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 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	**2023** **RM'000**	2022 RM'000
Revenue	*4*	**94,439**	87,049
Other income		**2,918**	3,034
Other gains and losses		**(2,510)**	581
Staff costs		**(63,364)**	(59,317)
Depreciation		**(4,858)**	(4,326)
Other operating expenses	*6*	**(11,051)**	(12,607)
Profit from operations		**15,574**	14,414
Finance costs		**(487)**	(249)
Profit before tax		**15,087**	14,165
Income tax expenses	*7*	**(4,782)**	(4,024)
Profit and total comprehensive income for the year	*8*	**10,305**	10,141
Earnings per share			
Basic	*10(a)*	**RM2.58 cents**	RM2.54 cents
Diluted	*10(b)*	**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Note	2023 RM'000	2022 RM'000
Non-current assets			
Property, plant and equipment		**5,224**	4,966
Right-of-use assets		**6,934**	8,745
Subleasing receivables		**–**	100
Deposits paid for acquisition of properties	*11*	**–**	14,095
		12,158	27,906
Current assets			
Trade receivables	*12*	**19,652**	17,533
Subleasing receivables		**99**	281
Other receivables		**3,108**	3,490
Financial assets at amortised cost	*13*	**18,930**	24,921
Tax recoverable		**707**	1,327
Pledged bank deposits		**4,141**	1,700
Bank and cash balances		**15,187**	8,257
		61,824	57,509
Current liabilities			
Accruals and other payables		**5,800**	5,597
Lease liabilities		**3,406**	3,276
Borrowings	*14*	**71**	4,933
Dividend payables		**12,000**	–
Current tax liabilities		**234**	20
		21,511	13,826
Net current assets		**40,313**	43,683
Total assets less current liabilities		**52,471**	71,589

	Note	**2023**	2022
		RM'000	*RM'000*
Non-current liabilities			
Lease liabilities		**3,373**	5,459
Deferred tax liabilities		**145**	145
		3,518	5,604
NET ASSETS		**48,953**	65,985
Capital and reserves			
Share capital	*15*	**2,199**	2,199
Reserves		**46,754**	63,786
TOTAL EQUITY		**48,953**	65,985

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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).

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 new and 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 2023 for the preparation of the consolidated financial statements:

Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

The Group has adopted Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies" for the first time in the current year. HKAS 1 "Presentation of Financial Statements" is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 "Making Materiality Judgements" (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in the consolidated financial statements.

Impact on application of Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The Group has adopted Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" for the first time in the current year. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences — e.g. leases.

The Group previously accounted for deferred tax on leases applying the "integrally linked" approach, resulting in a similar outcome to the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. The change primarily impacts disclosures of components of deferred tax assets and liabilities, but does not impact the overall deferred tax balances presented on the consolidated statement of financial position as the related deferred tax balances qualify for offset under HKAS 12.

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

The Group has not early applied the following amendments to standards and interpretation that have been issued but are not yet effective:

	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 HKFRS 16 — Lease Liability in a Sales and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ("HK Int 5 (Revised)")	1 January 2024
Amendments to HKAS 7 and HKFRS 7 — Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21 — Lack of Exchangeability	1 January 2025
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

The directors of the Company anticipate that the application of all other amendments to HKFRSs will not have material impact on the consolidated financial statements in the foreseeable future.

4. REVENUE

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

	2023	2022
	RM'000	*RM'000*
Revenue from contracts with customers within the scope of HKFRS 15		
— Telemarketing services income	**94,439**	87,049

The Group derives revenue from the transfer of services over time in Malaysia for the years ended 31 December 2023 and 2022.

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:

	2023	2022
	RM'000	*RM'000*
Customer A	**24,262**	22,095
Customer B	**12,323**	15,126
Customer C	**18,235**	11,546
Customer D	**9,938**	10,561

6. OTHER OPERATING EXPENSES

	2023	2022
	RM'000	*RM'000*
Auditor's remuneration	**483**	470
Campaign expenses	**2,661**	3,056
Entertainment expenses	**429**	1,186
Legal and professional fees	**415**	388
Repair and maintenance expenses	**500**	551
Telephone and internet expenses	**157**	776
Training related expenses	**692**	646
Utilities expenses	**671**	677
Others	**5,043**	4,857
	11,051	12,607

7. INCOME TAX EXPENSES

	2023	2022
	RM'000	*RM'000*
Current tax — Malaysian Income Tax		
Provision for the year	**4,928**	4,000
Over-provision in prior years	**(146)**	(121)
	4,782	3,879
Deferred tax	**–**	145
	4,782	4,024

Malaysian income tax is calculated at the statutory tax rate of 24% (2022: 24%) on the estimated taxable profits for the year ended 31 December 2023.

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 2023 and 2022.

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:

	2023	2022
	RM'000	*RM'000*
Auditor's remuneration		
— Audit services	**424**	412
— Non-audit services	**59**	58
	483	470
Depreciation on property, plant and equipment	**1,181**	1,109
Depreciation on right-of-use assets	**3,677**	3,217
Loss on modification of financial assets at amortised cost	**168**	122
Reversal of impairment losses on financial assets at amortised cost	**(349)**	(578)
Staff costs (including directors' emoluments) *(note 1)*		
— Salaries, bonuses and allowances	**55,540**	52,031
— Retirement benefit scheme contributions	**6,947**	6,498
— Social insurance contributions	**877**	788
	63,364	59,317

Note 1: For the year ended 31 December 2023, government grants amounted to approximately RM801,000 (2022: RM1,271,000) have been offset against staff costs.

9. DIVIDENDS

	2023	2022
	RM'000	*RM'000*
First special dividend of HK$0.065 (equivalent to RM0.0383) (2022: HK$0.045 (equivalent to RM0.0255)) per ordinary share paid	**15,337**	10,200
Second special dividend of HK$0.05 (equivalent to RM0.03) per ordinary share	**12,000**	–
Second interim dividend of HK$0.055 (equivalent to RM0.03) per ordinary share paid	**–**	12,000
	27,337	22,200

The Board did not recommend payment of a final dividend for the years ended 31 December 2023 and 2022 respectively.

10. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2023	2022
	RM'000	*RM'000*
Earnings		
Earnings for the purpose of calculating basic earnings per share	**10,305**	10,141

	2023	2022
	'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 2023 and 2022.

11. DEPOSITS PAID FOR ACQUISITION OF PROPERTIES

	2023	2022
	RM'000	*RM'000*
Deposits for properties	**–**	14,095

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 11 April 2023, UTS Marketing Solutions Sdn. Bhd. ("**UTSM**"), a wholly-owned subsidiary of the Company and Lim Legacy Development Sdn. Bhd. (the "**Vendor**") entered into a deed of revocation (the "**Deed**"). Pursuant to the Deed, both parties agree that (i) the acquisition agreements in relation to the acquisition of the properties be revoked and rescinded, (ii) a sum of approximately RM2,690,000 be forfeited to the Vendor as agreed liquidated damages and (iii) the remaining balance of the deposit paid by the Group in the sum of approximately RM11,405,000 shall be refunded to the Group.

Further details of the above transaction are set out in the Company's announcements dated 24 July 2020, 28 July 2020 and 11 April 2023 respectively.

12. TRADE RECEIVABLES

	2023	2022
	RM'000	*RM'000*
Trade receivables	**19,778**	17,659
Allowance for doubtful debts	**(126)**	(126)
	19,652	17,533

The Group's trade receivables represent receivables from customers. The general credit term of trade receivables is 30 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by directors.

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

	2023	2022
	RM'000	*RM'000*
0 to 30 days	**8,310**	6,706
31 to 60 days	**8,372**	5,856
61 to 90 days	**1,140**	2,678
91 to 120 days	**1,568**	1,278
121 to 180 days	**262**	1,015
	19,652	17,533

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

13. FINANCIAL ASSETS AT AMORTISED COST

	2023	2022
	RM'000	*RM'000*
Loan receivables	**17,898**	24,017
Interest receivables	**1,221**	1,442
	19,119	25,459
Less: Impairment loss	**(189)**	(538)
	18,930	24,921

The amounts represent loan advanced to independent third parties with aggregated principal values of RM18,000,000 (2022: RM24,000,000).

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. The advance is unsecured, bearing interest rate of 11% per annum and repayable on or before June 2023. In June 2023, the repayment date was further extended one year to July 2024 with the interest rate increased from 11% per annum to 12% per annum.

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 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. On 10 November 2022, UTSM confirmed acceptance of the Arcadia's notice of termination to terminate the subscription agreement due to non-fulfilment of the condition precedent.

The advance is unsecured, bearing interest rate of 11% per annum and repayable by five instalments with the last payment due and payable on 29 December 2023. Arcadia had settled three out of five instalments in accordance with the repayment schedule. On 22 September 2023, Arcadia requested for deferment of the forth and fifth instalments from 29 September 2023 to 29 March 2024 and 29 December 2023 to 28 June 2024 respectively. Interest shall continue to accrue on the remaining unpaid principal sum of the loan advance until full payment.

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, 10 November 2022, 3 July 2023 and 27 July 2023 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 RM349,000 (2022: RM578,000) was recognised for the year ended 31 December 2023.

14. BORROWINGS

	2023	2022
	RM'000	*RM'000*
Bank overdrafts, secured and repayable on demand	**71**	4,933

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

At 31 December 2023, the Group's average interest rates for the bank overdrafts is 8.54% (2022: 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 2023, 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 2022, 31 December 2022, 1 January 2023 and 31 December 2023	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 2022, 31 December 2022, 1 January 2023 and 31 December 2023	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 2023 is 34% (2022: 23%).

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 2023, 25% (2022: 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 2023 and 2022.

16. CAPITAL COMMITMENTS

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

	2023	2022
	RM'000	*RM'000*
Acquisition of properties	**–**	3,840

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 2023, the Group was operating eight contact centres located within the central business district of Kuala Lumpur, Malaysia and one new branch contact center outside the central business district of Kuala Lumpur was set up in the State of Melaka, Malaysia. The new Melaka contact center was officially launched in early March of 2023.

The Group's net profit for the year ended 31 December 2023 amounted to approximately RM10.3 million, representing a slight increase of approximately RM0.16 million as compared to approximately RM10.14 million for the year ended 31 December 2022.

The increase in net profit was mainly attributable to the higher revenue from the business in Malaysia by approximately RM7.39 million but partially offset by higher staff costs by approximately RM4.05 million and the written-off of a one-off deposit of approximately RM2.69 million as liquidated damages.

FINANCIAL REVIEW

Revenue

	2023	2022
	RM'000	*RM'000*
Industry Sector		
Insurance	**59,300**	61,881
Banking and financial	**8,201**	5,014
Others	**26,938**	20,154
Total	**94,439**	87,049

For the year ended 31 December 2023, the Group recorded revenue of approximately RM94.44 million, representing an increase of approximately 8.5% as compared with approximately RM87.05 million for the year ended 31 December 2022.

The overall average number of workstations ordered per month decreased slightly from approximately 1,159 for the year ended 31 December 2022 to 1,110 for the year ended 31 December 2023.

However, despite the decrease in seat orders, the revenue generated per workstation per month increased from RM6,259 for the year ended 31 December 2022 to RM7,090 for the year ended 31 December 2023, mainly due to higher billable rate from the banking and financial sector, as well as other sectors, especially charitable organization and other clients.

Other income

For the year ended 31 December 2023, other income decreased by approximately RM0.12 million as compared to prior year mainly due to lower bank deposit interest and imputed interest income from financial assets at amortised costs.

Other gains and losses

For the year ended 31 December 2023, other gains decreased by approximately RM3.09 million from gains of approximately RM0.58 million for the year ended 31 December 2022 to losses of approximately RM2.51 million for the year ended 31 December 2023, mainly due to the written-off of a one-off deposit of approximately RM2.69 million as liquidated damages to the developer as a result of the termination of the acquisition agreements of properties and lower gain on disposal of property, plant and equipment of RM0.33 million.

Staff Costs

For the year ended 31 December 2023, staff costs increased by approximately RM4.05 million or 6.8% from approximately RM59.32 million for the year ended 31 December 2022 to approximately RM63.36 million.

The average number of staff increased from a monthly average of 1,318 for the year ended 31 December 2022 to 1,417 for the year ended 31 December 2023.

Overall staff costs per staff per month remained relatively stable at approximately RM3,726 for the year ended 31 December 2023 as compared to approximately RM3,750 for the year ended 31 December 2022.

Depreciation

For the year ended 31 December 2023, depreciation charges increased by approximately RM0.53 million or 12.3%, from approximately RM4.33 million for the year ended 31 December 2022 to approximately RM4.86 million for the year ended 31 December 2023. The increase in the depreciation charges was mainly attributable to the new lease agreement for the use of office premises entered into by the Group for the new branch contact centre in the State of Melaka, Malaysia during the year ended 31 December 2023.

Other operating expense

For the year ended 31 December 2023, other operating expenses decreased by approximately RM1.56 million or 12.4%, from approximately RM12.61 million for the year ended 31 December 2022 to approximately RM11.05 million for the year ended 31 December 2023.

The decrease was primarily due to lower entertainment expenses of RM0.76 million and lower telephone and internet expenses of RM0.62 million.

Finance costs

For the year ended 31 December 2023, finance costs increased by approximately RM0.24 million from approximately RM0.25 million for the year ended 31 December 2022 to approximately RM0.49 million for the year ended 31 December 2023.

Income tax expenses

The Group reported an income tax expense provision of RM4.78 million and RM4.02 million from the assessable profits for the years ended 31 December 2023 and 2022 respectively.

Net profit and net profit margin

As a result of the above factors, the Group recorded profit after tax of approximately RM10.30 million and RM10.14 million for the years ended 31 December 2023 and 2022 respectively, with net profit margin of approximately 10.9% and 11.6% 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 2023, the Group generated net cash inflow from operating activities of approximately RM14.32 million (2022: approximately RM6.98 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 2023, the Group had available and unutilised facilities from its banks amounting to approximately RM16 million (2022: approximately RM0.17 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 8.54% (2022: 7.76%). The banking facilities are secured by the pledged bank deposits and the corporate guarantees provided by the Company.

As at 31 December 2023, the Group had an aggregate amount of current and non-current lease obligations of approximately RM6.78 million (2022: approximately RM8.74 million), denominated in Malaysian Ringgit. The average effective interest rate for the leases was 4.35% (2022: 4.21%). The carrying amount of lease obligations amounted to approximately RM1.78 million (2022: approximately RM2.09 million) and is secured by the lessor's retention of title to the leased assets.

Capital Structure

As at 31 December 2023, the Group's total equity and liabilities amounted to approximately RM48.95 million and RM25.03 million respectively (2022: approximately RM65.99 million and RM19.43 million respectively).

Pledge of Assets

As at 31 December 2023, the Group's bank facilities, denominated in Malaysian Ringgit, were (i) secured by the pledged bank deposits of approximately RM4.1 million (2022: approximately RM1.7 million); and (ii) guaranteed by corporate guarantees of the Company.

Gearing Ratio

The gearing ratio of the Group as at 31 December 2023 was 14.0% (2022: 20.7%) 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 2023, the Group had 1,412 employees. Total staff costs incurred by the Group for the year ended 31 December 2023 was approximately RM63.36 million (2022: approximately RM59.32 million), representing approximately 67.1% of the Group's revenue for the year ended 31 December 2023 (2022: 68.1%).

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 74.0% of the total revenue for the year ended 31 December 2023 (2022: 75.4%). 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 adversely affected.

To manage such risk, the Group monitors the trade receivables collection status from time to time in order to ensure that the outstanding amounts due from our clients can be fully recovered. As at 31 December 2023, the Group has recorded trade receivables of approximately RM19.65 million. Up to the date of this announcement, approximately RM16.68 million or 84.9% of the outstanding trade receivables balances as at 31 December 2023 have been subsequently settled.

CAPITAL COMMITMENTS

As at 31 December 2023, the Group did not have any significant capital commitments contracted for but not yet incurred item (31 December 2022: RM3.84 million related to potential equity investment and acquisition of 18 office suites).

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2023.

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.

On 30 June 2023, the parties entered into a fourth extension agreement (the "**Fourth Extension Agreement**"), pursuant to which Exsim has undertaken to repay the advance on or before 1 July 2024 with the interest calculated at the increased rate of 12% per annum accrued from 1 July 2023 up to the date of repayment on a daily basis and UTSM agreed to such arrangement.

The Fourth Extension Agreement dated 30 June 2023 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.

Arcadia had settled three out of five instalments in accordance with the repayment schedule.

On 22 September 2023, Arcadia requested for deferment of the fourth and fifth instalments from 29 September 2023 to 29 March 2024 and 29 December 2023 to 28 June 2024 respectively. Interest shall continue to accrue on the remaining unpaid principal sum of the loan advance until full payment.

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, 10 November 2022, 3 July 2023 and 27 July 2023 respectively.

As at 31 December 2023, 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 2023 amounted to aggregate principal values of RM12 million and RM6 million with maturity dates on or before 1 July 2024 and 28 June 2024 respectively.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had 1,412 (31 December 2022: 1,388) employees. Total staff costs incurred by the Group for the year ended 31 December 2023 were approximately RM63.36 million (2022: approximately RM59.32 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 regular performance reviews and annual appraisals.

INTEREST RATE RISK

As at 31 December 2023, 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 2023, 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 2023.

MATERIAL ACQUISITIONS OR DISPOSALS

During the year ended 31 December 2023, the Group did not have any material acquisitions and disposals of subsidiaries, affiliated companies, associates or joint ventures.

On 24 July 2020, the Group entered into 18 acquisition agreements with Lim Legacy Development Sdn Bhd (the "**Property Vendor**") in relation to the acquisition of 18 office suites located at Millerz Square@Old Klang Road, Kuala Lumpur (the "**Acquisition Agreements**") at the total consideration of RM17,934,870. The Acquisition Agreements constituted a discloseable transaction of the Company. For details, please refer to the announcement of the Company dated 24 July 2020.

On 11 April 2023, the Group and the Property Vendor entered into the deed of revocation, pursuant to which the parties mutually agreed that (i) the Acquisition Agreements be revoked and rescinded, (ii) a sum of approximately RM2,690,000 be forfeited to the Property Vendor as agreed liquidated damages and (iii) the remaining balance of the deposit paid by the Group in the sum of approximately RM11,405,000 shall be refunded to the Group. For further details, please refer to the announcement of the Company dated 11 April 2023.

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.

The Group continues to remain cautious and maintain its efforts to improve productivity and expects the overall outlook for the year 2024 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 resolved not to declare any final dividend for the year ended 31 December 2023.

The Board is assessing the possibility of declaring a 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 Wednesday, 26 June 2024 (the "**AGM**"), the register of members of the Company will be closed from Friday, 21 June 2024 to Wednesday, 26 June 2024, 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 Thursday, 20 June 2024.

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 2023, the total amount contributed by the Group to the retirement benefit scheme was approximately RM6.95 million (2022: approximately RM6.50 million).

During the years ended 31 December 2022 and 2023, 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 2023 which requires adjustment to or disclosure in this 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 2023.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

There had been no material changes on the business operation of the Group since 31 December 2023.

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 2023. As at 1 January 2023 and 31 December 2023, the number of options available for grant was 40,000,000 and 40,000,000 respectively, representing 10% of the entire issued share capital of the Company.

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.

Subject to the restrictions under the Listing Rules, 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 2023.

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 C3 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 2023.

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 2023, the Company has complied with the code provisions in the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 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 2023.

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 draft audited annual results of the Company for the year ended 31 December 2023 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 draft audited consolidated financial statements for the year ended 31 December 2023.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary results announcement for the year ended 31 December 2023 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 announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at http://unitedteleservice.com. The 2023 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, 26 March 2024

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.