4%).

To manage such risk, the Group has endeavored to attract and retain sufficient number of staff, in particular our telemarketing sales representatives by offering performance-linked commission and incentive based on pre-determined sales target.

In addition, appropriate corrective actions and re-training measures have been taken to further improve the quality of the services provided by our telemarketing sales representatives.

Delay in settlement of bills from the top five clients

The majority of the Group's revenue is derived from a limited number of clients. Sales to the five largest clients accounted for 75.4% of the total revenue for the year ended 31 December 2022 (2021: 71.2%). All the five largest clients are insurance companies or charitable organisation.

The Group may be subject to the risk of delay in payment from our clients. If settlements of bills 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 ensure the outstanding amounts due from our clients can be fully recovered. As at 31 December 2022, the Group has recorded trade receivables of approximately RM17.53 million. Up to the date of this announcement, approximately RM16.28 million or 92.9% of the outstanding trade receivables balances have been subsequently settled.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

As at 31 December 2022, the Group had fully utilised all net proceeds from its global offering in the manner set out in the prospectus of the Company dated 22 June 2017 for expanding outbound contact service business, setting up inbound contract centre, upgrading and enhancing information technology system and general working capital.

CAPITAL COMMITMENTS

As at 31 December 2022, the Group's capital commitments contracted but not yet incurred are related to acquisition of collectively 18 office suites, which amounted to RM3.84 million (31 December 2021: RM3.96 million related to potential equity investment and acquisition of collectively 18 office suites).

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2022.

ADVANCE TO ENTITIES

Advance to Mightyprop Sdn. Bhd.

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 Advance was extended to June 2020 and the interest rate remained unchanged.

On 8 July 2020, UTSM, Exsim and Mightyprop entered into an 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 accrued from 1 July 2020 to 31 December 2020 and 30 June 2021, which shall be payable on 7 January 2021 and 7 July 2021 respectively.

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.

On 24 June 2022, the parties entered into a third extension agreement (the "**Third Extension Agreement**"), pursuant to which Exsim has undertaken to repay the advance on or before 30 June 2023 and to pay the interest calculated at the rate of 11% per annum accrued from 1 July 2022 up to the date of repayment on a daily basis and UTSM agreed to such arrangement. Apart from the aforesaid, all other terms of the agreement remained unchanged.

The Third Extension Agreement dated 24 June 2022 constituted a discloseable transaction of the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Advance to Arcadia Hospitality Sdn. Bhd.

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 longstop 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.

On 30 December 2021, the parties entered into a second supplemental agreement to extend the long-stop date for the fulfilment of the conditions precedent for the subscription of the shares in Arcadia to 31 December 2022 and the final payment date of the advance to 31 December 2022 at the interest rate fixed at 11% per annum on the extended term.

On 31 October 2022, Arcadia has delivered a notice of termination to UTSM to terminate the said shares subscription agreement due to non-fulfilment of the conditions precedent. UTSM confirmed acceptance of the termination of the agreement on 10 November 2022. In connection with the termination, it was agreed that the repayment schedule of the advance shall be amended such that Arcadia shall refund in full to UTSM of all monies advanced by UTSM (i.e. RM14,000,000.00) via few instalment payments across five (5) quarters, with the first payment becoming due and payable on 30 December 2022 and the last payment becoming due and payable on 29 December 2023 in accordance with the agreed repayment arrangement. Interest will continue to accrue on the remaining unpaid portion of the advance at the rate of 11% per annum calculated on a daily basis. The interest shall be paid on a quarterly basis on the proposed quarterly payment dates as agreed or such other period as may be mutually agreed between the parties.

The financial advances to entities under Rule 13.20 of 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 28 June 2021, 30 December 2021, 24 June 2022, 18 October 2022 and 10 November 2022 respectively.

As at 31 December 2022, 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 31 December 2022 amounted to aggregate principal values of RM12 million and RM12 million with maturity dates on or before 30 June 2023 and 29 December 2023 respectively.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had 1,388 (31 December 2021: 1,170) employees. Total staff costs incurred by the Group for the year ended 31 December 2022 were approximately RM59.32 million (2021: approximately RM52.66 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 were given to the employees to motivate productivity and stimulate better performance. The employees are 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 2022, 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 and bank overdrafts bore interests at variable rates that are subject to 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 Malaysian Ringgit, the functional currency of the Group. 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 2022, the Group did not hold any significant investments.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, there was no specific plan for material investments or capital assets as at 31 December 2022.

MATERIAL ACQUISITIONS OR DISPOSALS

During the year ended 31 December 2022, the Group did not have any material acquisitions and disposals of subsidiaries, affiliated companies, associates or joint ventures.

OUTLOOK AND FUTURE PROSPECTS

The Group's strategic objective remains unchanged and will continue focusing on the business strategies as set out in the section headed "Business — Business Strategies" of the Prospectus.

Malaysia has entered the "Transition to Endemic" phase of COVID-19 since 1 April 2022 with all restrictions on business operating hours removed and prayer activities allowed without physical distancing. The transition to the endemic phase is an exit strategy that would allow Malaysians to return to near-normal life after two years of battling the pandemic.

Nevertheless, the Group continues to remain cautious and maintain its efforts to improve productivity and expects the overall outlook for the year 2023 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 identifying 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.

DIVIDENDS

The Board has declared a special dividend of HK4.5 cents per ordinary share (the "**Special Dividend**"). The Special Dividend was paid on or around 21 December 2022 to shareholders of the Company whose names appear on the register of members of the Company on 6 December 2022.

The Board has resolved not to declare any final dividend for the year ended 31 December 2022.

The Board is assessing the possibility of declaring another special dividend to the shareholders, depending on the financial conditions and the cash level of the Company. As at the date of this announcement, the Board has still not made any decision yet. Announcement will be made by the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting of the Company, which is scheduled to be held on Thursday, 25 May 2023 (the "**AGM**"), the register of members of the Company will be closed from Monday, 22 May 2023 to Thursday, 25 May 2023, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 pm on Friday, 19 May 2023.

RETIREMENT BENEFIT SCHEME

The Group contributes to Employees Provident Fund for their employees in accordance with the statutory requirements prescribed by the relevant Malaysian laws and regulations. The Group is required to contribute certain percentage (6%–13%) of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

For the year ended 31 December 2022, the total amount contributed by the Group to the retirement benefit scheme was approximately RM6.50 million (2021: approximately RM6.07 million).

During the years ended 31 December 2021 and 2022, the Group had no forfeited contributions under its retirement benefit scheme which may be used to reduce the existing level of contributions.

EVENTS AFTER THE REPORTING PERIOD

There had been no material event subsequent to 31 December 2022 which requires adjustment to or disclosure in this annual 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 2022.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Saved as disclosed in the paragraph headed "Response to the Outbreak of COVID-19 Pandemic", there had been no material changes on the business operation of the Group since 31 December 2022.

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 2022.

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 the contribution they had or may have made to the Group. The Share Option Scheme will provide the eligible participants the opportunity to have 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 consultants or advisers (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), contractors, suppliers, service providers, agents, customers and business partners 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. Subject to the requirements under the Listing Rules relating to the grant of share options to the Directors, chief executive or substantial shareholders, unless approved by the shareholders at general meeting in the manner prescribed in the Listing Rules, the maximum entitlement of each eligible participant is that the total number of shares issued and to be issued upon exercise of the outstanding options granted and to be granted to such grantee (including both exercised, cancelled and outstanding options) under the Share Option Scheme and other scheme(s) of the Group in any 12-month period must not exceed 1% of the issued share capital of the Company as at the date of grant.

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 2022.

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 year ended 31 December 2022.

CORPORATE GOVERNANCE CODE

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

For the year ended 31 December 2022, 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 during the said period, save and except for code provision D.2.5 of the CG Code. Code provision D.2.5 of the CG Code stipulates that an issuer should have an internal audit function. 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 a function. The Board reviews and will continue to review the need to set up an independent internal audit function on an annual basis. At the current stage, our finance team assumes the responsibility for conducting regular review of internal control procedures. Such arrangement can be improved, but the Board is not concerned with the lack of segregation of duties taking into account 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 is effective and adequate during the year ended 31 December 2022.

AUDIT COMMITTEE

The Audit Committee of the Company was established on 14 June 2017 with written terms of reference in compliance with the Listing Rules. The committee comprises three independent non-executive Directors, namely Mr. Kow Chee Seng (Chairman of the Audit Committee), Mr. Lee Shu Sum Sam and Mr. Chan Hoi Kuen Matthew.

The audited annual results of the Company for the year ended 31 December 2022 as set out in this announcement 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 the audited consolidated financial statements for the year ended 31 December 2022.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary results announcement for the year ended 31 December 2022 have been agreed by the Group's auditor, RSM Hong Kong, to the amounts set out in the Group's consolidated financial statements. 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. 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 http://unitedteleservice.com. The 2022 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 2023

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.