

NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF MERCURY SECURITIES GROUP BERHAD (“MSGB” OR THE “COMPANY”) DATED 28 AUGUST 2023 (“ELECTRONIC PROSPECTUS”)

(Unless otherwise indicated, specified or defined in this notice, the definitions in the Prospectus shall apply throughout this notice)

Website

The Electronic Prospectus can be viewed or downloaded from Bursa Malaysia Securities Berhad’s (“Bursa Securities”) website at www.bursamalaysia.com (“Website”).

Availability and Location of Paper/Printed Prospectus

Any applicant in doubt concerning the validity or integrity of the Electronic Prospectus should immediately request a paper/printed copy of the Prospectus directly from the Company, Public Investment Bank Berhad (“PIVB”) or Tricor Investor & Issuing House Services Sdn Bhd. Alternatively, the applicant may obtain a copy of the Prospectus from participating organisations of Bursa Securities, members of the Association of Banks in Malaysia and members of the Malaysian Investment Banking Association.

Prospective investors should note that the Application Forms are not available in electronic format.

Jurisdictional Disclaimer

This distribution of the Electronic Prospectus and the sale of the units are subject to Malaysian law. Bursa Securities, PIVB and MSGB take no responsibility for the distribution of the Electronic Prospectus and/or the sale of the units outside Malaysia, which may be restricted by law in other jurisdictions. The Electronic Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation of an offer to buy any units, to any person outside Malaysia or in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

Close of Application

Applications will be accepted from 10.00 a.m. on 28 August 2023 and will close at 5.00 p.m. on 5 September 2023 or for such further period or periods as the Directors of MSGB in their absolute discretion may decide. In the event there is any change to the indicative timetable, MSGB will advertise the notice of the changes in a widely circulated daily English and Bahasa Malaysia newspapers in Malaysia, and make an announcement on the Website.

The Electronic Prospectus made available on the Website after the closing of the application period is made available solely for informational and archiving purposes. No securities will be allotted or issued on the basis of the Electronic Prospectus after the closing of the application period.

Persons Responsible for the Internet Site in which the Electronic Prospectus is Posted

The Electronic Prospectus which is accessible at the Website is owned by Bursa Securities. Users’ access to the website and the use of the contents of the Website and/or any information in whatsoever form arising from the Website shall be conditional upon acceptance of the terms and conditions of use as contained in the Website.

The contents of the Electronic Prospectus are for informational and archiving purposes only and are not intended to provide investment advice of any form or kind, and shall not at any time be relied upon as such.



MERCURY SECURITIES GROUP BERHAD
 (Registration No. 202101018329 (1418629-A))
 (Incorporated in Malaysia under the Companies Act 2016)

MERCURY SECURITIES GROUP BERHAD

P R O S P E C T U S



P R O S P E C T U S

MERCURY SECURITIES GROUP BERHAD

(Registration No. 202101018329 (1418629-A))
 (Incorporated in Malaysia under the Companies Act 2016)

INITIAL PUBLIC OFFERING (“IPO”) IN CONJUNCTION WITH THE LISTING OF MERCURY SECURITIES GROUP BERHAD (“MSGB” OR “COMPANY”) ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”) COMPRISING THE FOLLOWING:

(I) PUBLIC ISSUE OF 157,095,700 NEW ORDINARY SHARES IN MSGB (“SHARE(S)”) IN THE FOLLOWING MANNER:

- **44,650,000 NEW SHARES MADE AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;**
- **22,325,000 NEW SHARES MADE AVAILABLE FOR APPLICATION BY OUR ELIGIBLE DIRECTORS, EMPLOYEES AND PERSONS WHO HAVE CONTRIBUTED TO OUR SUCCESS;**
- **45,470,700 NEW SHARES MADE AVAILABLE BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS; AND**
- **44,650,000 NEW SHARES MADE AVAILABLE BY WAY OF PRIVATE PLACEMENT TO SELECTED BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INVESTMENT, TRADE AND INDUSTRY, MALAYSIA (FORMERLY KNOWN AS MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY, MALAYSIA)**

(II) OFFER FOR SALE OF 71,512,300 EXISTING SHARES IN THE FOLLOWING MANNER:

- **4,537,300 EXISTING SHARES MADE AVAILABLE BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS; AND**
- **66,975,000 EXISTING SHARES MADE AVAILABLE BY WAY OF PRIVATE PLACEMENT TO SELECTED BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INVESTMENT, TRADE AND INDUSTRY, MALAYSIA (FORMERLY KNOWN AS MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY, MALAYSIA)**

AT AN IPO PRICE/OFFER PRICE OF RM0.25 PER SHARE, PAYABLE IN FULL UPON APPLICATION.

Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent



PUBLIC INVESTMENT BANK BERHAD
 (Registration No. 197401002880 (20027-W))
 A Participating Organisation Of Bursa Malaysia Securities Berhad
 (Wholly-owned Subsidiary Of Public Bank Berhad)

**THIS PROSPECTUS IS DATED
 28 AUGUST 2023**

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER. FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, PLEASE SEE “RISK FACTORS” COMMENCING ON PAGE 180.

NO SECURITIES WILL BE ALLOTTED OR ISSUED BASED ON THIS PROSPECTUS AFTER 6 MONTHS FROM THE DATE OF THIS PROSPECTUS.

BURSA SECURITIES HAS APPROVED THE ADMISSION OF OUR COMPANY TO THE OFFICIAL LIST OF BURSA SECURITIES AND THE LISTING OF AND QUOTATION FOR OUR ENTIRE ENLARGED ISSUED SHARE CAPITAL ON THE ACE MARKET OF BURSA SECURITIES. THIS PROSPECTUS HAS BEEN REGISTERED BY BURSA SECURITIES. THE APPROVAL FOR THE ADMISSION OF OUR COMPANY TO THE OFFICIAL LIST OF BURSA SECURITIES AND THE LISTING OF AND QUOTATION FOR OUR ENTIRE ENLARGED ISSUED SHARE CAPITAL ON THE ACE MARKET OF BURSA SECURITIES, AND THE REGISTRATION OF THIS PROSPECTUS SHOULD NOT BE TAKEN TO INDICATE THAT BURSA SECURITIES RECOMMENDS OUR IPO OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE, OPINION EXPRESSED OR REPORT CONTAINED IN THIS PROSPECTUS. BURSA SECURITIES HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF THE SECURITIES BEING OFFERED FOR INVESTMENT. BURSA SECURITIES IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

THE ACE MARKET OF BURSA SECURITIES IS AN ALTERNATIVE MARKET DESIGNED PRIMARILY FOR EMERGING CORPORATIONS THAT MAY CARRY HIGHER INVESTMENT RISK WHEN COMPARED WITH LARGER OR MORE ESTABLISHED CORPORATIONS LISTED ON THE MAIN MARKET. THERE IS ALSO NO ASSURANCE THAT THERE WILL BE A LIQUID MARKET IN THE SHARES OR UNITS OF SHARES TRADED ON THE ACE MARKET. YOU SHOULD BE AWARE OF THE RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION. THE ISSUE, OFFER OR INVITATION FOR OUR IPO IS A PROPOSAL NOT REQUIRING APPROVAL, AUTHORISATION OR RECOGNITION OF THE SECURITIES COMMISSION MALAYSIA UNDER SECTION 212(8) OF THE CAPITAL MARKETS AND SERVICES ACT 2007 (“CMSA”).

RESPONSIBILITY STATEMENTS

OUR DIRECTORS, PROMOTER AND SELLING SHAREHOLDER (AS DEFINED IN THIS PROSPECTUS) HAVE SEEN AND APPROVED THIS PROSPECTUS. THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION. HAVING MADE ALL REASONABLE ENQUIRIES, AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THEY CONFIRM THAT THERE ARE NO FALSE OR MISLEADING STATEMENT OR OTHER FACTS, WHICH IF OMITTED, WOULD MAKE ANY STATEMENT IN THIS PROSPECTUS FALSE OR MISLEADING.

PUBLIC INVESTMENT BANK BERHAD (“**PIVB**”), BEING OUR PRINCIPAL ADVISER, SPONSOR, SOLE UNDERWRITER AND SOLE PLACEMENT AGENT, ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING OUR IPO.

STATEMENTS OF DISCLAIMER

APPROVAL HAS BEEN GRANTED BY BURSA SECURITIES FOR THE LISTING OF AND QUOTATION FOR OUR SECURITIES BEING OFFERED. OUR ADMISSION TO THE OFFICIAL LIST OF BURSA SECURITIES IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF OUR IPO, OUR COMPANY OR OUR SHARES.

BURSA SECURITIES IS NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR COMPANY'S PART AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

THIS PROSPECTUS, TOGETHER WITH THE APPLICATION FORM (AS DEFINED IN THIS PROSPECTUS), HAS ALSO BEEN LODGED WITH THE REGISTRAR OF COMPANIES, WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

OTHER STATEMENTS

YOU SHOULD NOTE THAT YOU MAY SEEK RECOURSE UNDER SECTIONS 248, 249 AND 357 OF THE CMSA FOR BREACHES OF SECURITIES LAWS INCLUDING ANY STATEMENT IN THIS PROSPECTUS THAT IS FALSE, MISLEADING, OR FROM WHICH THERE IS A MATERIAL OMISSION; OR FOR ANY MISLEADING OR DECEPTIVE ACT IN RELATION TO THIS PROSPECTUS OR THE CONDUCT OF ANY OTHER PERSON IN RELATION TO OUR COMPANY.

OUR SHARES ARE OFFERED TO THE PUBLIC ON THE PREMISE OF FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING OUR IPO, FOR WHICH ANY PERSON SET OUT IN SECTION 236 OF THE CMSA, IS RESPONSIBLE.

THIS PROSPECTUS HAS NOT BEEN AND WILL NOT BE MADE TO COMPLY WITH THE LAWS OF ANY JURISDICTION OTHER THAN MALAYSIA, AND HAS NOT BEEN AND WILL NOT BE LODGED, REGISTERED OR APPROVED PURSUANT TO OR UNDER ANY APPLICABLE SECURITIES OR EQUIVALENT LEGISLATION OR WITH OR BY ANY REGULATORY AUTHORITY OR OTHER RELEVANT BODY OF ANY JURISDICTION OTHER THAN MALAYSIA.

WE WILL NOT, PRIOR TO ACTING ON ANY ACCEPTANCE IN RESPECT OF OUR IPO, MAKE OR BE BOUND TO MAKE ANY ENQUIRY AS TO WHETHER YOU HAVE A REGISTERED ADDRESS IN MALAYSIA AND WILL NOT ACCEPT OR BE DEEMED TO ACCEPT ANY LIABILITY IN RELATION THERETO WHETHER OR NOT ANY ENQUIRY OR INVESTIGATION IS MADE IN CONNECTION THEREWITH.

THIS PROSPECTUS IS PREPARED AND PUBLISHED SOLELY FOR OUR IPO IN MALAYSIA UNDER THE LAWS OF MALAYSIA. OUR IPO SHARES ARE OFFERED IN MALAYSIA SOLELY BASED ON THE CONTENTS OF THIS PROSPECTUS. OUR DIRECTORS, PROMOTER, SELLING SHAREHOLDER, PRINCIPAL ADVISER, SPONSOR, SOLE UNDERWRITER AND SOLE PLACEMENT AGENT TAKE NO RESPONSIBILITY FOR THE DISTRIBUTION OF THIS PROSPECTUS (IN PRELIMINARY OR FINAL FORM) OUTSIDE MALAYSIA. OUR DIRECTORS, PROMOTER, SELLING SHAREHOLDER, PRINCIPAL ADVISER, SPONSOR, SOLE UNDERWRITER AND SOLE PLACEMENT AGENT HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THIS PROSPECTUS.

IT SHALL BE YOUR SOLE RESPONSIBILITY, IF YOU ARE OR MAY BE SUBJECTED TO THE LAWS OF ANY COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA, TO CONSULT YOUR PROFESSIONAL ADVISERS AS TO WHETHER YOUR APPLICATION FOR OUR IPO SHARES WOULD RESULT IN THE CONTRAVENTION OF ANY LAWS OF SUCH COUNTRIES OR JURISDICTIONS. NEITHER WE NOR OUR PRINCIPAL ADVISER NOR ANY OTHER ADVISERS IN RELATION TO OUR IPO SHALL ACCEPT RESPONSIBILITY OR LIABILITY IN THE EVENT THAT ANY APPLICATION MADE BY YOU SHALL BECOME ILLEGAL, UNENFORCEABLE, VOIDABLE OR VOID IN ANY SUCH COUNTRY OR JURISDICTION.

FURTHER, IT SHALL BE YOUR SOLE RESPONSIBILITY TO ENSURE THAT YOUR APPLICATION FOR OUR IPO WOULD BE IN COMPLIANCE WITH THE TERMS OF THIS PROSPECTUS AND WOULD NOT BE IN CONTRAVENTION OF ANY LAWS OF COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA TO WHICH YOU MAY BE SUBJECTED TO. WE WILL FURTHER ASSUME THAT YOU HAD ACCEPTED OUR IPO IN MALAYSIA AND WILL BE SUBJECTED ONLY TO THE LAWS OF MALAYSIA IN CONNECTION THEREWITH.

HOWEVER, WE RESERVE THE RIGHT, IN OUR ABSOLUTE DISCRETION, TO TREAT ANY ACCEPTANCE AS INVALID IF WE BELIEVE THAT SUCH ACCEPTANCE MAY VIOLATE ANY LAW OR APPLICABLE LEGAL OR REGULATORY REQUIREMENTS.

ELECTRONIC PROSPECTUS

THIS PROSPECTUS CAN ALSO BE VIEWED OR DOWNLOADED FROM BURSA SECURITIES' WEBSITE AT www.bursamalaysia.com. THE CONTENTS OF THE ELECTRONIC PROSPECTUS (AS DEFINED IN THIS PROSPECTUS) AND THE COPY OF THIS PROSPECTUS REGISTERED WITH BURSA SECURITIES ARE THE SAME.

YOU ARE ADVISED THAT THE INTERNET IS NOT A FULLY SECURED MEDIUM AND THAT YOUR INTERNET SHARE APPLICATION (AS DEFINED IN THIS PROSPECTUS) IS SUBJECT TO THE RISK OF PROBLEMS OCCURRING DURING DATA TRANSMISSION, COMPUTER SECURITY THREATS SUCH AS VIRUSES, HACKERS AND CRACKERS, FAULTS WITH COMPUTER SOFTWARE AND OTHER EVENTS BEYOND THE CONTROL OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS (AS DEFINED IN THIS PROSPECTUS). THESE RISKS CANNOT BE BORNE BY THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

IF YOU ARE IN DOUBT AS TO THE VALIDITY OR INTEGRITY OF AN ELECTRONIC PROSPECTUS, YOU SHOULD IMMEDIATELY REQUEST FROM US, OUR PRINCIPAL ADVISER OR THE ISSUING HOUSE (AS DEFINED IN THIS PROSPECTUS), A PAPER/PRINTED COPY OF THIS PROSPECTUS.

IN THE EVENT OF ANY DISCREPANCIES ARISING BETWEEN THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE CONTENTS OF THE PAPER/PRINTED COPY OF THIS PROSPECTUS FOR ANY REASON WHATSOEVER, THE CONTENTS OF THE PAPER/PRINTED COPY OF THIS PROSPECTUS, WHICH IS IDENTICAL TO THE COPY OF THE PROSPECTUS REGISTERED BY BURSA SECURITIES, SHALL PREVAIL.

IN RELATION TO ANY REFERENCE IN THIS PROSPECTUS TO THIRD PARTY INTERNET SITES (“**THIRD PARTY INTERNET SITES**”), WHETHER BY WAY OF HYPERLINKS OR BY WAY OF DESCRIPTION OF THE THIRD PARTY INTERNET SITES, YOU ACKNOWLEDGE AND AGREE THAT:

- (I) WE AND OUR PRINCIPAL ADVISER DO NOT ENDORSE AND ARE NOT AFFILIATED IN ANY WAY TO THE THIRD PARTY INTERNET SITES AND ARE NOT RESPONSIBLE FOR THE AVAILABILITY OF, OR THE CONTENTS OR ANY DATA, INFORMATION, FILES OR OTHER MATERIAL PROVIDED IN THE THIRD PARTY INTERNET SITES. YOU SHALL BEAR ALL RISKS ASSOCIATED WITH THE ACCESS TO OR USE OF THE THIRD PARTY INTERNET SITES;
- (II) WE AND OUR PRINCIPAL ADVISER ARE NOT RESPONSIBLE FOR THE QUALITY OF PRODUCTS OR SERVICES IN THE THIRD PARTY INTERNET SITES OR FOR FULFILLING ANY OF THE TERMS OF YOUR AGREEMENTS WITH THE THIRD PARTY INTERNET SITES. WE AND OUR PRINCIPAL ADVISER ARE ALSO NOT RESPONSIBLE FOR ANY LOSS, DAMAGE OR COST THAT YOU MAY SUFFER OR INCUR IN CONNECTION WITH OR AS A RESULT OF DEALING WITH THE THIRD PARTY INTERNET SITES OR THE USE OF OR RELIANCE ON ANY DATA, INFORMATION, FILES OR OTHER MATERIAL PROVIDED BY SUCH PARTIES; AND
- (III) ANY DATA, INFORMATION, FILES OR OTHER MATERIAL DOWNLOADED FROM THE THIRD PARTY INTERNET SITES IS DONE AT YOUR OWN DISCRETION AND RISK. WE AND OUR PRINCIPAL ADVISER ARE NOT RESPONSIBLE, LIABLE OR UNDER OBLIGATION FOR ANY DAMAGE TO YOUR COMPUTER SYSTEM OR LOSS OF DATA RESULTING FROM THE DOWNLOADING OF ANY SUCH DATA, INFORMATION, FILES OR OTHER MATERIAL.

WHERE AN ELECTRONIC PROSPECTUS IS HOSTED ON THE WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS, YOU ARE ADVISED THAT:

- (I) THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS ARE LIABLE IN RESPECT OF THE INTEGRITY OF THE CONTENTS OF THE ELECTRONIC PROSPECTUS, TO THE EXTENT OF THE CONTENTS OF THE ELECTRONIC PROSPECTUS SITUATED ON THE WEB SERVER OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS WHICH MAY BE VIEWED VIA YOUR WEB BROWSER OR OTHER RELEVANT SOFTWARE;
- (II) THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS SHALL NOT BE RESPONSIBLE IN ANY WAY FOR THE INTEGRITY OF THE CONTENTS OF THE ELECTRONIC PROSPECTUS WHICH HAS BEEN DOWNLOADED OR OTHERWISE OBTAINED FROM THE WEB SERVER OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS AND THEREAFTER COMMUNICATED OR DISSEMINATED IN ANY MANNER TO YOU OR OTHER PARTIES; AND
- (III) WHILE ALL REASONABLE MEASURES HAVE BEEN TAKEN TO ENSURE THE ACCURACY AND RELIABILITY OF THE INFORMATION PROVIDED IN AN ELECTRONIC PROSPECTUS, THE ACCURACY AND RELIABILITY OF THE ELECTRONIC PROSPECTUS CANNOT BE GUARANTEED AS THE INTERNET IS NOT A FULLY SECURED MEDIUM.

THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS SHALL NOT BE LIABLE (WHETHER IN TORT OR CONTRACT OR OTHERWISE) FOR ANY LOSS, DAMAGE OR COST, YOU OR ANY OTHER PERSON MAY SUFFER OR INCUR DUE TO, AS A CONSEQUENCE OF OR IN CONNECTION WITH ANY INACCURACIES, CHANGES, ALTERATIONS, DELETIONS OR OMISSIONS IN RESPECT OF THE INFORMATION PROVIDED IN THE ELECTRONIC PROSPECTUS WHICH MAY ARISE IN CONNECTION WITH OR AS A RESULT OF ANY FAULT OR FAULTS WITH THE WEB BROWSERS OR OTHER RELEVANT SOFTWARE, ANY FAULT OR FAULTS ON YOU OR ANY THIRD PARTY'S PERSONAL COMPUTER, OPERATING SYSTEM OR OTHER SOFTWARE, VIRUSES OR OTHER SECURITY THREATS, UNAUTHORISED ACCESS TO INFORMATION OR SYSTEMS IN RELATION TO THE WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS, AND/OR PROBLEMS OCCURRING DURING DATA TRANSMISSION, WHICH MAY RESULT IN INACCURATE OR INCOMPLETE COPIES OF INFORMATION BEING DOWNLOADED OR DISPLAYED ON YOUR PERSONAL COMPUTER.

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INDICATIVE TIMETABLE

The following events are intended to take place on the following indicative time and/or dates:

Events	Date
Opening of the application period for our IPO Shares	10.00 a.m., 28 August 2023
Closing of the application period for our IPO Shares	5.00 p.m., 5 September 2023
Balloting of applications	8 September 2023
Allotment/transfer of our IPO Shares to successful Applicants	15 September 2023
Listing on the ACE Market	19 September 2023

In the event there is any change to the indicative timetable above, we will advertise the notice of the changes in a widely circulated English and Bahasa Malaysia daily newspapers in Malaysia.

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DEFINITIONS

The following abbreviations shall apply throughout this Prospectus, unless the abbreviations are defined otherwise or the context requires otherwise:

COMPANIES WITHIN OUR GROUP

Mercsec Asing	: Mercsec Nominees (Asing) Sdn Bhd (197401001985 (19144-A))
Mercsec Tempatan	: Mercsec Nominees (Tempatan) Sdn Bhd (197601000836 (26777-T))
Mercury Securities	: Mercury Securities Sdn Bhd (198401000672 (113193-W))
MSGB or Company	: Mercury Securities Group Berhad (202101018329 (1418629-A))
MSGB Group or Group	: MSGB and the Subsidiaries, collectively
Subsidiaries	: Mercury Securities, Mercsec Asing and Mercsec Tempatan, collectively

GENERAL

ACCA	: Association of Chartered Certified Accountants
ACE Market	: ACE Market of Bursa Securities
Acquisition	: The acquisition by our Company from the Vendors of the entire equity interest of Mercury Securities, comprising 20,000,000 ordinary shares in Mercury Securities for a purchase consideration of RM117,008,736, satisfied via the issuance of 735,904,000 new Shares at an issue price of RM0.159 each, which was completed on 26 June 2023, the details of which are set out in Section 6.1 of this Prospectus
Act	: Companies Act 2016
ADA	: Authorised Depository Agent
AGM	: Annual general meeting
AIA	: Association of International Accountants
AML Guide	: Guidelines on Prevention of Money Laundering and Terrorism Financing for Reporting Institutions in the Capital Market issued by the SC
AMLA	: Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001
Apex Securities	: Apex Securities Berhad (formerly known as JF Apex Securities Berhad) (197901003400 (47680-X))
Applicant(s)	: Applicant(s) for our IPO Shares by way of Application Forms, Electronic Share Application and/or Internet Share Application
Application(s)	: Application(s) for our IPO Shares by way of Application Form, Electronic Share Application and/or Internet Share Application
Application Form(s)	: Printed application form(s) for the application of our Issue Shares
ASCM	: Association of Stockbroking Companies Malaysia
ATM(s)	: Automated teller machine(s)

DEFINITIONS (CONT'D)

Authorised Financial Institution	: Authorised financial institution participating in the Internet Share Application in respect of the payments for our Issue Share(s)
Bayan Baru Branch	: Mercury Securities' branch office located at 70-1-22, D'Piazza Mall, Jalan Mahsuri, Bandar Bayan Baru, 11900 Pulau Pinang
BMA	: Business merger agreement dated 18 December 2018 entered into between Mercury Securities, Apex Securities and Apex Equity Holdings Berhad, whereby it was agreed that Mercury Securities transfers to Apex Securities of its stockbroking, corporate advisory and other related businesses together with the requisite business assets and business liabilities for the consideration of RM140,000,000.00
Board	: Board of Directors of our Company
Bumiputera Investors	: Bumiputera investors including individuals, companies, societies, co-operatives and institutions, collectively
Bursa Clearing	: Bursa Malaysia Securities Clearing Sdn Bhd (198301014323 (109716-D))
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd (198701006854 (165570-W))
Bursa Securities	: Bursa Malaysia Securities Berhad (200301033577 (635998-W))
Butterworth Branch	: Mercury Securities' principal office and branch office located at Ground, 1 st , 2 nd and 3 rd Floor, JKP Business Centre, Lorong Bagan Luar Dua, 12000 Butterworth, Seberang Perai, Pulau Pinang
CAGR	: Compounded annual growth rate
CCC	: Certificate of completion and compliance
CDS	: Central Depository System
CDS Account(s)	: Securities account(s) established by Bursa Depository for a Depositor pursuant to the SICDA and the Rules of Bursa Depository for the recording of deposits or withdrawals of securities and for dealings in such securities by the Depositor
CF	: Certificate of fitness for occupation
Closing Date	: Last day and time for the acceptance of and payment for the Issue Shares allocated for application by the Malaysian Public and Eligible Persons in accordance with this Prospectus and the Application Forms
CMCO	: Conditional MCO
CMSA	: Capital Markets and Services Act 2007
CMSL	: Capital Markets Services Licence issued by the SC under CMSA
CMSRL	: Capital Markets Services Representative's Licence issued by the SC under CMSA
Constitution	: Constitution of our Company
COVID-19	: Novel coronavirus disease, an infectious respiratory disease which first broke out in 2019

DEFINITIONS (CONT'D)

Depositor	: A holder of a CDS Account
Director(s)	: Director(s) of MSGB within the meaning given in Section 2 of the CMSA
EBIT	: Earnings before interest and taxation
EBITDA	: Earnings before interest, taxation, depreciation and amortisation
ECU	: Equity Compliance Unit of the SC
ECOS Trading Platform	: Online electronic client ordering system (ECOS) trading platform, which is accessible via https://mst.mercurysecurities.com.my
EES	: Economic, Environmental, and Social
EIS	: Employment insurance system
Electronic Prospectus	: A copy of this Prospectus that is issued, circulated or disseminated via the Internet and/or any electronic storage medium, including but not limited to CD-ROMs (<i>compact disc read-only memory</i>)
Electronic Share Application	: Application for our Issue Shares through Participating Financial Institution's ATM
Eligible Person(s)	: Eligible Director(s) and employee(s) of our Group and any other persons who have contributed to our success, collectively
Enrogetz	: Enrogetz Sdn Bhd (200301000266 (602686-M))
EPF	: Employees Provident Fund
EPS	: Earnings per share
EPU	: Economic Planning Unit, Malaysia
Extended Closing Date	: The Closing Date as mutually agreed to be extended in writing by the Company and the Sole Underwriter, subject to the prior written approval of the relevant authorities, if required
Financial Years and Period Under Review	: FYE 2019, FYE 2020, FYE 2021, FYE 2022 and FPE 2023, collectively
FMCO	: Full MCO effective 1 June 2021
Former Corporate Finance Team	: The former Head of Corporate Finance and his team, comprising 16 corporate finance personnel, of which 4 are CMSRL holders, who had resigned and left Mercury Securities as at 1 November 2022
FPE	: 6-months financial period ended 30 April
FYE	: Financial year ended / ending 31 October, as the case may be
Government	: Government of Malaysia
GP	: Gross profit
Head Office / KL Branch	: MSGB's head office and Mercury Securities' branch office located at L-7-2, No. 2 Jalan Solaris, Solaris Mont' Kiara, 50480 Kuala Lumpur
ICDM	: Institute of Corporate Directors Malaysia

DEFINITIONS (CONT'D)

IFRS	:	International Financial Reporting Standards issued by the International Accounting Standards Board
Industry Overview Report	:	Industry overview report titled "Independent Assessment of the Stockbroking and Corporate Finance Advisory Industry in Malaysia" prepared by Vital Factor as set out in Section 8 of this Prospectus
Internet Participating Financial Institution(s)	:	Participating financial institution(s) for the Internet Share Application, as listed in Section 15 of this Prospectus
Internet Share Application	:	Application for our Issue Shares through an online share application service provided by the Internet Participating Financial Institution(s)
IPO	:	Initial public offering of our IPO Shares comprising the Public Issue and Offer for Sale, collectively in conjunction with the listing of and quotation for our entire enlarged issued share capital on the ACE Market
IPO Price	:	RM0.25 per IPO Share
IPO Share(s)	:	The Issue Share(s) and Offer Share(s), collectively
Issue Share(s)	:	157,095,700 new Shares, representing 17.59% of our enlarged issued share capital, which will be issued pursuant to the Public Issue and subject to the terms and conditions of this Prospectus
Issuing House or Share Registrar	:	Tricor Investor & Issuing House Services Sdn Bhd (197101000970 (11324-H))
Johor Branch	:	Mercury Securities' branch office located at Suite 17.1, Level 17, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor
Key Senior Management	:	The key senior management team (including Non-Independent Executive Director / Managing Director) of our Company
LEAP Market	:	LEAP Market of Bursa Securities
Lebuh Pantai Branch	:	Mercury Securities' branch office located at 2 nd Floor, Standard Chartered Bank Chambers, 2 Lebuh Pantai, 10300 Pulau Pinang
Licensing Handbook	:	Licensing Handbook issued by the SC pursuant to Section 377 of the CMSA
Listing	:	Admission of MSGB to the Official List of Bursa Securities and the listing of and quotation for our entire enlarged issued share capital of RM156,282,664, comprising 893,000,000 Shares on the ACE Market
Listing Requirements	:	ACE Market Listing Requirements of Bursa Securities
LPD	:	31 July 2023, being the latest practicable date prior to the issuance of this Prospectus
Main Market	:	Main Market of Bursa Securities
Malaysian Public	:	Citizens of Malaysia and companies, co-operatives, societies and institutions incorporated, organised or formed under the laws of Malaysia
MAM	:	Mercury Asset Management Sdn Bhd (199601003249 (375595-M))
Market Day(s)	:	Any day(s) on which Bursa Securities is open for trading of securities

DEFINITIONS (CONT'D)

MCCG	:	Malaysian Code on Corporate Governance
MCO	:	Nationwide movement control order imposed by the Government under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 as a measure to contain the outbreak of the COVID-19 pandemic
Melaka Branch	:	Mercury Securities' branch office located at 81, 81A & 81B, Jalan Merdeka, Taman Melaka Raya, 75000 Melaka
MFRS	:	Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board
MIA	:	Malaysian Institute of Accountants
MICPA	:	Malaysian Institute of Certified Public Accountants
MITI	:	Ministry of Investment, Trade and Industry, Malaysia (<i>formerly known as Ministry of International Trade and Industry, Malaysia</i>)
MST28 Trading Platform	:	Online trading platform, which is accessible via www.mst28.com
N/A	:	Not applicable
NA	:	Net assets
NBV	:	Net book value
NPR	:	The National Recovery Plan comprising of 4-phases, introduced by the Government on 15 June 2021
Offer for Sale	:	Offer for sale by the Selling Shareholder of 71,512,300 Offer Shares, representing 8.01% of our enlarged issued share capital, at the IPO Price to selected investors and selected Bumiputera Investors approved by MITI, payable in full upon application, subject to the terms and conditions in the Prospectus
Offer Price	:	RM0.25 per Offer Share
Offer Share(s)	:	71,512,300 existing Shares to be offered by the Selling Shareholder pursuant to the Offer for Sale
Official List	:	A list specifying all securities which have been admitted for listing on the ACE Market and not removed
Participating Financial Institution(s)	:	Participating financial institution(s) for the Electronic Share Application as listed in Section 15 of this Prospectus
Participating Organisation	:	A company that carries on the business of trading in securities on the Bursa Securities' stock market and is admitted as a Participating Organisation under Rule 3.02 of the Rules of Bursa Securities and includes all the Participating Organisation's branch offices
PAT	:	Profit after taxation
PBT	:	Profit before taxation
PE Multiple	:	Price earnings multiple
PIDM	:	Perbadanan Insurans Deposit Malaysia

DEFINITIONS (CONT'D)

Pink Form Allocations	:	Allocation of 22,325,000 Issue Shares for subscription by the Eligible Persons
PIVB or Principal Adviser or Sponsor or Sole Underwriter or Sole Placement Agent	:	Public Investment Bank Berhad (197401002880 (20027-W))
PPE	:	Property, plant and equipment
Prescribed Security	:	Securities of a company that are prescribed by Bursa Securities to be deposited in the CDS subject to provision of the SICDA and the Rules of Bursa Depository
Promoter	:	Chew Sing Guan
Prospectus	:	This Prospectus dated 28 August 2023 in relation to our IPO
Prospectus Guidelines	:	Prospectus Guidelines issued by the SC
Public	:	All persons or members of the public but excluding our Group's directors, our substantial shareholders and persons associated with them (as defined in the Listing Requirements)
Public Issue	:	Public issue of 157,095,700 Issue Shares, representing 17.59% of our enlarged issued share capital at the IPO Price, payable in full upon application, subject to the terms and conditions of this Prospectus
Record of Depositors	:	A record provided by Bursa Depository to our Company under the Rules of Bursa Depository
RM and sen	:	Ringgit Malaysia and sen, collectively
RMCO	:	Recovery MCO
Rules of Bursa Clearing	:	The rules of Bursa Clearing issued by Bursa Clearing
Rules of Bursa Depository	:	The rules of Bursa Depository as issued in accordance with the SICDA
Rules of Bursa Securities	:	The rules of Bursa Securities issued by Bursa Securities
Sarawak Branch	:	Mercury Securities' branch office located at 1 st Floor, No. 16, Jalan Getah, 96100 Sarikei, Sarawak
SC	:	Securities Commission Malaysia
Selling Shareholder	:	Enrogetz whom is undertaking the Offer for Sale
Share(s)	:	Ordinary share(s) in our Company
SICDA	:	Securities Industry (Central Depositories) Act 1991
SOCISO	:	Social Security Organisation, also known as PERKESO (Pertubuhan Keselamatan Sosial)
SOP(s)	:	Standard operating procedure(s)
Specified Shareholders	:	Chew Sing Guan, Enrogetz and Faizal Bin Mat Zuki, collectively

DEFINITIONS (CONT'D)

sq. ft.	:	Square feet
sq. m.	:	Square metre
SSA	:	A conditional sale and purchase of shares agreement dated 22 February 2022, a supplemental letter dated 15 December 2022 and a 2 nd supplemental letter dated 17 April 2023 entered by the Vendors and our Company for the purpose of the Acquisition
Substantial Shareholders	:	Chew Sing Guan, Enrogetz, Faizal Bin Mat Zuki and Dato' A. Rahman Bin Safar, who prior to the Listing each have an interest in our Shares which is not less than 5.00% of the total number of all the voting shares of our Company
Supervisory Letter	:	Supervisory letter dated 10 January 2023 issued by the SC to Mercury Securities pursuant to the inspection conducted by the SC on the working files of certain completed secondary fund raising assignments undertaken by the Former Corporate Finance Team
Underwriting Agreement	:	Underwriting agreement dated 20 July 2023 entered into between our Company and the Sole Underwriter pursuant to our IPO
USA	:	United States of America
Vital Factor or IMR	:	Vital Factor Consulting Sdn Bhd (199301012059 (266797-T)), an independent business consulting and market research company
Vendors	:	Chew Sing Guan, Enrogetz and Dato' A. Rahman Bin Safar, collectively
Warning Letter	:	Warning letter dated 12 January 2023 issued by the SC to the Managing Director of Mercury Securities arising from the Supervisory Letter

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GLOSSARY OF TECHNICAL TERMS

The following technical terms in this Prospectus bear the same meanings as set below unless the terms are defined otherwise or the context requires otherwise:

1+1 broker	:	Stockbroking company that has complied with the SC's Consolidation Policy and has acquired, taken over, amalgamated or merged with at least one other stockbroking company
Automated trading system or ATS	:	An automated and computerised securities trading system established by Bursa Securities, where stockbroker executes the trade to place and enter the orders for clients routed through the ATS
Bloomberg	:	Provider of business and financial data, information, news and insight
CAR	:	Capital adequacy ratio requirement prescribed under Chapter 13 of the Rules of Bursa Securities
Contra	:	Refers to buying and selling of the same securities within the T+2 Market Days settlement period <ul style="list-style-type: none"> - If the sell price is lower than the buy price (net of all charges), it results in a contra loss, which the client has to pay by the 5th Market Day of the contra sales (C+5). Failure to pay the contra loss fully within the C+5 period will incur interest charges on the outstanding contra loss amount - If the sell price is higher than the buy price (net of all charges), it results in a contra gain, where the proceeds of the gain will be credited to the client's trust or, upon request, paid to the client on the 3rd Market Day of the contra sales (C+3)
Corporate Finance Segment	:	Covers the provision of advisory services for corporate proposals including primary equity fundraising offerings, secondary equity fundraising offerings, takeovers, mergers and acquisitions as well as other corporate proposals by our subsidiary, namely Mercury Securities
DDWG	:	Due diligence working group consists of representatives of the client, principal adviser/approved adviser and other advisers set up as part of the due diligence process for a proposed corporate exercise
Dealer or salaried dealer's representative	:	A CMSRL holder that is employed by stockbroking company on a salaried basis to deal in securities
Electronic access facility	:	Refer to any physical site, location or premises with installed physical hardware or equipment that house the system or platform used to provide broker-client linkages or electronic client ordering systems
Equities Margin System	:	A system introduced by Bursa Clearing to manage the exposure of all trading clearing participants over the settlement cycle under FDSS and is designed to receive settlement data from the clearing system and price data from Bursa Securities' system for the computation of margin requirement for each trading clearing participant on each Market Day
FDSS	:	Fixed Delivery Settlement System rules of Bursa Clearing

GLOSSARY OF TECHNICAL TERMS (CONT'D)

Force selling measure : When a buyer fails to make payment for the purchase of securities within 2 Market Days from the date of transaction (T+2), the stockbroking company has the right to sell the securities on the 3rd Market Day (T+3)

For margin account, when the margin of finance exceeds the approved force sell ratio or the borrower fails to rectify a margin call within the given grace period, the lender would then have the right to sell or dispose of the quoted security pledged or any part thereof

High-net-worth entity : According to the Schedule 6 and Schedule 7 of the CMSA, a high-net worth entity refers to an investor that meets any of the criteria below:

- a corporation with total net assets exceeding RM10 million or its equivalent in foreign currencies based on the latest audited accounts;
- a partnership with total net assets exceeding RM10 million or its equivalent in foreign currencies;
- a company that is registered as a trust company under the Trust Companies Act 1949 which has assets under its management exceeding RM10 million or its equivalent in foreign currencies;
- a corporation that is a public company under the Companies Act 2016 which is approved by the SC to be a trustee under the CMSA and has assets under its management exceeding RM10 million or its equivalent in foreign currencies;
- a corporation on the regulated activity of fund management solely for the benefit of its related corporations and has assets under its management exceeding RM10 million or its equivalent in foreign currencies;
- a pension fund approved by the Director General of Inland Revenue under the Income Tax Act 1967; or
- a statutory body established under any laws unless otherwise determined by the SC

High-net-worth individual : According to the Schedule 6 and Schedule 7 of the CMSA, it refers to an individual investor that meets any of the criteria below:

- an individual whose total net personal assets, or total net joint assets with his or her spouse, exceeds RM3 million or its equivalent in foreign currencies, excluding the value of the individual's primary residence;
- an individual who has a gross annual income exceeding RM300,000 or its equivalent in foreign currencies per annum in the preceding 12 months;
- an individual who, jointly with his or her spouse, has a gross annual income exceeding RM400,000 or its equivalent in foreign currencies per annum in the preceding 12 months; or
- an individual whose total net personal investment portfolio, or total net joint investment portfolio with his or her spouse, exceeds RM1 million or its equivalent in foreign currencies in any capital market products

GLOSSARY OF TECHNICAL TERMS (CONT'D)

ICT	: Information and communication technologies
Institutional investors	: Include asset owners and asset management companies with equity holdings in corporations listed on Bursa Securities. Asset owners are collective investment vehicles which collect funds on behalf of their beneficiaries or clients and manage them internally or outsource to asset management companies. Asset owners in Malaysia include pension funds, private retirement scheme providers, insurance companies, takaful operators and investment trusts. Asset management companies are responsible to manage funds on behalf of the asset owners through an investment mandate
Margin financing interest rate	: The rate of interest that is charged on the utilised margin financing facility amount based on either variable or fixed rate or on contra losses if clients fail to pay during the grace period. Typically, the interest is computed on a daily rest basis based on end-day balance of account. The daily interest is accumulated and is due and debited into the client's margin account at the end of the month
Investment account trader or IVT trader	: A holder of CMSRL for dealing in securities engaged by a Participating Organisation to execute proprietary trading on its behalf
IT	: Information technology
Margin call	: A margin call is made by the lender when the value of the collateral falls below a certain percentage to the financed amount. Under the circumstance, the borrower is required to top-up the value of the collateral once a margin call is made. The top-up can be done through pledging more collateral in the form of quoted securities or cash or reduce the outstanding loan to meet the required margin of finance within 3 trading days
Margin financing facility	: Credit facility offered for investor to finance the purchase of quoted shares/securities on Bursa Securities only, where the investor will pledge acceptable collateral with the provider of this credit facility
Margin of financing	: Also referred as share margin financing ratio where the maximum amount of financing available based on the underlying collateral This is computed as follows: Margin of financing ratio = (total share equity + total share pledged)/ total loan outstanding
Order management system or OMS	: Front office system for dealers and remisiers which facilitates and manages the execution of trade orders to be routed to the ATS for matching

GLOSSARY OF TECHNICAL TERMS (CONT'D)

On-market transactions or OMT	: On-market transactions are transactions made through the Bursa Securities' ATS and exclude direct business transactions*
	* <i>Direct business transactions refer to trades executed on the same quantity of securities and price outside the ATS. It includes:</i> <ul style="list-style-type: none"> • <i>crossing transactions which refer to trades executed on the same quantity of securities and price between two Participating Organisations acting for their clients respectively; or</i> • <i>married transactions refer to trades executed on the same quantity of securities and price between two clients of the same Participating Organisation</i>
Proprietary day trader or PDT trader	: Refers to a holder of CMSRL for dealing in securities engaged by a Participating Organisation to execute day trading of permitted securities approved by and listed on Bursa Securities on the Participating Organisation's behalf
Qualified Person or QP	: A holder of CMSRL for advising on corporate finance fulfilling the requirements under Chapter 7A of SC's Licensing Handbook
Recognised Principal Adviser or RPA	: A holder of CMSL for advising on corporate finance fulfilling the requirements under Chapter 7A of SC's Licensing Handbook
Remisier or commissioned dealer's representative	: A CMSRL holder for dealing in securities who is an agent of stockbroking company. Remisier works individually and solicit new business/clients for the stockbroking company to carry out the execution of trades in securities on Bursa Securities directly or via licensed intermediaries for the trade in foreign securities
Retail investor	: Investors who are individual or private corporation
Rollover fees	: Charges for outstanding margin facility amount that are carried over to the next period, normally brought forward for 90 days
Reverse takeover or RTO	: Reverse takeover refers to an acquisition of a private entity undertaken by an existing listed issuer which will result in a change in its controlling shareholder(s) and are deemed a significant change in business direction or policy of the listed issuer (as defined in the SC's Equity Guidelines)
Sophisticated investor	: Refers to three categories of qualified investors including high-net worth individual or high-net worth entity or accredited investor that meet the criteria set-out in Part I of Schedules 6 and 7 of the CMSA
Stockbroking Segment	: Stockbroking Segment covers the provision of stockbroking services, margin financing facility services, nominee and custodian services, as well as underwriting and placement services by our subsidiary, namely Mercury Securities
T+n	: Refers to the transaction day plus number of market days. For example, T+2 Market Days means 2 Market Days after the transaction date under the Fixed Delivery and Settlement System rules of Bursa Clearing

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references to “our Company” and “MSGB” in this Prospectus are to Mercury Securities Group Berhad, while references to “our Group” are to our Company and our Subsidiaries. References to “we”, “us”, “our” and “ourselves” are to our Company, our Group or any member of our Group, as the context requires. Unless the context otherwise requires, references to “Management” are to our Non-Independent Executive Director / Managing Director, and Key Senior Management as disclosed in this Prospectus and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

Certain abbreviations, acronyms and technical terms used are defined in the “Definitions” and “Glossary of Technical Terms” sections of this Prospectus. Words denoting the singular shall, where applicable, include the plural and *vice versa*. Words denoting the masculine gender shall, where applicable, include the feminine and neuter genders, and *vice versa*. References to persons shall include companies and corporations.

In this Prospectus, references to the “Government” are to the Government of Malaysia, and references to “RM” and “sen” are to the lawful currency of Malaysia. The word “approximately” used in this Prospectus is to indicate that a number is not an exact one, but that number is usually rounded off to the nearest thousand or million or 2 decimal places, as the case may be. Any discrepancies in the tables included in this Prospectus between the amounts listed and the total thereof are due to rounding.

Unless otherwise stated, any reference to dates and times in this Prospectus shall be a reference to dates and times in Malaysia.

Any reference to any provisions of the statutes, rules, regulations, enactments or rules of stock exchange in this Prospectus shall (where the context admits) be construed as a reference to provisions of such statutes, rules, regulations, enactments or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactments to the statutes, rules, regulations, enactments or rules of stock exchange for the time being in force.

This Prospectus includes statistical data provided by our Management and various third parties and cites third party projections regarding growth and performance of the market and industry in which our Group operates or are exposed to. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus. Where no source is stated, it can be assumed that the information originates from our Management.

In particular, certain information in this Prospectus is extracted or derived from the Industry Overview Report. We believe that the statistical data and projections cited in this Prospectus are useful in helping you understand the major trends in the industry in which we operate.

The information on our website, or any website directly and indirectly linked to such website does not form part of this Prospectus and should not be relied upon for the purpose of your decision whether or not to invest in our Shares.

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FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements, which include all statements other than statements of historical facts. Some of these statements can be identified by the use of forward-looking statements such as “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “estimate”, “aim”, “plan”, “forecast”, “project” or similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond our control that could cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements include, without limitation, statements relating to:

- (i) demand for our services, trend and competitive position;
- (ii) our business strategies;
- (iii) our plans and objectives for future operations;
- (iv) our future financial position, earnings, cash flows and liquidity;
- (v) regulatory environment and the effect of future regulation; and
- (vi) our ability to pay dividends.

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we operate. Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to those discussed Section 9 - Risk Factors and Section 12.3 – Management’s Discussion and Analysis of Financial Condition and Results of Operations of this Prospectus will be realised.

These forward-looking statements are based on information available to us as at the LPD and are made only as at the LPD. Should we become aware of any subsequent material change or development affecting a matter disclosed in this Prospectus arising from the date of registration of this Prospectus but before the date of allotment of the Issue Shares or transfer of the Offer Shares, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238(1) of the CMA and Paragraph 1.02, Chapter 1 of Part II (Division 6) of the Prospectus Guidelines (Supplementary and Replacement Prospectus).

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1. CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name / (Designation)	Address	Nationality
Dato' Baharon Bin Talib (M) <i>(Independent Non-Executive Chairman)</i>	No. 48, Jalan Kristal 7/66 Seksyen 7 40000 Shah Alam Selangor	Malaysian
Chew Sing Guan (M) <i>(Non-Independent Executive Director / Managing Director)</i>	No. 53, Jalan Jesselton 10450 George Town Pulau Pinang	Malaysian
Dato' A. Rahman Bin Safar (M) <i>(Non-Independent Non-Executive Director)</i>	No. 19, Jalan 1/7H 43650 Bandar Baru Bangi Selangor	Malaysian
Chan Kim Hing (M) <i>(Independent Non-Executive Director)</i>	2, Jalan SCI 7/7 Serene Villas, Sunway City Ipoh 31150 Ulu Kinta Perak	Malaysian
Datin Chua Suat Khim (F) <i>(Independent Non-Executive Director)</i>	No. 2, Jalan Suasana 5/2 Bandar Tun Hussein Onn 43200 Batu 9 Cheras Selangor	Malaysian
Himahlini A/P M. Ramalingam @ Yalumallai (F) <i>(Independent Non-Executive Director)</i>	W-06-03 Rosvilla Condominium No. 2, Jalan Prima Pelangi Bukit Prima Pelangi 51200 Kuala Lumpur	Malaysian

Notes:

(M) Male.

(F) Female.

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1. CORPORATE DIRECTORY (CONT'D)**AUDIT AND RISK MANAGEMENT COMMITTEE**

Name	Designation	Directorship
Chan Kim Hing	Chairman	Independent Non-Executive Director
Datin Chua Suat Khim	Member	Independent Non-Executive Director
Himahlini A/P M. Ramalingam @ Yalumallai	Member	Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
Himahlini A/P M. Ramalingam @ Yalumallai	Chairman	Independent Non-Executive Director
Chan Kim Hing	Member	Independent Non-Executive Director
Datin Chua Suat Khim	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Datin Chua Suat Khim	Chairman	Independent Non-Executive Director
Chan Kim Hing	Member	Independent Non-Executive Director
Himahlini A/P M. Ramalingam @ Yalumallai	Member	Independent Non-Executive Director

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1. CORPORATE DIRECTORY (CONT'D)

COMPANY SECRETARIES : Wong Wai Foong
Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Telephone No. : (603) 2783 9191
SSM Practicing : 202008001472
Certificate No.
Professional : Chartered Secretary,
Qualification : Malaysian Institute of Chartered
Secretaries and Administrators
(Membership No.: MAICSA 7001358)

Chong Lay Kim
Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Telephone No. : (603) 2783 9191
SSM Practicing : 202008001920
Certificate No.
License No. : LS0008373

REGISTERED OFFICE : Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Telephone No. : (603) 2783 9191
Fax No. : (603) 2783 9111

HEAD OFFICE : L-7-2, No. 2 Jalan Solaris
Solaris Mont' Kiara
50480 Kuala Lumpur
Telephone No. : (603) 6203 7227
Fax No. : (603) 6203 7117
Website : <https://www.mercurysecurities.com.my/>
Email : mercurykl@mersec.com.my

1. CORPORATE DIRECTORY (CONT'D)

PRINCIPAL SPONSOR, UNDERWRITER AND PLACEMENT AGENT	ADVISER, SOLE	SOLE	: Public Investment Bank Berhad (197401002880 (20027-W)) Level 27, Menara Public Bank 2 No. 78, Jalan Raja Chulan 50200 Kuala Lumpur Telephone No. : (603) 2036 2800 Fax No. : (603) 2036 2860
EXTERNAL AUDITORS AND REPORTING ACCOUNTANTS FOR OUR IPO	:		Grant Thornton Malaysia PLT 201906003682 (LLP0022494-LCA) & AF 0737 Level 5, Menara BHL 51, Jalan Sultan Ahmad Shah 10050 Georgetown Pulau Pinang Telephone No. : (604) 228 7828 Fax No. : (604) 227 9828 Partner-in-charge : Terence Lau Han Wen Approval No. : 03298/04/2025 J Professional Qualifications : Chartered Accountant, Member of the MIA (MIA Membership No.: CA 39074)
SOLICITORS FOR OUR IPO	:		Azman Davidson & Co Suite 13.03, 13 th Floor Menara Tan & Tan 207, Jalan Tun Razak 50400 Kuala Lumpur Telephone No. : (603) 2164 0200 Fax No. : (603) 2164 0280

1. CORPORATE DIRECTORY (CONT'D)

INDEPENDENT BUSINESS AND MARKET RESEARCH CONSULTANTS	<p>: Vital Factor Consulting Sdn Bhd <i>(199301012059 (266797-T))</i> V square @ PJ City Centre (VSQ) Block 6, Level 6 Jalan Utara 46200 Petaling Jaya Selangor Darul Ehsan</p> <p>Telephone No. : (603) 7931 3188 Fax No. : (603) 7931 2188</p> <p>Person-in-charge : Wooi Tan Professional Qualification : Master of Business Administration from The New South Wales Institute of Technology (now known as University of Technology, Sydney), Australia, Bachelor of Science from The University of New South Wales, Australia and a Fellow of the Australian Marketing Institute, and Institute of Managers and Leaders, Australia (formerly known as the Australian Institute of Management)</p>
ISSUING HOUSE AND SHARE REGISTRAR	<p>Tricor Investor & Issuing House Services Sdn Bhd <i>(197101000970 (11324-H))</i> Unit 32-01, Level 32, Tower A Vertical Business Suite, Avenue 3 Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur</p> <p>Telephone No. : (603) 2783 9299 Fax No. : (603) 2783 9222</p>
LISTING SOUGHT	<p>: ACE Market</p>

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2. APPROVALS AND CONDITIONS

2.1 APPROVALS FROM RELEVANT AUTHORITIES

2.1.1 Bursa Securities

Bursa Securities had vide its letter dated 8 June 2023 approved the admission of our Company to the Official List and the listing of and quotation for the entire enlarged issued share capital of our Company of RM156,282,664 comprising 893,000,000 Shares on the ACE Market. The approval from Bursa Securities is subject to the following conditions:

No.	Conditions	Status of compliance
(i)	Submit the following information with respect to the moratorium on the shareholdings of the Specified Shareholders to Bursa Depository: <ul style="list-style-type: none"> (a) name of shareholders; (b) number of Shares; and (c) date of expiry of the moratorium for each block of Shares; 	Complied
(ii)	Confirm that approvals from other relevant authorities have been obtained for implementation of the Listing;	Complied
(iii)	Comply with the Bumiputera equity requirements for public listed companies as approved / exempted by the SC including any conditions imposed thereon;	To be complied
(iv)	Make the relevant announcements pursuant to Paragraphs 8.1 and 8.2 of Guidance Notes 15 of the Listing Requirements;	To be complied
(v)	Furnish to Bursa Securities a copy of the schedule of distribution showing compliance with the public shareholding spread requirements based on the entire issued share capital of MSGB on the first day of Listing;	To be complied
(vi)	In relation to the Public Issue to be undertaken by MSGB, to announce at least 2 Market Days prior to the Listing date, the result of the offering including the following: <ul style="list-style-type: none"> (a) level of subscription of public balloting and placement; (b) basis of allotment / allocation; (c) a table showing the distribution for placement tranche; and (d) disclosure of placees who become substantial shareholders of MSGB arising from the Public Issue, if any. 	To be complied
(vii)	MSGB / PIVB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval upon the admission of MSGB to the Official List.	To be complied

2. APPROVALS AND CONDITIONS (CONT'D)

2.1.2 SC

Our IPO is an exempt transaction under Section 212(8) of the CMSA and is therefore not subject to the approval of the SC.

The SC had vide its letter dated 12 June 2023 approved the resultant equity structure of our Company pursuant to our Listing under the equity requirements for public listed companies, subject to the following conditions:

No.	Conditions	Status of compliance
(i)	MSGB allocating Shares equivalent to 12.50% of its enlarged number of issued Shares at the point of Listing to Bumiputera Investors to be approved by the MITI; and	To be complied
(ii)	MSGB is to make available at least 50.00% of the Shares offered to the Malaysian Public investors via balloting to Bumiputera public investors at the point of Listing.	To be complied

The SC had noted the effects of our Listing on the equity structure of our Company as follows:

Category of shareholders	As at 4 January 2023		After our Listing	
	No. of Shares	(%)	No. of Shares	(%)
Bumiputera				
- Bumiputera Investors to be approved by MITI	-	-	^(b) 111,625,000	12.50
- Bumiputera public investors via balloting	-	-	^(b) 22,325,000	2.50
- Others	^(a) 200	66.66	^(c) 333,485,100	37.34
Total Bumiputera	200	66.66	467,435,100	52.34
Non-Bumiputera	100	33.33	425,564,900	47.66
Malaysians	300	*100.00	893,000,000	100.00
Foreigners	-	-	-	-
TOTAL	300	*100.00	893,000,000	100.00

Notes:

- * Total does not add up due to rounding.
- (a) Comprised of 100 Shares held by Dato' A. Rahman Bin Safar and Enrogetz each, both being our Substantial Shareholders.
- (b) Assuming that Shares offered to Bumiputera Investors to be approved by MITI and Bumiputera public investors via balloting shall be fully subscribed.
- (c) Comprising:
 - 73,590,500 Shares to be held by Dato' A. Rahman Bin Safar after the Listing;
 - 259,644,600 Shares to be held by Enrogetz after the Listing; and
 - 250,000 Shares to be allocated to the eligible Director namely, Dato' Baharon Bin Talib, being our Independent Non-Executive Chairman, and assuming that the entitlement under the Pink Form Allocations shall be fully subscribed.

2. APPROVALS AND CONDITIONS (CONT'D)

2.1.3 MITI

MITI had vide its letter dated 25 May 2023 taken note of and has no objection to our Listing.

2.2 MORATORIUM ON SALE OF SHARES

In compliance with Rule 3.19(1) of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of the Shares held by the Specified Shareholders as follows:

- (i) the moratorium applies to the entire shareholdings of the Specified Shareholders for a period of 6 months from the date of our admission to the ACE Market (“**First 6-Month Moratorium**”);
- (ii) upon the expiry of the First 6-Month Moratorium, we must ensure that the Specified Shareholders’ aggregate shareholdings amounting to at least 45.00% of our enlarged issued share capital remain under moratorium for another period of 6 months (“**Second 6-Month Moratorium**”); and
- (iii) upon the expiry of the Second 6-Month Moratorium, the Specified Shareholders may only sell, transfer or assign up to a maximum of 1/3 per annum (on a straight line basis) of the Shares which were held under the moratorium (“**Subsequent Moratorium Period**”).

The details of the Shares held by the Specified Shareholders which will be subject to moratorium are as follows:

Name of Specified Shareholders	Year 1 after Listing		Year 2 after Listing		Year 3 after Listing			
	Moratorium shares during the First 6-Month Moratorium		Moratorium shares during the Second 6-Month Moratorium		Moratorium shares during the Subsequent Moratorium Period		Moratorium shares during the Subsequent Moratorium Period	
	No. of Shares	^(a) % of enlarged issued share capital	No. of Shares	^(a) % of enlarged issued share capital	No. of Shares	^(a) % of enlarged issued share capital	No. of Shares	^(a) % of enlarged issued share capital
Chew Sing Guan	331,156,900	37.08	331,156,900	37.08	220,771,267	24.72	110,385,633	12.36
Enrogetz ^(b)	259,644,600	29.08	70,693,100	7.92	47,128,733	5.28	23,564,367	2.64
Faizal Bin Mat Zuki ^(c)	-	-	-	-	-	-	-	-
Total	590,801,500	66.16	401,850,000	45.00	267,900,000	30.00	133,950,000	15.00

2. APPROVALS AND CONDITIONS (CONT'D)

Notes:

- (a) Based on our enlarged issued share capital of 893,000,000 Shares after our IPO.
- (b) The shareholders of Enrogetz and their shareholdings as at the LPD are as follows:

Name	No. of ordinary shares in Enrogetz	(%)
Faizal Bin Mat Zuki	28,000,095	95.00
Haji Mat Zuki Bin Mahmud (Deceased)	*1,473,689	5.00

* As at the LPD, the grant of letter of administration for distribution of assets have yet to be procured. As such, the 1,473,689 ordinary shares in Enrogetz is still registered under the name of the late Haji Mat Zuki Bin Mahmud. The administrator of the Deceased's estate endeavours to complete the distribution of the Deceased's estate by 3rd quarter of 2023.

- (c) As at the LPD, Faizal Bin Mat Zuki does not hold any of our Shares directly.

The moratorium, which is fully accepted by the Specified Shareholders, is specifically endorsed on the share certificates representing the Shares held by the respective Specified Shareholders to ensure that our Share Registrar will not register any transfer and sale that are not in compliance with the aforesaid restriction imposed.

In accordance with Rule 3.19(2) of the Listing Requirements, where the specified shareholder or vendor is an unlisted corporation, all direct and indirect shareholders of the unlisted corporation (whether individuals or other unlisted corporations) up to the ultimate individual shareholders must give undertakings to Bursa Securities that they will not sell, transfer or assign their shares in the unlisted corporation for the requisite moratorium period.

In compliance with Rule 3.19(2) of the Listing Requirements, Faizal Bin Mat Zuki, being one of the shareholders of Enrogetz, and Mercury Securities, being the administrator of the Deceased's estate, have undertaken not to sell, transfer or assign Faizal Bin Mat Zuki's and the Deceased's shares in Enrogetz during the First 6-Month Moratorium, Second 6-Month Moratorium and Subsequent Moratorium Period respectively.

3. PROSPECTUS SUMMARY

This Prospectus Summary only highlights the key information from other parts of this Prospectus. It does not contain all the information that may be important to you. You should read and understand the contents of the whole Prospectus prior to deciding on whether to invest in our Shares.

3.1 PRINCIPAL DETAILS OF OUR IPO

The following details relating to our IPO derived from full text in this Prospectus and should be read in conjunction with that full text.

Number of new Shares to be issued under the Public Issue	:	157,095,700
Number of existing Shares to be offered under the Offer for Sale	:	71,512,300
Enlarged number of issued Shares upon Listing	:	893,000,000
IPO Price	:	RM0.25
Market capitalisation upon Listing (based on the IPO Price and our enlarged issued share capital upon Listing)	:	RM223,250,000

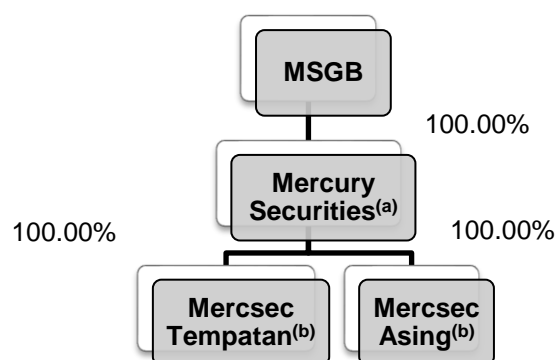
Please refer to Section 4 of this Prospectus for further details of our IPO.

The entire shareholdings in our Company held by the Specified Shareholders after our IPO are subject to moratorium for 6 months from the date of our Listing. Thereafter, the Specified Shareholders' shareholdings amounting to an aggregate of 45.00% of our enlarged issued share capital (adjusted for any bonus issue of shares or subdivision of shares) will remain under moratorium for another period of 6 months. The Specified Shareholders may sell, transfer or assign up to a maximum of 1/3 per annum (on a straight-line basis) of their Shares which were held under moratorium during the Subsequent Moratorium Period upon expiry of the Second 6-Month Moratorium. Please refer to Section 2.2 of this Prospectus for further details of the moratorium on the Specified Shareholders' Shares.

3.2 OUR GROUP AND OVERVIEW OF OUR BUSINESS

Our Company (Registration No. 202101018329 (1418629-A)) was incorporated in Malaysia under the Act on 18 May 2021 as a private limited company under the name of Mercury Securities Group Sdn Bhd. Our Company was subsequently converted into a public limited company on 28 February 2022.

We are an investment holding company and through our Subsidiaries, we are principally engaged in the stockbroking, corporate finance advisory and other related businesses as well as provision of nominee and custodian services. As at the LPD, our Group structure is as follows:



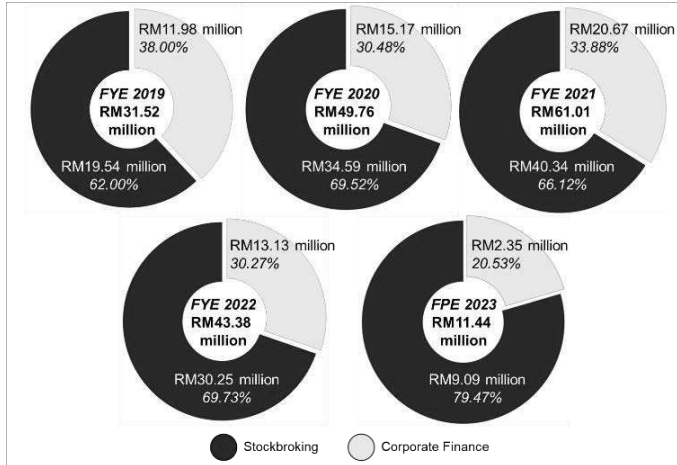
Notes:

- (a) Principally engaged in the stockbroking, corporate finance advisory and other related businesses.
- (b) Principally engaged in the provision of nominee and custodian services.

3. PROSPECTUS SUMMARY (CONT'D)

3.2.1 Our business activities, revenue and income stream

Our Subsidiary, Mercury Securities is a licensed 1+1 broker involved in the provision of stockbroking and corporate finance advisory services. For the Financial Years and Period Under Review, our Group's revenue was derived from the following 2 main business segments:



(i) Stockbroking Segment

Stockbroking business is a significant revenue contributor of our total revenue for the Financial Years and Period Under Review. We offer stockbroking services to institutional investors and retail investors, comprising execution of trades of securities listed on Bursa Securities and foreign stock exchanges mainly in Singapore, Hong Kong, and USA, and provision of margin financing facility services, nominee, custodian and related services.

We also undertake underwriting and placement services where we underwrite and place out securities from equity fundraising offerings mainly from initial public offering, rights issue and private placement.

(ii) Corporate Finance Segment

We provide advisory services focusing mainly on primary equity fundraising offerings through initial public offering, secondary equity fundraising offerings such as rights issue and private placement, takeovers, mergers and acquisitions, transfer of listing from ACE Market to the Main Market, and other corporate proposals which include bonus issue of shares and warrants, share issuance scheme, and corporate restructuring. Under this segment, we serve private and public listed companies as well as high-net worth individuals.

(iii) Related activities

In addition to the above, we are also permitted to carry out proprietary trading, where we execute trades using our internal funds.

Our principal market is in Malaysia where our operational offices are located in Kuala Lumpur, Pulau Pinang, Melaka, Johor and Sarawak. Revenue from our 2 business segments are derived mainly from clients that are residing or domiciled in Malaysia.

Please refer to Section 7 of this Prospectus for further details of our business.

3.3 IMPACT OF COVID-19

In view of the COVID-19, the Government implemented several measures to contain the spread of COVID-19 in the country, since 18 March 2020. These measures include restrictions on the movement of people within Malaysia and internationally, and restrictions on business, economic and social activities. On 1 April 2022, Malaysia entered the 'Transition to Endemic' phase where all economic sectors are allowed to operate, and interstate and international travel are allowed, subject to adherence to the relevant SOP and guidelines.

3. PROSPECTUS SUMMARY (CONT'D)

Our business operations are regarded as “essential services” by the Government and we continued to operate as per normal working hours. Nonetheless, we adopted precautionary measures to safeguard our operations and employees where we implement alternate arrangements between working from home and the office for business continuity for our critical functions. We also offer our clients our online trading platforms to enable them to access and trade in securities listed on Bursa Securities. Despite the challenging conditions in 2020, we experienced an increase in revenue by 57.85% to RM49.76 million for the FYE 2020. Our trading value from our Stockbroking Segment recorded a growth of 72.58% to RM8.52 billion for FYE 2020. The COVID-19 SOP and guidelines have subsequently relaxed since 1 April 2022 as the nation is entering into the endemic phase.

Since March 2020 and up to the LPD, 37 of our employees were infected with COVID-19 and have since fully recovered. As at the LPD, we have a total of 103 employees and all of our employees have been fully vaccinated. Please refer to Section 7.17 of this Prospectus for further details on the impact of COVID-19 on our business, financial performance and profitability.

3.4 COMPETITIVE ADVANTAGES AND KEY STRENGTHS

Our Group's competitive advantages and key strengths are as follows:

- (i) We have an established track record of 31 years in the provision of stockbroking services since 1992, and 10 years of track record in the provision of corporate finance advisory services since 2013. This has enabled our Group to strengthen our market position and develop an established client base for our stockbroking business as well as corporate finance advisory services. Our long and established track record together with established client base provides our Group with the platform to sustain and grow our business;
- (ii) Our stockbroking operations are supported by a network of branch offices including our principal office at Butterworth Branch, as well as 6 other branch offices in Pulau Pinang, Kuala Lumpur, Melaka, Johor and Sarawak. This provides our stockbroking clients with convenience and increases the accessibility to our broker-assisted trading where trades are executed by our dealers and remisiers. Besides operating from their branch office, our dealers and remisiers can also operate from their home or from any other locations to access our order management system to execute clients' orders, giving them more opportunities to service and market for new clients;
- (iii) Our online trading platforms, enables our stockbroking clients to personally carry out their trading of securities on Bursa Securities without going through our dealers and remisiers. This provides our clients with convenience, reduce their dependencies on our dealers and remisiers to promptly and accurately carry out trades on their behalf. In addition, our online trading platforms increase our addressable market of potential clients that are not within the proximity of our branch offices. We launched our MST28 Trading Platform on 28 February 2022 and ECOS Trading Platform on 3 October 2022 to replace our “Mercury StraightThru” trading platform. “Mercury StraightThru” has ceased to be accessible to the public since 30 September 2022. Both the new online trading platforms are equipped with additional and new features such as onboarding of new clients electronically;
- (iv) The capital market services industry in Malaysia is highly regulated where a new player intending to obtain a new CMSL for a certain type of regulated activity requires compliance with the qualitative and quantitative criteria as prescribed by the SC and other relevant regulators. In addition, licensing and registration are also subject to annual renewal by the relevant authorities, all of these requirements represent significant barriers to entry for new entrants. As 1 of the licensed stockbroking companies, Mercury Securities is well positioned to address opportunities in the large stockbroking market in Malaysia and selected foreign exchanges to grow our stockbroking business. Further, as a RPA, sponsor and approved adviser, Mercury Securities is permitted to carry out advisory services for all types of corporate proposals which will enable our Group to address potential business opportunities in the Corporate Finance Segment;

3. PROSPECTUS SUMMARY (CONT'D)

- (v) As a licensed and registered operator in the capital market services industry, Mercury Securities' 2 business segments, namely Stockbroking Segment and Corporate Finance Segment, provide us with 2 revenue streams and client bases to diversify dependencies on any 1 of the revenue streams. At the same time, they provide us with more diverse areas of growth and address opportunities to sustain and grow our business; and
- (vi) We have an experienced Managing Director, Chew Sing Guan, who has approximately 31 years of experience in the stockbroking industry and 10 years of experience in corporate finance. He is supported by experienced Key Senior Management team that have diverse skills, knowledge, experience and management capabilities to support and grow our business.

Please refer to Section 7.6 of this Prospectus for further details of our competitive strengths.

3.5 BUSINESS STRATEGIES AND PLANS

Our business strategies and plans are focused primarily on our Stockbroking Segment as follows:

- (i) Our stockbroking services comprising execution of trades, provision of margin financing facility services, underwriting and placement services, nominee, custodian and related services. Part of the strategies to expand our revenue is to expand the provision of margin financing facility services to fund our existing and new stockbroking clients for their purchase of mainly quoted securities on Bursa Securities. This would in turn help to further enhance our revenue for the Stockbroking Segment via margin income and brokerage fee; and
- (ii) As part of our digital roadmap strategy, we will continue to enhance our online trading platforms to improve our client trading experience. By leveraging digital technology, we intend to facilitate efficient and timely access to market data and information for our existing stockbroking clients as well as secure new clients to grow our stockbroking business. As such, we will focus on investment in technology for continuous enhancement on the digitalisation of our stockbroking operations to provide trading convenience and more tech savvy investors at a lower brokerage fee relative to brokerage fee from broker-assisted trading.

Further, we are permitted to carry out proprietary trading where we execute trades using internal funds under our proprietary accounts as a Participating Organisation of Bursa Securities. We plan to expand our proprietary trading team and set up a new algorithmic trading desk to further enhance our income from proprietary trading.

Please refer to Section 7.26 of this Prospectus for further details of our future plans and business strategies.

3.6 RISK FACTORS

You should carefully consider the risks and investment considerations set out below along with other information contained in this Prospectus before you make your investment decision:

- (i) Our business, which is involved in the capital market services industry in Malaysia is highly regulated and is dependent on the licenses issued by the relevant authorities to carry out our current regulated activities. As such, if we are unable to comply with the laws, regulations and guidelines issued by the regulatory authorities including the SC and Bursa Securities, our licenses and registrations required for our business operations may be revoked, suspended or not renewed. Any revocation, suspension and/or non-renewal of our licenses and/or registrations will affect our ability to continue our business operations and ultimately affect our financial performance;
- (ii) We do not have any long-term contracts with our clients as our services are provided based on agreements and mandates entered with our stockbroking and corporate finance clients, which is a common industry practice in Malaysia. Therefore, our revenue and profits may vary in each financial year;

3. PROSPECTUS SUMMARY (CONT'D)

- (iii) Financial performance of our Stockbroking Segment is highly dependent on the performance of the securities market and overall market conditions. Any unfavourable and/or adverse securities market and economic conditions could adversely impact the financial performance of our Stockbroking Segment;
- (iv) Our business operations involve receiving, processing, storing and transmitting critical and confidential data and information digitally, which may expose us to the risk of security breaches or damage relating to our online trading platforms, software, hardware, processing, communications and data. Any occurrence of such incidents would adversely impact our reputation, business operations and financial performance;
- (v) Our stockbroking business relies on electronic technology and facilities as well as the use of third-party service providers. In the event of any systems failure that causes interruptions in our services or delays in our services/responding to our clients or material operational errors, this could adversely affect our business and the results of our operations;
- (vi) The Former Corporate Finance Team contributed 29.54% (RM9.31 million), 27.05% (RM13.46 million), 34.16% (RM20.84 million) and 27.77% (RM12.05 million) of our total revenue for the FYE 2019, FYE 2020, FYE 2021 and FYE 2022, respectively, comprising the advisory fees under the Corporate Finance Segment, as well as placement and underwriting fees under the Stockbroking Segment relating to the assignments undertaken by the Former Corporate Finance Team. As such, there can be no assurance that we would be able to generate similar level of revenue in the immediate term subsequent to the resignations of the Former Corporate Finance Team;
- (vii) Our business is subject to highest of various financial requirements including, among others, minimum share capital and shareholders' fund of RM20.00 million, respectively, for dealing in securities, minimum shareholders' fund of RM100.00 million for advising on corporate finance as a principal adviser and minimum collateral value of RM250,000 in the form of cash, quoted securities and/or bank guarantee with Bursa Clearing under its equities margin system. In the event the minimum financial requirements are not met, it may adversely affect our business operations and financial performance;
- (viii) For our Stockbroking Segment, we offer margin financing facilities to our clients to fund their purchases of quoted securities listed on Bursa Securities based on terms and conditions stipulated in our credit facility agreement. In this respect, the higher utilisation of margin financing facilities will result in higher cash outflow which affects our operating cash flow. Further, when clients purchase securities through margin financing facilities, we are subject to the risk that clients may default on their obligations when the value of the quoted securities and cash held as collateral in their margin accounts fall below the amount of our clients' indebtedness. In the event of sudden negative changes in the valuation of pledged securities and our clients fail to meet margin calls, this could potentially result in losses for us;
- (ix) Our stockbroking services include underwriting securities from primary and secondary equity fundraising. In this respect, we take on financial and market price risk for a fee as an underwriter in a securities offering, where we are committed to an underwriting amount for the specific number of securities as stipulated in the underwriting agreement. If a substantial portion of our underwritten securities is not taken up, it could adversely affect our liquidity and financial conditions;
- (x) We are required to comply with applicable anti-money laundering and counter-terrorism financing laws and regulations in Malaysia. Should we fail to comply with such laws and regulations, we may be subject to fines and/or penalties and/or administrative actions imposed by regulatory authorities, which may adversely affect our reputation, business operations and financial results; and

3. PROSPECTUS SUMMARY (CONT'D)

- (xi) The future growth of our business is dependent on our ability to implement and carry out plans and strategies promptly, focusing on the enhancement of digital technology for our business operations, and attracting, developing and retaining talents for our business operations. Should there be any delays or failure in executing our plans and strategies effectively, it may negatively affect our business growth and financial performance.

Please refer to Section 9 of this Prospectus for further details and the full list of risk factors, which should be considered before investing in our Shares.

3.7 USE OF PROCEEDS

The gross proceeds from the Public Issue amounting to RM39.27 million will be used in the following manner:

Details of use of proceeds	(RM'000)	(%)	Estimated timeframe for use of proceeds from the date of our Listing
Margin financing facility services	26,860	68.39	Within 24 months
Enhancement of digitalisation programme and marketing activities to enhance the stockbroking business and operations of our Group	2,880	7.33	Within 18 months
Working capital	4,634	11.80	Within 12 months
Estimated listing expenses	4,900	12.48	Within 3 months
Total	<u>39,274</u>	<u>100.00</u>	

There is no minimum subscription to be raised from our IPO. Detailed information on our use of proceeds is set out in Section 4.6 of this Prospectus.

The gross proceeds arising from the Offer for Sale of RM17.88 million shall accrue entirely to the Selling Shareholder.

3.8 DIRECTORS AND KEY SENIOR MANAGEMENT

Our Directors and Key Senior Management are as follows:

3.8.1 Directors

Name	Designation
Dato' Baharon Bin Talib	Independent Non-Executive Chairman
Chew Sing Guan	Non-Independent Executive Director / Managing Director
Dato' A. Rahman Bin Safar	Non-Independent Non-Executive Director
Chan Kim Hing	Independent Non-Executive Director
Datin Chua Suat Khim	Independent Non-Executive Director
Himahlini A/P M. Ramalingam @ Yalumallai	Independent Non-Executive Director

3.8.2 Key Senior Management (other than our Non-Independent Executive Director / Managing Director)

Name	Designation
Vijaya Kumar A/L Muniandy	Head of Dealing
Lai Ther Wei	Head of Capital Markets
Siew Kwong Cheong	Head of Operation
Foong Kee Yan	Head of Credit and Risk Management
Heong Ah Fong	Head of IT
Teoh Wee Tong	Chief Financial Officer

3. PROSPECTUS SUMMARY (CONT'D)

Please refer to Sections 5.1, 5.2 and 5.4 of this Prospectus for further details of our Directors and Key Senior Management.

3.9 PROMOTER AND/OR SUBSTANTIAL SHAREHOLDERS

Name	Nationality / Country of Incorporation	After the Acquisition and before our IPO				After our IPO				
		Direct		Indirect		Direct		Indirect		
		No of Shares	(a)%	No of Shares	(a)%	No of Shares	(b)%	No of Shares	(b)%	
Chew Sing Guan	Malaysian	331,156,900	45.00	-	-	331,156,900	37.08	-	-	
Substantial Shareholders										
Enrogetz	Malaysia	331,156,900	45.00	-	-	259,644,600	29.08	-	-	
Dato' A. Rahman Bin Safar	Malaysian	73,590,500	10.00	-	-	73,590,500	8.24	-	-	
Faizal Bin Mat Zuki	Malaysian	-	-	(c)331,156,900	45.00	-	-	(c)259,644,600	29.08	

Notes:

- (a) Based on our issued share capital of 735,904,300 Shares after the Acquisition and before our IPO.
- (b) Based on our enlarged issued share capital of 893,000,000 Shares after our IPO.
- (c) Deemed interested by virtue of his shareholdings in Enrogetz pursuant to Section 8 of the Act.

Please refer to Section 5.1 of this Prospectus for further details of our Promoter and Substantial Shareholders.

3. PROSPECTUS SUMMARY (CONT'D)

3.10 FINANCIAL HIGHLIGHTS

3.10.1 Pro forma Consolidated Statements of Financial Position

The following table sets out a summary of the pro forma consolidated statements of financial position of our Group to show the effects of the Acquisition, Public Issue and use of proceeds. It is presented for illustrative purposes only and should be read together with the pro forma consolidated statements of financial position as set out in Section 12.5 of this Prospectus:

	Audited	Pro Forma I	Pro Forma II	Pro Forma III
	As at 30 April 2023 (RM'000)	After the Acquisition (RM'000)	After Pro Forma I and Public Issue (RM'000)	After Pro Forma II and use of proceeds (RM'000)
ASSETS				
Total non-current assets	-	24,223	24,223	25,603
Total current assets	120	120,445	159,719	151,939
Total assets	120	144,668	183,942	177,542
EQUITIES AND LIABILITIES				
Share capital	#	117,009	156,283	154,688
Merger reserve	-	(97,009)	(97,009)	(97,009)
Other reserves	(14)	109,623	109,623	104,818
Total equity	(14)	129,623	168,897	162,497
Total non-current liabilities	-	1,341	1,341	1,341
Total current liabilities	134	13,704	13,704	13,704
Total liabilities	134	15,045	15,045	15,045
TOTAL EQUITY AND LIABILITIES	120	144,668	183,942	177,542
Borrowings	-	-	-	-
Gearing ratio (times)	N/A	N/A	N/A	N/A
Current ratio (times)	0.90	8.79	11.65	11.09

Note:

Represents RM3.00.

3.10.2 Combined Statements of Comprehensive Income

The following table sets out the financial highlights of our Group based on our historical audited combined statements of comprehensive income for the Financial Years and Period Under Review:

	Audited				Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue*	31,524	49,762	61,007	43,382	25,779	11,439
GP*	13,834	22,058	30,346	23,495	13,497	7,805
PBT*	13,391	23,307	27,103	23,201	12,954	6,880
PAT	9,845	17,198	20,260	17,663	9,894	5,077
GP margin(%)	43.88	44.33	49.74	54.16	52.36	68.23
PBT margin(%)	42.48	46.84	44.43	53.48	50.25	60.15
PAT margin(%)	31.23	34.56	33.21	40.72	38.38	44.38

3. PROSPECTUS SUMMARY (CONT'D)

Note:

- * The following table sets forth the contributions of the Former Corporate Finance Team to the revenue, GP and PBT of the Group, as well as the net revenue, net GP and net PBT of the Group after deducting the contribution of the Former Corporate Finance Team during the FYE 2019 to FYE 2022. As the Former Corporate Finance Team had completely left Mercury Securities as at 1 November 2022, there are no contributions from the Former Corporate Finance Team for the FPE 2023.

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue	31,524	49,762	61,007	43,382
Revenue contributed by the Former Corporate Finance Team	9,313	13,459	20,838	12,049
Net revenue after deducting revenue contributed by the Former Corporate Finance Team	22,211	36,303	40,169	31,333
GP	13,834	22,058	30,346	23,495
GP contributed by the Former Corporate Finance Team	3,880	5,181	8,607	1,771
Net GP after deducting GP contributed by the Former Corporate Finance Team	9,954	16,877	21,739	21,724
PBT	13,391	23,307	27,103	23,201
PBT contributed by the Former Corporate Finance Team [#]	3,636	4,996	8,159	1,397
Net PBT after deducting PBT contributed by the Former Corporate Finance Team	9,755	18,311	18,944	21,804
<u>GP margin</u>				
GP margin	43.88%	44.33%	49.74%	54.16%
GP margin after deducting GP contributed by the Former Corporate Finance Team	44.82%	46.49%	54.12%	69.33%
<u>PBT margin</u>				
PBT margin	42.48%	46.84%	44.43%	53.48%
PBT margin after deducting PBT contributed by the Former Corporate Finance Team	43.92%	50.44%	47.16%	69.59%

Please refer to Section 12.1.1 of this Prospectus for the computation details of the PBT contributed by the Former Corporate Finance Team.

3.10.3 Historical Statements of Cash Flows

The following is the summary of the historical audited combined statements of cash flows of our Group for the Financial Years and Period Under Review:

	Audited				
	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FPE 2023
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Net cash (used in)/from operating activities ^(a)	(9,429)	23,340	4,240	11,416	5,687
Net cash from investing activities	13,313	1,794	14,927	679	855
Net cash used in financing activities	(6,878)	(18,677)	(22,665)	(10,388)	(165)
Net (decrease)/increase in cash and cash equivalents	(2,994)	6,457	(3,498)	1,707	6,377
Cash and cash equivalents at the beginning of the financial year/period	44,391	41,397	47,854	44,356	46,063
Cash and cash equivalent at end of the financial year/period	41,397	47,854	44,356	46,063	52,440

Note:

- (a) Our Group's net cash from operating activities before increased/(decreased) in margin account receivables is illustrated below:

3. PROSPECTUS SUMMARY (CONT'D)

	Audited				
	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FPE 2023 (RM'000)
Net cash (used in)/from operating activities	(9,429)	23,340	4,240	11,416	5,687
Increased/(decreased) in margin account receivables	14,883	(9,032)	14,391	2,242	(6,809)
Net cash from/(used in) operating activities before changes in margin account receivables	5,454	14,308	18,631	13,658	(1,122)

Our Group recorded cash flows used in the operating activities of RM9.43 million in FYE 2019, attributed mainly to an increase in the utilisation of margin financing facility services by retail clients, where our margin account receivables increased by RM14.88 million as at 31 October 2019. After excluding the increase in margin account receivables of RM14.88 million, our Group generated cash flows from operating activities of RM5.45 million.

Under the Stockbroking Segment, we offer margin financing facility services to our stockbroking clients to fund their purchase of quoted securities. This enables us to earn income from the credit facilities that we offered where the margin income that we earned comprises margin interest, processing fees, commitment fees and roll-over fees. The margin financing facilities we offered are funded through our internally generated funds. In this respect, the higher utilisation of margin financing facilities will result in higher cash outflow which affected the operating cash flow.

Please refer to Section 12 of this Prospectus for further details on our financial information.

3.11 DIVIDEND POLICY

It is our Boards' policy to recommend dividends to allow our shareholders to participate in the profits of our Group. Nonetheless, our Company does not have any formal dividend policy.

During the Financial Years and Period Under Review and up to the LPD, our Group has declared and paid for the following dividends:

	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FPE 2023 (RM'000)	1 May 2023 up to the LPD (RM'000)
Dividend declared and paid	^(a) 5,000	^(b) 40,000	^(c) 22,300	^(d) 10,000	-	-
PAT	9,845	17,198	20,260	17,663	-	-
Dividend payout ratio ^(e) (%)	50.79	232.59	110.07	56.62	-	-

Notes:

- (a) The dividend of RM5.00 million in FYE 2019 was funded from internally generated funds.
- (b) RM22.42 million of the total dividends declared was paid via setting-off against the outstanding amount owing by Enrogetz and 2 directors of Mercury Securities (who are also shareholders of Mercury Securities) and hence there was no cash outflow for the said amount. The remaining cash dividend of RM17.58 million was funded from cash proceeds received from the disposal of an investment property in FYE 2019 of RM11.50 million and internally generated funds of RM6.08 million.
- (c) The total dividends of RM22.30 million paid in FYE 2021 was funded from cash proceeds received from the disposal of 5 investment properties in FYE 2021 of RM13.74 million, disposal of MAM of RM1.99 million and internally generated funds of RM6.57 million.
- (d) The total dividends of RM10.00 million paid in FYE 2022 was funded from internally generated funds.
- (e) Computed based on dividends declared and paid divided by PAT.

Subsequent to the Financial Years and Period Under Review and up to the LPD, there was no dividend declared or payable by our Group. Further, our Board does not intend to declare any dividends prior to our Listing.

Please refer to Section 12.4 of this Prospectus for further details on our dividend policy.

4. PARTICULARS OF OUR IPO

4.1 DETAILS OF OUR IPO

4.1.1 Public Issue

A total of 157,095,700 Issue Shares, representing 17.59% of our enlarged issued share capital, will be issued at the IPO Price and are payable in full on Application upon such terms and conditions as set out in this Prospectus and will be allocated in the following manner:

(i) **Malaysian Public**

44,650,000 Issue Shares, representing 5.00% of our enlarged issued share capital, will be made available for application by the Malaysian Public through a balloting process, of which 50.00% is to be set aside for Bumiputera Investors.

Any Issue Shares under the Malaysian Public balloting portion which are not fully subscribed for by the Malaysian Public will be made available for subscription as follows:

- Firstly, by the Eligible Persons under the Pink Form Allocations as described in Section 4.1.1 (ii) of this Prospectus;
- Secondly, by our selected investors as described in Section 4.1.1(iii) of this Prospectus; and
- Lastly, by our Sole Underwriter based on the terms of the Underwriting Agreement.

(ii) **Eligible Persons**

22,325,000 Issue Shares (being Pink Form Allocations), representing 2.50% of our enlarged issued share capital, will be reserved for application by the Eligible Persons as follows:

Eligible Persons	No. of Eligible Persons	Aggregate No. of Pink Form Allocations
Eligible Directors ^(a)	4	700,000
Eligible employees (including 3 directors of our Subsidiaries) ^(b)	100	10,000,000
Persons who have contributed to our success ^(c)	50	11,625,000
Total	154	22,325,000

Notes:

- (a) The criteria of allocation to our eligible Directors are based on, among others, their respective roles and responsibilities as well as their anticipated contribution to our Group.
- (b) The criteria of allocation to the eligible employees of our Group (as approved by our Board) are based on, among others, the following factors:
- the employee must be a fulltime employee and on the payroll of our Group; and

4. PARTICULARS OF OUR IPO (CONT'D)

- the number of Issue Shares allocated to the eligible employees is based on their position, their length of service and their past performance/ contribution as well as other factors deemed relevant by our Board.
- (c) Persons who have contributed to the success of our Group include our remisers, clients and suppliers. The criteria of allocation are based on among others, their current and/or past contributions to our Group, as well as the nature and terms of their business relationship, length of business relationship.

The number of Issue Shares to be allocated to our eligible Directors is as follows:

Eligible Directors	Designation	No. of Pink Form Allocations
Dato' Baharon Bin Talib	Independent Non-Executive Chairman	250,000
Chan Kim Hing	Independent Non-Executive Director	150,000
Datin Chua Suat Khim	Independent Non-Executive Director	150,000
Himahlini A/P M. Ramalingam @ Yalumallai	Independent Non-Executive Director	150,000
Total		700,000

The number of Issue Shares to be allocated to our Key Senior Management is as follows:

Key Senior Management	Designation	No. of Pink Form Allocations
Vijaya Kumar A/L Muniandy	Head of Dealing	200,000
Lai Ther Wei	Head of Capital Markets	350,000
Siew Kwong Cheong	Head of Operation	250,000
Foong Kee Yan	Head of Credit and Risk Management	250,000
Heong Ah Fong	Head of IT	250,000
Teoh Wee Tong	Chief Financial Officer	250,000
Total		1,550,000

Chew Sing Guan (our Promoter and Non-Independent Executive Director / Managing Director) and Dato' A. Rahman Bin Safar (our Non-Independent Non-Executive Director) have opted not to participate in the Pink Form Allocations as they are already our Substantial Shareholders. This would allow Eligible Persons, the opportunity to subscribe for more Issue Shares under the Pink Form Allocations. For the details of our Promoter and Substantial Shareholders, and their respective shareholdings in our Company, please refer to Section 5.1.1 of this Prospectus.

Any Issue Shares reserved under the Pink Form Allocations which are not taken up will be made available for subscription as follows:

- Firstly, by other Eligible Persons;
- Secondly, by the Malaysian Public as described in Section 4.1.1(i) of this Prospectus;

4. PARTICULARS OF OUR IPO (CONT'D)

- Thirdly, by our selected investors as described in Section 4.1.1(iii) of this Prospectus; and
- Lastly, by our Sole Underwriter based on the terms of the Underwriting Agreement.

As at the LPD, save as disclosed in Section 4.1.1(ii) of this Prospectus and to the extent known to our Company:

- (a) there are no Substantial Shareholders, Directors or Key Senior Management who has indicated to us that they intend to subscribe for our IPO Shares; and
- (b) there are no persons who has indicated to us that they intend to subscribe for more than 5.00% of our IPO Shares.

(iii) **Private placement to selected investors**

45,470,700 Issue Shares, representing 5.09% of our enlarged issued share capital, will be made available by way of private placement to selected investors.

The Issue Shares reserved under the private placement to selected investors are not underwritten as written irrevocable undertakings to subscribe for these Issue Shares have been/will be obtained from the respective selected investors.

(iv) **Private placement to selected Bumiputera Investors approved by MITI**

44,650,000 Issue Shares, representing 5.00% of our enlarged issued share capital, will be made available by way of private placement to Bumiputera Investors approved by MITI ("**MITI Tranche**").

Any Issue Shares, allocated to, but unsubscribed by the selected Bumiputera Investors approved by the MITI will be made available for application by Bumiputera public investors as part of the balloting process under Section 4.1.1(i) of this Prospectus on a fair and equitable manner. Subsequently, any such Issue Shares from the MITI Tranche unsubscribed by Bumiputera public investors will be made available for application by the Malaysian Public as part of the balloting process on a fair and equitable manner, by the Eligible Persons under Section 4.1.1(ii) of this Prospectus and/or by way of placement to selected investors under Section 4.1.1(iii) of this Prospectus.

The Issue Shares under the MITI Tranche will not be underwritten by the Sole Underwriter.

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4. PARTICULARS OF OUR IPO (CONT'D)

4.1.2 Offer for Sale

A total of 71,512,300 Offer Shares, representing 8.01% of our enlarged issued share capital, will be offered for sale by our Selling Shareholder at the Offer Price and are payable in full on application upon such terms and conditions as set out in this Prospectus. The Offer Shares will be offered by way of private placement to selected investors and selected Bumiputera Investors approved by MITI allocated as follows:

- (a) 4,537,300 Offer Shares, representing 0.51% of our enlarged issued share capital to selected investors; and
- (b) 66,975,000 Offer Shares, representing 7.50% of our enlarged issued share capital to selected Bumiputera Investors approved by the MITI.

In the event of an under-subscription of the 66,975,000 Offer Shares made available by way of private placement to selected Bumiputera Investors approved by MITI, the unsubscribed Offer Shares will firstly be made available to the Bumiputera public investors and thereafter to the other Malaysian Public as part of the balloting process on a fair and equitable manner. Any further unsubscribed Offer Shares will be offered to the Eligible Persons and/or by way of private placement to selected investors.

The details of the Selling Shareholder are as follows:

Name / Address	Nature of relationship with our Group	After the Acquisition and before our IPO		Offer for Sale		After our IPO	
		No. of Shares	^(a) (%)	No. of Shares	^(b) (%)	No. of Shares	^(b) (%)
Enrogetz / 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia	Substantial Shareholder	331,156,900	45.00	71,512,300	8.01	259,644,600	29.08

Notes:

- (a) Based on our issued share capital of 735,904,300 Shares after the Acquisition and before our IPO.
- (b) Based on our issued share capital of 893,000,000 Shares after our IPO.

Further details of our Selling Shareholder, who is also our Substantial Shareholder can be found in Section 5.1.2 of this Prospectus.

Based on the Offer Price, the Offer for Sale will raise gross proceeds of RM17.88 million, which will accrue entirely to the Selling Shareholder and we will not receive any of the proceeds. All expenses relating to the Offer for Sale will be fully borne by the Selling Shareholder.

4. PARTICULARS OF OUR IPO (CONT'D)

4.1.3 Underwriting and allocation of our IPO Shares

A summary of our IPO Shares to be allocated under our IPO is as follows:

	Issue Shares		Offer Shares		Total IPO Shares	
	No. of Shares	(a)(%)	No. of Shares	(a)(%)	No. of Shares	(a)(%)
Malaysian Public (via balloting)						
▪ Bumiputera	22,325,000	2.50	-	-	22,325,000	2.50
▪ Non-Bumiputera	22,325,000	2.50	-	-	22,325,000	2.50
Eligible Persons	22,325,000	2.50	-	-	22,325,000	2.50
	66,975,000	7.50			66,975,000	7.50
Private placement to selected investors	45,470,700	5.09	4,537,300	0.51	50,008,000	5.60
Private placement to selected Bumiputera Investors approved by MITI	44,650,000	5.00	66,975,000	7.50	111,625,000	12.50
	90,120,700	10.09	71,512,300	8.01	161,633,000	18.10
Total	157,095,700	17.59	71,512,300	8.01	228,608,000	25.60

Note:

(a) Based on our enlarged issued share capital of 893,000,000 Shares after our IPO.

The 66,975,000 Issue Shares made available for application by the Malaysian Public and Eligible Persons are fully underwritten by the Sole Underwriter.

The private placement of 90,120,700 Issue Shares and 71,512,300 Offer Shares made available to selected investors and selected Bumiputera Investors approved by MITI are not underwritten by the Sole Underwriter. Irrevocable undertakings have been or will be obtained from the respective selected investors to subscribe for our IPO Shares (excluding the MITI Tranche) made available under the private placement.

4. PARTICULARS OF OUR IPO (CONT'D)

The basis of allocation and allotment of our IPO Shares shall take into account the desirability of distributing our IPO Shares to a reasonable number of Applicants with a view to broadening the shareholding base of our Company to meet the public spread requirements and to establish a liquid and adequate market for our Shares. Applicants will be selected on a fair and equitable manner.

There is no over-allotment or “greenshoe” option that will result in an increase in the amount of IPO Shares.

The salient terms of the Underwriting Agreement are set out in Section 4.8 of this Prospectus.

4.1.4 Minimum level of subscription

There is no minimum subscription to be raised from our IPO. However, in order to comply with the public spread requirement of Bursa Securities, the minimum subscription level in terms of number of IPO Shares will be the number of IPO Shares required to be held by public shareholders to comply with the public spread requirements as per the Listing Requirements or as approved by Bursa Securities.

In the event of an over-subscription of our IPO Shares, acceptance of Applications by the Malaysian Public shall be subject to the ballot to be conducted in a manner approved by our Directors.

Under the Listing Requirements, at least 25.00% of our enlarged issued share capital for which listing is sought must be in the hands of a minimum of 200 Public shareholders, each holding not less than 100 Shares upon our admission to the ACE Market. We expect to meet the public shareholding spread requirement at the point of our Listing. If we fail to meet the said requirement, we may not be permitted to proceed with our Listing on the ACE Market. In such events, we will return in full, without interest, all monies paid in respect of all Applications. If any such monies are not repaid within 14 days after we become liable to do so, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

4.2 SHARE CAPITAL, CLASSES OF SHARES AND RANKING

4.2.1 Share capital

Upon completion of our IPO, our share capital will be as follows:

	No. of Shares	(RM)
Issued share capital as at the date of this Prospectus	735,904,300	117,008,739
New Shares to be issued under the Public Issue	157,095,700	39,273,925
Enlarged issued share capital upon Listing	893,000,000	156,282,664
IPO Price		0.25
Market capitalisation upon listing (based on the IPO price and our enlarged issued share capital after our IPO)		223,250,000

4. PARTICULARS OF OUR IPO (CONT'D)

4.2.2 Classes of shares and ranking

As at the date of this Prospectus, we have only 1 class of shares, being ordinary shares, all of which rank equally among one another.

Our Issue Shares will, upon allotment and issuance, rank equally in all respects with our existing Shares including voting rights, and will be entitled to all dividends, rights and other distributions that may be declared subsequent to the date of allotment of our Issue Shares.

The Offer Shares rank equally in all respects with our existing issued Shares including voting rights, and will be entitled to all dividends, rights and other distributions that may be declared subsequent to the date of transfer of the Offer Shares.

Subject to any special rights attaching to any shares which we may issue in the future, our shareholders shall, in proportion to the amount paid on the Shares held by them, be entitled to share in the profits paid out by us in the form of dividends or other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to the surplus (if any), in accordance with our Constitution, after the satisfaction of any preferential payments in accordance with the Act and our liabilities.

At every general meeting of our Company, a resolution put to the vote at the meeting shall be decided by way of poll. Each shareholder shall be entitled to vote in person, by proxy, by attorney or by other duly authorised representative. A proxy may but need not be a member of our Company and there shall be no restriction as to the qualification of the proxy. On a poll, each shareholder present either in person, by proxy, by attorney or by other duly authorised representative shall have 1 vote for each Share held. On a vote by show of hands, each shareholder present either in person or by proxy or by attorney or by other duly authorised representative shall have 1 vote.

4.3 BASIS OF ARRIVING AT THE IPO PRICE

Our Directors and PIVB, as the Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent, had determined and agreed to the IPO Price of **RM0.25** per IPO Share, after taking into consideration the following factors:

(i) Operating and financial history

Based on the historical audited combined statements of comprehensive income of our Group for the FYE 2022, we recorded a PAT attributable to owners of the Company of RM17.66 million, representing an EPS of 1.98 sen (based on our enlarged issued share capital of 893,000,000 Shares upon Listing). The EPS translates into PE Multiple of 12.63 times based on the IPO Price.

Our detailed business operations and financial history are set out in Sections 7 and 12 of this Prospectus, respectively.

(ii) Business strategies and plans

Our business strategies and plans to drive our business growth and expansion include expansion on the provision of margin financing facility services, resources in proprietary trading and enhancement of digitalisation programme, ICT system and marketing activities as well as expansion of the operational facility.

Further details of our Group's business strategies and plans are set out in Section 7.26 of this Prospectus.

4. PARTICULARS OF OUR IPO (CONT'D)**(iii) Competitive advantages and key strengths, and industry overview**

Our competitive advantages and key strengths, include among others, an established track record of 31 years in the provision of stockbroking services and 10 years track record in the provision of corporate finance advisory services, a network of branch offices, dealers and remisiers to support our stockbroking business in Peninsular and East Malaysia as well as our online trading platforms, which increases our addressable market of potential clients that are not within the proximity of our branch offices. Further, we have 2 business segments, stockbroking and corporate finance advisory services with 2 client bases to provide client diversity and sources of revenue to sustain and grow our business.

Further details of our competitive advantages and key strengths, as well as the industry overview are set out in Sections 7.6 and 8 of this Prospectus.

(iv) Pro forma consolidated NA

Our pro forma consolidated NA per Share as at 30 April 2023 of RM0.18 based on our enlarged issued share capital of 893,000,000 Shares in our Company upon Listing and the NA after the use of proceeds raised from our Public Issue.

You should note that the market price of our Shares upon Listing is subject to the vagaries of market forces and other uncertainties which may affect the price of our Shares. You are reminded to carefully consider the risk factors as set out in Section 9 of this Prospectus before deciding to invest in our Shares.

4.4 DILUTION

Dilution is the amount by which the IPO Price to be paid by you for our IPO Shares exceeds our pro forma consolidated NA per Share after our IPO and it is illustrated as follows:

	<u>RM</u>
IPO Price	0.25
Pro forma consolidated NA per Share as at 30 April 2023 after the Acquisition but before Public Issue	0.176
Pro forma consolidated NA per Share after the Acquisition, Public Issue and the use of proceeds	0.182
Increase in NA per Share attributable to existing shareholders	0.006
Dilution to our new investors	(0.068)
Dilution to our new investors as a percentage of the IPO Price	27.20%

The following table shows the average effective cost per Share paid by our existing shareholders for our Shares since our incorporation up to the date of this Prospectus:

<u>Shareholders</u>	<u>No. of Shares</u>	<u>Total consideration (RM)</u>	<u>Average effective cost per Share (RM)</u>
Chew Sing Guan	331,156,900	52,653,932.20	0.159
Enrogetz	331,156,900	52,653,932.20	0.159
Dato' A. Rahman Bin Safar	73,590,500	11,700,874.60	0.159
	<u>735,904,300</u>	<u>117,008,739.00</u>	<u>0.159</u>

4. PARTICULARS OF OUR IPO (CONT'D)

Save as disclosed above, there has been no acquisition of any of our Shares by our Promoter, Directors, Substantial Shareholders or Key Senior Management or persons connected with them, or any transaction entered into by them which grants them the right to acquire any of our Shares from the date of our incorporation up to the date of this Prospectus.

4.5 OBJECTIVES OF OUR IPO

The objectives of our IPO are as follows:

- (i) to enable our Group to raise funds for the purposes set out in Section 4.6 of this Prospectus;
- (ii) to enable our Group to gain access to the equity capital market for future fund raising and to provide us the financial flexibility to pursue future growth opportunities, as and when they arise;
- (iii) to provide an opportunity for the Malaysian Public, as well as our eligible Directors, employees and persons who had contributed to the success of our Group to participate in our equity and future growth of our Group; and
- (iv) to enable our Group to gain recognition through our listing status and further enhance our corporate reputation and brand name which is aimed at expanding our client base as well as to retain and to attract new skilled employees.

4.6 USE OF PROCEEDS

We intend to use the gross proceeds from our Public Issue of RM39.27 million in the following manner:

Details of use of proceeds	(RM'000)	(%)	Estimated timeframe for use from the date of our Listing
Margin financing facility services	26,860	68.39	Within 24 months
Enhancement of digitalisation programme and marketing activities for the stockbroking business and operations of our Group	2,880	7.33	Within 18 months
Working capital	4,634	11.80	Within 12 months
Estimated listing expenses	4,900	12.48	Within 3 months
Total	39,274	100.00	

As shown above, we intend to use 75.72% of the proceeds from our Public Issue to fund the expansion and upgrading of our Stockbroking Segment to drive our business growth.

There is no minimum subscription level in terms of proceeds to be raised from our IPO.

4. PARTICULARS OF OUR IPO (CONT'D)

4.6.1 Margin financing facility services

One of the revenue streams of our Stockbroking Segment is margin income which comprises of interest, processing fees, roll-over fees and commitment fees. From FYE 2019 to FYE 2022, our margin income as shown below grew at a CAGR of 36.09% due to higher demand for margin financing facility services from our stockbroking clients.

	<u>FYE 2019</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FPE 2023</u>
	<u>(RM'000)</u>	<u>(RM'000)</u>	<u>(RM'000)</u>	<u>(RM'000)</u>	<u>(RM'000)</u>
Total margin income	3,604	4,981	7,373	9,084	3,513
% of total revenue from the Stockbroking Segment	18.44%	14.40%	18.28%	30.03%	38.64%

Currently, we are using internally generated funds for the provision of margin financing facilities services. The amount available for margin financing facilities services is determined based on the availability of the shareholders' funds after setting aside funds required for working capital at the material time, which varies from time to time. As such, we intend to allocate RM26.86 million of the proceeds from the Public Issue to expand the provision of margin financing facility services to fund our existing and new stockbroking clients for their purchase of securities mainly quoted on Bursa Securities. This would in turn help to further enhance our revenue for the Stockbroking Segment via margin income. In addition to margin income, we would be able to generate brokerage fees from purchase and sale of quoted securities made by the margin clients.

4.6.2 Enhancement of digitalisation programme and marketing activities for the stockbroking business and operations of our Group

Part of our Group's business strategies and plans is to enhance our digitalisation programme for our stockbroking operations as well as our related marketing activities. As such, we have earmarked RM2.88 million of the proceeds from the Public Issue for the following:

	<u>(RM'000)</u>	<u>(%)</u>
Upgrading of backroom administration and support systems ^(a)	1,380	47.92
Marketing activities ^(b)	1,500	52.08
Total estimated cost	<u>2,880</u>	<u>100.00</u>

Notes:

- (a) Includes estimated cost of enhancement of our existing back office processes by streamlining processes digitally.
- (b) Include estimated cost of expanding marketing and client service functions to promote our online trading platforms, namely MST28 Trading Platform and ECOS Trading Platform to expand our online clients' base as well as to enhance market awareness of Mercury Securities' brand among the broader retail and institutional markets to generate sales leads for our business. The details are as follows:

	<u>(RM'000)</u>
Staff and set-up costs for expansion of marketing team	537
Staff and set-up costs for expansion of client service team	542
Marketing and branding consultancy fees	229
Promotional events and advertising	192
Total estimated cost	<u>1,500</u>

4. PARTICULARS OF OUR IPO (CONT'D)

The above estimated cost was derived based on vendors' or suppliers' proposed quotations. If the actual cost exceeds the amount budgeted above, the deficit will be funded out of the portion allocated for our general working capital requirements and/or our internally generated funds. Conversely, any excess funds not utilised for the abovementioned purposes will be utilised for our Group's working capital requirements. Please refer to Section 7.26.2 of this Prospectus for further details of our digitalisation programme.

4.6.3 Working capital

Our Group's working capital requirements are expected to increase in tandem with the expected growth in our business. Our Group intends to utilise an estimated amount of RM4.63 million from the IPO proceeds to fund our working capital requirements, which include, but are not limited to settle the daily obligations for trades that are due and payable to Bursa Clearing for our stockbroking business, general administrative and daily operational expenses such as statutory payments, telecommunication charges and other operating expenses.

The following is a breakdown of the expected utilisation for our Group's working capital requirements:

	<u>(RM'000)</u>	<u>(%)</u>
Daily obligation for trades that are due and payable to Bursa Clearing ^(a)	3,947	85.18
Statutory payments ^(b)	300	6.47
Telecommunication charges	100	2.16
Other operating expenses ^(c)	287	6.19
Total estimated cost	<u>4,634</u>	<u>100.00</u>

Notes:

- (a) Settlement of securities purchases net of securities sales.
- (b) Statutory payments such as contribution to Capital Market Compensation Fund, fee payable to Bursa Securities in relation to access to ATS, levy on securities transactions payable to SC.
- (c) Include among others, rental, utilities, repair and maintenance, and insurance.

4.6.4 Estimated listing expenses

We have allocated RM4.90 million of our proceeds from the Public Issue to defray our estimated listing expenses as follows:

	<u>(RM'000)</u>
Professional fees ^(a)	3,190
Fees to authorities	100
Estimated underwriting commission, placement fees and brokerage fees	910
Printing and advertising	400
Other miscellaneous expenses relating to our Listing ^(b)	300
Total estimated cost	<u>4,900</u>

4. PARTICULARS OF OUR IPO (CONT'D)

Notes:

- (a) This includes professional and advisory fees for among others, Principal Adviser, solicitors, Reporting Accountants, IMR, Company Secretary, Issuing House, and internal control consultants.
- (b) Other incidental or related expenses in connection with our IPO, which include translators, media related expenses and IPO event expenses.

If the actual listing expenses are higher than estimated, the shortfall will be funded from the proceeds allocated for working capital purposes, as set out in Section 4.6.3 above. Conversely, if the actual listing expenses are lower than budgeted, the excess will be used for working capital requirements.

Pending the eventual use of the gross proceeds from the Public Issue for the above intended purposes, the funds or any part thereof will be placed in short-term deposits with licensed financial institutions or short-term money market instruments.

We will not receive any proceeds from the Offer for Sale. The Offer for Sale will raise gross proceeds of RM17.88 million which will accrue entirely to the Selling Shareholder. All expenses relating to the Offer for Sale will be fully borne by the Selling Shareholder.

4.7 BROKERAGE FEE, UNDERWRITING COMMISSION AND PLACEMENT FEE

4.7.1 Brokerage Fee

We will bear the brokerage fees in respect of the Issue Shares at the rate of 1.00% of the IPO Price in respect of successful Applications which bear the stamp of PIVB, Participating Organisations, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or the Issuing House.

4.7.2 Underwriting commission

PIVB, as our Sole Underwriter, has agreed to underwrite 66,975,000 Issue Shares made available for application by the Malaysian Public and the Eligible Persons as set out in Section 4.1.3 of this Prospectus. As stipulated in the Underwriting Agreement, we will pay our Sole Underwriter an underwriting commission of 2.00% of the total value of the underwritten Issue Shares at the IPO Price.

4.7.3 Placement Fee

PIVB, as our Sole Placement Agent, has agreed to place out 161,633,000 IPO Shares comprising 90,120,700 Issue Shares and 71,512,300 Offer Shares to selected investors and selected Bumiputera Investors approved by MITI. We will pay our Sole Placement Agent a placement fee of up to 2.25% of the value of 90,120,700 Issue Shares at the IPO Price placed out by our Sole Placement Agent.

The placement fee of up to 2.25% of the value of 71,512,300 Offer Shares placed out to selected investors and Bumiputera Investors approved by MITI will be fully borne by the Selling Shareholder.

4. PARTICULARS OF OUR IPO (CONT'D)

4.8 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

We have entered into the Underwriting Agreement with PIVB, as our Sole Underwriter, to underwrite 66,975,000 Issue Shares ("**Underwritten Shares**") as set out in Section 4.1.3 of this Prospectus, upon the terms and subject to the conditions as set out in the Underwriting Agreement.

The salient terms in the Underwriting Agreement are as follows:

(1) Termination

- (i) The Sole Underwriter may by notice in writing to the Company given at any time before the Closing Date or the Extended Closing Date, terminate, cancel or withdraw its commitment to underwrite the Underwritten Shares if:
 - (a) there is any breach by the Company of any of the representations, warranties or undertakings contained in the Underwriting Agreement, which is not capable of remedy or, if capable of remedy, is not remedied to the satisfaction of the Sole Underwriter within such number of days as stipulated within the notice given to the Company or by the Closing Date or the Extended Closing Date, whichever is earlier; or
 - (b) there is withholding of information by the Company which is required to be disclosed to the Sole Underwriter pursuant to the Underwriting Agreement which, in the opinion of the Sole Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the IPO, or the distribution or sale of the Issue Shares, and if capable of remedy, is not remedied within such number of days as stipulated within the notice given to the Company; or
 - (c) there shall have occurred, happened or come into effect any of the following circumstances:
 - (aa) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions or the occurrence of any combination of any of the foregoing; or
 - (bb) any new or material change in law, regulation, directive, policy or ruling in any jurisdiction or any change in the interpretation or application thereof by any court or other competent authority which would prohibit or impede the obligations of the Sole Underwriter or any event or series of events beyond the reasonable control of the Sole Underwriter; or
 - (cc) any material and adverse change to the business or financial condition of the Company or the Group; or
 - (dd) approval for the IPO is withdrawn, modified and/or subject to terms and conditions not acceptable to the Sole Underwriter,

which would have or can reasonably be expected to have, a material adverse effect on the success of the IPO, or the distribution or sale of the Issue Shares, or which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or
- (d) there is failure on the part of the Company to perform any of its obligations contained in the Underwriting Agreement.

4. PARTICULARS OF OUR IPO (CONT'D)

- (ii) The Closing Date or the Extended Closing Date is more than 3 calendar months from the date of the Underwriting Agreement or any later date as the Company and the Sole Underwriter may mutually agree upon, the Underwriting Agreement will automatically lapse without the requirement for any notice in writing to be given to such effect and the Sole Underwriter will be released and discharged from its obligations.
- (iii) The Sole Underwriter may by notice in writing to the Company given at any time after the Closing Date or the Extended Closing Date, terminate, cancel, or withdraw its commitment to underwrite the Underwritten Shares if the success of the Listing is in the reasonable opinion of the Sole Underwriter seriously jeopardised by any of the following occurs:
 - (a) the coming into force of any laws, governmental regulations or directives which seriously affects or is likely seriously affect the business of the Group;
 - (b) any material and adverse change in the condition (financial or otherwise) of the Group from that described in this Prospectus;
 - (c) the Listing does not take place within 3 months from the date of the Underwriting Agreement or such other extended date as may be agreed in writing by the Sole Underwriter and the Company;
 - (d) any commencement of legal proceedings or action against the Company or any of its directors, which in the reasonable opinion of the Sole Underwriter, would have a material adverse effect or make it impracticable to market the Public Issue or to enforce contracts to allot and issue the Issue Shares;
 - (e) if the SC or Bursa Securities or any other relevant authority issues an order pursuant to Malaysian laws such as to make it, in the reasonable opinion of the Sole Underwriter (after consultation with the Company), impracticable to market the Public Issue or to enforce contracts to allot and issue the Issue Shares;
 - (f) there is any breach by the Company of any of its obligations under the Underwriting Agreement and where such breach is capable of remedy, the same not being remedied within 2 Market Days from the date of a written notice to the Company by the Sole Underwriter; or
 - (g) the placement arrangement shall have been terminated or rescinded in accordance with its terms.

(2) Force Majeure

- (i) It will be an event of force majeure if the Sole Underwriter is unable to perform its obligations in the Underwriting Agreement resulting from any event or series of events beyond the reasonable control of the Sole Underwriter, including without limitation any of the following:
 - (a) acts of God;
 - (b) national disorder or declaration of movement control or a declaration of a state of national emergency;
 - (c) armed conflict or serious threat of the same;
 - (d) hostilities, embargo, detention, revolution, riot;
 - (e) any unavailability of transportation or severe economic dislocation;

4. PARTICULARS OF OUR IPO (CONT'D)

- (f) earthquake, outbreak of war, outbreak of disease, acts of terrorism;
- (g) the imposition of any moratorium, suspension or material restriction on trading in all securities generally on Bursa Securities for 3 or more consecutive Market Days; and
- (h) any material adverse change in national or international monetary, financial and capital markets (including stock market conditions and interest rates), economic conditions or exchange control or currency exchange rates which in the reasonable opinion of the Sole Underwriter is likely to have a material adverse effect (whether in the primary market or in respect of dealings in the secondary market). For the avoidance of doubt, if the FTSE Bursa Malaysia KLCI is, at the close of normal trading on Bursa Securities, on any Market Day:
 - (aa) on or after the date of the Underwriting Agreement; and
 - (bb) prior to the Closing Date or the Extended Closing Date,
 - lower than 90%, of the level of index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of the Underwriting Agreement and remains at or below that level for at least 3 consecutive Market Days, it shall be deemed a material adverse change in the stock market condition.
- (ii) In the event of a force majeure pursuant to Section 4.8(2)(i) above, the Sole Underwriter may, subject to prior consultation with the Company, at any time prior to or on the Closing Date or the Extended Closing Date:
 - (a) terminate the Underwriting Agreement by giving notice to the Company in the manner as set out in the Underwriting Agreement; or
 - (b) request for the Closing Date or the Extended Closing Date to be extended to such reasonable date as the Sole Underwriter may decide.

4.9 TRADING AND SETTLEMENT IN SECONDARY MARKET

Our Shares will be admitted to the Official List of the ACE Market and an official quotation will commence after, among others, the receipt of confirmation of Bursa Depository that all of our IPO Shares have been duly credited into the respective CDS Accounts of the successful Applicants.

Pursuant to Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as securities to be deposited into the CDS. Following this, we will deposit our Shares directly with Bursa Depository and any dealings in our Shares will be carried out in accordance with the SICDA and the Rules of Bursa Depository. We will not issue any share certificates to successful Applicants.

Upon our Listing, transactions in our Shares under the book-entry settlement system will be reflected by the seller's CDS Account being debited with the number of Shares sold and the buyer's CDS Account being credited with the number of Shares acquired.

Trading for shares of companies listed on Bursa Securities is normally done in "board lots" of 100 shares. Investors who desire to trade less than 100 shares shall trade under the odd lot board. Settlement of trades done on a "ready" basis on Bursa Securities generally takes place on the 2nd Market Day following the transaction date, and payment for the securities is generally settled on the 2nd Market Day following the transaction date.

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

5.1 PROMOTER AND SUBSTANTIAL SHAREHOLDERS

5.1.1 Promoter's and Substantial Shareholders' shareholdings

The details of our Promoter and/or Substantial Shareholders and their respective shareholdings in our Company after the Acquisition and before our IPO, and after our IPO are as follows:

Name	Nationality / Country of Incorporation	After the Acquisition and before our IPO				After our IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	^(a) (%)	No. of Shares	^(a) (%)	No. of Shares	^(b) (%)	No. of Shares	^(b) (%)
Promoter and Substantial Shareholder									
Chew Sing Guan	Malaysian	331,156,900	45.00	-	-	331,156,900	37.08	-	-
Substantial Shareholders									
Enrogetz	Malaysia	331,156,900	45.00	-	-	259,644,600	29.08	-	-
Dato' A. Rahman Bin Safar	Malaysian	73,590,500	10.00	-	-	73,590,500	8.24	-	-
Faizal Bin Mat Zuki	Malaysian	-	-	^(c) 331,156,900	45.00	-	-	^(c) 259,644,600	29.08

Notes:

- (a) Based on our enlarged issued share capital of 735,904,300 Shares after the Acquisition and before our IPO.
- (b) Based on our enlarged issued share capital of 893,000,000 Shares after our IPO.
- (c) Deemed interested by virtue of his shareholdings in Enrogetz pursuant to Section 8 of the Act.

Our Promoter and Substantial Shareholders have the same voting rights as the other shareholders of our Company after our Listing.

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.1.2 Profiles of our Promoter and/or Substantial Shareholders
(i) Chew Sing Guan

Promoter, Substantial Shareholder and our Non-Independent Executive Director / Managing Director

Chew Sing Guan, a Malaysian, aged 73, is our Non-Independent Executive Director / Managing Director. He was appointed to our Board on 18 May 2021.

He graduated with a Bachelor of Business Administration in Finance from the University of Hawaii in 1973. Thereafter, he started his career as a Corporate Finance Assistant with Malaysian International Merchant Bankers Berhad in December 1973 where he was tasked to assist in corporate finance related work. In March 1974, he was promoted as a Corporate Finance Officer.

He left Malaysian International Merchant Bankers Berhad in June 1975 to join his family business, namely Sharikat United Book Sdn Bhd, a book publishing company, where he was responsible for day-to-day business operation in 1982.

Between July 1982 to September 1987, he joined Larut Tin Fields Berhad (now known as WCE Holdings Berhad), a company listed on the Kuala Lumpur Stock Exchange (now known as the Main Market of Bursa Securities). During that period, he was appointed as the Managing Director of Larut Tin Fields Berhad, where he was responsible for managing the company's business operations. In October 1983, he was appointed as the director of Hidong Estate PLC, a company listed on the London Stock Exchange, which was principally involved in production of natural rubber and oil palm fresh fruit bunches before it ceased its business operation when it disposed its lands and plantations in 2006. Hidong Estate PLC is now an investment holding company more specifically in fixed income deposits and quoted securities.

In June 1992, he emerged as a substantial shareholder and a director of Mercury Securities through an acquisition from Mercury Securities' previous shareholders. Since then, he has been overseeing all aspect of the business of Mercury Securities. Under his leadership, Mercury Securities has expanded its stockbroking segment from its principal office located at Butterworth, Pulau Pinang to additional 6 branch offices in Melaka, Kuala Lumpur, Johor Bahru, Lebu Pantai, Bayan Baru as well as Sarawak over the years.

As an active promoter of the Malaysian stockbroking industry, Chew Sing Guan is currently the President of the ASCM, a position which he has assumed for the 12th term since his admission into the executive committee of ASCM in 2008. He is also a member of the Bursa's Market Participants Committee as well as Securities Market Operations Committee. Chew Sing Guan also represents Mercury Securities as a council member in the Malaysian Investment Banking Association.

Save for MSGB, he does not sit on the board of directors of any other Malaysian public listed companies. Presently, he is also the Executive Director and Chairman of Hidong Estate PLC as well as a director of various other private limited companies, details of which are as set out in Section 5.2.3(i) of this Prospectus.

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(ii) **Enrogetz** *Substantial Shareholder*

Enrogetz was incorporated in Malaysia under the Companies Act 1965 on 6 January 2003 and is deemed registered under the Act as a private limited company under its present name. Enrogetz is principally engaged in investment holding, holding ordinary shares of MSGB.

As at the LPD, the issued share capital of Enrogetz is RM29,473,784 comprising 29,473,784 ordinary shares and its directors are Dato' A. Rahman Bin Safar and Faizal Bin Mat Zuki.

The table below sets out the shareholders of Enrogetz and their respective shareholdings in Enrogetz as at the LPD:

<u>Shareholders</u>	<u>Nationality</u>	<u>Direct</u>		<u>Indirect</u>	
		<u>No. of shares</u>	<u>(%)</u>	<u>No. of shares</u>	<u>(%)</u>
Faizal Bin Mat Zuki	Malaysian	28,000,095	95.00	-	-
Haji Mat Zuki Bin Mahmud (Deceased)	Malaysian	1,473,689	5.00	-	-
		<u>29,473,784</u>	<u>100.00</u>		

As at the LPD, the grant of letter of administration for distribution of assets have yet to be procured. As such, the 1,473,689 ordinary shares in Enrogetz is still registered under the name of the late Haji Mat Zuki Bin Mahmud. Mercury Securities and Abdul Kalim Bin Mahmud were the joint administrators for the estate of the late Haji Mat Zuki Bin Mahmud. However, after the demise of the late Abdul Kalim Bin Mahmud, Mercury Securities is now the remaining administrator for the said estate.

(iii) **Faizal Bin Mat Zuki** *Substantial Shareholder*

Faizal Bin Mat Zuki, a Malaysian, aged 41, is our Substantial Shareholder by virtue of his deemed interest in Enrogetz pursuant to Section 8 of the Act.

He obtained his Diploma in Business Administration from Universiti Malaya in 2001.

Upon completion of his studies in 2001, he commenced his career as a freelance golf coach in Kuala Lumpur and Sungai Petani.

In March 2003, he became a director and a shareholder in Enrogetz.

In March 2008, he joined F J Benjamin (M) Sdn Bhd as a Sales Associate where he was primarily responsible for serving customers and promoting the company's products.

In May 2009, he left F J Benjamin (M) Sdn Bhd to join Mercury Securities as a Customer Service Officer at Lebuh Pantai Branch and Bayan Baru Branch. He was primarily involved in performing administrative function in the company. In January 2014, he was re-designated as the Head of Branch at Penang where he administers day-to-day activities of Lebuh Pantai Branch and Bayan Baru Branch.

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(iv) Dato' A. Rahman Bin Safar

Substantial Shareholder and our Non-Independent Non-Executive Director

Dato' A. Rahman Bin Safar, a Malaysian, aged 68, is our Non-Independent Non-Executive Director. He was appointed to our Board on 18 May 2021. He is also a director of Enrogetz (one of the Substantial Shareholder).

He obtained his Bachelor of Economics (Hons) from University of Malaya in 1977. Subsequently, he has also obtained a Diploma in Accounting from University of Malaya in 1979 and a Master of Business Administration from Universiti Kebangsaan Malaysia (UKM) in 1990. He has been a member of the MIA since 1983.

He joined Accountant General's Department of Malaysia in October 1979 as a Treasury Accountant where he was involved in accounting function such as monitoring cash-flow, maintaining financial records and providing financial advice. During his 17 years of tenure in Accountant General's Department of Malaysia, he was placed in various governmental bodies including Telekom Department (as Regional Accountant), Kelantan State Treasury Department (as State Treasurer), Accountant General's Department in Kelantan (as Director), Accountant General's Department in Sabah (as Director), Headquarter of Accountant General's Department (as Senior Accountant), Finance & Investment Division of the Ministry of Finance (as Senior Treasury Accountant) and Ministry of Defence (as Chief Accountant). During his tenure with the Finance & Investment Division of the Ministry of Finance, he was responsible for developing policies for securities industries including policies in relation to merger and takeover.

In July 1996, he was seconded from the Ministry of Finance to Kuala Lumpur International Airport Berhad to serve as a Financial Controller where he was responsible for the financial management, financial accounting and reporting, as well as financial operations of Kuala Lumpur International Airport Berhad. Subsequently, he left Kuala Lumpur International Airport Berhad to join KLIA Consultancy Services Sdn Bhd as a Vice President under Corporate Services Division in January 2001 where he was responsible for overseeing financial related matters. In January 2008, he was seconded from KLIA Consultancy Services Sdn Bhd to KLIA Premier Holdings Sdn Bhd to serve as a Vice President under Corporate Services Division, a role he presently holds. He is responsible for overseeing financial related matters of the company.

He joined our Group in October 2003 as a Non-Executive Director of Mercury Securities, in which he provides guidance for the overall internal control and risk management framework.

Save for MSGB, he does not sit on the board of directors of any other public listed companies. Presently, he is also the director of various other private limited companies, details of which are as set out in Section 5.2.3(ii) of this Prospectus.

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5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.1.3 Changes in Promoter's and Substantial Shareholders' shareholding

The table below sets out the changes in our Promoter's and Substantial Shareholders' shareholdings since incorporation and after our IPO:

Name	Since incorporation on 18 May 2021				As at 24 January 2022 ^(a)			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)
<u>Promoter and Substantial Shareholder</u>								
Chew Sing Guan	1	33.33	-	-	100	33.33	-	-
<u>Substantial Shareholders</u>								
Enrogetz	1	33.33	-	-	100	33.33	-	-
Dato' A. Rahman Bin Safar	1	33.33	-	-	100	33.33	-	-
Faizal Bin Mat Zuki	-	-	^(d) 1	33.33	-	-	^(d) 100	33.33
Name	After the Acquisition and before our IPO				After our IPO			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	^(b) (%)	No. of Shares	^(b) (%)	No. of Shares	^(c) (%)	No. of Shares	^(c) (%)
<u>Promoter and Substantial Shareholder</u>								
Chew Sing Guan	331,156,900	45.00	-	-	331,156,900	37.08	-	-
<u>Substantial Shareholders</u>								
Enrogetz	331,156,900	45.00	-	-	259,644,600	29.08	-	-
Dato' A. Rahman Bin Safar	73,590,500	10.00	-	-	73,590,500	8.24	-	-
Faizal Bin Mat Zuki	-	-	^(d) 331,156,900	45.00	-	-	^(d) 259,644,600	29.08

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Notes:

- (a) The total number of Shares was split from 3 Shares to 300 Shares pursuant to a Notice of Alteration of Share Capital dated 24 January 2022 as part of our pre-IPO exercise.
- (b) Based on our issued share capital of 735,904,300 Shares after the Acquisition but before our IPO.
- (c) Based on our enlarged issued share capital of 893,000,000 Shares after our IPO.
- (d) Deemed interested by virtue of his shareholdings in Enrogetz pursuant to Section 8 of the Act.

As at the date of this Prospectus, we have only one class of shares in our Company, namely ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.

5.1.4 Persons exercising control over the corporation

Save for our Promoter and Substantial Shareholders, who collectively hold approximately 74.40% of our enlarged issued share capital after our IPO, there is no other person who is able to, directly or indirectly, jointly or severally, exercise control over our Company. As at the LPD, there is no arrangement which may result in a change in control of our Company.

5.1.5 Amounts and benefits to our Promoter and Substantial Shareholders

Save as disclosed below, there is no amount and benefit that have been or intended to be paid or given to our Promoter and Substantial Shareholders within the 2 years preceding the date of this Prospectus:

- (i) the issuance of 735,904,000 Shares as consideration for the Acquisition;
- (ii) remunerations and benefits-in-kind arising from employment and directorship paid to our Promoter and/or Substantial Shareholders (save for Faizal Bin Mat Zuki) for services rendered to our Group in all capacities as set out in Section 5.2.4 of this Prospectus; and
- (iii) dividends paid to our Promoter and Substantial Shareholders as follows:

Name	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FPE 2023 (RM'000)	From
						1 May 2023 up to the LPD
						(RM'000)
Promoter and Substantial Shareholder						
Chew Sing Guan	2,250	18,000	10,035	4,500	-	-
Substantial Shareholders						
Enrogetz	2,250	18,000	10,035	4,500	-	-
Dato' A. Rahman Bin Safar	500	4,000	2,230	1,000	-	-

- (iv) the remunerations and benefits-in-kind arising from employment paid to Faizal Bin Mat Zuki being our Substantial Shareholder and an employee of Mercury Securities was RM36,000 for FYE 2020, RM75,000 for FYE 2021, RM89,000 for FYE 2022, and RM61,000 for FPE 2023. There were also staff advances of RM54,000 granted to Faizal Bin Mat Zuki arising from his employment. The advances were fully repaid on 25 January 2022.

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.2 BOARD OF DIRECTORS

5.2.1 Directors' shareholdings

The details of our Directors and their respective shareholdings in our Company after the Acquisition and before our IPO, and after our IPO (assuming full subscription of the IPO Shares allocated for our Directors under the Pink Form Allocations) are as follows:

Name (Designation)	Nationality	After the Acquisition and before our IPO				After our IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	^(a) (%)	No. of Shares	^(a) (%)	No. of Shares	^(b) (%)	No. of Shares	^(b) (%)
Dato' Baharon Bin Talib (Independent Non-Executive Chairman)	Malaysian	-	-	-	-	250,000	0.03	-	-
Chew Sing Guan (Non-Independent Executive Director / Managing Director)	Malaysian	331,156,900	45.00	-	-	331,156,900	37.08	-	-
Dato' A. Rahman Bin Safar (Non-Independent Non-Executive Director)	Malaysian	73,590,500	10.00	-	-	73,590,500	8.24	-	-
Chan Kim Hing (Independent Non-Executive Director)	Malaysian	-	-	-	-	150,000	0.02	-	-
Datin Chua Suat Khim (Independent Non-Executive Director)	Malaysian	-	-	-	-	150,000	0.02	-	-
Himahlini A/P M. Ramalingam @ Yalumallai (Independent Non-Executive Director)	Malaysian	-	-	-	-	150,000	0.02	-	-

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Notes:

- (a) Based on the enlarged issued share capital of 735,904,300 Shares after the Acquisition and before our IPO.
- (b) Based on the enlarged issued share capital of 893,000,000 Shares after our IPO.

5.2.2 Profiles of our Directors

The profiles of our Directors are as follows:

(i) Dato' Baharon Bin Talib
Independent Non-Executive Chairman

Dato' Baharon Bin Talib, a Malaysian, aged 70, is our Independent Non-Executive Chairman. He was appointed to the Board on 8 March 2022.

He graduated with a Bachelor of Arts (Hons) from University of Malaya in 1975.

In October 1975, he began his career as an Assistant District Officer in Kuala Pilah, Negeri Sembilan where he was tasked to assist the district officer to administer the office. In October 1980, he was then posted to State Administrative Secretary Office in Negeri Sembilan as a Deputy Director of EPU to assist director of EPU.

In May 1981, he was transferred to Ministry of Home Affairs as Assistant Secretary of Registration, Immigration and Publication Department. During his tenure as an Assistant Secretary in Ministry of Home Affairs, he was involved in handling matters relating to national registration and immigration. In August 1985, he was seconded to Immigration Department as a Director Immigration of Kelantan where he oversaw the issuance of passport, matters related to border and checkpoint. Thereafter, he was transferred back to the Ministry of Home Affairs as Principal Assistant Secretary of Foreign Worker Task Force in February 1998 where he took on responsibilities to assist to formulate policy for foreign workers.

In June 2003, he was seconded again to Department of Immigration as a Director of Immigration in Sabah. Between 2006 and 2012, he was Chairman of Koperasi Imigresen Malaysia Berhad. In 2009, he received Excellence Service Award by Ministry of Home Affairs. He continued to serve in the government service until his retirement in August 2010.

Aside from MSGB, he was appointed as an Executive Director of Annum Berhad in July 2023, a position he presently holds. Kindly refer to Section 5.2.3(iii) of this Prospectus for further details of his directorships and involvement in other companies outside of our Group.

(ii) Chew Sing Guan
Non-Independent Executive Director / Managing Director

For the details of Chew Sing Guan's profile, kindly refer to Section 5.1.2(i) of this Prospectus.

(iii) Dato' A. Rahman Bin Safar
Non-Independent Non-Executive Director

For the details of Dato' A. Rahman Bin Safar's profile, kindly refer to Section 5.1.2(iv) of this Prospectus.

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(iv) Chan Kim Hing
Independent Non-Executive Director

Chan Kim Hing, a Malaysian, aged 56, is our Independent Non-Executive Director. He was appointed to the Board on 8 March 2022. He is also the Chairman of our Audit and Risk Management Committee, and a member of our Nomination Committee, as well as Remuneration Committee.

He graduated with a Bachelor of Science (Hons) from Monash University, Australia in 1991. He is a member of CPA Australia since February 1992 and he subsequently became a fellow member since June 2015. He is also a Chartered Accountant and has been a member of the MIA since December 1994.

He started his career with Arthur, Andersen & Co. (now known as Ernst & Young PLT) in Malaysia in July 1991 as a Staff Assistant where he was involved in financial, management and computer audits, compliance review and due diligence audit, internal controls, as well as merger, acquisition and restructuring. He had successfully completed special advisory and consultancy jobs on accounting, reorganisation of front and back office's operation and trading activities as well as systems migration/automation for companies in Malaysia.

In May 1994, he left the audit firm to join M&A Securities Sdn Bhd as an Accountant to head, manage and supervise the accounting, finance and treasury departments. He was promoted to the Executive Director of Operations in March 2001 where he oversaw the operations and business development activities. Subsequently, he was promoted to the Executive Director cum Head of Operations in September 2007 to oversee the finance, treasury, corporate finance, margin financing, credit control, IT systems and business development. In 2009, as a corporate nominee of M&A Securities Sdn Bhd, he was appointed to the Management Committee of the ASCM and served ASCM until 2012. During his tenure with ASCM, he also held the position of Honorable Treasurer of ASCM. In January 2013, pursuant to the internal restructuring of M&A Securities Sdn Bhd, he became the Branch Head of Operations in Ipoh to oversee M&A Securities Sdn Bhd's Ipoh branch office's management, operation, and reporting function.

He left M&A Securities Sdn Bhd in January 2016 to focus on his private interest in restoration and conservation works on Kapitan Chung Thye Phin Building (also known as Arlene House), curation and establishment of a history and heritage museum named Made in Ipoh. The restoration, conservation and museum works were successfully completed in March 2020.

Aside from MSGB, he is also an Independent Non-Executive Director of Imaspro Corporation Berhad as well as a director of various other private limited companies, details of which are as set out in Section 5.2.3(iv) of this Prospectus.

(v) Datin Chua Suat Khim
Independent Non-Executive Director

Datin Chua Suat Khim, a Malaysian, aged 64, is our Independent Non-Executive Director. She was appointed to our Board on 8 March 2022. She is experienced in the operations and management functions in the professional accounting bodies and private education industry. She is also the Chairman of our Remuneration Committee, and a member of our Audit and Risk Management Committee, as well as Nomination Committee.

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

In June 1982, she graduated with a Diploma in Commerce (Cost and Management Accounting) from Kolej Tunku Abdul Rahman. Subsequently, she obtained her Master of Business at The University of Newcastle, Australia in June 2006. She has been a member of MIA since September 1989 and a fellow member of Chartered Institute of Management Accounts since August 2001. She is also an ASEAN Chartered Professional Accountant since October 2017. Since 2019, she is also an affiliate member of ICDM. In 2020, she obtained her Affiliate Board-Ready status from ICDM. In August 2022, she became an ordinary member of ICDM.

She began her career with Tai Soon Heng Construction Sdn Bhd as an Accountant in October 1982 where she managed and prepared accounts of the company. She left Tai Soon Heng Construction Sdn Bhd in April 1983 and joined Arby's (M) Sdn Bhd in May 1983 as an Accountant where she was responsible for managing accounts of the company. In October 1983, she left Arby's (M) Sdn Bhd and joined ABO Holdings Sdn Bhd as an Accountant. Subsequently, in August 1986, she joined Markas Sdn Bhd as a Personal Assistant to the company's Managing Director to provide administrative support to the Managing Director such as assisting in coordinating meetings.

She left Markas Sdn Bhd in June 1988 and joined MBf Management Sdn Bhd in July 1988 as an Accountant where she was responsible for accounting and administrative function. Between 1991 and 1993, she was transferred to other companies within MBf Holdings Berhad ("**MBf Group of Companies**") where she helmed various managerial position such as Finance Manager of MBf Education Group Sdn Bhd and Finance and Administration Manager of Garden International School Sdn Bhd. In 1994, she was promoted as Senior Finance & Administration Manager of Garden International School Sdn Bhd, an educational arm of MBf Group of Companies. In July 1995, she was promoted as Assistant Vice President of Garden International School Sdn Bhd and subsequently in September 1996, she was further promoted as the Vice President, where she oversaw the administration of purchasing department, administration department, human resource and training department. She left Garden International School Sdn Bhd in May 1997.

In June 1997, she was with Limkokwing Institute of Creative Technology as an Assistant Director for a short period before she joined Degree Development Sdn Bhd in October 1997 as the Director of Operations, where she was tasked to set up a college. She left Degree Development Sdn Bhd in October 1999.

From November 1999 to June 2004, she was the Vice President (Operations) of Mantissa (Malaysia) Sdn Bhd. She was responsible for the daily operations of Mantissa Institute (now known as Mantissa College), which is an institute of higher learning institution.

In July 2004, she joined MIA as the Chief Operating Officer where she was responsible in leading, directing and coordinating the operational activities of the MIA, including strategic and effective management and development of the MIA's Support Services/Operations. With the restructuring of MIA in July 2016, she was re-designated as the Executive Director of Membership and Operations where she was responsible for membership affairs, administration and human resources. She retired from MIA in October 2018.

She joined Joyful Steps Sdn Bhd as the Head of Finance and Administration in January 2019, where she was responsible for overseeing financial matters, reviewing tax submission and account management.

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

In September 2019, while she was with Joyful Steps Sdn Bhd, she also worked as the Director of Corporate Services on retainership basis at MICPA where she was responsible for finance, membership and administration functions through managing executive council meeting, day-to-day operation, audit and tax submission as well as membership matters. Her achievement in MICPA included the establishment of MICPA's corporate office to oversee the council and executive council meetings and the operations of membership, finance, as well as education and training function of the MICPA. She left MICPA in August 2020.

She left Joyful Steps Sdn Bhd in December 2021 and was appointed as the Head of Good Shepherd Mission Hub in The Sister Superior of the Good Shepherd Nuns, Malaysia in January 2022, a position which she presently holds. She is responsible for the management of Good Shepherd Mission Hub such as financial planning and management, human resources planning and management, risk management, as well as property and facility management.

Save for MSGB, she does not sit on the board of directors of any other public listed companies and/or private companies.

(vi) Himahlini A/P M. Ramalingam @ Yalumallai
Independent Non-Executive Director

Himahlini A/P M. Ramalingam @ Yalumallai, a Malaysian, aged 43, is our Independent Non-Executive Director. She was appointed to the Board on 8 March 2022. She is also the Chairman of our Nomination Committee, and a member of our Audit and Risk Management Committee, as well as Remuneration Committee.

She graduated with a Bachelor of Laws (Hons) from University of Malaya, Malaysia in 2004. In May 2005, she was admitted as an advocate and solicitor of the High Court of Malaya.

She commenced her pupillage with Messrs. Lee Hishammuddin (now known as Messrs. Lee Hishammuddin Allen & Gledhill) as a pupil-in-chambers in June 2004 and was retained as a legal assistant in May 2005. She was promoted to Partner of the firm in January 2012 where she led a dispute resolution team specialising in banking & insolvency litigation and defamation. She left the partnership in May 2016.

She took a short break and was thereafter appointed by PIDM as a Consultant where she provided consultancy services to PIDM's legal division between August 2016 to November 2016.

In October 2016, she set up Messrs. Himahlini & Co. as a sole proprietor where she handled dispute resolution matters. Thereafter, she formed a partnership in March 2017 and changed the name of practice from Messrs. Himahlini & Co. to Messrs. Himahlini & Loh in April 2017. Upon the dissolution of Messrs. Himahlini & Loh in February 2021, she established her current legal firm, Messrs Himahlini & Co., where she handles dispute resolution specialising in corporate and commercial litigation, insolvency and defamation.

Save for MSGB, she does not sit on the board of directors of any other public listed companies. Kindly refer to Section 5.2.3(v) of this Prospectus for further details of her business activities performed outside of our Group.

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.2.3 Principal business activities and directorships of our Directors outside our Group

Save as disclosed below, as at the LPD, none of our Directors have any principal business activities performed outside our Group including principal directorships in the past 5 years preceding the LPD:

(i) Chew Sing Guan

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Shareholding (%)</u>
<u>Present involvement</u>					
Hidong Estate PLC	Investment holding with investment in fixed income deposits and quoted securities	Executive Director and Chairman	22 October 1983	-	-
Malayan Investments Trust Sdn Bhd	Dormant, with intended principal activity of property investment	Director / Shareholder	28 June 1983	-	99.67
Malayan Securities Trust Sdn Bhd	Investment holding with investments in shares in Hidong Estate and Plantation Agencies Sdn Bhd	Director / Shareholder	28 June 1983	-	99.93
Melor Utama Sdn Bhd	Property investment	Director / Shareholder	2 November 1995	-	90.00
Mercury Direct Sdn Bhd	Financing ^(a)	Director / Shareholder	30 September 2004	-	49.00
Plantation Agencies Sdn Bhd	Plantation management	Director	1 September 1983	-	-

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Shareholding (%)</u>
Sepang Asas Sdn Bhd	Property investment	Director / Shareholder	1 October 1998	-	99.99
Sharikat United Book Sdn Bhd	Sale of books and periodicals	Director / Shareholder	14 March 1974	-	23.75
<u>Past Involvement</u>					
Just Asec Sdn Bhd	Dissolved ^(b)	Director	30 May 2008	-	-
Mercury Asset Management Sdn Bhd	Dormant	Director	3 May 1996	29 April 2021	-
Mercury Hedge Sdn Bhd	Dormant, with no intended principal activity ^(c)	Shareholder	-	-	^(c) 50.00

Notes:

- (a) A financing company licensed under the Moneylenders Act 1951.
- (b) The return by liquidator relating to final meeting together with liquidator's statement of accounts showing how the winding-up has been conducted had been lodged with Companies Commission of Malaysia on 26 April 2022.
- (c) On 5 April 2022, he disposed his entire 50.00% equity interest to the remaining shareholder, namely Lim Eng Ean, who is also a director of Mercsec Asing and Mercsec Tempatan. As at the date of disposal, the company was in dormant status with no intended principal activity.

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**(ii) Dato' A Rahman Bin Safar**

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Shareholding (%)</u>
<u>Present Involvement</u>					
Bangi Gateway Medical Sdn Bhd	Dormant ^(a)	Director	26 April 2011	-	-
Bangi Gateway Sdn Bhd	Property management	Director / Shareholder	29 September 2010	-	25.00
Enrogetz	Investment holding, holding ordinary shares of MSGB	Director	1 July 2003	-	-
K-Langat Land Sdn Bhd	Property development	Director	9 September 2005	-	-
KLIA Engineers Sdn Bhd	General engineering contractors and property construction and development	Director	18 February 2009	-	-
KLIA Premier Holdings Sendirian Berhad	Management consultancy	Director / Shareholder	10 May 1999	-	11.25
KLIA Properties Sdn Bhd	Property development	Director	9 August 2005	-	-
KLIA Training & Research Centre Sdn Bhd	Technical consultancy services, training services and construction site safety training	Director	11 April 2003	-	-
KPH Properties Sdn Bhd	Property investment	Director / Shareholder	23 April 2013	-	7.07

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Shareholding (%)</u>
Melor Utama Sdn Bhd	Property investment	Shareholder	-	-	10.00
Mercury Direct Sdn Bhd	Financing ^(b)	Director / Shareholder	30 September 2004	-	51.00
Trillion Cove Holdings Berhad	Activities of holding companies, organisation, promotions and/or management of event as well as other telecommunications activities	Shareholder	-	-	0.08
Twins Medicare Sdn Bhd	Physiotherapy, occupational therapy service and general medical services	Director / Shareholder	10 June 2022	-	49.88
<u>Past Involvement</u>					
3B Curve Development Sdn Bhd	Dissolved on 30 January 2021	Director	11 April 2007	-	-
Bangi Gateway Asset Management Sdn Bhd	Dissolved on 14 March 2022	Director	26 April 2011	-	-
Bangi Gateway Hotel Sdn Bhd	Dormant ^(c)	Director	5 June 2014	27 July 2022	-
Bangi Parking Sdn Bhd	Dissolved on 30 December 2022	Director	28 February 2011	-	-

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Company	Principal activities	Position held	Date of appointment	Date of resignation	Shareholding (%)
Big Apple Assets Sdn Bhd	Dissolved on 11 June 2019	Director / Shareholder	7 March 2014	-	50.00
Commerce Harbour Sdn Bhd	Property development	Director	17 July 2008	15 July 2019	-
Commerce Victory Sdn Bhd	Property investment	Director / Shareholder	29 May 2008	15 October 2021	^(d) 50.00
D Gateway Hotel Sdn Bhd (Formerly known as "Bangli Street Mall Sdn Bhd")	Hotel	Director	22 April 2015	15 October 2021	-
Inrich Associates (M) Sdn Bhd	Dormant	Director	6 November 2012	23 July 2018	-
iResidence Construction Sdn Bhd	Dissolved on 30 January 2021	Director	7 April 2011	-	-
K-Langat Construction Sdn Bhd	Dissolved ^(e)	Director	28 December 2010	-	-
KLIA Consultancy Services Sendirian Berhad	Project management	Director	31 January 2001	13 July 2022	-
KLIA Dagangan Sdn Bhd	Dormant ^(c)	Director	11 March 2004	27 July 2022	-
KLIA Land (M) Sdn Bhd	Property development	Director	9 March 2006	4 February 2022	-
KLM Development Sdn Bhd	Dissolved on 12 September 2022	Director	25 March 2014	-	-
KPH Consortium Sdn Bhd	Dormant ^(c)	Director	9 February 2015	27 July 2022	-

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Company	Principal activities	Position held	Date of appointment	Date of resignation	Shareholding (%)
KPH Travel Sdn Bhd	Dormant ^(c)	Director	25 November 2010	27 July 2022	-
Mercury Asset Management Sdn Bhd	Dormant	Director	3 July 2003	29 April 2021	-
Nadhi Premier Food Sdn Bhd	Dissolved on 9 April 2021	Director / Shareholder	30 October 2015	-	49.00
Rusman Riches Sdn Bhd	Dissolved on 10 April 2019	Director	21 February 2011	-	-
Serendah Sound Sdn Bhd (Formerly known as "Top Quality Ready Mix Sdn Bhd")	Dormant	Director / Shareholder	23 November 2018	15 October 2021	^(f) 15.00
Wadihana Café Sdn Bhd	Dissolved on 26 November 2019	Director / Shareholder	19 July 2013	-	25.00

Notes:

- (a) The company is currently still in the midst of preparation for the winding up process, which includes amongst others, identifying and appointing liquidators, settling liabilities owing to its creditors as well as preparing statement of affairs. Upon finalisation of the aforementioned, the company will take appropriate steps for the winding up, which may include winding up of the company's affair and distribution of assets by the appointed liquidator. As such, the winding up of the company is expected to be completed within 1 to 3 years.
- (b) A financing company licensed under the Moneylenders Act 1951.
- (c) As at the date of Dato' A Rahman Bin Safar's resignation, the company was in the midst of preparation for the winding up process.

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

- (d) On 11 November 2021, he disposed his entire equity interest to a third party who is not related to any of our Directors, Substantial Shareholders or Key Senior Management.
- (e) The liquidator's account of receipts and payments and statements of the position on the winding-up had been lodged with Companies Commission of Malaysia on 12 April 2022.
- (f) He disposed his 15.00% equity interest on 3 November 2021 to third parties who are not related to any of our Directors, Substantial Shareholders or Key Senior Management.

(iii) Dato' Baharon Bin Talib

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Shareholding (%)</u>
<u>Present Involvement</u>					
Annum Berhad ^(a)	Construction, general trading and investment holding	Director	14 July 2023	-	-
ARB Agro Technology Sdn Bhd ^(b)	Business in digital agricultural technology	Director	12 August 2021	-	-
ARB AI AGRO Sdn Bhd ^(b)	Investment holding in a company involved in the business of digital agricultural technology	Director	18 May 2021	-	-
ARB AI Sdn Bhd ^(b)	Investment holding in a company involved in internet of things, internet and multimedia development and consultancy services as well as project management	Director	20 April 2021	-	-

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Shareholding (%)</u>
ARB AI Technology Sdn Bhd ^(b)	Provision of IT software and hardware solution	Director	16 March 2022	-	-
ARB Analysis Sdn Bhd ^(b)	Provision of enterprise resource planning and customer relationship management systems	Director	16 March 2022	-	-
ARB Axflix Sdn Bhd ^(b)	Computer programming and wholesale of computer hardware, software and peripherals	Director	25 August 2021	-	-
ARB Big Data Sdn Bhd ^(b)	IT and information services	Director	22 June 2021	-	-
ARB Cell Sdn Bhd ^(b)	IT and management consultancy	Director	8 March 2021	-	-
ARB Cloud Cosec Sdn Bhd ^{(b)(c)}	Information service and management consultancy	Director	20 April 2021	-	-
ARB Cloud Sdn Bhd ^(b)	Management consultancy and information services	Director	26 March 2021	-	-
ARB Codes Sdn Bhd ^(b)	Management consultancy and IT services	Director	20 April 2021	-	-
ARB C5 Sdn Bhd ^(b)	IT and information service	Director	22 June 2021	-	-

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Shareholding (%)</u>
ARB Digital Technology Sdn Bhd ^(b)	IT and internet of things and consultancy service and investment holding in a company involved in provision of platform for general trading and services in retail industry	Director	20 April 2021	-	-
ARB Distribution Sdn Bhd ^(b)	Information service and management consultancy	Director	20 April 2021	-	-
ARB Fintech Sdn Bhd ^(b)	Information service and management consultancy	Director	20 April 2021	-	-
ARB Holdings Sdn Bhd ^(b)	IT and internet of things	Director	20 April 2021	-	-
ARB Industry Sdn Bhd ^(b) (Formerly known as "Blue Wave Corner Sdn Bhd")	Information service and management consultancy	Director	6 April 2021	-	-
ARB Information Sdn Bhd ^(b)	IT and investment holding in a company involved in the provision of IT software and hardware solution	Director	14 March 2022	-	-
ARB Innovation Sdn Bhd ^(b)	Business of hardware, software, product development, installation and training	Director	1 October 2021	-	-

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Shareholding (%)</u>
ARB Intelligence Sdn Bhd ^(b)	IT and management consultancy	Director	20 April 2021	-	-
ARB IOT Group Sdn Bhd ^(b)	Investment holding in companies involved in business in digital agricultural technology, internet of things, internet and multimedia development and consultancy services as well as project management	Director	7 October 2021	-	-
ARB IOT (M) Sdn Bhd ^(b)	Investment holding in companies involved in business in digital agricultural technology, internet of things, internet and multimedia development and consultancy services as well as project management	Director	15 March 2022	-	-
ARB Lab Sdn Bhd ^(b)	Investment holding in a company involved in development of IT and internet of things for software and hardware	Director	20 April 2021	-	-
ARB Logistic Technologies Sdn Bhd ^(b)	Information service and management consultancy	Director	4 June 2021	-	-

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Shareholding (%)</u>
ARB Middleware Sdn Bhd ^(b)	Information service and management consultancy	Director	20 April 2021	-	-
ARB Net Sdn Bhd ^(b)	IT and internet of things for services	Director	20 April 2021	-	-
ARB Pay Sdn Bhd ^(b)	Provision of platform for general trading and services in retail industry	Director	20 April 2021	-	-
ARB Platform Technologies Sdn Bhd ^(b) (Formerly known as "ARB ARGO IOT Sdn Bhd")	Provision of IT services. However, the company is currently dormant.	Director	24 February 2022	-	-
ARB R1 Technology Sdn Bhd ^(b) (Formerly known as "ARB UKMRResearch Technology Sdn Bhd")	Research and development on engineering and technology	Director	30 September 2021	-	-
ARB R&D Sdn Bhd ^(b)	Development of IT and internet of things for software and hardware	Director	2 April 2021	-	-
ARB Robotic Sdn Bhd ^(b)	Information service and management consultancy	Director	20 April 2021	-	-

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Shareholding (%)</u>
Arbiot Sdn Bhd ^(b)	Internet of things, internet and multimedia development and consultancy services and project management	Director	20 April 2021	-	-
ARB Smarttech Sdn Bhd ^(b)	IT and management consultancy	Director	10 March 2021	-	-
ARB Synergy Sdn Bhd ^(b)	IT and management consultancy	Director	2 April 2021	-	-
ARB System Sdn Bhd ^(b)	IT and internet of things	Director	20 April 2021	-	-
ARB Techinvest Sdn Bhd ^(b)	Wholesale of computer hardware, software and peripherals, management consultancy and information service	Director	20 April 2021	-	-
ARB Techsymbol Sdn Bhd ^(b)	Management consultancy and information services	Director	20 April 2021	-	-
ARB Vision Sdn Bhd ^(b)	IT and investment holding in a company involved in provision of enterprise resource planning and customer relationship management systems	Director	14 March 2022	-	-
ARB VM Sdn Bhd ^(b)	IT and management consultancy	Director	4 March 2021	-	-

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Shareholding (%)</u>
ARB Wemeet Sdn Bhd ^(b)	Provision of virtual meeting platform	Director	8 March 2021	-	-
ARB WM Sdn Bhd ^(b)	Investment holding in a company involved in the provision of virtual meeting platform	Director	30 March 2022	-	-
ARB Technologies WMS Sdn Bhd ^(b)	Provision of warehouse management system solution and equipment	Director	20 August 2021	-	-
ARB Software Workforce Sdn Bhd ^(b)	Provision of IT services. However, the company is currently dormant.	Director	7 September 2021	-	-
ARB 5G Sdn Bhd ^(b)	IT and management consultancy	Director	10 March 2021	-	-
Kintetsu Logistics (M) Sdn Bhd (Formerly known as "Kintetsu Logistic Sdn Bhd")	Air freight agent	Director	25 May 2022	-	-
Kintetsu World Express (Malaysia) Sdn Bhd	Air freight forwarders and handling agents	Director	14 April 2011	-	-
Techenergy Power Sdn Bhd ^(b)	Information service and management consultancy	Director	20 April 2021	-	-
UMT R2 Technology Sdn Bhd	Research and development on engineering and technology	Director	8 March 2022	-	-

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Shareholding (%)</u>
<u>Past Involvement</u>					
AIT Academy (M) Sdn Bhd	Dissolved on 22 October 2021	Director / Shareholder	17 December 2010	-	33.33
Agensi Pekerjaan D'Win (M) Sdn Bhd	Labour recruitment agency	Director	28 August 2012	12 December 2019	-
AGESON Berhad	Management and investment holding	Director (Non-Executive Chairman)	9 October 2019	22 February 2022	-
ARB Berhad ^(d)	Management service and investment holding	Executive Director	20 October 2010	10 July 2023	-
ARB Development Sdn Bhd ^(b)	IT and software solutions and trading of computer hardware and software	Director	20 April 2021	4 April 2022	-
Baritech Sdn Bhd ^(b)	Providing IT outsourcing	Director	20 April 2021	4 April 2022	-
C&M Renewable Energy Technology Sdn Bhd ^(b)	Installation of non-electric solar energy collectors	Director	20 April 2021	4 April 2022	-
Lakaran Unggul Sdn Bhd	Dissolved on 26 November 2019	Shareholder	-	-	50.00

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Shareholding (%)</u>
Magical Solution Sdn Bhd (Formerly known as "ARB Solution Sdn Bhd ^(b) ")	Investment holding in a company involved in the provision of platform for general trading and services in the retail industry	Director	30 March 2022	28 February 2023	-
Puspajaya Solarpark Sdn Bhd	Dissolved on 3 April 2019	Director	8 March 2012	-	-
RKN Security Sdn Bhd	Security services	Director / Shareholder	23 March 2012	5 August 2022	^(e) 30.00
Ultimate Digit Sdn Bhd ^(b) (Formerly known as "ARB Digit Sdn Bhd")	IT and management consultancy	Director	20 April 2021	4 April 2022	-
Ultimate Techbatch Sdn Bhd ^(b) (Formerly known as "ARB Techbatch Sdn Bhd")	IT and management consultancy	Director	20 April 2021	4 April 2022	-

Notes:

(a) Being an investment holding company, Annum Berhad, through its subsidiaries is mainly involved in the following businesses:

- (i) General trading;
- (ii) Technology and IT related services;
- (iii) Project management;
- (iv) Manufacture and trading of veneer and plywood products;
- (v) Manufacture of construction materials;
- (vi) Engineering, procurement, construction, and commissioning; and
- (vii) Property development.

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

- (b) Subsidiary of ARB Berhad.
- (c) The company changed its name from ARB DOC2US Sdn Bhd to ARB AIC Technologies Sdn Bhd and subsequently changed to its present name on 29 September 2022.
- (d) Being an investment holding company, ARB Berhad, through its subsidiaries is mainly involved in the following businesses:
 - (i) Reselling customised ERP and system and IT related business;
 - (ii) Research for development of IT and internet-of-things for software and hardware;
 - (iii) Consulting services for project management;
 - (iv) Internet-of-things, internet and multimedia development and consultancy services and project management; and
 - (v) Distributing internet-of-things related products.
- (e) On 5 August 2022, he disposed his entire equity interest to a third party who is not related to any of our Directors, Substantial Shareholders or Key Senior Management.

(iv) Chan Kim Hing

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Shareholding (%)</u>
<u>Present Involvement</u>					
Imaspro Corporation Berhad	Investment holding ^(a)	Independent Non-Executive Director	26 May 2016	-	-
Made In Ipoh (Partnership)	History, heritage, and creative arts museum	Partner	-	-	-
MCAL Corporate Sdn Bhd	Dormant, with intention to carry out history, heritage and creative arts museum related activities	Director / Shareholder	8 May 2020	-	50.00

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Shareholding (%)</u>
<u>Past Involvement</u>					
Prestasi Mawar Sdn Bhd	Dissolved on 16 September 2022	Director	10 February 1998	-	-

Note:

- (a) Being an investment holding company, Imaspro Corporation Berhad, through its subsidiaries is mainly involved in the following businesses:
- (i) manufacturing of pesticides and plant micronutrients, distribution and agency of pesticides and other agrochemicals, and trading of pesticides and other agrochemicals;
 - (ii) providing research, development and training with regards to pesticides and agrochemicals;
 - (iii) manufacturing, distribution, research and development of pesticides and agrochemicals; and
 - (iv) distribution of pesticides, including herbicides, insecticides, fungicides, plant micronutrients, fertiliser, public health products, pest control products, wood preservative and other related products.

(v) Himahlini A/P M. Ramalingam @ Yalumallai

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Shareholding (%)</u>
<u>Present Involvement</u>					
Messrs Himahlini & Co.	Legal firm	Partner	22 February 2021 ^(a)	-	-

Note:

- (a) She established the firm on 8 February 2021 as a sole proprietor. Thereafter, she became a partner by forming a partnership from 22 February 2021 until to-date.

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

The involvement of our Directors in the above business activities outside our Group would not affect their contributions to our Group and does not give rise to any conflict of interest situation with our business. Further, the involvement of our Managing Director in business activities outside our Group does not preclude him from allocating or committing his time and effort to our Group as he is not involved in the management and day-to-day operations of these businesses, other than attending meetings of the board of directors on which he serves. Such businesses do not require their involvement on a daily basis as these businesses are managed by their respective management. Our Board is of the view that although they are involved in other businesses as set out above, they are able to devote sufficient time and attention to the affairs of our Group to carry out their respective duties.

5.2.4 Remuneration and material benefits-in-kind of our Directors

The aggregate remuneration and material benefits-in-kind (including any contingent or deferred remuneration) paid and proposed to be paid to our Directors for services rendered in all capacities to our Group for FYE 2021, FYE 2022 and FYE 2023 are as follows:

FYE 2021

<u>Director</u>	<u>Directors' Fees</u>	<u>Salaries</u>	<u>Bonuses</u>	<u>Contributions to EPF and SOCSO</u>	<u>Allowances</u>	<u>Benefits-in-kind</u>	<u>Total</u>
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
<u>Executive Director:</u>							
Chew Sing Guan	300	-	-	-	-	18	318
<u>Non-Executive Directors:</u>							
Dato' Baharon Bin Talib ^(a)	-	-	-	-	-	-	-
Dato' A. Rahman Bin Safar	24	-	-	-	-	-	24
Chan Kim Hing ^(a)	-	-	-	-	-	-	-
Datin Chua Suat Khim ^(a)	-	-	-	-	-	-	-
Himahlini A/P M. Ramalingam @ Yalumalai ^(a)	-	-	-	-	-	-	-

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Note:

(a) Appointed on 8 March 2022.

FYE 2022

<u>Director</u>	<u>Directors' Fees</u>	<u>Salaries</u>	<u>Bonuses</u>	<u>Contributions to EPF and SOCSO</u>	<u>Allowances</u>	<u>Benefits-in-kind</u>	<u>Total</u>
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
<u>Executive Director:</u>							
Chew Sing Guan	50	(a)250	-	10	-	16	326
<u>Non-Executive Directors:</u>							
Dato' Baharon Bin Talib ^(b)	-	-	-	-	-	-	-
Dato' A. Rahman Bin Safar	24	-	-	-	-	-	24
Chan Kim Hing ^(b)	-	-	-	-	-	-	-
Datin Chua Suat Khim ^(b)	-	-	-	-	-	-	-
Himahlini A/P M. Ramalingam Yalumalai ^(b)	-	-	-	-	-	-	-

Notes:

(a) The salary commenced in January 2022.

(b) There were no remuneration and benefits in-kind (including any contingent or deferred remuneration) for the Independent Non-Executive Directors for FYE 2022. The remuneration to the Independent Non-Executive Directors will commence upon the Listing.

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**Proposed for FYE 2023**

Director	Directors' Fees	Salaries	^(b)Bonuses	Contributions to EPF and SOCSO	Allowances	Benefits-in-kind	Total
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
<u>Executive Director:</u>							
Chew Sing Guan	-	300	-	13	-	16	329
<u>Non-Executive Directors:</u>							
Dato' Baharon Bin Talib	^(a) 32	-	-	-	-	-	32
Dato' A. Rahman Bin Safar	44	-	-	-	-	-	44
Chan Kim Hing	^(a) 20	-	-	-	-	-	20
Datin Chua Suat Khim	^(a) 20	-	-	-	-	-	20
Himahlini A/P M. Ramalingam @ Yalumallai	^(a) 20	-	-	-	-	-	20

Notes:

- (a) The estimated remuneration to the Independent Non-Executive Directors for FYE 2023 is only for the remaining periods for FYE 2023 after the Listing.
- (b) Bonuses are not included as it will be determined later depending on the performance of the individuals and our Group, subject to the recommendation of the Remuneration Committee and approval by our Board.

The remuneration, which includes our Directors' salaries, bonuses, fees and allowances as well as other benefits of our Directors, must be considered and recommended by our Remuneration Committee and subsequently be approved by our Board. Our Directors' fees and/or benefits must be further approved by our shareholders at a general meeting.

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.3 BOARD PRACTICES

5.3.1 MCCG

Our Board acknowledges and takes note of the recommendations under the MCCG released on 28 April 2021. As at the LPD, our Board has adopted all relevant recommendations of the MCCG.

5.3.2 Board

As at the LPD, the details of the date of expiration of the current term of office for each of our Directors and the period that each of our Directors has served in that office are as follows:

<u>Name</u>	<u>Date of appointment as Director</u>	<u>Date of expiration of the current term in office</u>	<u>Approximate no. of years in office as at the LPD</u>
Dato' Baharon Bin Talib	8 March 2022	Subject to retirement by rotation at the AGM in 2025	More than 1 year
Chew Sing Guan	18 May 2021	Subject to retirement by rotation at the AGM in 2025	More than 2 years
Dato' A. Rahman Bin Safar	18 May 2021	Subject to retirement by rotation at the AGM in 2024	More than 2 years
Chan Kim Hing	8 March 2022	Subject to retirement by rotation at the AGM in 2024	More than 1 year
Datin Chua Suat Khim	8 March 2022	Subject to retirement by rotation at the AGM in 2023	More than 1 year
Himahlini A/P M. Ramalingam @ Yalumallai	8 March 2022	Subject to retirement by rotation at the AGM in 2023	More than 1 year

In accordance with our Constitution, all of our Directors shall retire from office at the conclusion of the first annual general meeting and an election of Directors shall take place each year at the annual general meeting of our Company. At the annual general meeting, 1/3 of our Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to 1/3 shall retire from office and be eligible for re-election. This is provided always that all of our Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he/she retires.

5.3.3 Audit and Risk Management Committee

The current members of our Audit and Risk Management Committee are as follows:

<u>Name</u>	<u>Position</u>	<u>Directorship</u>
Chan Kim Hing	Chairman	Independent Non-Executive Director
Datin Chua Suat Khim	Member	Independent Non-Executive Director
Himahlini A/P M. Ramalingam @ Yalumallai	Member	Independent Non-Executive Director

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Our Audit and Risk Management Committee has full access to both internal and external auditors who in turn have access at all times to the Audit and Risk Management Committee. The key duties and responsibilities of our Audit and Risk Management Committee are, among others, the following:

Internal Audit Matters

- (a) reviewing the adequacy and effectiveness of our Group's internal control systems and enterprise risk management framework as evaluated, identified and reported by the management as well as to review the appropriate and timely corrective actions undertaken by management to ratify the same;
- (b) reviewing, assessing and reporting the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its duties;
- (c) reviewing the scope and adequacy of audits and approve the internal audit plan;
- (d) discussing and reviewing the results of our Group's internal audit procedures and adequacy of actions taken by the management based on the internal audit reports. Resolving significant differences on the audit findings and audit process between the management and the internal auditor;
- (e) appraise and evaluate the performance and effectiveness of the internal audit function and the head of internal audit;
- (f) approve the appointment or removal of the Head of the Internal Audit function; and
- (g) reviewing any whistleblowing cases, if any, and Management responses and resolutions.

External Audit Matters

- (a) reviewing, assessing and evaluating the performance, suitability, objectivity and independence of the external auditors;
- (b) considering any matters concerning the appointment and re-appointment, the audit fee and any questions of resignation or dismissal of the external auditors;
- (c) discussing and reviewing with the external auditors on issues and matters arising from the interim and final external audits, and any matters the external auditors and/or internal auditors may wish to discuss in the absence of management, where necessary;
- (d) recommending the nomination of a person or persons to act as the external auditors; and
- (e) carrying out such other functions or assignments as may be delegated by the Board from time to time.

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Risk Management Matters

- (a) reviewing the overall risk strategies as proposed by the management and recommend to our Board for approval;
- (b) reviewing the adequacy and effectiveness of the enterprise risk management framework instituted by our Company which shall include corporate liability provisions under Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018), the appropriate of anti-corruption mitigating measures, corruption risk management as well as our Group's Anti-Bribery & Anti-Corruption policy and procedures;
- (c) providing oversight and direction to the risk management process, specifically to:
 - (i) ensure that appropriate risk management policies, guidelines and processes are implemented;
 - (ii) consider whether response strategies (and contingency plans) to manage or mitigate material risks are appropriate and effective given the nature of the identifiable risks; and
 - (iii) evaluate the risk profile and risk tolerance of our Group periodically to ensure that it continue to be relevant and reflects any changes in our Group's capacity to assume risk, and market and other environmental conditions;
- (d) reviewing management's implementation of the risk strategies, adherence to risk tolerance limits are within the parameters set for specific types of risks and the implementation of risk management policies, processes, controls within our Group in managing key risks; and
- (e) ensuring that risk management tools and methodologies, infrastructure, resources and systems are in place.

Financial Reporting Matters

- (a) reviewing the quarterly and year-end financial statements of the Company and the Group, before the approval by the Board;
- (b) establishing policies and procedures to manage related party transactions and conflict of interest situations;
- (c) reviewing any recurrent related party transactions of a revenue or trading nature and ensure that they are conducted on an arm's length basis and appropriately and accurately disclosed in the financial statements;
- (d) assessing any conflicts of interest situations that may arise within the Company or Group including any transactions, procedures or course of conduct that raises to questions of Management's integrity; and
- (e) reviewing any related party transaction to be undertaken by the Group with related party to ensure that the contemplated transaction is fair and reasonable and not to the detriment of the non-interested shareholders.

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Effectiveness of Policies and Controls established for AMLA

- (a) ensuring that independent audits are conducted to check and test the adequacies and effectiveness of the policies, procedures and controls on the Group's AMLA measures;
- (b) reviewing internal controls issues identified by the Internal Auditors and regulatory authorities and evaluating the adequacy and effectiveness of the internal controls and processes for the Group's AMLA measures;
- (c) ensure that AMLA measures are in compliance with relevant regulations and guidelines and are relevant and appropriate in the circumstances; and
- (d) evaluating the reliability, integrity and timeliness of the internal and regulatory reporting and management information pertaining to AMLA matters.

Inspections Reports and Regulatory Compliance

- (a) ensuring proper implementation and recommend appropriate remedial and corrective measures in respect of the findings arising from inspection conducted by the relevant regulatory authorities;
- (b) ensuring timely and effective communication/reporting to the regulators on matters affecting the safety and soundness of the regulated subsidiary of the Group upon becoming aware of the same; and
- (c) meeting the regulators on their inspection reports, if required and report the outcome of the meeting with the regulators at the next Board meeting.

Effectiveness of Policy established relating to Anti-Bribery and Anti-Corruption

- (a) ensuring that independent audits are conducted to check and test the effectiveness of the policies, procedures and controls on the anti-bribery and anti-corruption measures;
- (b) identifying, assessing, mitigate and monitor potential corruption risks that the Group may be exposed on a periodic basis;
- (c) reviewing internal controls issues identified by the Internal Auditors and evaluating the adequacy and effectiveness of the corrective actions to address the issues identified; and
- (d) ensure that anti-bribery and anti-corruption measures adequate to mitigate liabilities and reputational issues on non-compliances with the laws relating to anti-bribery and anti-corruption.

Whistleblowing

- (a) reviewing the Whistleblowing Policy and Procedures from time to time to ensure its relevance and effectiveness; and
- (b) monitoring any disclosure or report made for alleged improper conduct and keeping the Board informed at its meeting on the nature, investigation and its outcome of disclosure or report made.

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Other Functions

- (a) reviewing the Directors' Report and ensure its accuracy and completeness and matters disclosed therein are in compliance with the Companies Act; and
- (b) reviewing the Audit and Risk Management Committee Report, Statement of Risk Management and Internal Controls, Corporate Governance Overview Statement, Sustainability Statement and Corporate Governance Report in the spirit of the MCCG to promote greater internalisation of corporate governance culture and greater transparency before submitting for the Board's approval and inclusion in the Annual Report.

5.3.4 Nomination Committee

The current members of our Nomination Committee are as follows:

Name	Position	Directorship
Himahlini A/P M. Ramalingam @ Yalumallai	Chairman	Independent Non-Executive Director
Chan Kim Hing	Member	Independent Non-Executive Director
Datin Chua Suat Khim	Member	Independent Non-Executive Director

The key duties and responsibilities of our Nomination Committee are, among others, the following:

- (a) to consider and recommend to our Board suitable candidates for appointment as Directors of the Company;
- (b) to review on an annual basis, or as required, the correct mix of skills, business and professional experiences including diversity in terms of gender, cultural background and age that should be added to our Board;
- (c) to ensure that all newly appointed Director(s) undergo appropriate familiarisation program and that all Directors undergo relevant training programs for the continuous professional development;
- (d) to appraise the effectiveness of each individual Director in terms of his age, experience, knowledge, credibility and credentials, and assess their effectiveness and contribution in carrying out their obligations and duties as a board member of the Company;
- (e) to examine the ability of each Director to contribute to the effective decision-making process of our Board and ensure that the Board is functioning actively, efficiently and effectively in its decision making;
- (f) to review annually, the term of office and performance of the Audit and Risk Management Committee and each of its members to determine whether such Audit and Risk Management Committee and members have carried out their duties in accordance with their terms of reference;
- (g) to review and assess the independence of the Independent Directors and to ensure the Directors are not disqualified under relevant regulations;
- (h) to assess the effectiveness of our Board and the Board Committees as a whole;
- (i) to recommend our Board concerning the re-election/re-appointment of Director to the Board pursuant to the Company's Constitution; and

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

- (j) to review the Board and Key Senior Management's succession plans from time to time, taking into account the challenges faced by and/or opportunities available to the Company, the skills and knowledge, including diversity needed by the Board in future, as well as to make recommendations to the Board on a succession planning policy for the Key Senior Management.

5.3.5 Remuneration Committee

The current members of our Remuneration Committee are as follows:

Name	Position	Directorship
Datin Chua Suat Khim	Chairman	Independent Non-Executive Director
Chan Kim Hing	Member	Independent Non-Executive Director
Himahlini A/P M. Ramalingam @ Yalumallai	Member	Independent Non-Executive Director

The key duties and responsibilities of our Remuneration Committee are, among others, the following:

- (a) to recommend and assist the Board on all aspects of remuneration of the Directors and other key senior management;
- (b) to develop and formulate a transparent remuneration policy and procedures framework for the Directors and Key Senior Management;
- (c) to review and assess the effectiveness of the Group's human resources department in supporting the Group including oversight of the scope and quality of the Group's human resources initiatives/programmes;
- (d) to recommend for the Board's approval, new human resources policies and framework and changes to said framework, in line with human resources strategy and direction set by the Board;
- (e) to ensure that all remuneration packages and benefits given to our Directors and other key senior management are in compliance with all laws, rules, requirements, regulations and guidelines set by the relevant authorities and our Board from time to time; and
- (f) to assist our Board to review the remuneration policy for Directors and key senior management as well as any other remuneration matters as may be prescribed to the Remuneration Committee by our Board.

5.3.6 EES

Our Board approved our Sustainability Framework on 10 March 2022, which set out the policies in meeting our sustainability reporting requirements. Through the implementation of this framework, we strive to comply with the EES best practices. The key points of our Sustainability Framework are summarised below:

(a) Economic

Our Group is committed to a high standard of corporate governance that our employees uphold a high standard of integrity and governance in business conducts and dealings internally as well as with external stakeholders. We have among others, the following policies to uphold good corporate governance practices:

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

- adopted the Anti-Bribery and Anti-Corruption Policies and Procedures and took several measures to prevent, detect and resolve instances involving bribery and corruption; and
- adopted a Personal Data Protection Policies and Procedures, which comply with the Personal Data Protection Act, 2010 in order to protect the personal data that we obtained from our clients and employees.

In addition, we have also adopted all relevant recommendations under the MCCG. Please refer to Section 5.3.1 of the Prospectus for further details on the adoption of MCCG.

(b) Environmental

Our Group is committed in developing effective environment initiatives to protect the environment and promote environmental awareness.

As part of our effort to promote environmental sustainability, we encourage our employees to conserve electricity and we also promote eco-friendly practices such as installed energy saving light bulbs in our office, promote e-statements, e-contract note, reduce usage of cheques, paperless environment and recycling papers in the workplace to reduce the use of paper for communication purposes both internally and externally. Our employees are also encouraged to switch off the lighting, water dispenser, air conditioning, or other electrical appliances in our operational facilities when they are not required.

(c) Social

Our Group is committed to promote social responsibilities as an integral part of our Group whilst pursuing business growth to enhance shareholders and other stakeholders value. Our effort in sustaining corporate social responsibilities includes, among others, the following elements:

- **Safe Workplace Practices**

We are committed to maintaining a safe and conducive working environment for our employees. Our operational facilities are well secured by constant closed-circuit television surveillance as a precaution to avoid or deter robbery or theft. All the entry and exit points of our offices are electronically controlled and are only accessible via facial recognition and/or thumbprint.

- **Workplace, and Education and Individual Development**

We support and practice workplace equal opportunity, gender and cultural diversity, equal employment and career development to attract and maintain talents. We provide training and development to our employees through in-house and external trainings programmes, based on their respective scope of works and needs. We also provide the relevant circulars/guidelines to employees to promote awareness on corporate governance and risks issues involving the industry and inculcate and adopt new measures to prevent fraudulent practices. In addition, CMSRL holders are also required to participate in accredited trainings programmes to obtain their mandatory Continuing Professional Education points.

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.4 KEY SENIOR MANAGEMENT

Kindly refer to Section 5.2 of this Prospectus for details of our Non-Independent Executive Director / Managing Director, namely Chew Sing Guan, who is also our Key Senior Management.

5.4.1 Key Senior Management's shareholdings

As at the LPD, none of the Key Senior Management hold any shares in our Company. The shareholdings of our Key Senior Management after the Acquisition and before our IPO, and after our IPO, assuming that our Key Senior Management will fully subscribe for their respective entitlements under the Pink Form Allocations, are set out below:

Name (Designation)	Nationality	After the Acquisition and before our IPO				After our IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	(%)	No. of Shares	(%)	No. of Shares	^(a) (%)	No. of Shares	^(a) (%)
Vijaya Kumar A/L Muniandy (Head of Dealing)	Malaysian	-	-	-	-	^(b) 200,000	0.02	-	-
Lai Ther Wei (Head of Capital Markets)	Malaysian	-	-	-	-	^(b) 350,000	0.04	-	-
Siew Kwong Cheong (Head of Operation)	Malaysian	-	-	-	-	^(b) 250,000	0.03	-	-
Foong Kee Yan (Head of Credit and Risk Management)	Malaysian	-	-	-	-	^(b) 250,000	0.03	-	-
Heong Ah Fong (Head of IT)	Malaysian	-	-	-	-	^(b) 250,000	0.03	-	-
Teoh Wee Tong (Chief Financial Officer)	Malaysian	-	-	-	-	^(b) 250,000	0.03	-	-

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Notes:

- (a) Based on the enlarged issued share capital of 893,000,000 Shares after our IPO.
- (b) Assuming that he will fully subscribe for his entitlements under the Pink Form Allocations.

5.4.2 Profiles of our Key Senior Management

The profiles of our Key Senior Management are as follows:

(i) Vijaya Kumar A/L Muniandy
Head of Dealing

Vijaya Kumar A/L Muniandy, a Malaysian, aged 55, is our Head of Dealing. He is responsible for overseeing the trading operation and supervising the execution of trades by other dealers in the team, as well as co-ordinates with local and foreign based institutional clients for orders received.

Upon obtaining his Sijil Tinggi Persekolahan Malaysia in 1988, he began his career as an insurance agent with Universal Life & General Insurance Sdn Bhd in January 1989. He left the insurance company and joined HLG Securities Sdn Bhd as a Central Buyer in June 1990 where he assisted his dealers to execute trades mainly from institutional clients. Thereafter, he left HLG Securities Sdn Bhd and joined Mohaiyani Securities Sdn Bhd in June 1992 as a Central Buyer and was subsequently promoted as a dealer's representative in March 1998 where he was primarily involved in execution of trades received from institutional clients and co-ordinating and reporting the trades done daily to the clients. He left Mohaiyani Securities Sdn Bhd in August 2007.

In August 2007, he joined Mercury Securities as a dealer's representative and has been with Mercury Securities since then. He was promoted to Head of Dealing in January 2022, a position which he presently holds.

(ii) Lai Ther Wei
Head of Capital Markets

Lai Ther Wei, a Malaysian, aged 40, is our Head of Capital Markets. He is responsible for overseeing our Group's corporate finance functions and business development of equities capital market.

He obtained a Diploma in Business Studies (Accounting) from Kolej Tunku Abdul Rahman in 2002 and a Bachelor of Science in Applied Accounting from Oxford Brookes University in 2006. He was admitted as a member of the ACCA since 30 June 2008 and a fellow member of the ACCA since 30 June 2013.

He started his career with Goonting & Chew as an audit assistant in February 2003 where he was involved in performing external financial audit works for various companies spanning across different industries. He was later promoted to Assistant Manager in 2004 and left the audit firm in June 2007.

His corporate finance advisory career began in September 2007 when he joined PM Securities Sdn Bhd, a stockbroking company as Executive in an assisting role in the provision of corporate finance advisory services. Subsequently, he was promoted to Assistant Manager in 2008 and was responsible for advising clients, which mainly comprise of public listed companies on initial public offering, fund raising, mergers and acquisitions, privatisation and other corporate exercises. He left the company in November 2009.

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

In December 2009, he joined OSK Investment Bank Berhad (now known as RHB Investment Bank Berhad) as an Assistant Vice President, Corporate Finance, where he was responsible for advising clients, which mainly comprise of public listed companies on initial public offering, fund raising, mergers and acquisitions, privatisation and other corporate exercises. He was then re-designated to Associate Director, Corporate Finance in April 2014 when OSK Investment Bank Berhad merged with RHB Investment Bank Berhad. He was subsequently promoted to Deputy Director, Corporate Finance in March 2016 where he assisted the team head in executing corporate finance proposals. He left RHB Investment Bank Berhad in July 2017.

In July 2017, he joined UOB Kay Hian Securities (M) Sdn Bhd as Deputy Director, Corporate Finance, where he was responsible for providing corporate financial services to clients which are mainly listed on Bursa Securities. Subsequently, he left UOB Kay Hian Securities (M) Sdn Bhd in June 2019 to join Mercury Securities as an Associate Director, Corporate Finance where in addition to corporate finance proposals, he was also responsible to secure new corporate finance mandates. He headed a team of corporate finance personnel and reported to a Director of Corporate Finance / QP. In November 2021, he was re-designated as Head of Capital Markets, a position which he presently holds.

(iii) Siew Kwong Cheong
Head of Operation

Siew Kwong Cheong, a Malaysian, aged 56, is our Head of Operation. He is principally responsible for overseeing the business operations of Mercury Securities. He is primarily responsible to oversee, monitor and manage the back office and administrative function of all the branch offices, as well as providing support to the operational officers located in the branch offices.

He obtained his Sijil Tinggi Persekolahan Malaysia (STPM) in 1986 from Sekolah Menengah Victoria, Kuala Lumpur. Thereafter, he obtained his certificate of membership with the AIA, United Kingdom in 1994 and has been a fellow member of AIA since 1996. He also obtained his certificate as a Certified Financial Planner with the Financial Planning Association of Malaysia in 2002.

He began his career as an Audit Junior in Hanafiah, Raslan & Mohamad (now known as Ernst & Young PLT) in June 1987 where he was mainly responsible for performing external financial audit works on companies from various sectors. Thereafter, he was promoted to Audit Senior in 1991.

In March 1992, he left Hanafiah, Raslan & Mohamad and joined Anuarul, Azizan, Chew & Co. (now known as HLB AAC PLT) in July 1992 as an Audit Senior and was subsequently promoted to Assistant Audit Manager in January 1994 where he was responsible for managing and overseeing matters relating to external financial audit, job planning, training and development of audit programmes.

After he left Anuarul, Azizan, Chew & Co. in February 1995, he joined Mohaiyani Securities Sdn Bhd as an Assistant Accounts Manager in the Accounting Department in March 1995 and was in charge of overseeing the overall finance functions, and tax reporting of the Accounting Department of the company. He was promoted as an Accounts Manager in December 1995 and was responsible for planning, developing and overseeing daily activities in the Finance Department and preparing monthly financial statements of the company before leaving the company in December 2004. Subsequently, he took a break from work during the period between December 2004 and May 2005.

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

In May 2005, he joined OSK Securities Berhad as an Operations Manager of Operations Department where he was responsible for overseeing back-office functions, including CDS accounts processing and settlement processes of outstanding transactions. After he left OSK Securities Berhad in November 2005, he joined Multicon Engineering Management in December 2005 as a Finance Manager where he was primarily involved in all matters pertaining to finance, treasury and taxation. He left the company in September 2006.

He joined Mercury Securities in October 2006 as a Senior Accounts Manager (Operation) and was subsequently promoted to the Head of Operation (KL Branch) in July 2008 where he was responsible for supervising the back-office, branch accounting and administrative functions of the KL Branch. In July 2021, he was re-designated as the Head of Operation, a position which he presently holds.

(iv) Foong Kee Yan
Head of Credit and Risk Management

Foong Kee Yan, a Malaysian, aged 66, is our Head of Credit and Risk Management. He is responsible for supervising the overall credit control and risk management functions of our Group.

He graduated from Kolej Tunku Abdul Rahman with Diploma in Commerce (Financial Accounting) in 1979. He has been a member of MIA since 1984, as well as a member and a fellow of the ACCA since 1982 and 1987, respectively.

He started his career in Wong Yeng Man & Co in June 1979 as an Audit Senior where he was leading an audit team in performing external financial audit on various companies. Subsequently, he joined Larut Tin Fields Berhad in August 1982 as an Accountant where he was in charge of the company's accounts. He left Larut Tin Fields Berhad and joined South Johore Amalgamated Holdings Berhad as a Group Management Accountant in December 1989 where he was primarily responsible for overseeing the accounting functions of the company.

He left the company in August 1992 and join Mercury Securities as an Operation Manager in September 1992, where he was responsible for the daily operational work and financial accounting matters of Mercury Securities. Subsequently, he was promoted to Senior Manager–Operation in June 2005 where he was responsible for overseeing the daily operation of Butterworth Branch and the other branches, dealing with remisiers and supervising the credit control functions of the stockbroking operations. In July 2021, he was re-designated to Head of Credit and Risk Management whereby he is primarily responsible for supervising the overall credit control and risk management functions of our Group.

(v) Heong Ah Fong
Head of IT

Heong Ah Fong, a Malaysian, aged 60, is our Head of IT. He is responsible for overseeing the overall functions of our Group's Information Technology Department.

He obtained his Diploma in Computer Studies from Systematic Computer Centre, Kuala Lumpur in 1989 and Advanced Diploma in Computer Studies from Informatics Computer School, Singapore in 1991. He subsequently obtained his Master of Information Technology from the University of Newcastle, Australia in 2005.

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

He began his career with Kuala Lumpur Finance Berhad as a Junior Programmer in October 1985 while he was concurrently undertaking his studies in Diploma in Computer Studies and was involved in providing technical support and software development for the company. He left Kuala Lumpur Finance Berhad and join Formis Computer Services Sdn Bhd in July 1990 as a Programmer Analyst where he was responsible for software development life cycle supplied to stock broking firms. He was then transferred to a subsidiary company within the same group, namely Bass Consulting Sdn Bhd in September 1991 where his responsibilities remained the same. He was then promoted to System Analyst and led the software development team until he resigned in December 1993.

In January 1994, he joined Inter-Pacific Securities Sdn Bhd as an Electronic Data Processing Assistant Manager where he was responsible for assisting the Head of Electronic Data Processing Department to ensure the smooth running of the department including software maintenance. Subsequently in November 1995, he left the company to join a stockbroking firm, namely Innosabah Securities Sdn Bhd as a Software Development Manager where he gained experience in managing a technical team which provided software development and system support services for the company.

In October 1998, he left the company and joined Mercury Securities as Information Technology Manager in November 1998, where his main responsibility is overseeing the overall IT functions of Mercury Securities. In September 2008, he was promoted to Senior Manager of Information Technology Department and in July 2021, re-designated to Head of IT of our Group, a position which he presently holds.

(vi) Teoh Wee Tong
Chief Financial Officer

Teoh Wee Tong, a Malaysian, aged 42, is our Chief Financial Officer. He is responsible for overseeing and managing the overall financial matters of our Group including accounting, taxation, and treasury.

He graduated with a Bachelor of Accountancy from the Universiti Utara Malaysia, Kedah in September 2005. He is a member of the MICPA since 2021 and also a member of the MIA in 2022.

He started his career as an Audit Assistant with KPMG PLT at Penang in April 2005 and was involved in performing external financial audit works. He was promoted to the position of Assistant Manager in January 2010. Subsequently, he left the company in October 2010 and joined Southern Steel Sdn Bhd as an Assistant Account Manager (Finance) in November 2010. During his tenure with the company, he was responsible for assisting the finance and account manager to perform month end closing, preparing monthly management accounts and supervising the accounting department staff.

In January 2011, he left Southern Steel Sdn Bhd and joined Mercury Securities as an Assistant Manager in February 2011, where he was responsible for all accounting and treasury matters of Mercury Securities. In July 2014, he was promoted to be the Head of Finance and Accounts where his responsibilities remained the same. In July 2021, he was re-designated as our Chief Financial Officer, a position which he presently holds.

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT (CONT'D)

5.4.3 Principal directorships and principal business activities of our Key Senior Management outside our Group

Save as disclosed below, as at the LPD, none of our Key Senior Management have any principal business activities performed outside our Group including principal directorships in the past 5 years preceding LPD:

(i) Teoh Wee Tong

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment as director</u>	<u>Date of resignation</u>	<u>Shareholding (%)</u>
<u>Past Involvement</u>					
Sharikat United Book Sdn Bhd	Sale of books and periodicals	Director	19 July 2021	31 March 2022	-

5.4.4 Remuneration and material benefits-in-kind of our Key Senior Management

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our Key Senior Management for services rendered / to be rendered in all capacities to our Group for the FYE 2021, FYE 2022 and FYE 2023 are as follows:

<u>Key Senior Management</u>	<u>Remuneration Band</u>		
	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>^(a)Proposed for the FYE 2023</u>
	<u>(RM'000)</u>	<u>(RM'000)</u>	<u>(RM'000)</u>
Vijaya Kumar A/L Muniandy	50-100	50-100	100-150
Lai Ther Wei	350-400	550-600	450-500
Siew Kwong Cheong	150-200	150-200	200-250
Foong Kee Yan	150-200	150-200	200-250
Heong Ah Fong	150-200	150-200	200-250
Teoh Wee Tong	100-150	100-150	200-250

Note:

- (a) Bonuses are not included as it will be determined later depending on the performance of the individuals and our Group, subject to the recommendation of the Remuneration Committee and approval by our Board.

5.5 FAMILY RELATIONSHIPS AND ASSOCIATIONS

There are no other family relationships and/or association between any of our Directors, Promoter, Substantial Shareholders and Key Senior Management as at the LPD.

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT (CONT'D)

5.6 DECLARATIONS BY OUR PROMOTER, DIRECTORS AND KEY SENIOR MANAGEMENT

Save as disclosed below, as at the LPD, none of our Promoter, Directors and Key Senior Management is or has been involved in any of the following events (whether within or outside Malaysia):

- (i) in the last 10 years, a petition under any bankruptcy or insolvency laws was filed (and not struck out) against him/her or any partnership in which he/she was a partner or any corporation of which he/she was a director or a member of key senior management;
- (ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) in the last 10 years, charged or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) in the last 10 years, any judgment was entered against him/her, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his/her part, involving a breach of any law or regulatory requirement that relates to the capital market;
- (v) in the last 10 years, he/she was the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his/her part that relates to the capital market;
- (vi) the subject of any order, judgment or ruling of any court, government, or regulatory authority or body, temporarily enjoining him/her from engaging in any type of business practice or activity;
- (vii) in the last 10 years, has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; and
- (viii) any unsatisfied judgment against him/her.

Chew Sing Guan, our Non-Independent Executive Director / Managing Director was issued with the Warning Letter in his capacity as the Managing Director of Mercury Securities. The warning arose as a consequence of the findings highlighted in the Supervisory Letter. Kindly refer to Section 7.20.9 of this Prospectus for further details of the Supervisory Letter.

PIVB is of the opinion that the aforementioned warning issued to Chew Sing Guan would not affect his eligibility or suitability as the Managing Director to both MSGB and Mercury Securities, premised on the following:

- (i) save for the Warning Letter, there are no reprimands, other penalties imposed and no other actions were taken against him by the SC;
- (ii) the findings of the Supervisory Letter did not involve any fraudulent act or dishonesty by Chew Sing Guan;
- (iii) the Group's business, which is involved in the capital market services industry in Malaysia, is highly regulated. Chew Sing Guan's role as a licensed director of Mercury Securities (being a CMSL holder) and his CMSRL for dealing in securities must be approved by the SC. As at to-date, he is still the Managing Director of Mercury Securities and his CMSRL is still valid; and

5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT (CONT'D)

- (iv) subsequent to the Supervisory Letter, Chew Sing Guan together with the Management team had undertaken all effort to implement the relevant controls and processes to address the issues raised in the Supervisory Letter.

On 20 April 2023, an independent internal control consultant, Tricor Axcelasia Sdn Bhd has been appointed to conduct a review and assessment on the Group's internal control and risk management in relation to the issues highlighted in the Supervisory Letter. Based on Tricor Axcelasia Sdn Bhd's report dated 2 May 2023, Tricor Axcelasia Sdn Bhd verified that the relevant controls and processes have been implemented or are in place to address the issues raised in the Supervisory Letter.

5.7 SERVICE AGREEMENTS

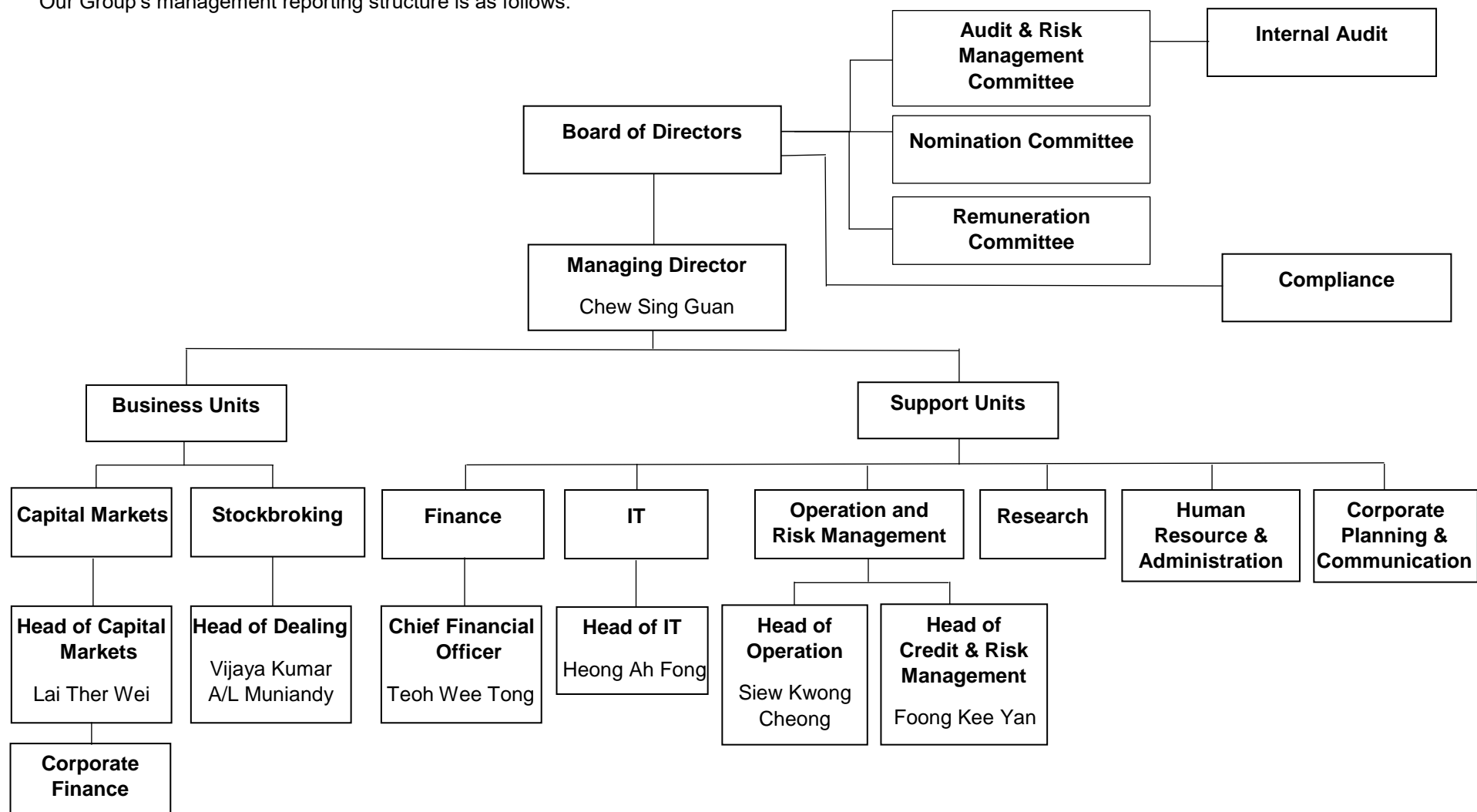
As at the LPD, there are no existing or proposed service agreements entered into or to be entered into by our Group with our Directors or Key Senior Management, which provide for benefits upon termination of employment.

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5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT (CONT'D)

5.8 MANAGEMENT REPORTING STRUCTURE

Our Group's management reporting structure is as follows:



5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT (CONT'D)

5.9 MANAGEMENT SUCCESSION PLAN

We recognise the importance of management succession plan for business continuity and sustainability. As such, we have initiated the following key steps to groom our lower and middle management staff as well as attract new personnel:

- (i) career development, where our Key Senior Management supported by immediate managerial and supervisory level officers will conduct coaching, mentoring, cross training and job rotation to groom, our lower and middle management staff to be equipped to gradually assume more responsibilities and eventually the roles of our senior management as and when opportunities arise;
- (ii) selection and identification, where we identify key capabilities, competencies and requirements for managerial and key senior positions for succession planning and identify potential successor's readiness to facilitate skill transfer to ensure smooth running and continuity of the operations of our Group;
- (iii) direct interaction and inclusive involvement with our clients and suppliers, where we encourage our lower and middle management staff participate in our engagements and dealings with them to gain greater understanding and to promote a smooth and continuous working relationship at all levels;
- (iv) continuous training and leadership development, where our middle management staff are required to continuously enhance their cross functional knowledge to develop and improve their business acumen and all-around understanding of our business and operations as part of our leadership succession planning in addition to attend accredited training programs to further supplement their skillsets; and
- (v) competitive remuneration and benefits based upon annual staff performance review.

If the need arises, we will recruit qualified and competent personnel with knowledge and expertise of our business to enhance our operations. By enhancing our corporate profile as a listed issuer, we expect to be able to attract more qualified personnel to play an active role in the growth and success of our Group.

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6. INFORMATION ON OUR GROUP

6.1 INFORMATION ON OUR GROUP

Our Company (Registration No. 202101018329 (1418629-A)) was incorporated in Malaysia under the Act on 18 May 2021 as a private limited company under the name of Mercury Securities Group Sdn Bhd. Our Company was subsequently converted into a public limited company on 28 February 2022.

In conjunction with our Listing, our Company entered into the SSA on 22 February 2022 for the acquisition of 20,000,000 ordinary shares in Mercury Securities, representing the entire equity interest of Mercury Securities for a total purchase consideration of RM117,008,736 which to be fully satisfied by the issuance of 735,904,000 new Shares to the Vendors at an issue price of RM0.159 per Share. The total purchase consideration of RM117,008,736 for the Acquisition was arrived at on a “willing-buyer willing-seller” basis after taking into consideration the audited consolidated NA of Mercury Securities as at 31 October 2021 of RM117,008,733.

The Acquisition is subject to the following conditions precedent:

- (a) our Company having obtained the approval from Bursa Securities for the admission of our Company to the Official List of the ACE Market of Bursa Securities, and the listing of and quotation for our entire proposed enlarged issued share capital on the ACE Market, as well as the registration of a prospectus in relation to our Listing. The said approval from Bursa Securities has been obtained on 8 June 2023;
- (b) the Vendors having procured Mercury Securities to successfully obtain the approval from the SC pursuant to the SC’s Licensing Handbook for the change of controllers in Mercury Securities pursuant to the SSA and the Listing. The said approval from the SC has been obtained on 8 March 2022; and
- (c) our Company having obtained the approval from the ECU and MITI for the equity structure of our Company for the purpose of our Listing. The said approval from the ECU and MITI have been obtained on 12 June 2023 and 25 May 2023 respectively.

The conditions precedent period was extended to 22 April 2023 via a supplemental letter dated 15 December 2022 and further extended to 22 June 2023 via the 2nd supplemental letter dated 17 April 2023. The Vendors’ shareholdings in MSGB before the completion of the SSA and number of Shares to be issued to them pursuant to the Acquisition are as follows:

Vendors	Shareholdings in MSGB before completion of the SSA		Consideration	
	No. of Shares	(%)	No. of new Shares to be issued	(RM)
Chew Sing Guan	100	33.33	331,156,800	52,653,931.20
Enrogetz	100	33.33	331,156,800	52,653,931.20
Dato’ A. Rahman Bin Safar	100	33.33	73,590,400	11,700,873.60
Total	300	*100.00	735,904,000	117,008,736.00

Note:

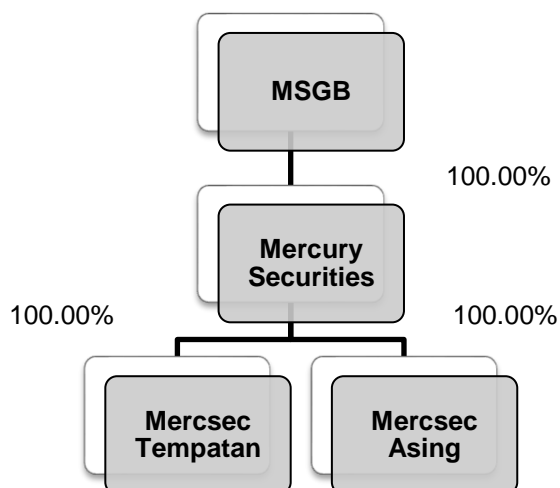
- * Total does not add up due to rounding.

6. INFORMATION ON OUR GROUP (CONT'D)

The Acquisition was completed on 26 June 2023. Thereafter, Mercury Securities became our wholly-owned subsidiary.

The new Shares issued pursuant to the Acquisition rank equally in all respects with our existing Shares including voting rights and will be entitled to all rights, dividends and/or other distributions, the entitlement date of which is subsequent to the date of issuance of the new Shares.

Our corporate structure after the Acquisition is as follows:



We are an investment holding company and through our Subsidiaries, we are principally engaged in the following business segments:

- (i) **Mercury Securities** : Stockbroking, corporate finance advisory and other related businesses
- (ii) **Mercsec Tempatan** : Provision of nominee and custodian services
- (iii) **Mercsec Asing** : Provision of nominee and custodian services

Please refer to Section 6.4 of this Prospectus for further details on our Subsidiaries.

In addition, as part of our internal restructuring exercise pursuant to the Listing, Mercury Securities had on 27 April 2021 entered into a sale and purchase of shares agreement with Ngen Ming Wee to dispose 2,050,000 ordinary shares in MAM, representing its entire equity interest in MAM for a total cash consideration of RM1,990,032, after taking into consideration the audited NA of MAM as at 31 October 2020 of RM1,990,032.

MAM was incorporated in Malaysia on 27 January 1996 as a private limited company. MAM was a wholly-owned subsidiary of Mercury Securities and was dormant throughout the FYE 2019, FYE 2020 and FYE 2021. The disposal of MAM was completed on 28 April 2021. Ngen Ming Wee is not a person related to any of our Promoter, Substantial Shareholders, Directors and Key Senior Management.

6. INFORMATION ON OUR GROUP (CONT'D)

6.2 SHARE CAPITAL AND CHANGES IN SHARE CAPITAL

As at the LPD, our issued share capital is RM117,008,739 comprising 735,904,300 Shares.

Details of the changes in our issued share capital since incorporation are as follows:

<u>Date of Transaction</u>	<u>No. of Shares</u>	<u>Nature of Transaction</u>	<u>Consideration</u>	<u>Cumulative Issued Share Capital (RM)</u>
18 May 2021	3	Incorporation	Cash	3
24 January 2022	300	Subdivision of every 1 existing Share into 100 Shares	-	3
26 June 2023	735,904,000	Acquisition	Otherwise than cash	117,008,739

There were no discounts, special terms or installment payment terms given in consideration of the above allotment.

As at the LPD, we do not have any outstanding warrants, options, convertible securities and uncalled capital.

Upon completion of our Listing, our issued share capital will increase to RM156,282,664 comprising 893,000,000 Shares.

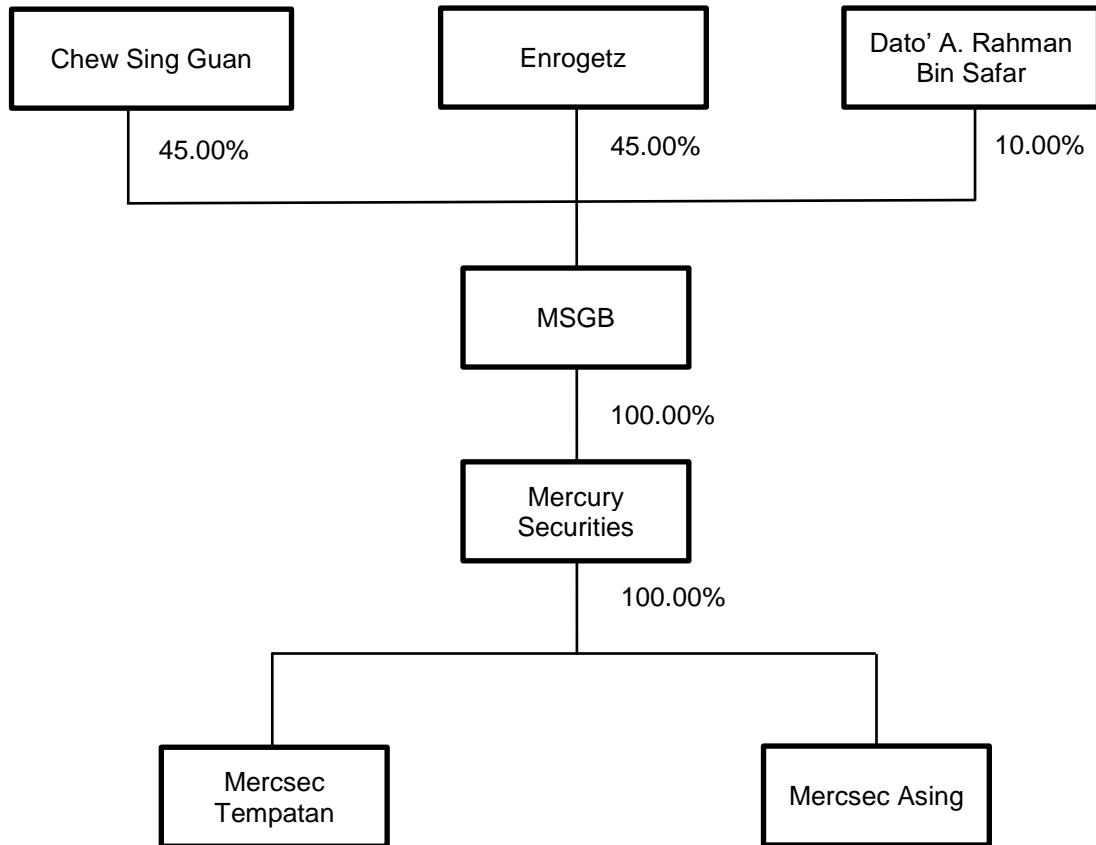
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6. INFORMATION ON OUR GROUP (CONT'D)

6.3 OUR SHAREHOLDERS AND GROUP STRUCTURE

Our shareholders and Group structure after the Acquisition and before our IPO, and after our IPO are as set out below:

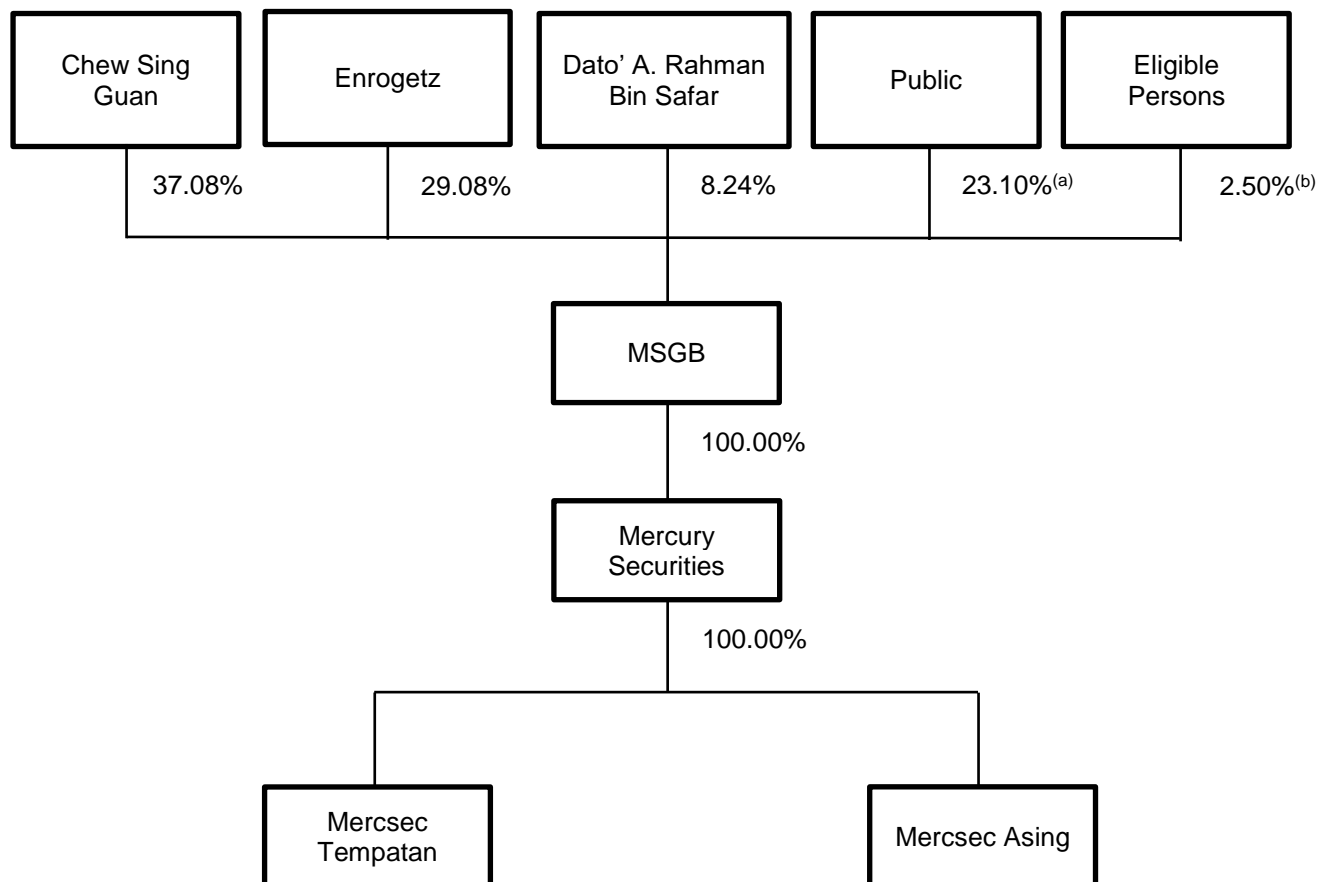
After the Acquisition and before our IPO



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6. INFORMATION ON OUR GROUP (CONT'D)

After our IPO



Notes:

- (a) Comprised of 44,650,000 Issue Shares (representing 5.00% of our enlarged issued share capital) made available for application by the Malaysian Public, as well as 90,120,700 Issue Shares (representing 10.09% of our enlarged issued share capital) and 71,512,300 Offer Shares (representing 8.01% of our enlarged issued share capital) made available to selected investors and selected Bumiputera Investors approved by MITI.
- (b) Comprised of 22,325,000 Issue Shares (representing 2.50% of our enlarged issued share capital) made available for application by the Eligible Persons and assuming that they will fully subscribe for their entitlement under the Pink Form Allocations.

Out of the 22,325,000 Issue Shares, 1,250,000 Issue Shares (representing 0.14% of our enlarged issued share capital) will be reserved for application by the Directors of the Group.

The public shareholding spread upon Listing will be 25.46% (excluding 1,250,000 Issue Shares reserved for application by the Directors of the Group who are not deemed as public and assuming they fully subscribe for their entitlement under the Pink Form Allocations).

6. INFORMATION ON OUR GROUP (CONT'D)

6.4 OUR SUBSIDIARIES

6.4.1 Our Subsidiaries

The details of our Subsidiaries are set out below:

<u>Name and registration number</u>	<u>Date and country of incorporation</u>	<u>Principal place of business</u>	<u>Principal activities</u>	<u>Issued share capital (RM)</u>	<u>Effective equity interest</u>
Mercury Securities (198401000672 (113193-W))	17 January 1984/ Malaysia	Malaysia	Stockbroking, corporate finance advisory and other related businesses	20,000,000	100.00%
<u>Held through Mercury Securities</u>					
Mercsec Tempatan (197601000836 (26777-T))	12 March 1976/ Malaysia	Malaysia	Provision of nominee and custodian services	2	100.00%
Mercsec Asing (197401001985 (19144-A))	20 June 1974/ Malaysia	Malaysia	Provision of nominee and custodian services	2	100.00%

As at the LPD, we do not have any joint venture or associated company.

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6. INFORMATION ON OUR GROUP (CONT'D)

6.4.2 Share capital and changes in share capital of our Subsidiaries**(i) Mercury Securities**

The issued share capital of Mercury Securities as at the LPD is RM20,000,000 comprising 20,000,000 ordinary shares. There has been no change in the issued share capital of Mercury Securities for the Financial Years and Period Under Review and up to the LPD.

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Mercury Securities. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

(ii) Mercsec Tempatan

The issued share capital of Mercsec Tempatan as at the LPD is RM2 comprising 2 ordinary shares. There has been no change in the issued share capital of Mercsec Tempatan for the Financial Years and Period Under Review and up to the LPD.

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Mercsec Tempatan. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

(iii) Mercsec Asing

The issued share capital of Mercsec Asing as at the LPD is RM2 comprising 2 ordinary shares. There has been no change in the issued share capital of Mercsec Asing for the Financial Years and Period Under Review and up to the LPD.

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Mercsec Asing. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

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7. BUSINESS OVERVIEW

7.1 HISTORY AND BACKGROUND OF OUR GROUP

7.1.1 History and key events of our business

The table below sets out the key events in the history and development of our business operations:

Year	Key events
1984	<ul style="list-style-type: none"> Mercury Securities was incorporated in 1984 under the name of Seberang Securities Sdn Bhd, where its directors and shareholders were Haji Mat Zuki Bin Mahmud and Oon Chong Kheh. Seberang Securities Sdn Bhd was involved in stockbroking operations.
1992	<ul style="list-style-type: none"> Our Managing Director, Chew Sing Guan, joined our Group when he obtained 35.00% equity interests in Mercury Securities through acquisition of the entire equity interests held in Mercury Securities by Haji Mat Zuki Bin Mahmud amounting to 2,100,000 ordinary shares and Oon Chong Kheh amounting to 900,000 ordinary shares in Mercury Securities, as well as subscription of 4,000,000 new ordinary shares in Mercury Securities. The remaining 65.00% were owned by 3 individual shareholders, namely YM. Raja Abdul Malik Bin Raja Dato Ahmad Tajudin through 5,800,000 ordinary shares (29.00%), Ahmad Kamal Bin Othman through 2,000,000 ordinary shares (10.00%) and Aziz Bin Mustapha through 5,200,000 ordinary shares (26.00%) via the subscription of 13,000,000 new ordinary shares in Mercury Securities. Mercury Securities assumed its current name following the acquisition by Chew Sing Guan.
1994	<ul style="list-style-type: none"> Mercury Securities started to offer margin financing facility services, where we extended credit facilities to our stockbroking clients to fund their purchase of quoted securities. Haji Mat Zuki Bin Mahmud acquired 4,800,000 ordinary shares in Mercury Securities from YM. Raja Abdul Malik Bin Raja Dato Ahmad Tajudin, representing 24.00% equity interests in Mercury Securities. Following from the acquisition, Haji Mat Zuki Bin Mahmud and YM. Raja Abdul Malik Bin Raja Dato Ahmad Tajudin owned 4,800,000 and 1,000,000 ordinary shares in Mercury Securities, respectively.
1995	<ul style="list-style-type: none"> Chew Sing Guan increased his equity interests in Mercury Securities to 45.00% through an acquisition of 2,000,000 ordinary shares in Mercury Securities from Aziz Bin Mustapha. Haji Mat Zuki Bin Mahmud also increased his equity interests to 45.00% through acquisition of 1,200,000 ordinary shares from Aziz Bin Mustapha, 1,000,000 ordinary shares from YM. Raja Abdul Malik Bin Raja Dato Ahmad Tajudin and 2,000,000 ordinary shares from Ahmad Kamal Bin Othman. Haji Shuaib Bin Haji Lazim emerged as a shareholder of Mercury Securities through acquisition of 2,000,000 ordinary shares from Aziz Bin Mustapha. Mercsec Asing and Mercsec Tempatan assumed their current names and commenced operations as providers of nominee and custodian services.
1997	<ul style="list-style-type: none"> Mercsec Asing and Mercsec Tempatan became the wholly-owned subsidiaries of Mercury Securities following the acquisitions by Mercury Securities of the entire equity interests in Mercsec Asing and Mercsec Tempatan from Chew Sing Guan and See Geok Heoh.
2003	<ul style="list-style-type: none"> Haji Mat Zuki Bin Mahmud disposed his entire equity interests of 9,000,000 ordinary shares in Mercury Securities to Enrogetz (45.00%). Enrogetz was then held by Faizal Bin Mat Zuki and Haji Mat Zuki Bin Mahmud. Please refer to Section 5.1.2(ii) of this Prospectus for further details on Enrogetz. Mercury Securities acquired the CMSL of PTB Securities Sdn Bhd, a licenced stockbroking company, for dealing in securities and stockbroking business in line with the SC's direction to consolidate the stockbroking industry under its Capital Market Masterplan 1 and became a 1+1 broker. As a 1+1 broker, Mercury Securities is permitted by the SC to establish branches.
2004	<ul style="list-style-type: none"> Mercury Securities became a Participating Organisation of Bursa Securities following the demutualisation of Kuala Lumpur Stock Exchange. We embarked on an expansion plan by opening our 1st branch office, the KL Branch.

7. BUSINESS OVERVIEW (CONT'D)

Year	Key events
2005 to 2007	<ul style="list-style-type: none"> We continued to expand and opened other branch offices in the Southern region of Peninsular Malaysia, i.e., Melaka Branch in 2005 and Johor Branch in 2007. In 2007, we also expanded our existing coverage in Pulau Pinang by opening a new branch office, the Lebu Pantai Branch.
2008	<ul style="list-style-type: none"> Mercury Securities executed our 1st cross border trading through our appointed agent, Phillip Securities Pte Ltd, a stockbroking company based in Singapore.
2009	<ul style="list-style-type: none"> Mercury Securities launched an online trading platform, "Mercury StraightThru" which enables our clients to perform trading activities online, monitor the stock market and related news as well as maintain a record of their portfolio of securities.
2011	<ul style="list-style-type: none"> Mercury Securities developed a mobile application for our online trading platform which is available on Android and iOS devices. We expanded to East Malaysia by opening Sarawak Branch.
2012	<ul style="list-style-type: none"> Mercury Securities commenced proprietary trading of securities listed on Bursa Securities.
2013	<ul style="list-style-type: none"> Mercury Securities obtained the CMSL to carry out regulated activity in advising on corporate finance. Mercury Securities was admitted to the SC's Approved List of Principal Advisers for submitting specific corporate proposals pursuant to the SC's Principal Adviser Guidelines then. In the same year, Mercury Securities commenced the provision of corporate finance advisory services. We secured our 1st secondary equity fundraising mandate from Xidelang Holdings Ltd to act as principal adviser for their proposed renounceable rights issue with warrants and bonus issue of shares. We also opened another branch office in Pulau Pinang, the Bayan Baru Branch.
2014	<ul style="list-style-type: none"> Haji Shuaib Bin Haji Lazim disposed his entire equity interests of 2,000,000 ordinary shares in Mercury Securities to Dato' A. Rahman Bin Safar (10.00%). Mercury Securities commenced its provision of independent advisory services where we advised the non-interested directors and non-interested shareholders of Benelac Holdings Berhad in relation to its related party transactions, and TMC Life Sciences Berhad in relation to an unconditional takeover offer by the offeror, Sasteria (M) Pte Ltd. Mercury Securities secured our 1st merger and acquisition mandate to advise a foreign party, Fordington Ptd Ltd as their principal adviser, for its unconditional takeover offer for all the remaining shares in Yokohama Industries Berhad. This proposal was completed in June 2015 when Yokohama Industries Berhad was delisted from Bursa Securities as intended by the offeror.
2015	<ul style="list-style-type: none"> Mercury Securities completed a privatisation exercise that involved 2 companies listed on Bursa Securities. Mercury Securities was appointed as the principal adviser of Plenitude Berhad for the proposed takeover of all the ordinary shares of The Nomad Group Berhad to be settled via the issuance of new ordinary shares of Plenitude Berhad. Following the completion of the takeover by Plenitude Berhad in July 2015, The Nomad Group Berhad was privatised and became a wholly-owned subsidiary of Plenitude Berhad. Mercury Securities secured our 1st initial public offering mandate for the listing of Eversafe Rubber Berhad on the ACE Market acting as its principal adviser, sponsor, sole underwriter and sole placement agent. This company was successfully listed on the ACE Market in 2017.

7. BUSINESS OVERVIEW (CONT'D)

Year	Key events
2017	<ul style="list-style-type: none"> Mercury Securities secured our 1st initial public offering mandate for the listing of Cloudaron Group Berhad on the LEAP Market and the company was successfully listed in 2017. Mercury Securities was the approved adviser and placement agent for Cloudaron Group Berhad which was also the 1st LEAP Market listing on Bursa Securities.
2020	Mercury Securities completed its 1 st transfer listing mandate with the transfer of Kejuruteraan Asastera Berhad (now known as Kinergy Advancement Berhad), a company listed on the ACE Market, to the Main Market.
2021	<ul style="list-style-type: none"> Following the changes to the Licensing Handbook and SC's Guidelines on Submission of Corporate Proposals and Capital Market Product Proposals, on 1 January 2021, Mercury Securities was recognised by the SC as a RPA. As a RPA, Mercury Securities can undertake specific proposals requiring SC's approval which include, among others, initial public offering on the Main Market, corporate proposal by a Main Market issuer which result in a significant change in its business direction or policy and transfer of listing from the ACE Market to the Main Market.
2022	<ul style="list-style-type: none"> We have launched our 2 new online trading platforms, namely MST28 Trading Platform on 28 February 2022 and ECOS Trading Platform on 3 October 2022 with additional and new features such as onboarding of new clients electronically to replace our "Mercury StraightThru" trading platform. Mercury Securities completed the initial public offering of Cosmos Technology International Berhad on the ACE Market on 6 October 2022. Cosmos Technology International Berhad is the 1st LEAP Market listed company to progress to an ACE Market listing. Mercury Securities acted as its principal adviser, sponsor, sole underwriter and sole placement agent.

7.1.2 Awards, certifications and recognitions

Between 2019 and 2022, our rankings based on deal counts as extracted from Bloomberg are as follows:

Year	Recognitions
2019	<p>Ranked 2nd under the Mergers and Acquisitions category based on 13 deal counts completed in 2019.</p> <p>Ranked 3rd under the Malaysia Equity and Rights Offering category based on 18 deal counts completed in 2019.</p>
2020	<p>Ranked 2nd under the Mergers and Acquisitions category based on 13 deal counts in completed 2020.</p> <p>Ranked 1st under the Malaysia Equity and Rights Offering category based on 77 deal counts completed in 2020.</p>
2021	<p>Ranked 2nd under the Mergers and Acquisitions category based on 11 deal counts completed in 2021.</p> <p>Ranked 2nd under the Malaysia Equity and Rights Offering category based on 93 deal counts completed in 2021.</p>
2022	<p>Ranked 3rd under the Mergers and Acquisitions category based on 4 deal counts completed in 2022.</p> <p>Ranked 3rd under the Malaysia Equity and Rights Offering category based on 28 deal counts completed in 2022.</p>

Save as mentioned above, we do not have any other awards, certifications and recognition as at the LPD.

7. BUSINESS OVERVIEW (CONT'D)

7.2 OVERVIEW OF OUR BUSINESS

7.2.1 Our business model

For the Financial Years and Period Under Review, our business model is as follows:



7.2.2 Business activities, revenue and income streams

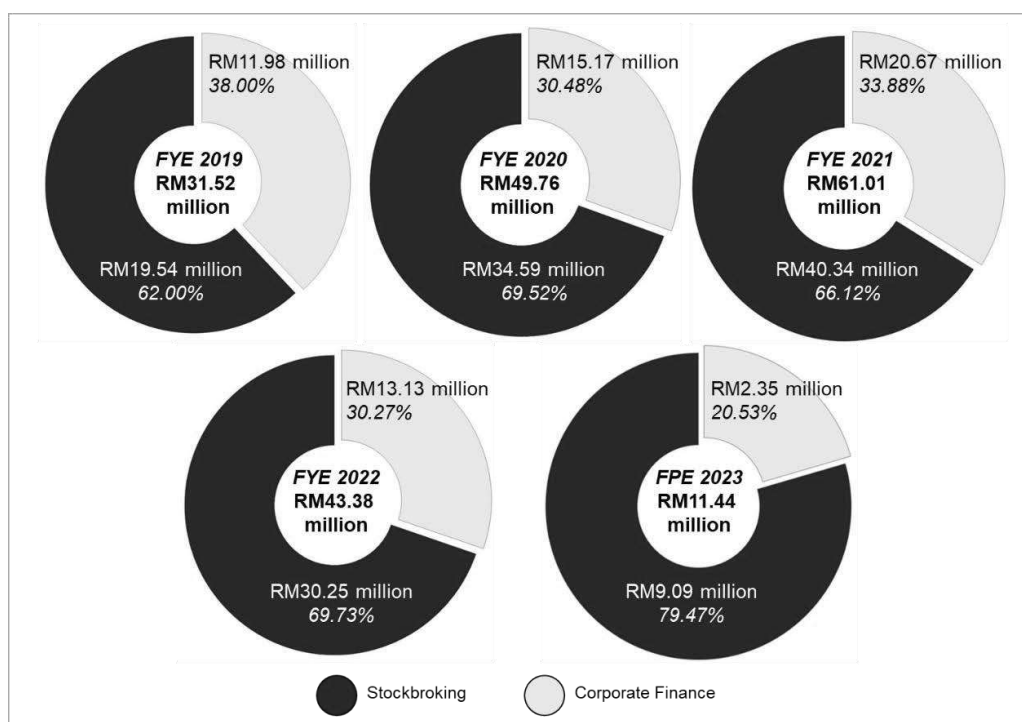
Our Subsidiary, Mercury Securities is a licensed 1+1 broker involved in the provision of stockbroking and corporate finance advisory services.

As at the LPD, we have a total of 81 CMSRL holders to support the following regulated activities undertaken by Mercury Securities:

Regulated activities	No. of CMSRL holders
<u>Dealing in securities</u>	
- Management	1
- Dealers involved in servicing stockbroking clients	15
- Dealers involved in proprietary trading (IVT)	7
- Dealers involved in proprietary trading (PDT)	1
- Remisiers involved in servicing stockbroking clients	43
- Remisiers involved in proprietary trading (PDT)	1
	68
<u>Advising on corporate finance and dealing in securities restricted to underwriting activities ("Corporate Finance")</u>	
- Management	1
- Personnel involved in Corporate Finance	9
	10
Investment advice	3
Total	81

7. BUSINESS OVERVIEW (CONT'D)

For the Financial Years and Period Under Review, our Group's revenue was derived from the following 2 main business segments:



(i) Stockbroking Segment

Stockbroking business is a significant revenue contributor which accounted for 62.00%, 69.52%, 66.12%, 69.73% and 79.47% of our total revenue for the FYE 2019, FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

We offer stockbroking services comprising execution of trades of securities listed on Bursa Securities and foreign stock exchanges mainly in Singapore, Hong Kong and USA, and provision of margin financing facility services, nominee, custodian and related services.

We also undertake underwriting and placement services where we underwrite and place out securities from equity fundraising offerings mainly from initial public offering, rights issue and private placement. The underwriting and placement of securities services are generally from issuance/offering of securities undertaken by clients where we also provide corporate finance advisory services or we participate in the syndicate as 1 of the underwriter or placement agent for issuance/offering of securities undertaken by issuers and advised by other licensed corporate finance service providers.

(ii) Corporate Finance Segment

Corporate Finance Segment accounted for 38.00%, 30.48%, 33.88%, 30.27% and 20.53% of our total revenue for the FYE 2019, FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. We provide advisory services focusing mainly on the following types of corporate exercise:

- primary equity fundraising offerings through initial public offering;
- secondary equity fundraising offerings such as rights issue and private placement;
- takeovers, mergers and acquisitions; and
- other corporate proposals which include bonus issue of shares and warrants, share issuance scheme, transfer of listing from ACE Market to the Main Market and corporate restructuring.

7. BUSINESS OVERVIEW (CONT'D)

(iii) Related activities

In addition to the above, we are also permitted to carry out proprietary trading, where we execute trades using our internal funds. There is no brokerage fee charged for proprietary trading. The gains from proprietary trading are categorised as net trading gains on financial assets at fair value through profit or loss in the audited combined statements of comprehensive income which accounted for RM1.32 million (13.36%), RM5.38 million (31.29%), RM2.20 million (10.87%), RM3.95 million (22.36%) and RM0.45 million (8.95%) of our total PAT for the FYE 2019, FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

7.2.3 Our clients and distribution channels

We serve the following types of clients based on the services we offer:

<u>Business segment</u>	<u>Types of clients</u>
Stockbroking Segment	<ul style="list-style-type: none"> - Institutional investors where we serve mainly asset management companies - Retail investors comprising individuals and private companies - Public listed companies
Corporate Finance Segment	<ul style="list-style-type: none"> - Private and public listed companies as well as high-net-worth individuals

We adopt a direct distribution channel including cross-selling of services for both our stockbroking and corporate finance operations as follows:

- (i) Within our Stockbroking Segment, our dealers or remisiers execute buy and sell orders on behalf of our clients who are mainly the beneficial owners of the securities being traded. Alternatively, our clients would execute their buy or sell trades directly using our online trading platforms. In addition, our Stockbroking Segment also undertakes the underwriting and placement services for the corporate finance exercises including those undertaken by our Corporate Finance Segment as well as those we participate in the syndicate as 1 of the underwriters or placement agents.
- (ii) Within our Corporate Finance Segment, our corporate finance team heads, generally will deal directly with our clients to secure mandates to carry out corporate finance exercises. Some mandates are also secured by our management through existing clients and industry associates, such as solicitors and reporting accountants. This enables us to cross-sell underwriting and placement services as well as stockbroking services to our corporate finance clients as and when required. For example, the scope of work for an initial public offering exercise undertaken by our Corporate Finance Segment will involve among others, facilitating the preparation and submission of applications to the relevant authorities. While our Stockbroking Segment will facilitate the underwriting and placement services from this initial public offering exercise (upon receipt of approval(s) from the relevant authorities) to underwrite and place out the securities, and where required, to provide our stockbroking services including trading of shares, margin financing facility services, nominee and custodian services to their major shareholders, directors and employees.

7. BUSINESS OVERVIEW (CONT'D)

Our revenue segmented by type of clients for the Financial Years and Period Under Review are set out below:

	FYE 2019		FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Public listed companies	12,997	41.23	15,993	32.14	24,757	40.58	16,691	38.47	2,097	18.33
Individuals	10,962	34.77	21,449	43.10	21,941	35.96	17,011	39.21	6,644	58.08
Institutional clients ^(a)	5,973	18.95	8,103	16.28	7,648	12.54	2,922	6.74	514	4.50
Private companies	1,592	5.05	4,217	8.48	6,661	10.92	6,758	15.58	2,184	19.09
Group revenue	31,524	100.00	49,762	100.00	61,007	100.00	43,382	100.00	11,439	100.00

Note:

(a) Comprise mainly of asset management companies.

For the Financial Years and Period Under Review, our key information relating to our Stockbroking Segment is set out below:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FPE 2023
	Number	Number	Number	Number	Number
Number of registered clients	20,546	20,305	20,044	20,410	20,590
- <i>Active trading clients^(a)</i>	3,132	4,125	4,634	3,510	2,556
Number of client accounts	20,603	20,359	20,094	20,457	20,636
- <i>Active trading accounts^(a)</i>	3,151	4,143	4,647	3,560	2,559
Trading volume (million units)	7,999	15,072	12,506	6,623	3,711
Number of clients with deposits/margin account ^(b)	1,813	2,165	2,275	2,278	2,367

Notes:

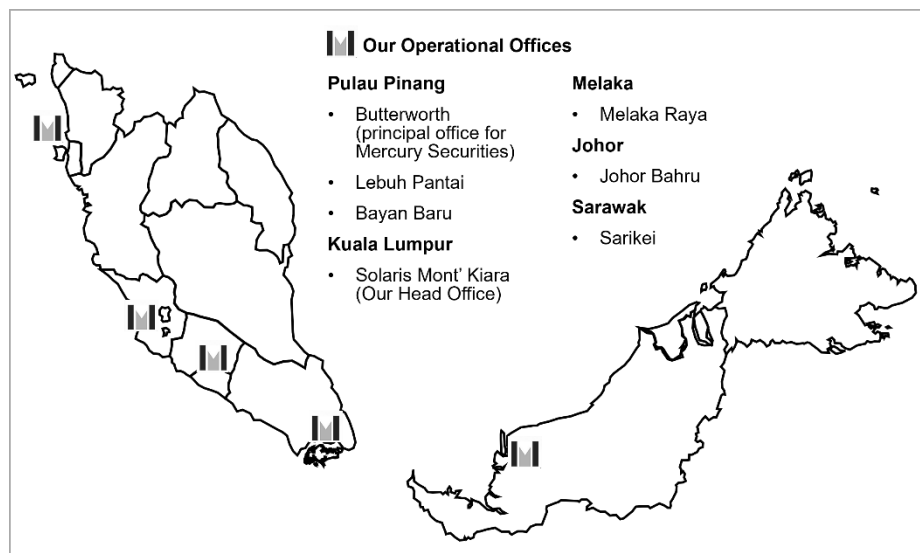
(a) Active trading accounts refer to accounts with trading activity within the respective FYE and FPE.

(b) Clients with deposits refer to clients with cash balances held in trust with us as at the end of the respective FYE and FPE.

7. BUSINESS OVERVIEW (CONT'D)

7.3 PRINCIPAL MARKET

Our principal market is in Malaysia where our operational offices are located in Kuala Lumpur, Pulau Pinang, Melaka, Johor and Sarawak.



Revenue from our 2 business segments are derived mainly from clients that are residing or domiciled in Malaysia.

Our revenue segmented by location of our operational offices for the Financial Years and Period Under Review are as follows:

	FYE 2019		FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Kuala Lumpur	24,528	77.81	34,387	69.10	45,280	74.22	36,562	84.28	8,529	74.56
Pulau Pinang	4,077	12.93	9,272	18.63	9,846	16.14	3,483	8.03	1,524	13.32
Johor	1,792	5.69	3,720	7.48	3,336	5.47	2,533	5.84	971	8.49
Melaka	632	2.00	1,545	3.10	1,744	2.86	530	1.22	241	2.11
Sarawak	495	1.57	838	1.69	801	1.31	274	0.63	174	1.52
Group revenue	31,524	100.00	49,762	100.00	61,007	100.00	43,382	100.00	11,439	100.00

7. BUSINESS OVERVIEW (CONT'D)

7.4 OPERATIONAL FACILITIES

We operate from the following offices in Malaysia:

<u>Company</u>	<u>Main Functions</u>	<u>Approximate built-up area (sq. ft.)</u>	<u>Location of Offices</u>
MSGB and Mercury Securities	Head office and Mercury Securities' office for corporate finance, stockbroking, research and administrative functions	9,564	Head Office / KL Branch^(a) L-7-2, No 2, Jalan Solaris Solaris Mont' Kiara 50480 Kuala Lumpur
Mercury Securities, Mercsec Asing and Mercsec Tempatan	Principal office for stockbroking, nominee and custodian office, as well as administrative function	15,849	Butterworth Branch Ground, 1 st , 2 nd and 3 rd Floor JKP Business Centre Lorong Bagan Luar Dua 12000 Butterworth, Seberang Perai Pulau Pinang
Mercury Securities	Stockbroking office	3,500	Lebuh Pantai Branch 2 nd Floor, Standard Chartered Bank Chambers 2 Lebuh Pantai 10300 Pulau Pinang
Mercury Securities	Stockbroking office	2,143	Bayan Baru Branch 70-1-22, D'Piazza Mall Jalan Mahsuri, Bandar Bayan Baru 11900 Pulau Pinang
Mercury Securities	Stockbroking office	4,620	Melaka Branch 81, 81A & 81B, Jalan Merdeka Taman Melaka Raya 75000 Melaka
Mercury Securities	Stockbroking office	5,152	Johor Branch Suite 17.1, Level 17, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor
Mercury Securities	Stockbroking office	1,440	Sarawak Branch 1 st Floor, No.16, Jalan Getah 96100 Sarikei Sarawak

Note:

- (a) As part of our business strategies and plans to expand our KL Branch, we have acquired 2 units of adjoining offices in Solaris Mont' Kiara, Kuala Lumpur with an aggregated built-up area of 2,874 sq. ft. to cater for additional office space for our business operations including the Stockbroking Segment as well as the Corporate Finance Segment. The new office space in Solaris Mont' Kiara, Kuala Lumpur is expected to be occupied by 3rd quarter of 2023. Please refer to Section 7.26.3 of the Prospectus for further details on the expansion of our operational facility.

7. BUSINESS OVERVIEW (CONT'D)

7.5 MODE OF OPERATION

7.5.1 Our clients for stockbroking services

(i) Execution of trades on Bursa Securities

We enter into agreements with all of our clients when they open a trading account with us and a CDS Account with Bursa Depository through Mercury Securities. Some of the key terms in the agreements for trading of securities listed in Bursa Securities are as follows:

Terms	Description
Brokerage fees	We charge brokerage fees on matched trades executed by our dealers or remisiers for the buying and selling of securities on behalf of our clients or for matched trades made directly by our clients on our online trading platforms. Our brokerage fee is fixed for broker-assisted trades at the rate of 0.60% for trades with contract value up to RM100,000 and 0.30% for trades exceeding RM100,000 per contract. For institutional investors, our brokerage fee is negotiable on a case-by-case basis at the rate ranging from 0.05% to 0.30%. Our brokerage fee for online trades is also negotiable on a case-by-case basis at the rate ranging from 0.05% to 0.07% for clients who deposit cash with us to trade subject to a minimum of RM8.00 per contract, otherwise from 0.21% to 0.42% subject to a minimum of RM12.00 per contract.
Settlement period	<p><u>Payment to be made by the clients for securities purchased</u> All payments for the purchase of securities are to be made by the clients within 2 Market Days from the date of transaction (T+2).</p> <p><u>Proceeds to be received by the clients on securities sold</u> Clients will receive the proceeds from the sales of securities on the 2nd Market Day after the date of the transaction (T+2).</p>
Contra	<p>In contra transactions, buying and selling of the same securities are carried out within the T+2 Market Days settlement period.</p> <ul style="list-style-type: none"> - If the sell price is lower than the buy price (net of all charges), it results in a contra loss, which the client has to pay by the 5th Market Day of the contra sales (C+5). Failure to pay the contra loss fully within the C+5 period will incur interest charges on the outstanding contra loss amount. - If the sell price is higher than the buy price (net of all charges), it results in a contra gain, where the proceeds of the gain will be credited to the client's trust or, upon request, paid to the client on the 3rd Market Day of the contra sales (C+3). <p>We charge contra interest at a flat rate of 10.00% per annum on the contra loss amount due from non-margin accounts, which has been outstanding for 5 days after the contra date (C+5) until full settlement. There is no contra interest for margin accounts.</p>

7. BUSINESS OVERVIEW (CONT'D)

Terms	Description
Force selling	If payment from the client (without margin financing facility) is not received by the due date, the securities purchased will be forced-sold on the 3 rd Market Day from the date of transaction (T+3). Any loss arising from the force selling will be charged an interest of 10.00% per annum until full settlement of the loss by the defaulting client.

(ii) Execution of trades in foreign stock exchanges

We charge brokerage fee for facilitating trades in securities listed in foreign stock exchanges. The settlement and delivery period of major foreign stock exchanges where our clients normally trade are as follows:

Foreign stock exchanges by country	Settlement and delivery period
Singapore (SGX)	T+2 Market Days
Hong Kong (HKSE)	T+2 Market Days
United States (NYSE and NASDAQ)	T+2 Market Days
Australia (ASX)	T+2 Market Days
United Kingdom (LSE)	T+2 Market Days

(iii) Security margin financing arrangements

We enter into credit facility agreements with some of our stockbroking clients to fund their purchases of quoted securities. We charge our stockbroking client interest at an agreed rate on the amount borrowed from our margin financing facility services and processing fees at a rate based on the amount of the margin financing facilities when the facilities are available for utilisation.

In addition, we also charge roll-over fees for outstanding margin financing facility amount that are carried over to the next period, where each period is normally 90 days and commitment fee computed on the unutilised facility amount on a monthly basis.

(iv) Underwriting and placement services

We enter into underwriting agreement and placement agreement with our clients to underwrite and place out securities from equity fundraising exercises mainly from initial public offerings, rights issues and private placement. We charge these clients underwriting fees and placement fees at an agreed rate stipulated in the agreements.

(v) Arrangements with our remisiers

Although our remisiers are not part of our employees, they are our exclusive trading representatives and holders of the CMSRL for dealing in securities. They are under our direct supervision and entitled for commission fees upon successful execution of trades. Their commissions are paid out from the brokerage fees charged to their clients.

7.5.2 Our arrangements for corporate finance advisory services

We secure mandates for our corporate finance assignments and our remuneration is in the form of agreed advisory fees based on milestones stipulated in the agreements entered with our clients.

7. BUSINESS OVERVIEW (CONT'D)

7.6 COMPETITIVE ADVANTAGES AND KEY STRENGTHS

Our competitive advantages and key strengths that provide us with the platform to grow our business are as follows:

7.6.1 We have an established track record of 31 years in stockbroking and 10 years in corporate finance to sustain and grow our business

We have an established track record of 31 years in the provision of stockbroking services since 1992, and 10 years track record in the provision of corporate finance advisory services since 2013. This has enabled us to strengthen our market position and develop an established client base which include 20,457 retail and institutional investors for our stockbroking business of which 3,560 are active trading accounts, and 86 private and public listed companies for our corporate finance advisory services for the FYE 2022. For the FPE 2023, our client base comprised 20,636 retail and institutional investors for our stockbroking business of which 2,559 are active trading accounts, and 33 private and public listed companies for our corporate finance advisory services.

For the FYE 2019, FYE 2020, FYE 2021 and FYE 2022, we grew from revenue of RM31.52 million in FYE 2019 to RM43.38 million in FYE 2022, representing a CAGR of 11.23%. Our PAT grew from RM9.85 million in FYE 2019 to RM17.66 million in FYE 2022, representing a CAGR of 21.51%. For the FPE 2023, our revenue and PAT amounted to RM11.44 million and RM5.08 million respectively. Our long and established track record together with our established client base provides our Group with the platform to sustain and grow our business.

7.6.2 We have a network of branch offices, dealers and remisiers to support our stockbroking business in Peninsular and East Malaysia

Our stockbroking operations are supported by a network of branch offices, which includes our principal office at Butterworth Branch, as well as 6 other branch offices in Pulau Pinang, Kuala Lumpur, Melaka, Johor and Sarawak. This provides our stockbroking clients with convenience and increases the accessibility to our broker-assisted trading where trades are executed by our dealers and remisiers through our network of branch offices and/or from their homes. Besides operating from their branch office, our dealers and remisiers can also operate from their home or from any other locations to access our order management system to execute clients' orders, giving them more opportunities to service and market for new clients. As at the LPD, there are a total of 58 licensed dealers and remisiers serving our stockbroking clients. Our network of branch offices, dealers and remisiers and capability to access to our order management system remotely provide us with the support structure to sustain and grow our stockbroking business. Our brokerage fees derived from broker-assisted trading accounted for 38.94% (RM12.28 million), 42.88% (RM21.34 million), 33.03% (RM20.15 million), 24.66% (RM10.70 million) and 32.54% (RM3.72 million) of our total revenue for the FYE 2019, FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

7.6.3 We have online trading platforms to provide convenience and serve as another order management system for our stockbroking clients

We have 2 online trading platforms, namely MST28 Trading Platform and ECOS Trading Platform which enables our stockbroking clients to personally carry out their trading of securities on Bursa Securities without going through our dealers and remisiers. This provides our clients with convenience, reduce their dependencies on our dealers and remisiers to promptly and accurately carry out trades on their behalf. In addition, our online trading platforms increase our addressable market of potential clients that are not within the proximity of our branch offices. Our online trading platforms also enable us to handle more clients without increasing the number of dealers and remisiers. As a value added service, our online trading platforms provides our clients with access to real time prices of securities and other market information, as well as maintain an up to date record of their portfolio of securities and matched trades.

7. BUSINESS OVERVIEW (CONT'D)

For the FYE 2019, FYE 2020, FYE 2021 and FYE 2022, despite lower brokerage fee for online trading relative to broker-assisted trades, our brokerage fees derived from our online trading platform accounted for 7.27% (RM2.29 million), 11.70% (RM5.82 million), 11.34% (RM6.92 million) and 5.95% (RM2.58 million) of our total revenue respectively representing a CAGR of 4.04% in brokerage fees. For FPE 2023, our brokerage fees derived from our online trading platform accounted for 14.29% (RM1.64 million) of our total revenue.

We launched our MST28 Trading Platform on 28 February 2022 and ECOS Trading Platform on 3 October 2022 to replace our “Mercury StraightThru” trading platform. “Mercury StraightThru” has ceased to be accessible to the public since 30 September 2022. Both the new trading platforms are equipped with additional and new features such as onboarding of new clients electronically. MST28 Trading Platform and ECOS Trading Platform are separate systems with different user interfaces. The 2 systems are aimed at providing choice of trading platforms to our stockbroking clients. At the same time, they provide us with trading platform redundancy as part of our business continuity plan. In the event that one trading platform is down, clients can continue to trade on the other platform.

7.6.4 We operate in a highly regulated industry that serves as a barrier to entry

The capital market services industry in Malaysia is highly regulated where a new player intending to obtain a new CMSL for a certain type of regulated activity requires compliance with the qualitative and quantitative criteria (such as fit and proper test, readiness criteria, minimum CMSRL holders and capital requirements) as prescribed by the SC and other relevant regulators. In addition, licensing and registration are also subject to annual renewal by the relevant authorities, all of these requirements represent significant barriers to entry for new entrants.

As of 4 August 2023, there were 30 Participating Organisations of Bursa Securities licensed to provide stockbroking services. In 2022, the trading value of securities on Bursa Securities amounted to RM531 billion (*Source: Industry Overview Report*). As 1 of the licensed stockbroking companies, Mercury Securities is well positioned to address opportunities in the large stockbroking market in Malaysia and selected foreign exchanges to grow our stockbroking business.

As of 4 August 2023, there were 63 CMSL holders eligible for advising on corporate finance. Out of the 63 CMSL holders, there are 17 RPAs that can submit specific proposals such as initial public offerings for Main Market and 17 sponsors for the ACE Market (*Source: Industry Overview Report*). As a RPA, sponsor and approved adviser, Mercury Securities is permitted to carry out advisory services for all types of corporate proposals which include primary equity fundraising offerings, secondary equity fundraising offerings, takeovers, mergers and acquisitions, independent advice, as well as other corporate proposals. In addition, we can act as the sponsor for the admission of ACE Market issuers and approved adviser for admission of LEAP Market issuers and we can also act as the sponsor or continuing adviser for these issuers after listing. This will enable us to address potential business opportunities in the Corporate Finance Segment.

7.6.5 We have 2 business segments, stockbroking and corporate finance advisory services to sustain and grow our business

As a licensed and registered operator in the capital market services industry, Mercury Securities' 2 business segments, namely Stockbroking Segment and Corporate Finance Segment, provide us with 2 revenue streams to diversify dependencies on any 1 of the revenue streams. Revenue from our Stockbroking Segment is in relation to providing trading services to investors for the buying and selling of securities, as well as underwriting and placement of securities. Whereas revenue from our Corporate Finance Segment is in relation to advisory services provided for corporate exercises undertaken by our clients. At the same time, they provide us with diverse areas of growth and opportunities to sustain and grow our business as demonstrated below:

- (i) For our stockbroking services, we have developed an established client base with a total of 3,560 active trading accounts during the FYE 2022, and 2,559 active trading accounts during the FPE 2023. Our Stockbroking Segment is a substantial revenue contributor, which accounted for 62.00% (RM19.54 million), 69.52% (RM34.59 million), 66.12% (RM40.34 million), 69.73% (RM30.25 million) and 79.47% (RM9.09 million) of our total revenue for FYE 2019, FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

7. BUSINESS OVERVIEW (CONT'D)

- (ii) As for our corporate finance advisory services, we are 1 of the 17 CMSL holders for advising on corporate finance under the approved list of RPAs by the SC and also under the list of sponsors and approved advisers of Bursa Securities, where we facilitate the preparation and submission of initial public offering proposals for listing on the Main Market, ACE Market and LEAP Market of Bursa Securities, other corporate proposals requiring the approval of the SC and/or Bursa Securities as well as act as sponsor and continuing adviser for issuers listed on the ACE Market and LEAP Market of Bursa Securities respectively. In addition, we ranked 2nd by deal counts completed under the Mergers and Acquisitions category for 2019 to 2021 and ranked 3rd for 2022, as well as ranked 3rd, 1st, 2nd and 3rd by deal counts completed under the Malaysia Equity and Rights Offering category for 2019, 2020, 2021 and 2022 respectively based on deal counts extracted from Bloomberg. Please refer to Section 7.1.2 of this Prospectus for further details. Contribution from our Corporate Finance Segment accounted for 38.00% (RM11.98 million), 30.48% (RM15.17 million), 33.88% (RM20.67 million), 30.27% (RM13.13 million) and 20.53% (RM2.35 million) of our total revenue for FYE 2019, FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

For the Financial Years and Period Under Review and up to the LPD, we have completed corporate finance advisory services for various type of corporate proposals as set out below:

Type of corporate proposals	Aggregate value (RM million)					May 2023 and up to the LPD
	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FPE 2023	
Primary equity fundraising offerings (market capitalisation) ^(a)	221	166	171	1,786	-	104
Secondary equity fundraising offerings (amount raised) ^(b)	345	484	2,663	522	91	66
Takeovers, mergers and acquisitions (deal value) ^(c)	3,110	2,780	12,684	1,013	90	-
- As Principal Adviser (deal value) ^(c)	997	216	489	671	-	-
- As Independent Adviser (deal value) ^(c)	2,113	2,564	12,195	342	90	-

Notes:

- (a) Refers to market capitalisation based on the closing market price on the date of listing during the respective Financial Years and Period Under Review and up to the LPD.
- (b) Refers to amount raised from secondary equity fundraising offerings during the respective Financial Years and Period Under Review and up to the LPD.
- (c) Refers to deal value of takeovers, mergers and acquisitions exercises during the respective Financial Years and Period Under Review and up to the LPD.

7. BUSINESS OVERVIEW (CONT'D)

	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FPE 2023
Primary equity fundraising offerings					
- Revenue (RM'000)	2,582	2,785	1,275	10,913	891
<i>By advisory fees (RM'000)</i>	2,094	1,030	1,225	4,425	891
<i>By underwriting and placement fees (RM'000)</i>	488	1,755	50	6,488	-
- Number of new mandates secured	4	2	6	2	5
- Number of on-going mandates	5	5	9	4	6
- Number of completed mandates	3	1	2	5	-
Secondary equity fundraising offerings					
- Revenue (RM'000)	5,145	7,317	15,727	5,470	875
<i>By advisory fees (RM'000)</i>	4,285	6,634	9,893	4,093	660
<i>By underwriting and placement fees (RM'000)</i>	860	683	5,834	1,377	215
- Number of new mandates secured	24	56	77	19	3
- Number of on-going mandates	12	55	18	9	9
- Number of completed mandates	14	35	66	25	2
Takeovers, mergers and acquisitions					
- Revenue (RM'000)	5,273	4,838	5,432	3,305	415
<i>By advisory fees (RM'000)</i>	5,273	4,838	5,432	3,305	415
- Number of new mandates secured	21	27	24	20	4
- Number of on-going mandates	2	25	11	14	5
- Number of completed mandates	19	19	23	12	1

7. BUSINESS OVERVIEW (CONT'D)

	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FPE 2023
Other corporate proposals					
- Revenue (RM'000)	327	2,667	4,118	1,308	382
<i>By advisory fees (RM'000)</i>	327	2,667	4,118	1,308	382
- Number of new mandates secured	13	30	34	18	5
- Number of on-going mandates	4	20	8	9	8
- Number of completed mandates	11	6	28	11	2

Our 2 business segments, namely Stockbroking Segment and Corporate Finance Segment, combined with the highly regulated nature of the capital market services industry serving as barriers to entry for new entrants, provide us with the platform to sustain and grow our business.

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7. BUSINESS OVERVIEW (CONT'D)

7.6.6 We have 2 client bases to provide client diversity and sources of revenue

We operate in 2 segments of the capital market services industry that provide us with 2 client bases to grow our business as well as minimise dependencies on any 1 group of clients.

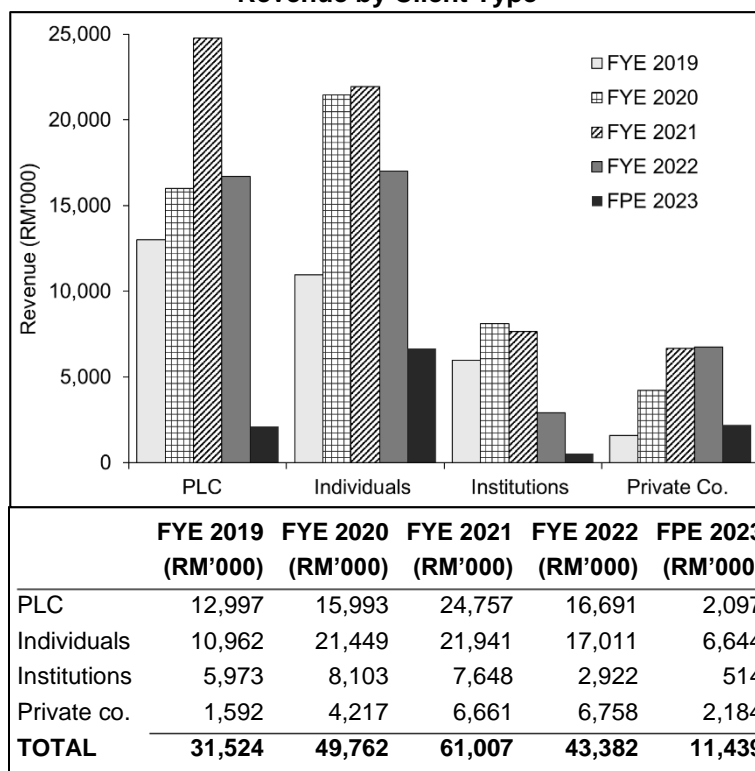
Under our Stockbroking Segment, our brokerage revenue is from provision of trading services for the buying and selling of securities by investors comprising individuals, private and public listed companies as well as institutions who are mainly asset management companies.

As for our Corporate Finance Segment, we serve both private and public listed companies as well as high-net-worth individuals where we provide corporate finance advisory services.

Our client base for Stockbroking Segment and Corporate Finance Segment are different with the exception of certain clients who use our corporate finance advisory services as well as underwriting and placement services. The underwriting and placement services are executed by our Stockbroking Segment.

For the FYE 2022, our client base comprises 38.47% public listed companies, 39.21% individual investors, 6.74% institutional clients and 15.58% private companies of our total revenue. For the FPE 2023, our client base comprises 18.33% public listed companies, 58.08% individual investors, 4.50% institutional clients and 19.09% private companies of our total revenue.

Revenue by Client Type



PLC = Public listed companies; institutions = institutional clients such as asset management companies; private co. = private companies.

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7. BUSINESS OVERVIEW (CONT'D)

Revenue segmentation by client type and 2 business segments is set out below:

	FYE 2019		FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Stockbroking Segment	19,545	62.00	34,593	69.52	40,339	66.12	30,251	69.73	9,091	79.47
- Public listed companies	1,458	4.63	1,644	3.31	4,934	8.08	5,306	12.23	290	2.53
- Individuals	10,962	34.77	21,049	42.30	21,841	35.80	16,363	37.72	6,644	58.08
- Institutions	5,973	18.95	8,103	16.28	7,648	12.54	2,922	6.73	514	4.50
- Private companies	1,152	3.65	3,797	7.63	5,916	9.70	5,660	13.05	1,643	14.36
Corporate Finance Segment	11,979	38.00	15,169	30.48	20,668	33.88	13,131	30.27	2,348	20.53
- Public listed companies	11,539	36.60	14,349	28.84	19,823	32.50	11,385	26.25	1,807	15.80
- High-net-worth individuals	-	-	400	0.80	100	0.16	648	1.49	-	-
- Private companies	440	1.40	420	0.84	745	1.22	1,098	2.53	541	4.73
Group revenue	31,524	100.00	49,762	100.00	61,007	100.00	43,382	100.00	11,439	100.00

The diversity in our client base provides us with the platform to address growth opportunities.

In some situations, we are able to cross-sell our underwriting and placement services as well as stockbroking services to our corporate finance clients. For example, the scope of work for an initial public offering exercise undertaken by our Corporate Finance Segment will involve among others, facilitating the preparation and submission of applications to the relevant authorities. While our Stockbroking Segment will facilitate the underwriting and placement services from this initial public offering exercise (upon receipt of approval(s) from the relevant authorities) to underwrite and place out the securities, and where required, to provide our stockbroking services including trading of shares, margin financing facility services, nominee and custodian services to their major shareholders, directors and employees.

7. BUSINESS OVERVIEW (CONT'D)

7.6.7 We have experienced Managing Director and Key Senior Management team supported by qualified and licensed personnel to develop and grow our business

We have an experienced Managing Director, Chew Sing Guan, who has approximately 31 years of experience in the stockbroking industry and 10 years of experience in corporate finance. As the Managing Director, Chew Sing Guan is responsible for developing the strategic directions and business expansion strategies of our Group. Over the years, he has contributed significantly to the growth and development of our Group.

Our Managing Director are supported by experienced Key Senior Management team as follows:

- (i) Vijaya Kumar A/L Muniandy, our Head of Dealing who brings with him approximately 33 years of experience in relation to dealing in securities;
- (ii) Lai Ther Wei, our Head of Capital Markets who brings with him approximately 16 years of experience in corporate finance advisory;
- (iii) Siew Kwong Cheong, our Head of Operation, who brings with him approximately 28 years of experience in stockbroking operations;
- (iv) Foong Kee Yan, our Head of Credit and Risk Management who brings with him approximately 31 years of experience in stockbroking operations;
- (v) Heong Ah Fong, our Head of IT who brings with him approximately 29 years of experience in the IT function in relation to the stockbroking industry; and
- (vi) Teoh Wee Tong, our Chief Financial Officer who brings with him approximately 18 years of experience in the accounting and finance related functions.

We believe our Managing Director and Key Senior Management will help sustain our business and provide us with the platform to further grow our business. Details on the profiles of our Managing Director and Key Senior Management are set out in Section 5.1.2(i) and Section 5.4.2 of this Prospectus, respectively.

For our Stockbroking Segment, there are a total of 58 CMSRL holders for dealing in securities comprising the following:

- (i) 15 dealers, who are our salaried employees as at the LPD are involved in servicing our stockbroking clients; and
- (ii) 43 remisiers, who are not our employees but are commissioned dealer's representatives working under our company's name, direct supervision and using our trading facilities as at the LPD are involved in servicing our stockbroking clients.

As at the LPD, we also have a total of 9 CMSRL holders for dealing in securities that are involved in proprietary trading, comprising 8 dealers (7 IVT traders and 1 PDT trader) as well as 1 remisier (PDT trader). Kindly refer to Section 7.7.3(i) of this Prospectus for further details on proprietary trading.

As for the Corporate Finance Segment, we have a total of 22 employees including 9 CMSRL holders for advising on corporate finance of which 4 are recognised by the SC as QP as at the LPD.

7. BUSINESS OVERVIEW (CONT'D)

Our operations also supported by our research team comprising 3 CMSRL holders for investment advice supported by a trainee as at the LPD for the provision of investment advice, conduct research and analysis, focusing on situational, mid and small cap securities to support our stockbroking clients. We were listed as 1 of the participating research companies of Bursa Securities to prepare research reports under the Capital Market Development Fund (CMDf) - Bursa Research Scheme (CBRS) since the launch of the scheme in 2005 and up to 2017 (where our last research reports were prepared for 4th quarter of 2017), and Mid & Small Cap Scheme between 2017 and 2020. The Mid & Small Cap Scheme was launched in May 2017 and had ended in December 2020.

7.7 PRODUCTS AND SERVICES**7.7.1 Stockbroking segment**

For the FYE 2019, FYE 2020, FYE 2021, FYE 2022 and FPE 2023, revenue derived from our Stockbroking Segment accounted for 62.00%, 69.52%, 66.12%, 69.73% and 79.47% of our total revenue respectively. In general, we provide the following services under our Stockbroking Segment:

- (i) trading of securities;
- (ii) margin financing facility services;
- (iii) underwriting and placement services; and
- (iv) nominee and custodian services.

7.7.1.1 Trading of securities

As a stockbroking company, our main business activity is to facilitate the buying and selling of securities mainly listed on Bursa Securities. We are a registered Participating Organisation of Bursa Securities, an ADA appointed by Bursa Depository and a trading clearing participant of Bursa Clearing.

Our client would be required to open a trading account with Mercury Securities while at the same time, the client would need to open a CDS Account with Bursa Depository through Mercury Securities. The CDS Account will keep records of ownerships of securities as well as deposits and withdrawals of securities. Our clients' trading accounts will be linked to their respective CDS Accounts.

We also facilitate the trading of securities listed in foreign stock exchanges for our clients. This mainly includes securities listed in Singapore, Hong Kong, and USA security exchanges. This is carried out through our appointed agent, Phillip Securities Pte Ltd, a foreign stockbroking company based in Singapore. The foreign securities will be placed into our nominee account maintained with the foreign stockbroker. In this respect, our clients will be entitled to the basic rights as shareholders such as dividends and the option to subscribe to rights issues and other entitlements. For the Financial Years and Period Under Review, brokerage fees derived from trading in foreign security exchanges accounted for less than 0.50% of our total revenue.

7. BUSINESS OVERVIEW (CONT'D)

Trading accounts

We offer mainly 3 types of trading account as follows:

- (i) **Cash upfront account:** For this type of trading account, our client places a cash deposit and the trading limit will be set on each Market Day based on the available cash of the client. For every successful execution of a buy trade, our client must make payment within the T+2 settlement period or utilised the cash available in clients trust account to pay for the purchase.
- (ii) **Collateralised trading account:** Our clients' trading limits are determined on each Market Day based on a multiple of the value of their collaterals, normally in the form of quoted securities held in their CDS Accounts maintained with us. This type of trading account provides clients with higher trading limits compared to cash upfront account mentioned above. If payment for the purchased securities is not received within the T+2 settlement period and/or contra losses are not settled, we will realise the collaterals such as selling the quoted securities held in their CDS Accounts to settle the clients' obligations.
- (iii) **Margin account:** This refers to a trading account where we provide margin financing facility services to our clients. Our margin account clients have the option to use our margin financing to pay for their purchases of securities when due on T+2 settlement period. The collateral for a margin account includes cash deposits as well as quoted securities held by our clients. Please refer to Section 7.7.1.2 of this Prospectus for further details on margin financing facility services.

Further, our contra clients are under the above 3 types of trading account.

Trade execution services

Our trade execution services are available through 2 channels as set out below:

- (i) **Broker-assisted services**, where we have licensed representatives to facilitate trade execution on behalf of our clients. For the FYE 2019, FYE 2020, FYE 2021, FYE 2022 and FPE 2023, brokerage fees from broker-assisted services pertaining to trading on Bursa Securities and foreign stock exchanges accounted for 38.94%, 42.88%, 33.03%, 24.66% and 32.54% of our total revenue respectively.

We have 2 categories of licensed representatives by the SC to provide broker-assisted services as follows:

- (a) **dealers or salaried dealer's representatives**, who are holders of CMSRL for dealing in securities, are our employees, and are paid basic salaries as well as bonuses; and
- (b) **remisiers or commissioned dealer's representatives**, who are holders of CMSRL for dealing in securities, are our agents and they receive a commission based on a fixed percentage of brokerage fee earned for every successful trade executed. Although they are not our employees, they use our trading facilities and company name, and operate as our exclusive trading representatives under our direct supervision.

Our clients including institutional investors and retail investors would contact either our dealers or remisiers to place their respective buy or sell orders and these orders would then be entered into our order management system, which would be subsequently relayed to Bursa Securities' ATS for matching of the buy and sell orders. When orders are either fully or partially filled, contract notes will be generated on the same Market Day and mailed to our clients on the next Market Day.

7. BUSINESS OVERVIEW (CONT'D)

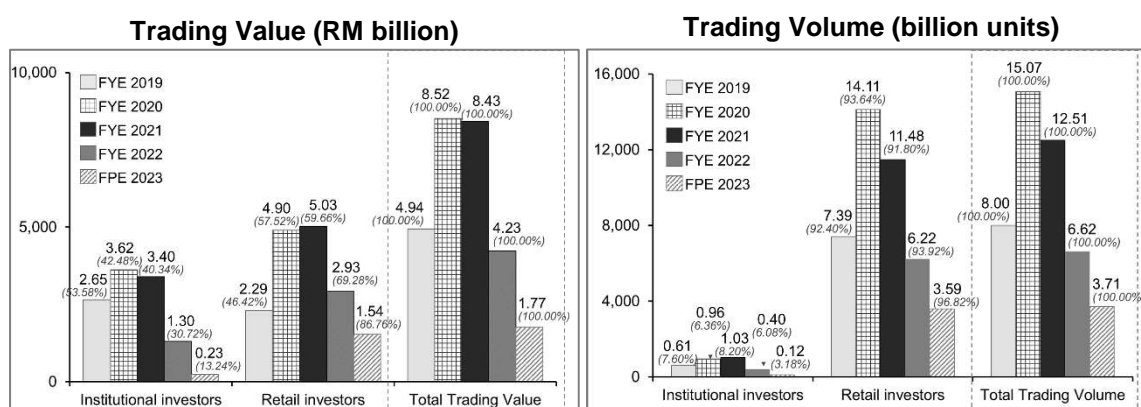
(ii) **Online trading**, involves clients placing their buy or sell orders themselves via our online trading platforms and these orders will be relayed directly to Bursa Securities' ATS. For the FYE 2019, FYE 2020, FYE 2021, FYE 2022 and FPE 2023, our brokerage fees from online trading accounted for 7.27%, 11.70%, 11.34%, 5.95% and 14.29% of our total revenue respectively.

Our online trading platforms provide the following services and facilities:

- (a) place or withdraw buy or sell orders;
- (b) access to real-time security quotations;
- (c) access to security information, charts and analysis;
- (d) access to account information and security portfolio; and
- (e) access to research and analysis materials.

Further, our online trading platforms enable clients to place buy or sell orders via desktop computers and mobile devices running on Android or iOS operating system, and is only available for the execution of trades of securities listed on Bursa Securities.

For the Financial Years and Period Under Review, our security trading values and volumes are set out below:



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7. BUSINESS OVERVIEW (CONT'D)

For the Financial Years and Period Under Review, our domestic and foreign trading volumes and values of securities are as follows:

	FYE 2019		FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	(Mil. Units)	(%)	(Mil. Units)	(%)	(Mil. Units)	(%)	(Mil. Units)	(%)	(Mil. Units)	(%)
Trading Volume										
Domestic securities ^(a)	7,992	99.91	15,018	99.64	12,480	99.79	6,615	99.88	3,708	99.92
Foreign securities ^(b)	7	0.09	54	0.36	26	0.21	8	0.12	3	0.08
	7,999	100.00	15,072	100.00	12,506	100.00	6,623	100.00	3,711	100.00

	FYE 2019		FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	(RM'mil)	(%)	(RM'mil)	(%)	(RM'mil)	(%)	(RM'mil)	(%)	(RM'mil)	(%)
Trading Value										
Domestic securities ^(a)	4,924	99.72	8,504	99.79	8,386	99.54	4,205	99.46	1,754	99.21
Foreign securities ^(b)	14	0.28	18	0.21	39	0.46	23	0.54	14	0.79
	4,938	100.00	8,522	100.00	8,425	100.00	4,228	100.00	1,768	100.00

Notes:

- (a) Comprise broker-assisted and online trading.
- (b) Comprise broker-assisted trading only.

Our clients

We service mainly 2 categories of clients:

- (i) **Retail investors** refer to individuals aged 18 years and above or private companies including sophisticated investors such as high-net-worth individuals or entities; and
- (ii) **Institutional investors** comprise asset owners and asset management companies holding securities in companies that are listed on Bursa Securities and other stock exchanges. Asset owners are collective investment vehicles that collect funds on behalf of their beneficiaries or clients, and manage the assets internally or outsource to asset management companies. Asset owners in Malaysia include pension funds, private retirement scheme providers, insurance companies, takaful operators and investment trusts. Asset management companies are responsible for managing funds on behalf of asset owners through investment vehicles such as unit trust funds, exchange-traded funds and private investment scheme funds.

7. BUSINESS OVERVIEW (CONT'D)

Our active and new trading accounts for the Financial Years and Period Under Review are set out below:

Active trading accounts

	FYE 2019		FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	Number	(%)	Number	(%)	Number	(%)	Number	(%)	Number	(%)
Active trading accounts^(a)										
Retail investors	3,063	97.21	4,051	97.78	4,552	97.96	3,464	97.30	2,482	96.99
Institutional investors	88	2.79	92	2.22	95	2.04	96	2.70	77	3.01
	3,151	100.00	4,143	100.00	4,647	100.00	3,560	100.00	2,559	100.00

Note:

(a) Active trading accounts refer to accounts with trading activity within the respective FYE/FPE.

New trading accounts

	FYE 2019		FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	Number	(%)	Number	(%)	Number	(%)	Number	(%)	Number	(%)
New trading accounts^(a)										
Retail investors	293	97.67	825	98.33	459	98.71	376	97.66	237	99.58
Institutional investors	7	2.33	14	1.67	6	1.29	9	2.34	1	0.42
	300	100.00	839	100.00	465	100.00	385	100.00	238	100.00

Note:

(a) New trading accounts refer to accounts opened within the respective FYE/FPE.

7. BUSINESS OVERVIEW (CONT'D)

7.7.1.2 Margin financing facility services

Margin financing facility service is a credit facility offered to our stockbroking clients to fund their purchase of quoted securities listed on Bursa Securities. Clients will need to open a margin account with us and pledge acceptable collaterals such as cash deposits and/or quoted securities in their margin accounts. The margin financing facility amount granted to each client is subject to approval by our credit committee and varies from case to case.

The general terms for our margin financing facility service are as follows:

Margin financing	General terms
Minimum margin financing facility	RM50,000
Acceptable collaterals	Quoted securities and cash
Trading maximum limit	Cash: up to 2.5 times; Acceptable quoted securities: up to 1.5 times
Margin of financing ratio	Up to 60.00% of the total value of the acceptable collaterals (including cash and/or quoted securities) in the margin account
Margin call	Above 60.00% of outstanding amount relative to the total value of acceptable collaterals (including cash and/or quoted securities)
Interest rate	From 4.50% to 18.00% per annum of the borrowed amount which is based on agreed rate on the amount borrowed
Roll-over fee	Up to 0.50% of the outstanding amount where we charge roll-over fees for outstanding margin facility amounts that are carried over to the next period, where each period is 90 days
Tenure	Generally is 90 days and may be extended subject to Mercury Securities' approval
Commitment fee	Up to 1.00% of the unutilised margin credit facility
Processing fees	Up to 1.00% of the margin financing facility amount which is a one-off fee charged on the initial margin financing facility amount granted to clients by us at the agreed rate stipulated in the agreement

A margin call will be issued to our stockbroking clients if the borrowed amount relative to the total value of the acceptable collaterals in the margin account increased above 60.00%. This often happens when the prices of the invested securities and/or the securities held as collateral fall, therefore this reduces the total value of the acceptable collaterals in the margin account. When a margin call is made, our stockbroking clients have the option to either top up with cash or other quoted securities or sell off some of their securities to pay off some of the amount borrowed in the margin account. If our stockbroking clients are unable to maintain the amount borrowed below the margin of financing ratio, we have the right to force-sell their securities and/or set off their cash deposit in the margin account.

For the FYE 2019, FYE 2020, FYE 2021, FYE 2022 and FPE 2023, margin income derived from margin financing facility services accounted for 11.43%, 10.01%, 12.09%, 20.94% and 30.71% of our total revenue respectively. Margin income comprises margin interest income, processing fees, commitment fees and roll-over fees. Please refer to Section 12.3.2 of this Prospectus for further details on our margin income.

7. BUSINESS OVERVIEW (CONT'D)

7.7.1.3 Underwriting and placement services

We undertake underwriting and placement services where we underwrite and place out securities from primary and secondary equity fundraising offerings mainly from initial public offering, rights issues and private placements undertaken by companies intending to list or are already listed on the Main Market, ACE Market and LEAP Market, as the case may be. The underwriting and placement of securities services are generally from issuance/offering of securities undertaken by clients where we also provide corporate finance advisory services or we participate in the syndicate as 1 of the underwriter or placement agent for issuance/offering of securities undertaken by issuers and advised by other licensed corporate finance service providers.

We enter into underwriting agreement and placement agreement with our clients which contain the amount of securities underwritten or to be placed by us and other terms and conditions including the rate of underwriting fees and placement fees. For placement services, the potential investors to subscribe for the available placement shares are either procured/identified by us or our clients. Generally, we charge a fee for the underwriting services at a rate ranging between 1.50% and 3.00% of the total value of underwritten shares or other securities. As for the placement services, we charge a fee at a rate ranging between 0.50% and 3.00% of the total value of shares or other securities successfully placed out to investors.

In underwriting arrangement, we assume the underwriting risk where in the event of undersubscription of the underwritten securities, we will subscribe and/or procure investors to subscribe for the unsubscribed underwritten securities in the proportion of our underwriting commitment. These securities subscribed by us will be held as short-term investments and/or will be disposed of through the open market. We utilise internally generated funds for all our underwriting services. The basis for determining the availability of funds for all our underwriting is up to 25% of our shareholders' funds and subject to our risk assessment of each underwriting proposal and market conditions. Please refer to Section 9.1.10 of this Prospectus for further details on the risk pertaining to underwriting services.

Our responsibilities when we are the managing/sole underwriter and lead/sole placement agent also include facilitating in determining the issue/offer price, liaison with potential investors, share registrar or issuing house, issuance of placement letter, stage roadshows together with investors consultants as well as book building to procure investors.

For the FYE 2019, FYE 2020, FYE 2021, FYE 2022 and FPE 2023, revenue derived from underwriting and placement services accounted for 4.28%, 4.90%, 9.64%, 18.13% and 1.88% of our total revenue respectively.

7.7.1.4 Nominee and custodian services

Nominee and custodian services are mainly used to hold securities held as collateral for margin accounts and on behalf of investors for trades executed on foreign security exchanges. Foreign trade orders are executed by our agent, a 3rd party stockbroking company based in Singapore. Our clients' foreign securities are recorded in the nominee account maintained by Mercury Securities with the 3rd party stockbroking company.

Our nominee and custodian services mainly include managing corporate actions on behalf of our clients, such as processing of entitlement for rights issues, acceptance or rejection of a takeover offer and dividends including dividend reinvestment plans as well as executing and lodging of proxy form for general meetings. For the Financial Years and Period Under Review, revenue derived from nominee fees accounted for less than 1.00% of our total revenue.

7. BUSINESS OVERVIEW (CONT'D)

7.7.2 Corporate Finance Segment

We are licensed by the SC to provide corporate finance advisory services and have been admitted to the Register of RPAs of the SC as a RPA. As at the LPD, we have 9 holders of CMSRL for advising on corporate finance of which 4 are also recognised by the SC as QP. We have been admitted to the Register of Sponsor and Register of Advisers of Bursa Securities as a sponsor for ACE Market and approved adviser for LEAP Market, respectively. Fulfilling such requirements, we can undertake a full suite of corporate finance services for companies to be listed or already listed on the Main Market, ACE Market and LEAP Market.

For the FYE 2019, FYE 2020, FYE 2021, FYE 2022 and FPE 2023, advisory fees derived from our Corporate Finance Segment accounted for 38.00%, 30.48%, 33.88%, 30.27% and 20.53% of our total revenue respectively. This included advisory fees derived from the Former Corporate Finance Team, which accounted for 27.80% (RM8.76 million), 23.62% (RM11.76 million), 24.78% (RM15.12 million) and 14.37% (RM6.24 million) of our total revenue for the FYE 2019, FYE 2020, FYE 2021 and FYE 2022 respectively. The Former Corporate Finance Team consist of the former Head of Corporate Finance and his team, comprising 16 corporate finance personnel, of which 4 are CMSRL holders. The Former Corporate Finance Team had resigned and left Mercury Securities as at 1 November 2022.

7.7.2.1 Corporate finance advisory services

Our advisory services include advising on the requirements and compliance to relevant laws, regulations and guidelines, providing independent evaluation focusing mainly on the following types of corporate exercises:

- (i) primary equity fundraising offerings comprising initial public offering on the Main Market, ACE Market and LEAP Market;
- (ii) secondary equity fundraising offerings such as rights issue and private placement for all listed companies on Bursa Securities;
- (iii) takeovers, mergers and acquisitions; and
- (iv) other corporate proposals including bonus issue of shares and/or warrants, share issuance scheme, transfer of listing from the ACE Market to the Main Market and corporate restructuring as well as other corporate exercises undertaken mainly by listed companies which generally require approval from the relevant authorities and/or shareholders.

(i) Primary equity fundraising offerings

Our role for primary equity fundraising offerings through initial public offering involves facilitating the preparation and submission of initial public offering proposals to the relevant authorities.

An initial public offering is when a public company offers the sale of its securities or any class of its securities to the public or sophisticated investors for the 1st time and the entire securities of the company are admitted to the Official List of Bursa Securities, i.e., Main Market, ACE Market and LEAP Market (only to sophisticated investors). In addition to ordinary shares, other types of securities which may be issued by an issuer which include among others, convertible preference shares and warrants.

7. BUSINESS OVERVIEW (CONT'D)

Bursa Securities offers a choice of 3 markets for companies to list their securities in Malaysia and this includes Main Market, ACE Market and LEAP Market:

	<u>Main Market</u>	<u>ACE Market</u>	<u>LEAP Market</u>
Our role	Principal adviser, underwriter and placement agent ^(a)	Principal adviser, sponsor, underwriter and placement agent ^(a)	Approved adviser, placement agent ^(a) and continuing adviser
Candidate	Aimed at established companies that have met qualitative and quantitative conditions such as minimum profit track record, minimum size measured by market capitalisation, and infrastructure projects.	Aimed at small and medium-sized enterprises with growth prospects. It is sponsored-driven and the sponsor must assess the suitability of the company for listing.	Aimed at emerging companies to provide them with access and visibility via the capital market. It is adviser-driven and the approved adviser must assess the suitability of the company for listing.
Main approving authority	SC	Bursa Securities	Bursa Securities
Target investors	Institutional and retail investors as well as Bumiputra investors approved by MITI	Institutional and retail investors as well as Bumiputra investors approved by MITI ^(b)	Sophisticated investors

Notes:

- (a) For those primary equity fundraising offerings that required underwriting and placement services are facilitated by our Stockbroking Segment.
- (b) Allocation to Bumiputra investors approved by MITI upon achieving the profit track record required for listing on the Main Market, or 5 years after being listed on the ACE Market, whichever is the earlier.

Our scope of work

As a principal adviser/sponsor/approved adviser, we provide advice and guidance on the initial public offering process from planning, project management up to submission to authorities and completion of the exercise. Generally, our role and responsibilities for the initial public offering process include, among others, the following:

- (i) advise on the listing structure, restructuring exercise and formulation of the listing scheme, compliance and disclosure requirements of relevant regulations and guidelines issued by various authorities;
- (ii) coordinate, supervise and manage the due diligence process and conduct due diligence on the company and its related companies, including its business operations, promoters, shareholders, directors and key senior management;
- (iii) assist in the preparation and submission of the applications including the pre-application pack, prospectus, information memorandum and other submission documents to obtain the necessary approvals and waiver (if required);
- (iv) liaise with relevant authorities on all matters in connection with the initial public offering exercise;

7. BUSINESS OVERVIEW (CONT'D)

- (v) register and lodge the prospectus with the SC or Bursa Securities and Registrar of Companies respectively for Main Market and ACE Market listing. Lodge the information memorandum with the SC for LEAP Market listing; and
- (vi) others, which include coordinating with Bursa Depository for all depository matters, issuing house and share registrar for balloting, allotment and issuance of the securities to successful applicants.

In general, it may take between 6 months to 18 months (from the planning/preparation stage) for primary equity fundraising offerings to complete, depending on among others, the size, structure and complexity of the exercises.

Completed projects

For the Financial Years and Period Under Review and up to the LPD, we have completed the following initial public offering exercises:

Our Client	Our role	Listing Market	Date of Listing	^(a)Market capitalisation (RM million)
Uni Wall APS Holdings Berhad	Approved adviser, placement agent and continuing adviser	LEAP	15 January 2019	80.45
Equities Tracker Holdings Berhad	Approved adviser, placement agent and continuing adviser	LEAP	7 March 2019	40.51
CE Technology Berhad	Approved adviser, placement agent and continuing adviser	LEAP	21 June 2019	100.37
Powerwell Holdings Berhad	Principal adviser, sponsor, sole underwriter and sole placement agent	ACE	22 January 2020	165.46
ICT Zone Asia Berhad	Approved adviser and continuing adviser	LEAP	15 December 2020	109.63
UCI Resources Berhad	Approved adviser, placement agent and continuing adviser	LEAP	23 March 2021	61.68
Senheng New Retail Berhad	Principal adviser, managing underwriter, joint underwriter and joint bookrunner	Main	25 January 2022	1,282.50
Snowfit Group Berhad	Approved adviser, placement agent and continuing adviser	LEAP	21 June 2022	42.22
CC International Berhad	Approved adviser, placement agent and continuing adviser	LEAP	28 June 2022	119.73
PT Resources Holdings Bhd	Principal adviser, sponsor, underwriter and placement agent	ACE	27 September 2022	197.96
Cosmos Technology International Berhad	Principal adviser, sponsor, underwriter and placement agent	ACE	6 October 2022	143.64

7. BUSINESS OVERVIEW (CONT'D)

<u>Our Client</u>	<u>Our role</u>	<u>Listing Market</u>	<u>Date of Listing</u>	^(a) <u>Market capitalisation (RM million)</u>
MYMBN Berhad	Principal adviser, sponsor, underwriter and placement agent	ACE	25 July 2023	104.22

Note:

(a) Based on the closing market price on the date of listing.

On-going projects

Our on-going initial public offering projects as at the LPD are as follows:

<u>Client's name/Description of our client</u>	<u>Our role</u>	<u>Listing market</u>
• Evergreen Max Cash Capital Berhad ^(a)	Principal adviser, sponsor, underwriter and placement agent	ACE
• The company is principally involved in manufacturing, distribution and trading of paints, chemical colorants and pigments	Principal adviser, sponsor, underwriter and placement agent	ACE
• The company is principally involved in freight forwarding, delivery and distribution services	Principal adviser, sponsor, underwriter and placement agent	ACE
• The company is principally involved in manufacturing, distribution and trading of roofing materials	Principal adviser, sponsor, underwriter and placement agent	ACE
• The company is principally involved in the provision of engineering and maintenance works for solar cooling systems	Principal adviser, sponsor, underwriter and placement agent	ACE
• The company is principally involved in the rental services of generation sets	Principal adviser, sponsor, underwriter and placement agent	ACE
• The company is principally involved in the retail and distribution of healthcare, skincare and other cosmetic products under its own brands	Principal adviser, sponsor, underwriter and placement agent	ACE
• The company is principally involved in property development and construction	Approved adviser, placement agent and continuing adviser	LEAP

Note:

(a) As at the LPD, this on-going project has obtained the approvals from the authorities and target to be listed by 3rd quarter of 2023.

7. BUSINESS OVERVIEW (CONT'D)

(ii) Secondary equity fundraising offerings

We provide advisory services on secondary equity fundraising offerings for existing listed companies to raise capital via the issuance of new securities. Generally, there are 2 types of secondary equity fundraising offerings:

- (i) **Rights issue**, which is an offering of new securities to all existing shareholders that gives them the option to subscribe for their entitlements of the new securities provisionally allotted to them including the option to apply for additional new securities in excess of their entitlement; and
- (ii) **Private placement**, which is an offering of new securities directly to selected investors.

Our scope of work

As a principal adviser/approved adviser, our advisory services include planning, preparation and submission of applications to Bursa Securities and/or the SC up to the implementation stage. Generally, our role and responsibilities include, among others, the following:

- (i) propose a suitable plan to meet client's funding requirements, advise on the structure of the proposal, compliance and disclosure requirements of relevant guidelines issued by the authorities;
- (ii) coordinate, supervise and manage the due diligence process to ensure that information to be disclosed in among others, announcement, circular to shareholders, abridged prospectus are true, accurate and not misleading;
- (iii) assist in the preparation and submission of applications including the listing application, shareholders' circular and abridged prospectus to obtain approvals from the relevant authorities and shareholders, if required as well as register the abridged prospectus with the SC/Bursa Securities and lodge it with the Registrar of Companies; and
- (iv) liaise with the authorities on all matters in connection with the proposed exercise for the admission, listing and quotation of the new securities on Bursa Securities.

In general, it may take between 2 months to 9 months (from the planning/preparation stage) for secondary equity fundraising offerings to complete, depending on among others, the size, structure and complexity of the exercises.

For the Financial Years and Period Under Review and up to the LPD, the following is a summary of our completed secondary equity fundraising offering exercises:

	<u>Number of deals</u>	<u>Aggregated amount raised (RM million)</u>	<u>Revenue (RM'000)</u>
FYE 2019	14	345	4,285
FYE 2020	35	484	6,634
FYE 2021	66	2,663	9,893
FYE 2022	25	522	4,093
FPE 2023	2	91	660
May 2023 and up to the LPD	2	66	177

As at the LPD, we have 9 on-going secondary equity fundraising offering exercises.

7. BUSINESS OVERVIEW (CONT'D)

(iii) Takeovers, mergers and acquisitions

We provide advisory services for takeover, merger and acquisition proposals including assisting in negotiating, structuring and performing valuation.

Our scope of work

We provide advisory services for takeover, merger and acquisition proposals which involve compliance with the SC's Rules on Take-overs, Mergers and Compulsory Acquisitions 2016. For acquisition and disposal of assets and/or securities, we are engaged to act as either principal adviser or independent adviser to the listed issuer undertaking the corporate proposal. For takeover offers, we are engaged to act either as a principal adviser to the offeror or an independent adviser to the offeree.

Our general role and responsibilities are as follows:

<u>As principal adviser</u>	<u>As independent adviser</u>
(i) develop deal strategies;	(i) evaluate the fairness and reasonableness of the deal including the offer price and rationale;
(ii) advise on deal structure and regulatory requirements;	(ii) issue an independent advice letter/circular with our opinions and views on the deal to the non-interested shareholders; and
(iii) assist in the negotiation process and liaise with potential target/buyer;	(iii) advise and provide recommendation to the non-interested shareholders on whether to accept or reject the offer or whether to vote in favour or vote against the resolution to give effect to the offer as the case may be.
(iv) conduct due diligence and carry out the business valuation of the deal; and	
(v) preparation of shareholders' circular, announcements, notice of take-over, offer document and press notices.	

In general, it may take between 3 months to 9 months (from the planning/preparation stage) for takeover, merger and acquisition exercises to complete, depending on among others, the adviser's role undertaken as well as the size, structure and complexity of the exercises.

For the Financial Years and Period Under Review and up to the LPD, the following is a summary of our completed takeover, merger and acquisition exercises:

	<u>As principal adviser</u>		<u>As independent adviser</u>		<u>Revenue (RM'000)</u>
	<u>Number of deals</u>	<u>^(a)Deal value (RM million)</u>	<u>Number of deals</u>	<u>^(a)Deal value (RM million)</u>	
FYE 2019	7	997	12	2,113	5,273
FYE 2020	7	216	12	2,564	4,838
FYE 2021	11	489	12	12,195	5,432
FYE 2022	8	671	4	342	3,305
FPE 2023	-	-	1	90	415
May 2023 and up to the LPD	-	-	-	-	-

7. BUSINESS OVERVIEW (CONT'D)

Note:

- (a) Refers to deal value of the takeovers, mergers and acquisition exercises during the respective Financial Years and Period Under Review and up to the LPD.

As at the LPD, the following is a summary of our on-going takeover, merger and acquisition exercises, which have been announced on Bursa Securities' website:

	<u>As principal adviser</u>	<u>As independent adviser</u>
Number of deals	4	1
Deal value (RM million)	241	1,200

7.7.3 Related activities

We carry out and generate income from related activities as follows:

(i) Proprietary trading

We carry out proprietary trading pertaining to short-term trading under our proprietary accounts as a Participating Organisation of Bursa Securities. There is no brokerage fee charged for proprietary trading and the only cost incurred for each transaction is the clearing fees, SC levy and system maintenance fee charged by Bursa Securities.

Our 2 categories of trader for proprietary trading are as follows:

- (a) **IVT** traders are our dealers engaged to carry out proprietary trading on behalf of Mercury Securities including Intraday Short Selling (IDSS) using our proprietary accounts and internal funds. The IVT traders must close their positions before the market closes on each Market Day but they may be allowed to carry forward their position at the end of the day, subject to management's approval on a case-to-case basis. They are prohibited by Bursa Securities to carry out trades on behalf of clients.
- (b) **PDT** traders are either our remisiers or dealers registered with Bursa Securities to carry out proprietary day trading of securities listed on the Main Market only using our proprietary accounts. They must close their long position by T+1 Market Day by selling the outstanding securities purchased on the previous Market Day. They are also permitted to perform short selling but their short position must be closed on the same Market Day. They are prohibited by Bursa Securities to carry out trades on behalf of clients.

As at the LPD, we have a total of 9 CMSRL holders for dealing in securities to carry out proprietary trading, comprising 8 dealers (7 IVT traders and 1 PDT trader) as well as 1 remisier (PDT trader).

7. BUSINESS OVERVIEW (CONT'D)

For the Financial Years and Period Under Review, our securities trading values and volumes, as well as the net trading gains under proprietary trading are set out below:

	<u>FYE 2019</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FPE 2023</u>
Trading volume (million units)	4,491	9,043	6,369	5,027	2,217
Trading value (RM million)	1,669	3,501	3,155	1,620	523
Net trading gains under proprietary trading (RM'000)	1,316	5,381	2,202	3,949	455

(ii) Research

Our research team covers mainly research of small and medium-sized market capitalisation companies whereby we prepare the following reports:

- (a) **Initiation of coverage report** which covers the background of the company, discussion of risk factors, analysis of the company's financials, analysis of the company against selected listed comparable companies, as well as valuation and recommendation on buy/hold/sell position.
- (b) **Coverage of result report** which covers mainly the analysis of financial results performance, analyst's opinion on the outlook of the company, as well as valuation and recommendation on buy/hold/sell position.
- (c) **Update report** which covers the description of recent development, analysis of the impact or influence of the development on the company's business prospects, as well as valuation and recommendation on buy/hold/sell position.

We generated income from research report we prepared under the Capital Market Development Fund (CMDf) - Bursa Research Scheme (CBRS) and Mid & Small Cap Scheme. We were listed as 1 of the participating research companies of Bursa Securities to prepare research reports under the Capital Market Development Fund (CMDf) - Bursa Research Scheme (CBRS) since the launch of the scheme in 2005 and up to 2017 (where our last research reports were prepared for 4th quarter of 2017), and Mid & Small Cap Scheme between 2017 and 2020. The Mid & Small Cap Scheme was launched in May 2017 and had ended in December 2020. There was no income generated from the research report effective 1 January 2021 and up to the LPD.

Our research team also prepares daily market reports and uploads on our online trading platforms for our clients to keep them updated with market economic, commodities developments in Malaysia and other countries to enable our clients to keep abreast with the overall market and technical analysis to facilitate them in making investment decisions.

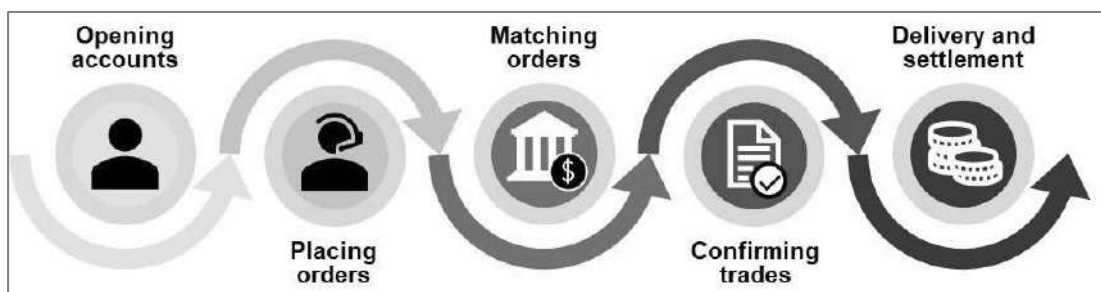
As at the LPD, we have 3 CMSRL holders for the regulated activity of investment advice.

7. BUSINESS OVERVIEW (CONT'D)

7.8 BUSINESS PROCESS FLOW

7.8.1 Stockbroking Segment

The general process flow of our stockbroking operations is as follows:



Opening accounts

To start trading, our client is required to open a trading account with Mercury Securities and a CDS Account with the Bursa Depository facilitated by us. Our client may visit any 1 of our branch offices to open a trading account or fill up the registration form on our online trading platforms, and our dealer or remisier will follow up to arrange for an appointment to complete the registration process after on-boarding due diligence and verification of the necessary documents. After which, it will take approximately 3 Market Days to open a trading account. Our client is then required to deposit cash or securities into its trading account for us to set trading and/or facility limit. Once the trading account and CDS Account are opened, our client may commence trading on quoted securities. Each of our clients will have an allocated dealer or remisier who would be able to oversee the client's trading requirements to execute buy and sell orders on behalf of our clients or offer them margin financing facility services or other related services such as nominee and custodian services.

Placing orders

There are 2 ways our clients may place an order, i.e., a buy or sell order:

- (i) **Broker-assisted:** Our clients may contact their allocated dealer or remisier to place the price and quantity of securities they wish to buy or sell. The allocated dealer or remisier will key the orders into the order management system and the orders will be relayed to Bursa Securities' ATS for trade execution.
- (ii) **Online trading:** Clients with online accounts may place their orders directly via our online trading platforms. Our clients will need to key in their buy or sell orders, which will automatically be relayed to Bursa Securities' ATS for trade execution.

Matching orders

Orders are matched automatically by Bursa Securities' ATS. All prices in which orders are matched are determined by market forces of supply and demand through a process of bids (buy at a nominated price and quantity) and asks (asking price and quantity). In every matched transaction, securities are sold to the highest bid price and purchased at the lowest ask price. These are referred to as on-market transaction where a transaction is concluded by way of automated matching of orders entered into the order book maintained in the ATS.

7. BUSINESS OVERVIEW (CONT'D)

We also undertake direct business transaction where a contract for sale or purchase of securities transacted on Bursa Securities is done outside the ATS. Direct business transaction includes the following:

- (a) **Crossing transactions** which refer to buy and sell transactions of the same security and price between 2 Participating Organisations acting for 2 clients respectively; and
- (b) **Married transactions** which refer to buy and sell transactions of the same security and price between 2 clients within a Participating Organisation.

Confirming trades

Once an order is matched, a trade confirmation from Bursa Securities is provided to us with information of the transaction such as order number, stock number, price, quantity matched and the counter-party for the transaction. We will then prepare and send out a contract note to our client, providing details of the transaction which include brokerage fees, clearing fees, SC's levy, system maintenance fee as well as stamp duty and the total cost of purchase or net proceeds of the sale.

Delivery and settlement

The delivery and settlement for all matched transactions are 2 Market Days after the transaction date, which is referred as T+2 settlement period. The CDS uses a simple book-entry system to keep track of the movement of securities bought or sold. On T+2 Market Days, Bursa Depository will credit the quantity of securities purchased to the buyer's CDS Account, and debit the quantity of securities sold from the seller's CDS Account.

In the event that the client is not able to deliver the quantity of securities sold for settlement on the settlement day which is T+2 Market Days from the transaction date, Bursa Securities will institute buy-in to make good the failed delivery and punitive charges will be imposed by Bursa Securities for such failed trades. Punitive charge is the bidding price for buying-in by Bursa Securities shall be 10 ticks* above the following prices to the higher tick of:

- the closing price on the previous market day; or
- the last done price for the previous trading session

of the said securities, whichever is the higher.

In the event when a client is not able to fully settle the purchase consideration by T+2 Market Days settlement period, we will institute force selling to recover our payment made to Bursa Clearing on behalf of the buying client on T+3 Market Day. Any loss arising from the force selling will be a debt to us and interest will be charged until full settlement of the loss by the defaulting client.

Our credit control department will monitor exposure of outstanding buy positions (such as analysing expected loss from mark-to-market of their position) from the transaction date until the delivery and settlement is completed which is T+2 Market Days from the transaction date. If required, we may suspend a client from placing new bids to limit new credit risk or to sell down their outstanding buy position to limit expected losses. This is not applicable to cash upfront account.

Note:

- * Tick refers to minimum price change allowed in the bidding price for buying-in of securities. Based on the current tick size structure of Bursa Securities, 1 tick value ranges between RM0.005 to RM0.50 depending on the market price of securities.

7. BUSINESS OVERVIEW (CONT'D)

7.8.2 Corporate Finance Segment

The following illustrates the general process for our corporate finance exercises:



On-boarding due diligence

Prior to the acceptance of engagement for the corporate exercise, we will carry out preliminary assessment for on-boarding due diligence and review on the prospective client as well as the nature and indicative timeline and completion of the proposed exercise. This will be followed by presentation to our corporate finance committee for approval of acceptance on our engagement.

Pre-submission

Once we are appointed as the principal adviser/sponsor/approved adviser by our client, we will commence discussion with our client on a suitable plan and provide advice on the requirements pertaining to the corporate exercises. We will further assess our client's business and requirements and formulate the suitable structures and scheme for the proposed exercise. Together with the other members of the DDWG, we will then start the due diligence process and preparation of respective reports, application and other required documents for submission to the authority or shareholders as well as announcement(s) to be made.

In cases whereby we are appointed as an independent adviser, we will engage with our client to understand the proposal and to obtain the relevant information from the management of our client to evaluate. If required, we will present our findings to the board of directors of our client prior to the announcement for the proposal is made.

Announcement/submission

Upon verification of the information in the documents and applications by the respective responsible parties of the DDWG, we will then proceed with the submission of the application based on the relevant guidelines/regulations such as listing requirements of Bursa Securities, Prospectus Guidelines, CMSA and Equity Guidelines issued by the SC (for Main Market) to the relevant authorities. If required, we will assist in drafting the announcement(s) concerning the proposed exercise to be made to Bursa Securities on behalf of our client based on the listing requirements of Bursa Securities. For cases under the purview of the Malaysian Code on Take-Overs and Mergers 2016, we would need to abide by the processes and timeline set out in the Rules on Take-Overs, Mergers and Compulsory Acquisitions.

Post-approval

Upon receipt of approvals from the relevant authorities, the updated prospectus/information memorandum/abridged prospectus and other relevant documents will be registered with the relevant authorities and subsequently issued and despatched to the public or shareholders. Circular and independent advice letter will be issued and despatched to the public or shareholders upon receipt of approvals from the relevant authorities.

7. BUSINESS OVERVIEW (CONT'D)

Implementation and completion

For equity offerings, the corporate exercise is deemed completed once the securities are placed out/allocated to the investors, while takeover, merger and acquisition proposal is deemed completed upon settlement of the consideration to the seller of the deal, holders of offer securities or entitled shareholders, as the case may be.

Revenue recognition from our Corporate Finance Segment comprises advisory fees recognised over time based on various performance obligations stated and agreed billing milestones as stated in the signed mandates. In general, the tenure range to complete the exercise by types of corporate finance exercise is as below:

- For primary equity fundraising offering exercises, it generally may take between 6 months to 18 months (from the planning/preparation stage) to complete, depending on among others, the size, structure and complexity of the exercises;
- For secondary equity fundraising offering exercises, it generally may take between 2 months to 9 months (from the planning/preparation stage) to complete, depending on among others, the size, structure and complexity of the exercises; and
- For takeover, merger and acquisition exercises, it generally may take between 3 months to 9 months (from the planning/preparation stage) to complete, depending on among others, the adviser's role undertaken as well as the size, structure and complexity of the exercises.

7.9 MARKETING ACTIVITIES AND DISTRIBUTION CHANNELS

Our sales and marketing activities and strategies for our 2 business segments are targeted at 2 client bases.

- (i) For our **Stockbroking Segment**, our sales and marketing activities are facilitated through the following:

(a) Network of branch offices in Malaysia

Our principal office is located in Butterworth, Pulau Pinang, supported by 6 branch offices including 5 in Peninsular Malaysia and 1 in East Malaysia. Our branch offices are located in Pulau Pinang, Kuala Lumpur, Melaka, Johor and Sarawak. With our network of branch offices in Malaysia, we can address the markets in the respective states and federal territory.

(b) Licensed dealers and remisiers for trade execution

We rely mainly on our dealers and remisiers to market our services and serve our stockbroking clients. As at the LPD, we have a total of 15 dealers and 43 remisiers who are CMSRL holders for dealing in securities to service our stockbroking clients. These dealers and remisiers can operate either from our various branch offices or from other locations that is convenient to them as they can access our order management system remotely.

7. BUSINESS OVERVIEW (CONT'D)

As at the LPD, the abovementioned dealers and remisiers are mainly operating from the following offices:

	Number of dealers	Number of remisiers	Total
Head Office / KL Branch	3	14	17
Butterworth Branch	7	14	21
Lebuh Pantai Branch	-	3	3
Bayan Baru Branch	3	1	4
Melaka Branch	1	4	5
Johor Branch	1	5	6
Sarawak Branch	-	2	2
Total	15	43	58

Our network of dealers and remisiers are our drivers of growth for our stockbroking business as they are our client-facing personnel to serve existing clients while securing new clients.

We are able to retain existing and attract new remisiers through our competitive commission package for every successful trade executed, research as well as administrative support. This include amongst others, having a reliable order management system and back office system, responsive interaction between the remisiers with our management and support officers and timely reply by our research team (comprising 3 CMSRL holders for investment advice) on their enquiries. Our remisiers have been with us for an average of approximately 17 years as at the LPD.

(c) Owned digital platform

We have our online trading platforms for our clients to place their trade orders directly without going through our dealers or remisiers. This provides convenience to our clients to encourage more trading activities. In addition, our online trading platforms allow us to expand our market coverage to anywhere that has internet or mobile connection, which complements our physical branch offices in Malaysia.

(d) Trade execution on foreign securities exchange

We provide our clients with an added option to trade in foreign securities listed in foreign exchanges including the securities exchange of Singapore, Hong Kong and USA. Trade executions on these securities exchanges are done via our appointed 3rd party stockbroker's platform in Singapore. By providing this facility, we can meet the needs of our clients that wish to diversify their portfolio of securities across a number of countries and be able to address opportunities in foreign securities exchanges. This is only provided via our broker-assisted trading services.

Therefore, this facility serves as 1 of our selling points to attract and retain clients that have an interest in trading in securities listed in foreign exchanges.

7. BUSINESS OVERVIEW (CONT'D)

- (ii) As for our **Corporate Finance Segment**, our market positioning is as follows:
- (a) We are positioned as an established principal adviser, sponsor and approved adviser with experience in carrying out a range of corporate finance advisory services including primary and secondary equity fundraising offerings covering initial public offering on the 3 markets of Bursa Securities, rights issues and private placements, mergers and acquisitions and other corporate proposals. Our corporate finance team of 22 employees as at the LPD comprising 9 CMSRL holders for advising on corporate finance of which 4 are recognised by the SC as QP and their supporting managers and officers have the necessary experience, track records and competencies to undertake simple and complex deals. This enables us to meet the needs of private companies for their initial public offering, as well as public listed companies for other corporate exercises.
 - (b) We have a track record of 10 years in the provision of corporate finance advisory services in Malaysia.
 - (c) Our Corporate Finance Segment is complemented by our stockbroking services where we can provide the full suite of stockbroking services to our corporate finance clients as well as their major shareholders, directors and employees. For example, the scope of work for an initial public offering exercise undertaken by our Corporate Finance Segment will involve among others, facilitating the preparation and submission of applications to the relevant authorities. While our Stockbroking Segment will facilitate the underwriting and placement services from this initial public offering exercise (upon receipt of approval(s) from the relevant authorities) to underwrite and place out the securities, and where required, to provide our stockbroking services including trading of shares, margin financing facility services, nominee and custodian services to their major shareholders, directors and employees.

7.10 TECHNOLOGY

The technologies that we used are mainly focused on ICT. This is mainly to facilitate trading and business operations of our stockbroking business.

Applications software

Some of the key software systems used in our stockbroking operations includes the following:

<u>Application area</u>	<u>Main functions</u>
Trade execution	
Order management system	Front office system for dealers and remisiers which facilitates and manages the execution of trade orders. Orders keyed into this system are routed to the ATS, an automated and computerised securities trading system established by Bursa Securities. The order management system also provides real-time stock information.
Backroom administration and support	
Back office system	Reporting and transmission of data from other branch offices to Butterworth Branch, reconciliation of all records of the Butterworth Branch and other branch offices, and reconciliation of all transactions undertaken by the Butterworth Branch and other branch offices.
Financial and accounting system	Facilitate accounting, financial management and streamline financial operations.

7. BUSINESS OVERVIEW (CONT'D)

Application area	Main functions
Broker management system	Facilitate the back office operations of our Stockbroking Segment, including generation of contract notes, settlement, clearance, record maintenance and regulatory compliance, as well as records of clients' details and transactions records.

Platforms and online access

MST28 Trading Platform and ECOS Trading Platform	Online trading platforms and mobile application which allows our clients to access their investment account, place orders and monitor their portfolio of securities and information from Bursa Securities.
Bloomberg Terminal	A research and trading platform that allows access to real-time stock quotes, financial data, analytics and news.

Data centres

The order management system servers are located at the following locations:

- (i) Butterworth Branch. It comprises 1 main and 1 backup server, and 1 network attached storage with onsite and offsite tape storage; and
- (ii) KL Branch. It comprises 1 main server, and 1 network attached storage with onsite and offsite tape storage.

The Butterworth Branch and KL Branch serve as backup and disaster recovery site for each other. Either office is able to operate the whole ICT operations.

The broker management system server is located at our Butterworth Branch, and all branches are connected to this server. We have a backup broker management system server which is located at Lebu Pantai Branch.

Communications network

All our branches are connected to the Butterworth Branch and KL Branch via managed internet protocol virtual private network (IPVPN), with redundancies. In the event of a disruption on one of the connections at any branch office, all the remaining connections serve as redundant lines to provide uninterrupted connection to our Butterworth Branch and KL Branch.

Our KL Branch has a leased line with redundancy to Bursa Securities. In the event of a disruption in the leased line, we have the redundant line to provide uninterrupted connection to Bursa Securities.

7.11 RESEARCH AND DEVELOPMENT

We do not carry out research and development activities for our business operations as it is not relevant to the nature of our business.

We have a research team comprising 3 CMSRL holders as at the LPD supported by a trainee for the provision of investment advice, conduct research and analysis, focusing on situational, mid and small cap securities to support our stockbroking clients. We prepare research reports for our clients to keep them updated with market developments and assist them in making investment decisions.

7. BUSINESS OVERVIEW (CONT'D)

7.12 PROPERTY, PLANT AND EQUIPMENT

7.12.1 Properties owned by our Group

The summary of the information on the material properties owned by our Group as at the LPD are set out below:

No.	Registered owner/ Title details/ Postal address	Category of land use/ Tenure	Description/Existing use	Express Conditions/ Restriction-in- interest/ Encumbrances	Land area/ Built-up area (sq. ft.)	Date of issuance of CF/CCC	Audited NBV as at 30 April 2023 (RM'000)
(i)	<p><u>Registered owner</u> Mercury Securities</p> <p><u>Title details</u> PN 2601, Lot 5780, Daerah Seberang Perai Tengah, Pulau Pinang</p> <p><u>Postal address</u> No. 1 (Ground Floor, 1st Floor, 2nd Floor & 3rd Floor), Jalan Todak 5, Pusat Bandar Seberang Jaya, 13700 Prai, Pulau Pinang</p>	<p><u>Category of land use</u> Building</p> <p><u>Tenure of property</u> Leasehold for 99 years expiring on 21 October 2092 (approximately 69 years of unexpired lease term)</p>	<p><u>Description of property</u> 4-storey shophouse</p> <p><u>Existing use</u> The ground floor is tenanted by Credit Guarantee Corporation Malaysia Berhad for administrative work or general office use</p> <p>The 1st floor is tenanted by Cuckoo International (MAL) Sdn Bhd for office use</p> <p>The 2nd floor is tenanted by Chin Yoong Mun for office use of an audit firm</p> <p>The 3rd floor is tenanted by Base Studio for dance and yoga studio use</p>	<p><u>Express Conditions</u> This land shall be used for business purposes only</p> <p><u>Restriction-in- interest</u> This land shall not be subdivided, transferred, charged, leased, sub-leased or any other dealing without the written consent of the state authorities</p> <p><u>Encumbrances</u> Nil</p>	<p><u>Land area</u> Approximately 3,261.46</p> <p><u>Built-up area</u> 13,002.80</p>	25 October 1995	4,200

7. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner/ Title details/ Postal address	Category of land use/ Tenure	Description/Existing use	Express Conditions/ Restriction-in- interest/ Encumbrances	Land area/ Built-up area (sq. ft.)	Date of issuance of CF/CCC	Audited NBV as at 30 April 2023 (RM'000)
(ii)	<p>Registered owner Mercury Securities</p> <p>Title details Strata Title No. Geran 67522/M1- C/8/344, Parcel No. 344 within Storey No. 8 of Building No. M1-C with Accessory Parcel Nos. A386, A387, A388, A389, A390 in Lot 63323, Mukim Batu, State of Wilayah Persekutuan Kuala Lumpur</p> <p>Postal address L-7-2, No. 2, Jalan Solaris, Solaris Mont' Kiara, 50480 Kuala Lumpur</p>	<p>Category of land use Building</p> <p>Tenure of property Freehold</p>	<p>Description of property An office unit in the 7th floor of a 10-storey building</p> <p>Existing use Used as Head Office and Mercury Securities' office for corporate finance, stockbroking, research and administrative functions</p>	<p>Express Conditions Shop office</p> <p>Restriction-in- interest Nil</p> <p>Encumbrances Nil</p>	<p>Land area N/A</p> <p>Built-up area 9,564.00</p>	8 January 2008	7,228

7. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner/ Title details/ Postal address	Category of land use/ Tenure	Description/Existing use	Express Conditions/ Restriction-in- interest/ Encumbrances	Land area/ Built-up area (sq. ft.)	Date of issuance of CF/CCC	Audited NBV as at 30 April 2023 (RM'000)
(iii)	<p>Registered owner Mercury Securities</p> <p>Title details Strata Title No. Geran 67522/M1- B/5/221, Parcel No. 221 within Storey No. 5 of Building No. M1-B with Accessory Parcel No. A247 measuring approximately 152 square metres in area Lot 63323, Mukim Batu, State of Wilayah Persekutuan Kuala Lumpur</p> <p>Postal address K-3A-5, No. 2, Jalan Solaris, Solaris Mont' Kiara, 50480 Kuala Lumpur</p>	<p>Category of land use Building</p> <p>Tenure of property Freehold</p>	<p>Description of property An office unit in the 4th floor of a 10-storey building</p> <p>Existing use Unoccupied (to be used for expansion of KL Branch)</p>	<p>Express Conditions Shop office</p> <p>Restriction-in- interest Nil</p> <p>Encumbrances Nil</p>	<p>Land area N/A</p> <p>Built-up area 1,636.11</p>	8 January 2008	1,034

7. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner/ Title details/ Postal address	Category of land use/ Tenure	Description/Existing use	Express Conditions/ Restriction-in- interest/ Encumbrances	Land area/ Built-up area (sq. ft.)	Date of issuance of CF/CCC	Audited NBV as at 30 April 2023 (RM'000)
(iv)	<p>Registered owner Mercury Securities</p> <p>Title details Strata Title No. Geran 67522/M1- B/5/222, Parcel No. 222 within Storey No. 5 of Building No. M1-B with Accessory Parcel No. A248 measuring approximately 115 square metres in area Lot 63323, Mukim Batu, State of Wilayah Persekutuan Kuala Lumpur</p> <p>Postal address K-3A-6, No. 2, Jalan Solaris, Solaris Mont' Kiara, 50480 Kuala Lumpur</p>	<p>Category of land use Building</p> <p>Tenure of property Freehold</p>	<p>Description of property An office unit in the 4th floor of a 10-storey building</p> <p>Existing use Unoccupied (to be used for expansion of KL Branch)</p>	<p>Express Conditions Shop office</p> <p>Restriction-in- interest Nil</p> <p>Encumbrances Nil</p>	<p>Land area N/A</p> <p>Built-up area 1,237.85</p>	8 January 2008	782

7. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner/ Title details/ Postal address	Category of land use/ Tenure	Description/Existing use	Express Conditions/ Restriction-in- interest/ Encumbrances	Land area/ Built-up area (sq. ft.)	Date of issuance of CF/CCC	Audited NBV as at 30 April 2023 (RM'000)
(v)	<p>Registered owner Mercury Securities</p> <p>Title details PN9326, Lot 97, Kawasan Bandar XL, District of Melaka Tengah, State of Melaka</p> <p>Postal address: 81, 81A & 81B, Jalan Merdeka, Taman Melaka Raya, 75000 Melaka</p>	<p>Category of land use Building</p> <p>Tenure of property Leasehold for 99 years expiring on 7 July 2093 (approximately 70 years of unexpired lease term)</p>	<p>Description of property 3-storey shop house</p> <p>Existing use Used as Melaka Branch for stockbroking office of Mercury Securities</p>	<p>Express Conditions For shop house building only</p> <p>Restriction-in- interest Nil</p> <p>Encumbrances Nil</p>	<p>Land area 1,539.24</p> <p>Built-up area 4,620</p>	15 September 1994	970

Our Board confirms that as at the LPD, the properties owned by our Group are not in breach of any of the relevant land laws and building regulations.

7. BUSINESS OVERVIEW (CONT'D)

7.12.2 Properties rented by our Group

The details of material properties rented by our Group as at the LPD are set out below:

No.	Postal address	Landlord/ Tenant	Description/Existing use	Built-up area (sq. ft.)	Date of issuance of CF/CCC	Period of tenancy/ Rental per annum
(i)	Butterworth Branch Ground, 1 st , 2 nd and 3 rd Floor, JKP Business Centre, Lorong Bagan Luar Dua, 12000, Butterworth, Seberang Perai, Pulau Pinang	Landlord JKP Sdn Bhd Tenant Mercury Securities	Description The entire ground, 1 st floor, and 3 rd floors and a unit at the 2 nd floor in a 12-storey office building Existing Use The ground floor is used as trading floor The 1 st floor is used as trading floor and stockbroking office The unit at the 2 nd floor is used store room The 3 rd floor is used as office for nominees and custodian services and administrative functions	15,849	14 June 1989	N/A ^(a) / RM172,783.20
(ii)	Sarawak Branch 1 st Floor, No. 16, Jalan Getah, 96100 Sarikei, Sarawak	Landlord Ling Whak Kiong Tenant Mercury Securities	Description 1 st floor of a 4-storey intermediate terrace shophouse Existing Use Used as Sarawak Branch for stockbroking office of Mercury Securities	1,440	9 December 1982	1 January 2021 to 31 December 2023/ RM6,000.00

7. BUSINESS OVERVIEW (CONT'D)

No.	Postal address	Landlord/ Tenant	Description/Existing use	Built-up area (sq. ft.)	Date of issuance of CF/CCC	Period of tenancy/ Rental per annum
(iii)	<u>Johor Branch</u> Suite 17.1, Level 17, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor	<u>Landlord</u> PNB Commercial Sdn Bhd <u>Tenant</u> Mercury Securities	<u>Description</u> The entire 17 th floor in a 17-storey office building <u>Existing Use</u> Used as Johor Branch for stockbroking office of Mercury Securities	5,152	1 September 1992	1 January 2023 to 31 December 2024/ RM139,104.00
(iv)	<u>Bayan Baru Branch</u> 70-1-22, D'Piazza Mall, Jalan Mahsuri, Bandar Bayan Baru, 11900 Pulau Pinang	<u>Landlord</u> Chuah Seong Kuen and Goh Ah Led <u>Tenant</u> Mercury Securities	<u>Description</u> A 2-storey shop office <u>Existing Use</u> Used as Bayan Baru Branch for stockbroking office of Mercury Securities	2,143	3 March 2009	1 June 2021 to 31 May 2024/ RM73,416.00
(v)	<u>Lebuh Pantai Branch</u> 2 nd Floor Standard Chartered Bank Chambers, 2 Lebuh Pantai, 10300 Pulau Pinang	<u>Landlord</u> Sepang Asas Sdn Bhd <u>Tenant</u> Mercury Securities	<u>Description</u> A unit in the 2 nd floor of a 4-storey office building <u>Existing Use</u> Used as Lebuh Pantai Branch for stockbroking office of Mercury Securities	3,500	23 August 1974	1 June 2023 to 31 May 2026/ RM78,000.00

Note:

- (a) Mercury Securities has been occupying the Butterworth Branch or part of it since 1992. The most recent tenancy agreement dated 23 February 2011 entered into by Mercury Securities in relation to the tenancy of Butterworth Branch has since lapsed on 29 February 2020. Since 29 February 2020, the tenancy was continued on a month-to-month basis. On 1 September 2021, the landlord, JKP Sdn Bhd issued a new letter of offer to Mercury Securities for the tenancy of the Butterworth Branch ("**Letter of Offer**") and Mercury Securities had accepted the Letter of Offer on 1 September 2021. Based on the Letter of Offer, the monthly rental is RM14,398.60 and the period of tenancy will be determined and agreed upon the execution of the tenancy agreement. Mercury Securities was informed by the landlord that the tenancy agreement will be provided to Mercury Securities upon completion of the renovation of the building where the Butterworth Branch is located, which is expected to be by 3rd quarter of 2023. As at the LPD, Mercury Securities has yet to receive the tenancy agreement from the landlord. The Group's operations at the Butterworth Branch will not be affected by the renovations of the building where the Butterworth Branch is located.

7. BUSINESS OVERVIEW (CONT'D)

Our Board confirms that as at the LPD, the properties rented by our Group are not in breach of any of the relevant land laws and building regulations.

7.13 MATERIAL CAPITAL EXPENDITURE AND DIVESTITURE

7.13.1 Capital expenditures

Our capital expenditures for the Financial Years and Period Under Review and up to the LPD are set out below:

	At cost					Unaudited 1 May 2023 and up to the LPD (RM'000)
	Audited					
	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FPE 2023 (RM'000)	
Buildings	-	-	1,888	-	-	-
Furniture, fittings, office equipment and computers	91	83	77	82	249	534
Motor vehicles	-	6	465	119	98	-
Total	91	89	2,430	201	347	534

For FYE 2019, the capital expenditure of RM0.09 million was funded through internally generated funds mainly used for the office renovation works amounting to RM0.05 million, as well as purchase of 12 units of computers, software and office furniture which amounted to RM0.04 million.

For FYE 2020, the capital expenditure of RM0.09 million was funded through internally generated funds, mainly used for the following:

- RM0.08 million for the purchase of office furniture and equipment comprising mainly of 17 units of computers, as well as software and office furniture; and
- RM6,000 for the purchase of 1 unit of motorcycle for office use.

For FYE 2021, the capital expenditure of RM2.43 million was funded through internally generated funds mainly used for the following:

- RM1.89 million for the purchase of 2 units of commercial office lots located within the vicinity of our KL Branch to cater for additional office space required;
- RM0.47 million for the purchase of 1 unit of motor vehicle for office use; and
- RM0.07 million for the purchase of office furniture and equipment consisting mainly 16 units of computers including laptops and software.

7. BUSINESS OVERVIEW (CONT'D)

For FYE 2022, the capital expenditure of RM0.20 million was funded through internally generated funds, mainly used for the following:

- RM0.08 million for the purchase of office equipment comprising mainly of 17 units of computers; and
- RM0.12 million for the purchase of 1 unit of motor vehicle for office use.

For FPE 2023, the capital expenditure of RM0.35 million was funded through internally generated funds and was mainly used for the purchase of order management system, as well as office furniture and equipment, consisting mainly 4 units of air-conditioner and 11 units of computers including laptops and software.

From 1 May 2023 and up to the LPD, the capital expenditure of RM0.53 million was funded through internally generated funds and was mainly used for the purchase of order management system, as well as office furniture and equipment, consisting mainly 2 unit of air-conditioner, and 7 units of computers including laptops and software.

7.13.2 Capital divestitures

Save as disclosed below, there were no capital divestitures for the Financial Years and Period Under Review and up to the LPD.

Divestments of investment properties, other investments and PPE

	At cost					Unaudited 1 May 2023 and up to the LPD (RM'000)
	Audited					
	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FPE 2023 (RM'000)	
Divestments:						
Investment properties	9,700	-	13,735	-	-	-
Furniture, fittings, office equipment and computers	-	-	-	-	7	-
Motor vehicle	-	-	-	145	-	-
Other investments	12	-	1,990	2	-	-
Total	9,712	-	15,725	147	7	-

For the FYE 2019, the divestment of investment properties of RM9.70 million was relating to the disposal of 1 unit of residential property in Kuala Lumpur with a total consideration of RM11.50 million.

For the FYE 2019, the divestment of other investments was the disposal of quoted shares in Malaysia.

7. BUSINESS OVERVIEW (CONT'D)

For the FYE 2021, the divestment of investment properties of RM13.74 million was relating to the disposal a piece of vacant land, 2 units of residential apartments and 2 units of commercial properties. The divestment of other investments of RM1.99 million was the disposal of unquoted shares in MAM.

For the FYE 2022, the divestment of motor vehicle was relating to the disposal of 1 unit of motor vehicle. The divestment of other investments was the disposal of quoted shares.

For the FPE 2023, the divestment of furniture, fittings, office equipment and computers was relating to the disposal of 2 units of air-conditioner.

From 1 May 2023 and up to the LPD, we did not have any capital divestitures.

7.14 KEY EQUIPMENT AND SYSTEMS

As at 30 April 2023, our Group's key equipment and systems owned and used for our stockbroking operations are as follows:

Equipment and systems	Quantities	Carrying amount as at 30 April 2023 (RM'000)
Order management system	104	273
Broker management system	22	26

7.15 OUTPUT AND CAPACITY

Operational output, capacity and utilisation rate do not apply to our stockbroking and corporate finance segments operation, as the nature of our business activities are based on services.

7.16 SEASONALITY

We did not experience any seasonality in our business operations for the Financial Years and Period Under Review and up to the LPD.

7.17 MATERIAL INTERRUPTIONS TO OUR BUSINESS

For the Financial Years and Period Under Review and up to the LPD, we have not experienced material interruptions to our business operations in relation to various MCO and NRP including FMCO imposed by the Government to contain the COVID-19 outbreak which affected Malaysia.

7.17.1 COVID-19 conditions in Malaysia

The World Health Organisation declared COVID-19 a pandemic on 11 March 2020. The Government implemented several measures to contain the spread of COVID-19 in the country, commencing on 18 March 2020. These measures include restrictions on the movement of people within Malaysia and internationally, and restrictions on business, economic and social activities.

The first phase of the MCO was implemented from 18 March 2020 to 3 May 2020 which saw the closure of all businesses except for those classified as "essential services" during that period, or those that have received written approval from the MITI.

7. BUSINESS OVERVIEW (CONT'D)

Subsequently, as the number of daily and active COVID-19 cases came down, the Government relaxed the country's restrictions and allowed the nation's economy to reopen in a controlled manner. From 18 March 2020 up to June 2021, the MCO went through various phases throughout the country including CMCO, RMCO and FMCO where restrictions were either relaxed and/or tightened for certain states, districts and/or location based on the number of daily and active COVID-19 cases in the respective areas. On 15 June 2021, the Government announced the NRP, a phased exit strategy from the COVID-19 crisis consisting 4 phases where the restrictions gradually ease in each phase.

On 1 April 2022, Malaysia entered the 'Transition to Endemic' phase where all economic sectors are allowed to operate, and interstate and international travel are allowed, subject to adherence to the relevant SOP and guidelines.

7.17.2 Impact on our business and financial performance

Our business operations are regarded as "essential services" by the Government. Between March 2020 and up to the LPD, we adopted precautionary measures to safeguard our operations and employees where we implement alternate arrangements between working from home and the office for business continuity for our critical functions. Most of our dealers and remisiers continue servicing their clients as they operated from their homes during the MCO and CMCO imposed in the states or localities where they reside. We continued to operate as per normal working hours. In addition, we offer our clients our online trading platforms to enable them to access and trade in securities listed on Bursa Securities. Despite the challenging conditions in 2020, we experienced an increase in our revenue by 57.85% to RM49.76 million for the FYE 2020. Our trading value from our Stockbroking Segment recorded a growth of 72.58% to RM8.52 billion for FYE 2020. The COVID-19 SOP and guidelines have subsequently relaxed since 1 April 2022 as the nation is entering into the endemic phase.

	Quarter 1 FYE 2020 <i>(Nov 2019 – Jan 2020)</i>	Quarter 2 FYE 2020 <i>(Feb 2020 – Apr 2020)</i>	Quarter 3 FYE 2020 <i>(May 2020 – Jul 2020)</i>	Quarter 4 FYE 2020 <i>(Aug 2020 – Oct 2020)</i>
Revenue (RM'000)	8,910	9,217	13,322	18,313
Quarter-on quarter change (%)	21.04%	3.45%	44.54%	37.46%

7.17.3 Measures and steps taken in our business operations in response to COVID-19 outbreak

Since March 2020 and up to the LPD, we have not breached any laws and regulations in relation to COVID-19 restrictions and SOP which may lead to penalties by relevant authorities. We took precautionary measures and operate according to specified guidelines and the SOP in accordance to relevant laws and regulations in relation to the COVID-19 outbreak. In conjunction with this, we have implemented the following measures:

- (i) implementation of contact tracing system where temperature measurements, as well as contact details of visitors and employees, must be recorded before they enter our premises;
- (ii) practising social distancing in the office, and all visitors and employees are required to wear face masks within our premises;
- (iii) minimising physical meetings and avoid unnecessary business-related travelling; and
- (iv) provide hand sanitisers at all common areas and carry out regular sanitisation and cleaning process especially in common spaces.

7. BUSINESS OVERVIEW (CONT'D)

Since March 2020 and up to the LPD, 37 of our employees were infected with COVID-19 and have since fully recovered. As at the LPD, we have a total of 103 employees and all of our employees have been fully vaccinated.

Subsequent to the nation entering into the endemic phase, the Government announced the relaxation of COVID-19 restrictions and SOP commencing 1 April 2022.

For FYE 2020, FYE 2021 and FYE 2022, we incurred a total cost of approximately RM4,000, RM24,000 and RM7,000 respectively in complying with the necessary SOP including regular sanitisation and cleaning, providing face masks to employees and testing costs. From November 2022 and up to the LPD, we have not incurred any costs for the above said similar expenses.

Since the implementation of the 1st phase of the MCO and up to the LPD, our Group has not received any compound, summon or notice from the authority over breach or non-compliance of any guidelines and SOP.

7.18 INTELLECTUAL PROPERTY

As at the LPD, our Group has not registered any brand names, patents, trademarks or other intellectual properties rights.

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7. BUSINESS OVERVIEW (CONT'D)

7.19 MAJOR LICENCES, PERMITS AND APPROVALS

As at the LPD, save as disclosed below, there are no other major approvals, licenses and permits issued to our Group for the purpose of carrying out our business operations:

No.	Company	Description of license/ approval	Approving authority	License/ Reference no.	Issue Date/ Expiry Date	Major conditions attached to the license	Status of compliance
1.	Mercury Securities	CMSL for dealing in securities, advising on Corporate Finance and investment advice	SC	CMSL/A0015/2007	8 July 2023/ 7 July 2024 ^(a)	There is no specific condition attached to the CMSL. However, the CMSL is subject to the conditions and restrictions contained in the Licensing Handbook and CMSA, including Paragraphs 4.02(34) – (38) of the Licensing Handbook as disclosed in Section 7.20.2 of the Prospectus.	Kindly refer to Section 7.20.2 of the Prospectus
2.	Mercury Securities	Business/Advertisement license at Melaka Branch	Majlis Bandaraya Melaka Bersejarah	PK-JPLK-01-R7/ L2.07408	2 December 2022/ 31 December 2023	N/A	N/A
3.	Mercury Securities	Business license at Sarawak Branch	Kerajaan Negeri Sarawak	103844	21 September 2022/ 26 September 2023	N/A	N/A
4.	Mercury Securities	Business and advertisement premise license at Johor Branch	Majlis Bandaraya Johor Bahru	L2012LI01191/ 51/3/4981	31 October 2022/ 31 December 2023	N/A	N/A
5.	Mercury Securities	Business premise license at Butterworth Branch	Majlis Bandaraya Seberang Perai	PRI/01/20221116/ 1757	16 November 2022/ 31 December 2023	N/A	N/A

7. BUSINESS OVERVIEW (CONT'D)

<u>No.</u>	<u>Company</u>	<u>Description of license/ approval</u>	<u>Approving authority</u>	<u>License/ Reference no.</u>	<u>Issue Date/ Expiry Date</u>	<u>Major conditions attached to the license</u>	<u>Status of compliance</u>
6.	Mercury Securities	Business license at KL Branch	Dewan Bandaraya Kuala Lumpur	DBKL.JPPP/01755/04/2017/PR01	15 April 2023/ 14 April 2024	N/A	N/A
7.	Mercury Securities	Business license at K-3A-5 & K-3A-6, No. 2, Jalan Solaris, Solaris Mont' Kiara, 50480 Kuala Lumpur	Dewan Bandaraya Kuala Lumpur	DBKL.JPPP/01713/07/2023/KM01	18 July 2023/ 17 July 2024	N/A	N/A

Note:

- (a) The CMSL is valid unless it is revoked / suspended by the SC. Nonetheless, as part of the process of maintaining the CMSL, Mercury Securities is required to submit anniversary reporting for authorisation of activity report within 7 business days before or on the anniversary date of its license which is 7 July each year ("**Anniversary Date**") as well as maintaining sufficient funds in its account under the SC's Electronic Application System to enable deductions for annual license fees by the SC on the Anniversary Date pursuant to the Licensing Handbook.

7. BUSINESS OVERVIEW (CONT'D)

7.20 KEY LAWS AND REGULATIONS

As at the LPD, there are no major environmental issues which may materially affect our operations and utilisation of our assets.

The following is an overview of the key laws and regulations governing the conduct of our Group's business which may materially affect our business operations.

7.20.1 CMSA

The CMSA regulates matters relating to the activities, markets and intermediaries in the capital markets.

Pursuant to the CMSA, no person shall whether as a principal or agent, carry on a business in any regulated activity or hold himself out as carrying on such business unless he is the holder of the CML or is a registered person.

CMSA defines "regulated activity" as any types of regulated activities specified in Part 1 of Schedule 2 of the CMSA, which includes but not limited to business activities in which Mercury Securities is currently undertaking on, i.e., business of dealing in securities, business of advising on corporate finance and business of investment advice.

A person who contravenes the above commits an offence and shall on conviction, be liable to a fine not exceeding RM10.00 million or to imprisonment for a term not exceeding 10 years or both.

As at the LPD, Mercury Securities holds a valid CML for dealing in securities, advising on corporate finance and investment advice.

Save as disclosed below, Mercury Securities has been in compliance with the CMSA and its equivalent repealed laws, up to the LPD:

- (a) On 17 November 2022, the SC issued a public reprimand to Mercury Securities for imposition of sanction under Section 220 of the CMSA for non-compliances of Paragraphs 3.01 and 3.05 of the Rules on Take-overs, Mergers and Compulsory Acquisitions ("**Rules**") and Section 221 of the CMSA. This is in relation to the conduct of Mercury Securities as the principal adviser for the conditional voluntary take-over offer by AT Engineering Solution Sdn Bhd ("**Offeror**"), a wholly-owned subsidiary of AT Systematization Berhad ("**Ultimate Offeror**") to acquire all the remaining ordinary shares in Asdion Berhad ("**Asdion**" or "**Offeree**") at a cash consideration of RM0.50 per Asdion Share ("**Offer**") and for which the notice of the Offer was served on 11 March 2022 by Mercury Securities, on behalf of the Offeror ("**Notice**"). The SC finds that:
 - (1) As the principal adviser for the Offer, Mercury Securities had not demonstrated that it had used all reasonable effort to ensure that the Offeror and the Ultimate Offeror were provided with appropriate advice to comply with the Rules and Malaysian Code on Take-overs and Mergers 2016 ("**Code**"), particularly in relation to:
 - ensuring that the Offeror was aware that the Offer must be made to all shareholders and not limited to those shares in issue as at the date of the Notice, where failure to do so was a non-compliance with General Principle 1 of the Code; and
 - ensuring that the Offeror has sufficient financial ability to implement the Offer in full (for possible issuance of new shares) prior to the launch of the Offer, where failure to do so was a non-compliance with General Principle 3 of the Code; and

7. BUSINESS OVERVIEW (CONT'D)

- (2) Mercury Securities had submitted a declaration pursuant to subparagraph 3(f) of Appendix 3 of the Rules in its initial application letter dated 15 March 2022 to the SC which contained a false or misleading statement by confirming that no conflict of interest situation exists or is likely to exist in relation to its role as principal adviser for the Offer, when in fact Mercury Securities was at the material time acting for both the Offeror (as the principal adviser for the Offeror) and the Offeree (as the principal adviser and placement agent for Offeree's proposed placement). Mercury Securities' appointments should have been disclosed in the initial application together with the justifications or mitigating factors, but were only disclosed in the application following enquiries by the SC.

Other than the public reprimand issued by the SC on 17 November 2022, there is no other action taken against Mercury Securities.

As a result of the above non-compliance, Mercury Securities has enhanced its onboarding procedures conducted by the Corporate Finance team, which include amongst others, the conflict of interest checks, checks on the capability of the offeror and verification to be made by an independent person for proof of funds. Further, the result of the conflict of interest checks will be presented to our Corporate Finance committee, comprising the Managing Director, Head of Capital Markets, representative of senior management, and the respective heads of the Corporate Finance team, for deliberation and decision-making on whether to accept or reject the mandate prior to an acceptance of a new mandate.

- (b) On 18 December 2019, Mercury Securities was reprimanded by the SC for a breach of the CMSA and the SC's Guidelines on Prevention of Money Laundering & Terrorism Financing for Capital Market Intermediaries (now known as AML Guide) pertaining to:
- failure of a remisier to obtain satisfactory evidence on the identity of a person who purportedly acted as the authorised representative of 25 clients. The 25 clients had authorised the said authorised representative to conduct trades on their behalf although there were no visible relationships between the parties; and
 - failure to clarify the purpose of the business relationships between the 25 clients and the purported authorised representative.

Pursuant to this incident, the remisier responsible for the 25 clients did not seek to renew his CMSRL for dealing in securities and his services were subsequently terminated.

Other than the public reprimand issued by the SC on 18 December 2019, there is no other action taken against Mercury Securities.

As a result of the above non-compliance, Mercury Securities has implemented the following measures:

- we no longer allow third party authorisation unless relationship is proven or there is valid reason for authorisation to any said third parties; and
- enhanced our monitoring of the clients' trading pattern to be in-line with their financial background/status and trading history.

7. BUSINESS OVERVIEW (CONT'D)

- (c) On 19 November 2015, the SC revoked the CMSL of MAM for the regulated activity of fund management effective from 19 November 2015. The revocation was due to its inability to comply with the resources requirements of key personnel stipulated in the conditions of its CMSL. Prior to the revocation, the contribution of MAM to the overall financial performance of Mercury Securities group was not material as this investment was not considered strategic to Mercury Securities' overall business plan then. This company was dormant since then before it was disposed by Mercury Securities in April 2021 following an internal restructuring exercise.

7.20.2 Licensing Handbook

The CMSA repeals the Securities Industry Act 1983 (SIA) and the Futures Industry Act 1993 (FIA). The CMSA, which takes effect on 28 September 2007, introduces a single licensing regime for capital market intermediaries. Under this regime, a capital market intermediary will only need one license to carry on the business in any one or more regulated activities.

The Licensing Handbook was issued by the SC pursuant to Section 377 of the CMSA and has the effect of a guideline issued by the SC. The SC can institute an action against any person contravening the requirements specified in the Licensing Handbook, including administrative actions against licensed persons. The Licensing Handbook set out the following:

- (i) the single licensing regime under the CMSA;
- (ii) the criteria to be met for applying and varying a license;
- (iii) the application procedures; and
- (iv) ongoing obligations on licensed persons, including conditions and restrictions attached to a license (which includes a holder of CMSL).

Pursuant to Paragraphs 4.02(34) – (38) of the Licensing Handbook, Mercury Securities is required to ensure that the composition of its board of directors, representatives and employees must be in accordance with the national policy of Malaysia as follows:

- (a) at all times have a Bumiputera director;
- (b) at all times maintain at least 30.00% Bumiputera composition of its representatives for its licensed activities;
- (c) maintain a minimum of 15.00% Bumiputera composition of its remisers; and
- (d) at all times maintain a Bumiputera composition of at least 30.00% of its employees.

The potential penalty for the non-compliance of the abovementioned would be at the SC's discretion, which includes amongst others, penalty of not exceeding RM1.00 million, reprimand the person in breach and revoke the CMSL. If the CMSL is revoked by the SC, Mercury Securities would not be able to continue with its existing business operations and this will consequently have an adverse impact on the financial condition of the Group.

Mercury Securities did not comply with requirements stipulated under items (b) and (d) above during the Financial Years and Period Under Review.

7. BUSINESS OVERVIEW (CONT'D)

Nonetheless, Mercury Securities was able to renew its CMSL every year. However, there is no assurance that Mercury Securities would be able to renew its CMSL successfully in the future. On 14 April 2022, Mercury Securities had made an application to the SC for an extension of time to comply with Paragraphs 4.02(36) and 4.02(38) of the Licensing Handbook from 14 April 2022 up to 6 months from the listing date of MSGB, i.e., items (b) and (d) above. The SC via its letter dated 17 June 2022 had granted Mercury Securities an extension of time until 31 December 2022 to comply with Paragraphs 4.02(36) and 4.02(38) of the Licensing Handbook. On 16 November 2022, Mercury Securities submitted an application to the SC for an extension of time until 30 June 2023 to comply with Paragraphs 4.02(36) and 4.02(38) of the Licensing Handbook. The SC via its letter dated 15 December 2022 had granted Mercury Securities a second extension of time until 30 June 2023 to comply with Paragraphs 4.02(36) and 4.02(38) of the Licensing Handbook. On 19 June 2023, Mercury Securities submitted an application to the SC for a further extension of time and the SC via its letter dated 13 July 2023 had granted Mercury Securities a further extension of time until 31 August 2023 to comply with Paragraphs 4.02(36) and 4.02(38) of the Licensing Handbook. As at the LPD, Mercury Securities has complied with Paragraph 4.02(38) but has not complied with Paragraph 4.02(36) of the Licensing Handbook.

As at the LPD, Mercury Securities has a total of 31 Bumiputera employees out of its total employees of 103, representing 30.10%. The Bumiputera composition for its representatives for licensed activities and remisiers are as follows:

Representatives	Bumiputera composition
Dealing in securities	29.41%
Corporate Finance	30.00%
Investment advice	33.33%
Remisiers	31.82%

Mercury Securities had undertaken continuous effort such as posting job openings, engaging with talent recruitment agents, and introduction from employees, industry players and clients to recruit Bumiputera talents for its licensed activities, remisiers and Mercury Securities' operations.

Due to its on-going effort, Mercury Securities is able to meet the Bumiputera requirements for all licensed activities and remisiers, save for its dealings in securities. In early August 2023, a newly employed non-Bumiputera representative licensed under dealing in securities had resigned to pursue another career and his license was terminated. Another non-Bumiputera representative licensed under dealing in securities had tendered his resignation due to advanced age and his license will be terminated by 15 August 2023. Following from the 2 resignations, Mercury Securities would fulfil the Bumiputera requirements by 31 August 2023, with a Bumiputera composition of 30.30% under the dealing in securities.

Nonetheless, Mercury Securities will continue with its on-going effort to recruit more Bumiputera talents for its dealings in securities to ensure the relevant Bumiputera requirements are more than adequately met to prepare for any future contingent resignations. There is no estimated cost to rectify the relevant Bumiputera requirements as it is an on-going effort to recruit Bumiputera talents. Mercury Securities is hopeful that with the Listing, it would be able to retain and attract more Bumiputera talents in the future.

Should there be further developments and updates on this matter after the date of this Prospectus, the relevant announcements will be made accordingly on Bursa Securities' website.

Save as disclosed above, Mercury Securities has been in compliance with the Licensing Handbook since it has come into effect, up to the LPD.

7. BUSINESS OVERVIEW (CONT'D)

7.20.3 Rules of Bursa Securities

The Rules of Bursa Securities issued by Bursa Securities sets out, among others, the criteria to become a Participating Organisation, continuing obligations of a Participating Organisation, conduct of business by a Participating Organisation and other matters related to the stock exchange.

The Rules of Bursa Securities provides that no person shall:

- (i) have access to the markets or facilities established, maintained or operated by Bursa Securities; and/or
- (ii) be entitled to describe itself as a Participating Organisation of Bursa Securities,

unless it has been admitted as a Participating Organisation in accordance with the Rules of Bursa Securities.

All Participating Organisation are bound by the Rules of Bursa Securities. Bursa Securities may exercise its disciplinary powers under the Rules of Bursa Securities against a Participating Organisation if the Participating Organisation is found to have breach any of the Rules of Bursa Securities and directives. Bursa Securities' discretionary powers includes but not limited to the following actions:

- (a) imposing a fine not exceeding RM1.00 million;
- (b) suspending a Participating Organisation in accordance with the terms prescribed by Bursa Securities; and
- (c) striking a Participating Organisation off the register.

As at the LPD, Mercury Securities is a Participating Organisation and there is no non-compliance of Rules of Bursa Securities since it has come into effect up to the LPD, save as disclosed below:

In August 2017, one of our dealers from our KL Branch was reprimanded by Bursa Securities and ordered to pay a penalty of RM28,000 (the penalty was subsequently reduced to RM20,000 following an appeal by the said dealer) for engaging in manipulative trading activities in the securities of a public listed company. The said dealer subsequently resigned and left Mercury Securities in December 2018. Nonetheless, no administrative action was taken against Mercury Securities by Bursa Securities.

As a result of the above non-compliance, Mercury Securities has enhanced its front end monitoring process, whereby daily reports are generated by the system which highlights any irregular trades and these reports are checked daily by credit control department.

7.20.4 Rules of Bursa Depository

The Rules of Bursa Depository issued by the Bursa Depository sets out, among others, the rules relating to ADAs and authorised nominees, and continuing obligations of ADAs and authorised nominees.

Every ADA shall, throughout the term of its appointment, among others, comply with the Rules of Bursa Depository, the procedures manual containing guidelines and operating procedures for ADAs issued by Bursa Depository, the provisions of the SICDA and includes any regulations made thereunder to such extent to which the same purports to apply to them.

7. BUSINESS OVERVIEW (CONT'D)

Bursa Depository may exercise its enforcement powers under the Rules of Bursa Depository against a person if such person is found to have breached any of the rules, directions, undertakings, representations or warranties given to Bursa Depository or any other terms and conditions agreed upon with Bursa Depository. The Bursa Depository's enforcement powers include but not limited to the following actions:

- (a) terminate or suspend the appointment of an ADA in accordance with the terms prescribed by Bursa Depository; and
- (b) impose a fine not exceeding RM1.00 million on the defaulting person.

As at the LPD, Mercury Securities is an ADA of Bursa Depository and there is no non-compliance of Rules of Bursa Depository since it has come into effect up to the LPD.

7.20.5 Rules of Bursa Clearing

The Rules of Bursa Clearing issued by Bursa Clearing sets out, among others, the criteria to become a clearing participant, rights and obligations of a clearing participant, undertakings by a clearing participant and other requirements to be complied.

Bursa Clearing has 2 categories of participants, comprising trading clearing participant, who is a Participating Organisation of Bursa Securities and admitted by Bursa Clearing as a clearing participant and non-trading clearing participant, who are admitted by Bursa Clearing as a clearing participant to participate in the institutional settlement service.

All trading clearing participants are bound by the Rules of Bursa Clearing.

Bursa Clearing may exercise its disciplinary powers under the Rules of Bursa Clearing if the participant is found to have committed any of the acts of misconduct stipulated in the Rules of Bursa Clearing. Bursa Clearing's disciplinary powers includes but not limited to the following actions:

- (a) suspend or terminate its participants in accordance with the terms prescribed by the Clearing House; and
- (b) impose a fine not exceeding RM1.00 million on the defaulting participant.

As at the LPD, Mercury Securities is a registered trading participant as well as an approved Securities Borrowing and Lending – Negotiated Transaction lender and borrower. There is no non-compliance of Rules of Bursa Clearing by Mercury Securities since it has come into effect up to the LPD.

7.20.6 SICDA

SICDA provides for the regulation of central depositories, and the deposit, holding, withdrawal of, and dealings in, securities deposited therewith and to provide for matters incidental thereto.

As an ADA, Mercury Securities is required to comply with SICDA.

A person who contravenes SICDA shall be guilty of an offence and shall, on conviction, be liable to maximum fine ranging from RM1.00 million to RM10.00 million or to imprisonment for a maximum term ranging from 5 years to 10 years, or both, depending on the types of offence.

There is no non-compliance of SICDA by Mercury Securities since it has come into effect up to the LPD.

7. BUSINESS OVERVIEW (CONT'D)

7.20.7 Capital Markets and Services (Capital Market Compensation Fund) (Contribution) Order 2012

As a CMSL holder, Mercury Securities is required to contribute to the Capital Market Compensation Fund pursuant to the Capital Markets and Services (Capital Market Compensation Fund) (Contribution) Order 2012. A failure to contribute to the Capital Market Compensation Fund shall be deemed a breach of a licensing condition, and result in the SC taking an action. Save as disclosed below, there is no non-compliance of Capital Markets and Services (Capital Market Compensation Fund) (Contribution) Order 2012 by Mercury Securities since it has come into effect up to the LPD:

Mercury Securities had not made contributions to the Capital Markets Compensation Fund for year 2019, 2020 and 2021 for a total sum of RM15,000 as invoices were not issued to Mercury Securities. Nonetheless, Mercury Securities had settled the above-mentioned sum on 16 June 2021. No action was taken against Mercury Securities by the SC for failure to make the said contributions to the Capital Markets Compensation Fund based on the respective anniversary dates.

As a result of the above non-compliance, Mercury Securities has assigned a designated person to ensure payment is made every year on a timely basis.

7.20.8 Listing requirements of Main Market, ACE Market and LEAP Market of Bursa Securities

Mercury Securities has been admitted to the Register of RPAs of the SC as a RPA, and also admitted to the Register of Sponsors and Register of Advisers of Bursa Securities as a sponsor for ACE Market and approved adviser for LEAP Market, respectively.

As a Main Market principal adviser, Mercury Securities is required to comply with the listing requirements of Main Market of Bursa Securities insofar as the same apply to Mercury Securities as a principal adviser.

As an ACE Market sponsor, Mercury Securities is required to comply with the listing requirements of ACE Market insofar as the same apply to Mercury Securities as sponsor.

Under listing requirements of ACE Market, a sponsor must ensure compliance with the terms of the agreement entered into with Bursa Securities in connection with its admission as a sponsor in the register of sponsors for the ACE Market.

As a LEAP Market approved adviser, Mercury Securities is required to comply with the listing requirements of the LEAP Market. Under listing requirements of LEAP Market, an approved adviser must at all times observe and comply with the requirements and any other instruction or directive issued or condition imposed by the Bursa Securities.

Failure to comply with any of the listing requirements will amount to a breach in respect of which actions may be taken or penalties may be imposed, or both.

There is no non-compliance of listing requirements of Main Market, ACE Market and LEAP Market of Bursa Securities by Mercury Securities since it has come into effect up to the LPD.

7.20.9 AMLA

Mercury Securities, being a holder of CMSL, carrying out business activities of dealing in securities, is a reporting institution within the meaning of AMLA.

A reporting institution is required under the AMLA, to among others:

- (a) keep a record of any transaction involving the domestic currency or any foreign currency exceeding such amount as the competent authority may specify;

7. BUSINESS OVERVIEW (CONT'D)

- (b) promptly report to the competent authority
 - (i) any transaction exceeding such amount as the competent authority may specify;
 - (ii) any transaction where the identity of the person involved, the transaction itself or any other circumstances concerning that transaction gives any officer or employee of the reporting institution reason to suspect that the transaction involves proceeds of an unlawful activity or instrumentalities of an offence; and
 - (iii) any transaction or property where any officer or employee of the reporting institution or property involved is related or linked to, is used or is intended to be used for or by, any terrorist act, terrorist, terrorist group, terrorist entity or person who finances terrorism; and
- (c) undertake client due diligence measures under certain circumstances.

The AML Guide provides guide to reporting institutions in the capital market such as Mercury Securities in performing their obligations under the AMLA. The AML Guide had on 26 April 2021 replaced the SC's Guidelines on Prevention of Money Laundering and Terrorism Financing for Capital Market Intermediaries ("**Previous AML Guide**"). The Previous AML Guide took effect on 15 January 2014. Any non-compliance with any of the provisions in the Previous AML Guide, AML Guide and AMLA will subject Mercury Securities to actions under the AMLA and CMSA.

On 10 January 2023, Mercury Securities received the Supervisory Letter which highlighted the following findings:

- (i) failure to conduct due diligence and monitoring of placees per the AML Guide;
- (ii) absence in conducting due diligence and monitoring of third-party deposits;
- (iii) discrepancies in requirement and practices within Corporate Finance Manual and the Corporate Finance committee's terms of reference; and
- (iv) lack of appropriate internal policies and controls, poor record keeping, lack of evidence to support due diligence review conducted, and weaknesses relating to management of a list of securities that the Group's employees that are deemed insiders (as defined under Section 188 of the CMSA) are prohibited from trading ("**Restricted List**").

Arising from the Supervisory Letter, the SC had on 12 January 2023 issued the Warning Letter. Based on the Warning Letter, the Managing Director of Mercury Securities is reminded to ensure proper and effective discharge of his duties in relation to adherence to AML Guide regulatory requirements, maintaining accountability and oversight for all anti-money laundering and countering the financing of terrorism activities within the company.

Mercury Securities had on 13 February 2023 conducted a board of directors meeting to inform its board of directors of the Supervisory Letter. The board of directors of Mercury Securities had directed the internal audit department of Mercury Securities to conduct an audit to ensure all issues highlighted in the Supervisory Letter had been rectified and to table its internal audit report for deliberation by the board of directors of Mercury Securities.

Subsequently in February 2023, Mercury Securities has made the following necessary rectifications and improvements to address all the issues highlighted in the Supervisory Letter and to ensure that the same lapses will not recur:

- (i) enhancement on placee due diligence procedures such as background checks, placee risk profiling and enhanced due diligence, verification checks on the eligibility of placee and source of funding, as well as on-going monitoring of placee with high risk profile;

7. BUSINESS OVERVIEW (CONT'D)

- (ii) enhancement on third-party deposits due diligence procedures and on-going monitoring of third-party deposits; and
- (iii) updated the Corporate Finance Manual to be consistent with the Corporate Finance committee's terms of reference. The Corporate Finance Manual has also been updated to include the following:
 - (a) procedures relating to escalation of issues to the Corporate Finance committee;
 - (b) procedures relating to secondary equity fundraising offerings such as rights issue and private placement;
 - (c) procedures on the conduct of due diligence on Corporate Finance assignments;
 - (d) procedures on management of the Restricted List; and
 - (e) procedures on record keeping and file closures.

There are no additional cost incurred for the above rectification measures.

On 20 April 2023, an independent internal control consultant, Tricor Axcelasia Sdn Bhd has been appointed to conduct a review and assessment on the Group's internal control and risk management in relation to the issues highlighted in the Supervisory Letter. Based on Tricor Axcelasia Sdn Bhd's report dated 2 May 2023, Tricor Axcelasia Sdn Bhd verified that the relevant controls and processes have been implemented or are in place to address the issues highlighted in the Supervisory Letter.

The internal audit department of Mercury Securities has also completed an audit review and its report was submitted to the SC on 26 June 2023 after it was tabled and deliberated by the board of directors of Mercury Securities on 23 June 2023.

Save for the Warning Letter, there are no other penalties imposed. There is no impact to our Group's business operations or financial performance arising from the Supervisory Letter and Warning Letter.

Other than the Supervisory Letter and Warning Letter, there is no other actions taken against Mercury Securities.

Save as disclosed above as well as Sections 7.20.1(b) and 9.1.1(c) of the Prospectus, Mercury Securities has been in compliance with the Previous AML Guide, AML Guide and AMLA since it has come into effect up to the LPD.

7.21 EMPLOYEES

As at the LPD, we have a total workforce of 103 employees, all of them are permanent and local employees. We also have a total of 46 remisiers as at 31 October 2022 and a total of 44 remisiers as at the LPD (including 1 remisier who is registered as a PDT trader with Bursa Securities). Although our remisiers are not part of our employees, they are our exclusive trading representatives and holders of the CMSRL for dealing in securities. Please refer to Section 7.5.1(v) of this Prospectus for further details of our arrangements with the remisiers.

7. BUSINESS OVERVIEW (CONT'D)

The breakdown of our employees in our Group by category as at 31 October 2022 and the LPD are as follows:

Category	Number of employees	
	31 October 2022	As at LPD
Management	14 ^(a)	14 ^(a)
Dealing in securities	27	24
- Dealers involved in servicing stockbroking clients	15 ^(b)	15 ^(b)
- Dealers involved in proprietary trading (IVT)	9 ^(c)	7 ^(c)
- Dealers involved in proprietary trading (PDT)	1 ^(d)	1 ^(d)
- Trading clerks	2	1
Corporate finance	18 ^{(e)(f)}	22 ^(g)
Investment advice	4 ^(h)	4 ^(h)
Administrative	42	39
Total	105	103

Notes:

- (a) Consists of 2 CMSRL holders of which 1 CMSRL holder is for dealing in securities and 1 CMSRL holder is for advising on Corporate Finance.
- (b) All are CMSRL holders who are involved in dealing in securities servicing stockbroking clients.
- (c) All are CMSRL holders who are involved in proprietary trading.
- (d) Consists of 1 CMSRL holder who is involved in proprietary trading.
- (e) Consists of 6 CMSRL holders, of which 4 of them are QP licensed by the SC. The same 4 CMSRL holders (who are QP) are also eligible persons registered by Bursa Securities to advise on corporate finance for LEAP Market ("EP"). Out of the 4 QP who are also EP, 1 of them was a corporate finance personnel from the Former Corporate Finance Team.
- (f) Inclusive of 4 corporate finance personnel from the Former Corporate Finance Team, of which 1 of them is a CMSRL holder, QP and EP.
- (g) Consists of 9 CMSRL holders, of which 4 of them are QP who are also EP.
- (h) Consists of 3 CMSRL holders for investment advice.

The Former Corporate Finance Team had left Mercury Securities as at 1 November 2022. The Former Corporate Finance Team has no material operational and financial impact to Mercury Securities moving forward due to the following:

- (i) there are 3 other corporate finance teams with a total of 22 corporate finance personnel as at the LPD, who are at the executive level and above (including 4 QPs who are also EPs) to undertake operations of the Corporate Finance Segment; and
- (ii) Mercury Securities undertakes continuous on-going effort to recruit talents to enhance and expand the Corporate Finance Segment.

7. BUSINESS OVERVIEW (CONT'D)

The breakdown of our employees and remisiers in our Group by location of our operational offices as at 31 October 2022 and the LPD are as follows:

Location	Number of employees and remisiers			
	31 October 2022		As at LPD	
	Employees	Remisiers	Employees	Remisiers
Kuala Lumpur	52	15	53	14
Pulau Pinang	45	18	43	18
Johor	4	6	4	5
Melaka	4	5	3	5
Sarawak	-	2	-	2
Total	105	46	103	44

None of our employees are members of any union and as at the LPD, our Group is not involved in any industrial dispute pertaining to our employees.

7.22 MAJOR CLIENTS

Our top 5 major clients for the Financial Years and Period Under Review are as follows:

FYE 2019

Top 5 major clients	Main type of services offered	(RM'000)	(%) of total revenue	^(a) Length of business relationship (Year)
Public Mutual Berhad	Execution of trades of securities	5,972	18.94	12
Ta Win Holdings Berhad	Corporate finance advisory services and underwriting of securities	1,186	3.76	1
Eduspec Holdings Berhad	Corporate finance advisory services	830	2.63	2
CE Technology Berhad	Corporate finance advisory services and placement of securities	731	2.32	2
Powerwell Holdings Berhad	Corporate finance advisory services	440	1.40	1
Total of top 5 major clients		9,159	29.05	
Group revenue		31,524		

Note:

(a) Length of business relationship is determined as at 31 October 2019.

7. BUSINESS OVERVIEW (CONT'D)**FYE 2020**

Top 5 major clients	Main type of services offered	(RM'000)	(%) of total revenue	^(a)Length of business relationship (Year)
Public Mutual Berhad	Execution of trades of securities	8,103	16.28	13
Ace Credit (M) Sdn Bhd	Margin financing	1,124	2.26	4
Powerwell Holdings Berhad	Corporate finance advisory services, underwriting and placement of securities	907	1.82	2
Dolphin International Berhad	Corporate finance advisory services and underwriting of securities	711	1.43	less than 1
AT Systematization Berhad	Corporate finance advisory services and placement fees of securities	604	1.22	4
Total of top 5 major clients		11,449	23.01	
Group revenue		49,762		

Note:

(a) Length of business relationship is determined as at 31 October 2020.

FYE 2021

Top 5 major clients	Main type of services offered	(RM'000)	(%) of total revenue	^(a)Length of business relationship (Year)
Public Mutual Berhad	Execution of trades of securities	7,439	12.19	14
Ace Credit (M) Sdn Bhd	Margin financing	2,842	4.66	5
Luxchem Corporation Berhad	Corporate finance advisory services and placement of securities	1,878	3.08	5
AT Systematization Berhad	Corporate finance advisory services and placement of securities	1,059	1.73	5
Airasia X Berhad	Corporate finance advisory services	900	1.48	1
Total of top 5 major clients		14,118	23.14	
Group revenue		61,007		

Note:

(a) Length of business relationship is determined as at 31 October 2021.

7. BUSINESS OVERVIEW (CONT'D)**FYE 2022**

Top 5 major clients	Main type of services offered	(RM'000)	(%) of total revenue	^(a)Length of business relationship (Year)
Ace Credit (M) Sdn Bhd	Margin financing	3,808	8.78	6
Senheng New Retail Berhad	Corporate finance advisory services, underwriting and placement of securities	3,318	7.65	4
Public Mutual Berhad	Execution of trades of securities	2,885	6.65	15
PT Resources Holdings Berhad	Corporate finance advisory services, underwriting and placement of securities	2,110	4.86	1
Cosmos Technology International Berhad	Corporate finance advisory services, underwriting and placement of securities	1,131	2.61	1
Total of top 5 major clients		13,252	30.55	
Group revenue		43,382		

Note:

(a) Length of business relationship is determined as at 31 October 2022.

FPE 2023

Top 5 major clients	Main type of services offered	(RM'000)	(%) of total revenue	^(a)Length of business relationship (Year)
Ace Credit (M) Sdn Bhd	Margin financing	642	5.61	7
Public Mutual Berhad	Execution of trades of securities	514	4.49	16
Individual ^(b)	Margin financing	440	3.85	9
Evergreen Max Cash Capital Berhad	Corporate finance advisory services, underwriting and placement of securities	331	2.89	2
Pembinaan Azam Jaya Sdn Bhd	Corporate finance advisory services, underwriting and placement of securities	330	2.88	less than 1
Total of top 5 major clients		2,257	19.72	
Group revenue		11,439		

7. BUSINESS OVERVIEW (CONT'D)

Notes:

- (a) Length of business relationship is determined as at 30 April 2023.
- (b) This refers to an individual client of Mercury Securities who utilises the margin financing facility. A consent was sought for the disclosure of the identity of this individual client but such consent was not granted. As such, the identity of this individual client is not disclosed in the Prospectus.

We were dependent on Public Mutual Berhad (which is 1 of our institutional clients of the Stockbroking Segment) in view of its revenue contribution of more than 10.00% to our Group's total revenue for the FYE 2019, FYE 2020 and FYE 2021. However, the revenue contribution from Public Mutual Berhad had been on a declining trend since the FYE 2019. For the FYE 2022 and FPE 2023, Public Mutual Berhad's revenue contribution further declined to 6.65% and 4.49% respectively. Public Mutual Berhad has been our client for approximately 16 years and this long standing business relationship will serve as a platform for business continuity.

Other than Public Mutual Berhad, our revenue was broadly spread across the following client base during the Financial Years and Period Under Review:

	<u>FYE 2019</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FPE 2023</u>
Number of clients by business segment					
- <i>Stockbroking Segment</i> ^(a)	3,063	4,052	4,554	3,467	2,484
- <i>Corporate Finance Segment</i>	71	86	111	86	33
Total	<u>3,134</u>	<u>4,138</u>	<u>4,665</u>	<u>3,553</u>	<u>2,517</u>

Note:

- (a) Include only stockbroking clients which we derived brokerage revenue arising from the trading of securities for each respective FYE/FPE, and does not include the same clients in the Corporate Finance Segment for underwriting and placement services. The number of clients for stockbroking clients is based on the number of active trading accounts within the respective FYE/FPE (excluded number of active trading accounts registered under Public Mutual Berhad). Active trading accounts refer to accounts with trading activity within the respective FYE/FPE.

We do not have any long-term contracts with our clients as our services are provided based on agreements such as margin financing agreements and mandates entered with our stockbroking and corporate finance clients respectively, which is a common practice in the stockbroking and corporate finance advisory industry in Malaysia. Please refer to Section 7.5 of this Prospectus for further details on our mode of operations.

7. BUSINESS OVERVIEW (CONT'D)**7.23 MAJOR SUPPLIERS**

Our top 5 major suppliers or vendors for the Financial Years and Period Under Review are as follows:

FYE 2019

Major suppliers	Main services/equipment procured	(RM'000)	(%) of total cost incurred	^(a)Length of business relationship (Year)
Public Bank Berhad	Banking services	4,328	18.40	19
Telekom Malaysia Berhad	Leased line and internet services	350	1.49	27
Bloomberg Finance Singapore L.P.	Terminal with financial market information	201	0.86	6
Excel Force MSC Berhad	Stock trading system	152	0.65	3
DZH International Sdn Bhd	Stock trading system	111	0.47	10
Total of top 5 major suppliers		5,142	21.87	
Group operational cost (RM'000)		^(b)23,516		

Notes:

- (a) Length of business relationship is determined as at 31 October 2019.
- (b) Comprises total cost of services of RM17.69 million as well as administrative and other operating expenses (excluding depreciation costs) incurred during FYE 2019 of RM5.83 million.

FYE 2020

Major suppliers	Main services/equipment procured	(RM'000)	(%) of total cost incurred	^(a)Length of business relationship (Year)
Public Bank Berhad	Banking services	6,042	17.72	20
Telekom Malaysia Berhad	Leased line and internet services	313	0.92	28
Bloomberg Finance Singapore L.P.	Terminal with financial market information	188	0.55	7
Excel Force MSC Berhad	Stock trading system	152	0.45	4
TT Dotcom Sdn Bhd	Leased line and internet services	134	0.39	16
Total of top 5 major suppliers		6,829	20.03	
Group operational cost (RM'000)		^(b)34,099		

7. BUSINESS OVERVIEW (CONT'D)

Notes:

- (a) Length of business relationship is determined as at 31 October 2020.
- (b) Comprises total cost of services of RM27.70 million as well as administrative and other operating expenses (excluding depreciation costs) incurred during FYE 2020 of RM6.40 million.

FYE 2021

Major suppliers	Main services/equipment procured	(RM'000)	(%) of total cost incurred	^(a)Length of business relationship (Year)
Public Bank Berhad	Banking services	5,503	14.48	21
Telekom Malaysia Berhad	Leased line and internet services	274	0.72	29
Bloomberg Finance Singapore L.P.	Terminal with financial market information	220	0.58	8
Excel Force MSC Berhad	Stock trading system	149	0.39	5
TT Dotcom Sdn Bhd	Leased line and internet services	142	0.37	17
Total of top 5 major suppliers		6,288	16.54	
Group operational cost (RM'000)		^(b)38,004		

Notes:

- (a) Length of business relationship is determined as at 31 October 2021.
- (b) Comprises total cost of services of RM30.66 million as well as administrative and other operating expenses (excluding depreciation costs) incurred during FYE 2021 of RM7.34 million.

FYE 2022

Major suppliers	Main services/equipment procured	(RM'000)	(%) of total cost incurred	^(a)Length of business relationship (Year)
Telekom Malaysia Bhd	Leased line and internet services	275	1.07	30
Bloomberg Finance Singapore L.P.	Terminal with financial market information	231	0.90	9
Excel Force MSC Berhad	Stock trading system	148	0.58	6
TT Dotcom Sdn Bhd	Leased line and internet services	132	0.51	18
Celcom Mobile Sdn Bhd	Leased line and internet services	73	0.29	11
Total of top 5 major suppliers		859	3.35	
Group operational cost (RM'000)		^(b)25,662		

7. BUSINESS OVERVIEW (CONT'D)

Notes:

- (a) Length of business relationship is determined as at 31 October 2022.
- (b) Comprises total cost of services of RM19.50 million (excluding soft commission allowance) as well as administrative and other operating expenses (excluding depreciation costs) incurred during FYE 2022 of RM6.16 million.

FPE 2023

Major suppliers	Main services/equipment procured	(RM'000)	(%) of total cost incurred	^(a)Length of business relationship (Year)
Excel Force MSC Berhad	Stock trading system	206	3.24	7
Bloomberg Finance Singapore L.P.	Terminal with financial market information	125	1.97	10
Telekom Malaysia Bhd	Leased line and internet services	119	1.87	31
TT Dotcom Sdn Bhd	Leased line and internet services	48	0.75	19
Celcom Mobile Sdn Bhd	Leased line and internet services	16	0.25	12
Total of top 5 major suppliers		514	8.08	
Group operational cost (RM'000)		^(b)6,361		

Notes:

- (a) Length of business relationship is determined as at 30 April 2023.
- (b) Comprises total cost of services of RM3.57 million (excluding soft commission allowance) as well as administrative and other operating expenses (excluding depreciation costs) incurred during FPE 2023 of RM2.79 million.

We are not dependent on our major suppliers as there are other available suppliers for the services/equipment mentioned above. We do not have any long-term contracts with our major suppliers and there has been no material dispute in the past. Our suppliers are selected based on several criteria such as quality of service and reliability of the suppliers.

For information purposes, Public Mutual Berhad is a wholly-owned subsidiary of Public Bank Berhad. As such, we procured banking services such as account management, bulk payment and transactional services from Public Bank Berhad in the FYE 2019, FYE 2020 and FYE 2021 solely in respect of the trades of securities by Public Mutual Berhad in view of its high trading volume. The same banking services can also be procured from other financial institutions. Nonetheless, we did not procure banking services from Public Bank Berhad in the FYE 2022 due to the low trading volume by Public Mutual Berhad during the FYE 2022, which declined by 61.78%, from 3,399 million units in FYE 2021 to 1,299 million units in FYE 2022. We also did not procure banking services from Public Bank Berhad in the FPE 2023 as the trading volume by Public Mutual Berhad remained low, which amounted to 102 million units in FPE 2023.

7. BUSINESS OVERVIEW (CONT'D)

7.24 TYPES, SOURCES AND AVAILABILITY OF PURCHASES

The cost incurred for purchases of services for the Financial Years and Period Under Review are set out below:

	FYE 2019		FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Banking services	4,328	18.40	6,042	17.72	5,503	14.48	-	-	-	-
Technology facility related cost	1,081	4.60	1,100	3.23	1,205	3.17	1,303	5.08	807	12.69
Telecommunications network and related charges	438	1.86	383	1.12	440	1.16	443	1.72	184	2.89
Sub-total	5,847	24.86	7,525	22.07	7,148	18.81	1,746	6.80	991	15.58
Total operational cost^(a)	23,516		34,099		38,004		25,662		6,361	

Note:

- (a) Total operational cost comprises cost of services, administrative and other operating expenses incurred, and excludes depreciation costs, allowance for expected credit losses on trade receivables and soft commission allowance.

The main services rendered by suppliers and/or service vendors are mainly for our stockbroking operations and most of them are from Malaysia. These are as follows:

- (i) charges of banking services refer to payments made for bank services such as account management, bulk payment and transactional services for FYE 2019 to FYE 2021;
- (ii) technology facility related cost incurred refer to terminal charges, access and subscription fees for data and information, and maintenance and support services provided by external service providers; and
- (iii) telecommunications network and related charges include leased lines to connect to Bursa Securities, managed network services to link our branch offices, internet and related charges to facilitate access to the information service provider's systems, and hosting of our online trading platforms. These said services are mainly for our stockbroking operations while internet and related services are also used for our corporate finance operations.

7. BUSINESS OVERVIEW (CONT'D)

We do not engage any suppliers or service vendors for our corporate finance operations as advisory services are carried out by our corporate finance team with a total of 22 employees comprising 9 CMSRL holders for advising on corporate finance of which 4 are QP as at the LPD.

7.25 EXCHANGE CONTROLS

All corporations in Malaysia are required to adopt the single-tier tax system for cash dividend. All cash dividends distributed by Malaysian tax resident companies under the single-tier dividend are exempt from Malaysian income tax in the hands of shareholders. Further, the Government does not levy withholding tax on dividend payments. Therefore, there is no withholding tax imposed on dividends paid to non-residents by Malaysian companies. There is no Malaysian capital gains tax arising from the disposal of shares in non-real property companies.

We do not have any foreign subsidiaries. As such, as at the LPD, there are no governmental law, decree, regulation or other requirement which may affect the repatriation of capital and remittance of profit by or to our Group.

7.26 BUSINESS STRATEGIES AND PLANS

Our business strategies and plans are focused on our Stockbroking Segment to drive our business growth and expansion. In addition, we also intend to expand our operational facility and resources. This is set out below:

Our Strategies and Plans

Our operations	Moving forward plans												
<p>We are a licensed stockbroking company and we are also involved in the provision of corporate finance advisory services. We have a network of seven offices including Head Office and our online trading platforms to serve our clients. The locations of our branch offices are as follows:</p> <table border="0"> <tr> <td>Pulau Pinang</td> <td>Melaka</td> </tr> <tr> <td>• Butterworth</td> <td>• Melaka Raya</td> </tr> <tr> <td>• Lebuh Pantai</td> <td>Johor</td> </tr> <tr> <td>• Bayan Baru</td> <td>• Johor Bahru</td> </tr> <tr> <td>Kuala Lumpur</td> <td>Sarawak</td> </tr> <tr> <td>• Solaris Mont' Kiara</td> <td>• Sarikei</td> </tr> </table>	Pulau Pinang	Melaka	• Butterworth	• Melaka Raya	• Lebuh Pantai	Johor	• Bayan Baru	• Johor Bahru	Kuala Lumpur	Sarawak	• Solaris Mont' Kiara	• Sarikei	<div style="margin-bottom: 10px;">  <p>Continue to strengthen our core competency in stockbroking</p> <ul style="list-style-type: none"> ➤ Continue to expand our revenue from Stockbroking Segment to leverage on opportunities in the margin financing facility services ➤ Enhancement of digitalisation programme, ICT system and marketing activities for our stockbroking operations </div> <div style="margin-bottom: 10px;">  <p>Expansion of operational facility</p> <ul style="list-style-type: none"> ➤ New office in Solaris Mont' Kiara </div> <div>  <p>Expanding resources in proprietary trading to create incremental earnings</p> </div>
Pulau Pinang	Melaka												
• Butterworth	• Melaka Raya												
• Lebuh Pantai	Johor												
• Bayan Baru	• Johor Bahru												
Kuala Lumpur	Sarawak												
• Solaris Mont' Kiara	• Sarikei												

7. BUSINESS OVERVIEW (CONT'D)

7.26.1 Continue to expand our revenue from Stockbroking Segment to leverage on opportunities in the margin financing facility services

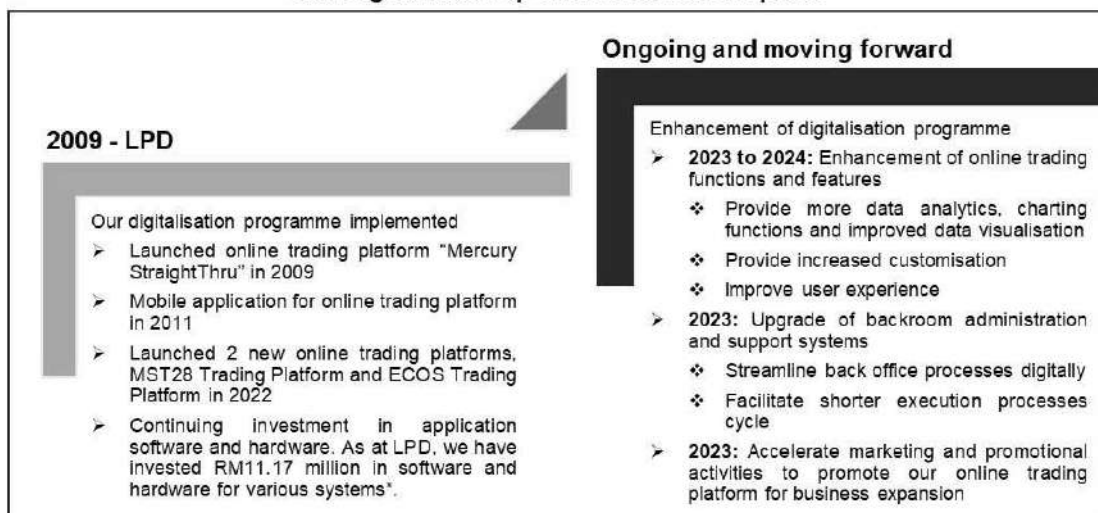
Our stockbroking services comprising execution of trades, provision of margin financing facility services, underwriting and placement services, nominee, custodian and related services. Part of strategies to expand our revenue is to expand the provision of margin financing facility services to fund our existing and new stockbroking clients for their purchase of mainly quoted securities on Bursa Securities. This would in turn help to further enhance our revenue for the Stockbroking Segment via margin income and brokerage fees.

From FYE 2019 to FYE 2022, our margin income has been growing from RM3.60 million in FYE 2019 to RM4.98 million, RM7.37 million and RM9.08 million in FYE 2020, FYE 2021 and FYE 2022 respectively, representing a CAGR of 36.09% due to the higher demand for margin financing facility services from our stockbroking clients. The increase in demand for our margin financing facility services was also reflected in the higher margin account receivables of RM50.73 million as at 31 October 2022, compared to RM48.49 million and RM34.10 million as at 31 October 2021 and 31 October 2020 respectively, which enable us to continue to earn interest income from the outstanding margin account receivables and roll-over fees and commitment fees as well as processing fees.

In view of the above, we plan to allocate RM26.86 million of the proceeds from the Public Issue to expand the provision of margin financing facility services to meet the potential demand of services from our stockbroking clients within 24 months from the Listing Date. For further details, please refer to Section 4.6.1 of this Prospectus.

7.26.2 Enhancement of digitalisation programme, ICT system and marketing activities for our stockbroking operations

Our digital roadmap and enhancement plans



Note: *Include hardware and related equipment and fixtures for trade execution system, backroom administration and support systems, platform and online access, data centres and communications networks.

Our plans and strategies are focused on our Stockbroking Segment to drive our business growth and expansion. As part of our digital roadmap strategy, we will continue to enhance our online trading platforms, namely MST28 Trading Platform and ECOS Trading Platform to improve our client trading experience. By leveraging digital technology, we intend to facilitate efficient and timely access to market data and information for our existing stockbroking clients as well as secure new clients to grow our stockbroking business.

7. BUSINESS OVERVIEW (CONT'D)

The early digital adoption for our stockbroking operations in 2009 has provided us with the platform to operate under the restrictions of the COVID-19 environment. In 2020, there was an increase in the demand for our online trading services which resulted in the growth of our online brokerage revenue by 154.15% (RM3.53 million) to RM5.82 million in FYE 2020.

In view of the industry trend, our plans and strategies will focus on investment in technology for continuous enhancement on the digitalisation of our stockbroking operations to provide trading convenience and more tech savvy investors at a lower brokerage fee relative to brokerage fee from broker-assisted trading. This is set out below:

(i) Enhancement of online trading functions and features

We plan to enhance our online trading platforms for both desktop and mobile applications by improving the existing functions and features as follows:

- (a) to provide more data analytics, charting functions and improved data visualisation such as infographics, to facilitate trading decisions;
- (b) to provide increased customisation for each individual account such as selection of data and analytics to be displayed, presentation of selected historical trading information, personal profile and preferences including personalised push notifications and financial status of trading account; and
- (c) to improve user experience through improved user interface such as better and more intuitive graphical user interface, ease of access to live market data from Bursa Securities and selected foreign exchanges, streaming of podcasts, and access to market insight reports.

Our online trading platforms are available to our clients and access will be based on a 2-password regime where 1 password will provide access to client-specific information, live market data, relevant news and information and analytical tools, while another password is required to carry out online trading.

In view of the above, we intend to allocate RM1.00 million from our internally generated funds to engage vendor for the enhancement of our online trading platforms by improving our existing functions and features progressively between 2023 and 2024. The above estimated cost was derived based on potential vendor's proposed quotation.

(ii) Upgrade of backroom administration and support systems

We plan to upgrade our backroom administration and support systems comprising the following:

Back office system	Reporting and transmission of data from other branch offices to Butterworth Branch, reconciliation of all records of the Butterworth Branch and other branch offices, and reconciliation of all transactions undertaken by the Butterworth Branch and other branch offices.
Broker management system	Facilitate the back office operations, including generation of contract notes, settlement, clearance, record maintenance and regulatory compliance, as well as records of clients' details and transactions records.

Part of our digitalisation enhancement plans, we intend to upgrade the existing system to enhance our back office processes by streamlining processes digitally. This will facilitate a shorter execution processes cycle including settlement, clearance and record maintenance for our stockbroking operations with faster response time for reporting process, where the execution process cycle is expected to reduce by at least 1.5 hours as compared to the current execution process cycle of at least 4 hours.

7. BUSINESS OVERVIEW (CONT'D)

We are in the midst of evaluating the solutions being offered by a selected vendor to enhance the backroom administration and support systems as part of our digitalisation expansion and enhancement plans. As at this juncture, our Group is still negotiating with the said vendor and expects to finalise its appointment by the 4th quarter of 2023. Based on the selected vendor's proposed quotation, the total estimated cost for the above-mentioned enhancement is RM2.50 million which comprised of the following:

	(RM'000)
Upgrading of backroom administration and support system	(a)(b)1,380
Purchase of ICT equipment and upgrading communication infrastructure	(c)960
Customisation and installation fees	(c)160
Total estimated cost	2,500

Notes:

- (a) Includes estimated cost of enhancement of our existing back office processes by streamlining processes digitally.
- (b) To be funded through the proceeds from the Public Issue.
- (c) To be funded through internally generated funds.

(iii) Marketing activities to expand online trading clients' base

Moving forward, we plan to carry out more marketing and promotion activities to promote our online trading platforms to expand our online clients' base as well as to increase the market awareness of Mercury Securities' brand among the broader retail and institutional markets to generate sales leads for our business. In line with promoting and acceleration in digital adoption, we plan to promote our online trading platforms to attract new clients for our business expansion.

In this respect, we plan to engage third party marketing and advertising company to formulate our advertising campaign and facilitate marketing and promotional activities comprising conducting of investment roadshows and digital advertising through social media and other paid media channels.

In view of the above, we plan to allocate a total fund of RM5.00 million to enhance our digitalisation and our ICT system for our stockbroking operations and marketing activities:

	Estimated cost (RM'000)	Funding from the proceeds of Public Issue (RM'000)	Funding from internally generated funds (RM'000)	Expected timing for utilisation
Enhancement of online trading functions and features	1,000	-	1,000	36 months
Upgrading of backroom administration and support system	2,500	1,380	(a)1,120	18 months
Marketing activities	1,500	1,500	-	18 months
Total estimated cost	5,000	2,880	2,120	

Note:

- (a) Include the purchase of ICT equipment and upgrading communication infrastructure of RM960,000, as well as customisation and installation fees of RM160,000.

Please refer to Section 4.6.2 of the Prospectus for further details on the use of proceeds.

7. BUSINESS OVERVIEW (CONT'D)

7.26.3 Expansion of the operational facility

Our branch office in Kuala Lumpur is currently occupied for the operations of Stockbroking Segment and Corporate Finance Segment with a total built-up area of 9,564 sq. ft. where the office space has been fully utilised as at the LPD.

As part of our business strategies and plans, we intend to expand our office space in Kuala Lumpur by setting up additional new offices in Kuala Lumpur. In August 2021, we acquired 2 units of offices in Solaris Mont' Kiara, Kuala Lumpur to cater for additional office space for our business operations including the Stockbroking Segment as well as the Corporate Finance Segment.

The new facility is located next to our existing KL Branch in Solaris Mont' Kiara, Kuala Lumpur, which are adjacent offices with an aggregated built-up area of 2,874 sq. ft. to cater for additional office space for our business operations including the Stockbroking Segment as well as the Corporate Finance Segment. The additional office space is planned to cater up to 40 employees. The new offices acquired are fully furnished with partitioned workstations. In this respect, the estimated cost for the set up of office network system will be minimal. We intend to occupy the new office space by the 3rd quarter of 2023.

7.26.4 Expanding resources in proprietary trading to create incremental earnings

In addition, we plan to expand our resources in proprietary trading including investment in human resources and algorithmic trading desk to create incremental earnings. We are permitted to carry out proprietary trading where we execute trades using internal funds under our proprietary accounts as a Participating Organisation of Bursa Securities. For the FYE 2019, FYE 2020, FYE 2021, FYE 2022 and FPE 2023, net gains generated from proprietary trading were RM1.32 million (13.36%), RM5.38 million (31.29%), RM2.20 million (10.87%), RM3.95 million (22.36%) and RM0.45 million (8.95%) of our total PAT respectively.

In this respect, our intention to expand our resources covers the following:

(i) Human resources to expand our proprietary trading team

As at the LPD, our proprietary trading team consists of 9 CMSRL holders for dealing in securities including 7 IVT traders and 2 PDT traders. We intend to recruit additional 30 IVT traders (who will be employed as dealers) progressively between 2nd half of 2023 and 2nd half of 2024 to carry out proprietary trading activities. The planned new recruits of IVT traders will need to be CMSRL holders. In August 2021, we acquired 2 units of offices in Solaris Mont' Kiara, Kuala Lumpur to cater for additional office space for our business operations, which includes the planned new recruits.

(ii) Set up of a new algorithmic trading desk

Part of our plans is to set up a new algorithmic trading desk to grow our proprietary trading. Algorithmic trading relies on an expert system incorporating artificial intelligence and machine learning to collect, store and analyse data to make trading decisions without human interventions. We intend to engage third party software developer to incorporate the algorithmic feature into the trading desk.

Some of the considerations for the new algorithmic trading desk include the following:

- (a) setting up the paradigm and expert system where we will adopt various trading strategies based on, among others, market sentiments, historical and current price and volume movements, arbitrage situations and market news;
- (b) infrastructure requirements including powerful processors, software, storage devices, communications equipment and high bandwidth to connect to Bursa Securities' ATS; and

7. BUSINESS OVERVIEW (CONT'D)

- (c) experts in continually fine-tuning and improving the algorithms that encapsulate the expert system to carry out algorithmic trading.

In view of the above, we intend to allocate RM1.50 million from our internally generated funds to fund the expansion in resources for the proprietary trading including human resources expansion (RM0.35 million) and set up of a new algorithmic trading desk (RM1.15 million) between 2nd half of 2023 and 2nd half of 2024 as follows:

- (i) RM0.35 million allocated for the human resources expansion is for the recruitment, training and transfer fees prescribed by Bursa Securities to transfer the registration of a dealer's representative pursuant to Rule 3.53(2)(b) of the Rules of Bursa Securities, where applicable for the additional 30 IVT traders; and
- (ii) RM1.15 million allocated for the set up of a new algorithmic trading desk based on the potential vendor's proposed quotation, which comprised of RM0.80 million for the set up of the paradigm and expert system, RM0.20 million for the upgrade of our infrastructure to meet the infrastructure requirements as well as RM0.15 million for third party professional support services for fine-tuning and improving the algorithms in the expert system.

7.27 OVERALL ESTIMATED COST FOR OUR BUSINESS STRATEGIES AND PLANS

The estimated costs for our business strategies and plans are as follows:

	Total estimated cost (RM'000)	Funding from the proceeds of Public Issue (RM'000)	Funding from internally generated funds (RM'000)
Continue to expand our revenue from Stockbroking Segment to leverage on opportunities in the margin financing facility services	26,860	26,860	-
Enhancement of digitalisation programme, ICT system and marketing activities for our stockbroking operations	5,000	2,880	2,120
Expansion of operational facility	(a)-	-	-
Expanding resources in proprietary trading to create incremental earnings	1,500	-	1,500
Total estimated cost	33,360	29,740	3,620

Note:

- (a) The new offices acquired are fully furnished with partitioned workstations. As such, the estimated cost for the set up of office network system will be minimal.

7.28 DEPENDENCY ON COMMERCIAL OR FINANCIAL CONTRACTS, INTELLECTUAL PROPERTY RIGHTS, LICENSES AND PERMITS, PRODUCTION OR BUSINESS PROCESS

As at the LPD, save for major approvals, licenses and permits as disclosed in Section 7.19 of this Prospectus, our Group is not dependent on any other commercial or financial contracts, intellectual property rights, licenses and permits, production or business processes.

8. INDUSTRY OVERVIEW

4 August 2023

The Board of Directors
Mercury Securities Group Berhad
Unit 30-01, Level 30, Tower A
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Vital Factor Consulting Sdn Bhd
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Selangor Darul Ehsan, Malaysia

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Fax: (603) 7931-2188
Website: www.vitalfactor.com

Dear Sirs and Madams

**Independent Assessment of the Stockbroking and Corporate Finance
Advisory Industry in Malaysia**

We are an independent business consulting and market research company in Malaysia. We commenced our business in 1993 and, among others, our services include the development of business plans incorporating financial assessments, information memorandums, commercial due diligence, feasibility and financial viability studies, and market and industry studies. We have been involved in corporate exercises since 1996, including initial public offerings and reverse takeovers for public listed companies on Bursa Malaysia Securities Berhad (Bursa Securities), acting as the independent business and market research consultants.

We have been engaged to provide an independent industry assessment on the above for inclusion in the prospectus of Mercury Securities Group Berhad concerning its listing on the ACE Market of Bursa Securities. We have prepared this report independently and objectively and had taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, availability of up-to-date information, secondary information and primary market research. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibility for the decisions or actions of readers of this document. This report should not be taken as a recommendation to buy or not to buy the securities of any company.

Our report may include assessments, opinions and forward-looking statements, which are subject to uncertainties and contingencies. Note that such statements are made based on, among others, secondary information and primary market research, and after careful analysis of data and information, the industry is subject to various known and unforeseen forces, actions and inactions that may render some of these statements to differ materially from actual events and future results.

Yours sincerely

Wooi Tan
Managing Director

Wooi Tan has a degree in Bachelor of Science from The University of New South Wales, Australia and a degree in Master of Business Administration from The New South Wales Institute of Technology (now known as University of Technology, Sydney), Australia. He is a Fellow of the Australian Marketing Institute, and Institute of Managers and Leaders. He has more than 20 years of experience in business consulting and market research, as well as assisting companies in their initial public offerings and listing on Bursa Securities.

8. INDUSTRY OVERVIEW (CONT'D)



Date of report: 4 August 2023

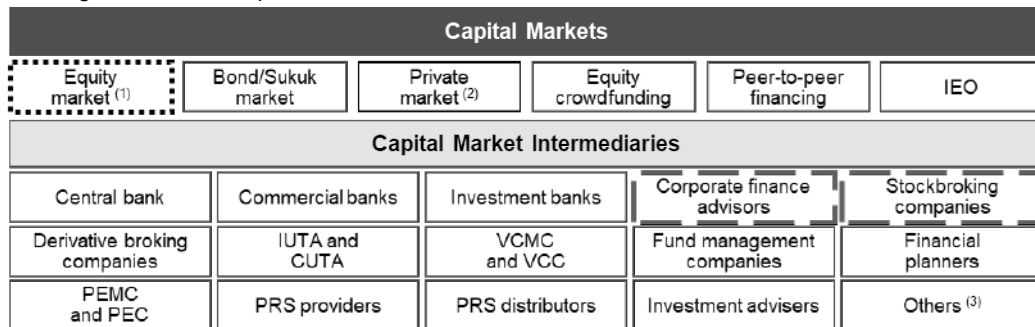
INDEPENDENT ASSESSMENT OF THE STOCKBROKING AND CORPORATE FINANCE ADVISORY INDUSTRY IN MALAYSIA

1. INTRODUCTION

- Mercury Securities Group Berhad together with its subsidiaries (herein referred to as Mercury Group) is involved in the provision of stockbroking and corporate finance advisory services in Malaysia, which shall form the focus of this report.

2. CAPITAL MARKET

- Mercury Group operates within the capital markets in Malaysia under the framework of the Capital Markets and Services Act 2007 (CMSA). The capital markets fall within the overall umbrella of the financial market. Capital markets deal with the raising of capital or funds from capital providers in the form of financial instruments commonly through the equity and the bond markets.
- The segments of the capital market and intermediaries involved are as follows:



(1) Includes derivative market; (2) Comprises private equity and venture capital; (3) Others include recognised market operators such as Capital Markets Services Licence holders, registered persons under the CMSA, digital investment managers, insurance and takaful brokers, contract for difference providers, portfolio managers, real estate investment trust managers and unit trust management companies; IEO = Initial exchange offerings; CUTA = Corporate unit trust scheme advisers; IUTA = Institutional unit trust scheme advisers; PEMC = Private equity management companies; PEC = Private equity corporations; VCMC = Venture capital management companies; VCC = Venture capital corporations; PRS = Private retirement schemes

Mercury Group operates in these segments Mercury Group is involved in this segment

- The capital markets in Malaysia involve five different parties, namely issuers, investors, capital market intermediaries, securities exchange, namely Bursa Malaysia Securities Berhad (Bursa Securities) and the main regulators, Securities Commission Malaysia (SC) and Bank Negara Malaysia (BNM). Capital market intermediaries facilitate the trading of financial instruments or provide financial advisory services to investors or issuers. Capital market intermediaries are essential in facilitating efficient markets, intermediating investments and/or savings and expanding investment channels.
- Mercury Group operates within the equity market which is involved in the issuance of shares and other financial instruments (collectively referred to as securities) by companies and the purchase and sales of these securities by investors. Equity securities are initially offered through an initial public offering (IPO) and subsequently, the securities are traded on Bursa Securities. Mercury Group operates as a stockbroking company to facilitate the trading of securities on Bursa Securities. It also advises on corporate finance for companies going for their IPO and listing on Bursa Securities, as well as listed companies on Bursa Securities to carry out other fundraising and corporate exercises.

3. STOCKBROKING INDUSTRY STRUCTURE

3.1 Types of stockbrokers

- A stockbroking company operating in Malaysia needs to hold a Capital Markets Services Licence (CMSL) and register as a participating organisation of Bursa Securities. In September 2000, there were 62 licensed stockbroking companies and through the Policy Framework for Stockbroking Industry

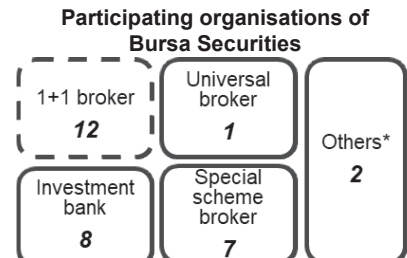
8. INDUSTRY OVERVIEW (CONT'D)



VITAL FACTOR CONSULTING
Creating Winning Business Solutions

Consolidation (Consolidation Policy) the Stockbroking Industry was consolidated. As of 4 August 2023, there are 30 participating organisations of the Bursa Securities.

- 1+1 broker refers to a stockbroking company that has complied with the Consolidation Policy and has acquired, taken-over, amalgamated or merged with at least one other stockbroking company. In addition to stockbroking, 1+1 brokers are eligible to deal in derivatives, unlisted debt securities and corporate finance activities.
- Universal broker is a stockbroking company that has merged with or acquired at least three other stockbroking companies and has satisfied the necessary qualifying criteria under the Consolidation Policy. In addition to stockbroking, a universal broker is allowed to carry out corporate finance activities, as well as deal in derivatives and debt securities.



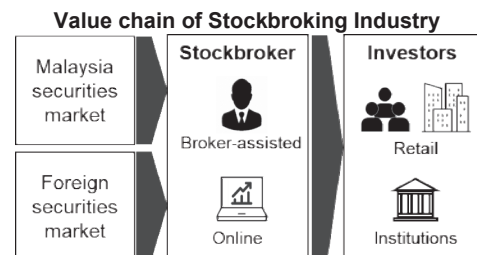
* Include a private retirement scheme (PRS) distributor and a contract for difference (CFD) provider

Mercury Group is a 1+1 broker

- Investment banks are established under the Guidelines on Investment Banks issued jointly by BNM and the SC in 2005. An investment bank is eligible to conduct both banking and capital market activities including stockbroking and advising on corporate finance services.
- A special scheme broker refers to a foreign stockbroking company established in Malaysia based on the Application for Establishment of Foreign Stockbroking Companies under the Special Scheme. In addition to stockbroking, a special scheme broker is eligible to deal in derivatives, unlisted debt securities and corporate finance activities.
- Other stockbroking companies include any holder of a CMSL for the regulated activity of dealing in securities and are registered as a participating organisation under Bursa Securities. As of 4 August 2023, there are one PRS distributor and one contract for difference (CFD) provider registered as participating organisations of Bursa Securities.
- Mercury Group is a 1+1 broker licenced to provide stockbroking services in the equity market.

3.2 Value chain of the Stockbroking Industry

- The value chain of the Stockbroking Industry starts from the **securities market**, where domestic securities are traded on Bursa Securities and foreign securities traded on foreign securities exchanges such as Singapore Exchange (SGX) and Hong Kong Exchange (HKEX).
- Dealing in securities involves a **stockbroker** who buys and sells securities on behalf of investors, who are owners of the securities. Trading of securities may be broker-assisted where investors trade via dealers and remisers, or investors carry out trading using online platforms provided by stockbrokers.
- **Investors** include retail and institutional investors. Retail investors comprise individual and corporate investors, whereas institutional investors are asset owners and asset managers with investments in domestic and foreign equity, bond and derivative markets, fixed income instruments, money market and other asset classes. Some examples of institutional investors include mutual funds, pension funds and fund management companies.



- The trend towards digitalisation of information and online activities has increased the dependency on information and communications technologies including, among others, network reliability and security, backroom processing and client-facing online trading platforms. On 16 July 2020, Bursa Securities encountered a technical glitch, not related to any cybersecurity attack, that resulted in a halt on the securities trading system. The system was back online and normal trading resumed the next day. The

8. INDUSTRY OVERVIEW (CONT'D)



VITAL FACTOR CONSULTING
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use of online trading platforms is also accompanied by higher cybersecurity risks. In July 2017, several stockbroking companies came under a distributed denial of services attack, which affected stockbroking companies experiencing a lag in their trading systems during the pre-trading hours. The attack that began from 5 July 2017 to 7 July 2017 was accompanied by ransom demands to be paid in Bitcoin, a digital currency.

3.3 Stockbroking related services and other activities

- In addition to the trading of securities, a stockbroker may also provide the following services:
 - **Nominee and custodian services** where the stockbroker act as an intermediary to hold securities on behalf of local and/or foreign investors who are the beneficial owners of the securities.
 - **Margin financing** is a type of revolving credit facility provided to retail investors wishing to increase their trading capacity and holding period to try to maximise their returns. The credit facility allows the investors to finance their securities trading with borrowed money after placing collaterals with their stockbrokers, such as cash, unit trusts, fixed deposits and quoted securities on Bursa Securities.
 - **Islamic stockbroking** is where investors can trade listed Shariah-compliant securities. Investors are also able to invest in Shariah-compliant securities globally or apply for credit facilities through Islamic Margin Financing products.
- Other activities include proprietary trading which involves short-term traders who are dealers or remisiers from participating organisations of Bursa Securities registered to trade securities using the companies' or their capital.
- Mercury Group provides nominee and custodian services, as well as share margin financing facilities to their clients. The Group also has dealers and remisiers who are registered proprietary traders that trade securities using the Group's capital.

4. CORPORATE FINANCE ADVISORY INDUSTRY

- Providing corporate finance advisory is a regulated activity and submission of proposals is carried out by Recognised Principal Advisers (RPA) for Main Market, registered sponsors for ACE Market, and approved advisers for LEAP Market. In addition, save for approved advisers, RPA and registered sponsors can submit specific proposals to SC and/or Bursa Securities, such as, among others, listing and quotation of securities on the Main and ACE Market of Bursa Securities, transfer of listing, and acquisition or disposal of assets which results in a significant change in the business direction or policy of a listed corporation. Approved advisers can submit proposals to Bursa Securities for listing and quotation of securities, and post-listing activities for the LEAP Market. In addition, a recognised approved adviser may, among others, together with a registered sponsor act as joint transfer sponsor for the transfer of listing from the LEAP Market to the ACE Market. As of 4 August 2023, there are 17 RPA registered with SC including investment banks, 1+1 brokers and an Islamic bank.
- Some common corporate finance advisory services are as follows:
 - **Initial public offering (IPO)** is a fundraising exercise carried out by private companies through the issuance of new shares where they are subsequently listed and traded on the Main, ACE and LEAP Market of Bursa Securities (Main Market, ACE Market and LEAP Market respectively). IPO is also referred to as primary equity offerings.
 - **Secondary equity offering** is a fundraising exercise by listed companies on Bursa Securities through, among others, rights issues and private placements of their new shares.
 - **Takeovers, and mergers and acquisitions (M&A)** are for business expansion or restructuring. A takeover occurs when a company takes control of another company without the target company's agreement while M&A are with mutual agreement from both parties. Merger refers to the combination of two separate entities to create a new business entity, whereas an acquisition occurs when one entity takes ownership of another entity's shares or assets.



Mercury Group provides all the above corporate finance advisory services

8. INDUSTRY OVERVIEW (CONT'D)



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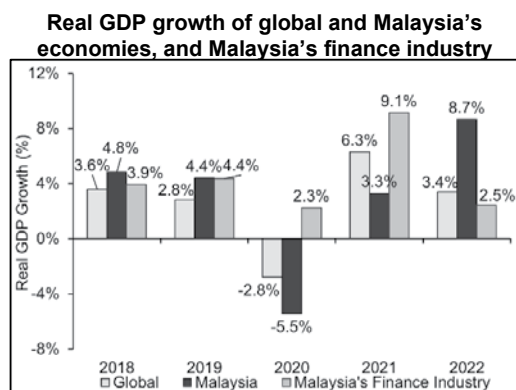
- **Restructuring** involving listed companies is driven by a need for change in the financial and/or operational aspects of a usually underperforming company. The company may restructure as a means of, among others, preparing for a sale, buyout, merger, extricating itself from a financial distress situation, resolving issues from lack of a sustainable business or change in overall business activities and goals.

5. REGULATIONS AND POLICIES

- According to the CMSA, an organisation is required to obtain a CMSL from the SC before it is allowed to carry out any one or more of the following regulated activities:
 - Dealing in securities;
 - Dealing in derivatives;
 - Fund management;
 - Advising on corporate finance; and
 - Investment advice;
 - Financial planning;
 - Dealing in private retirement schemes;
 - Clearing for securities or derivatives.
- In addition to holding a licence to deal in securities, the entity must be registered as a participating organisation of Bursa Securities to carry out trading of securities on Bursa Securities.
- The RPA for the Main Market or the registered sponsor for the ACE Market has to assign at least a qualified person (QP) and senior officer (SO) for each specific proposal. A QP refers to an employee of the RPA or recognised approved adviser who, among others, is a Capital Markets Services Representative's Licence (CMSRL) holder and has several years of direct corporate finance experience as well as completed, among others, an IPO on the Main or ACE Market as per the SC Licencing Handbook. SO refers to an individual of higher authority or ranking than the QP, or a committee duly constituted. As of 4 August 2023, there are 90 QP registered with SC. For the LEAP Market, approved advisers are authorised to undertake both initial listing activities and post-listing activities, whilst continuing advisers may only undertake post-listing activities. As of 4 August 2023, there are 26 approved advisers and four continuing advisers registered with Bursa Securities.
- Mercury Group holds a CMSL that permits it to carry out (i) dealing in securities; (ii) advising on corporate finance; and (iii) providing investment advice, and is also a participating organisation of Bursa Securities, as well as an RPA, registered sponsor and approved adviser.
- Some policies and practices were introduced to increase activities and participation, as well as improve operating conditions for operators in the stockbroking and corporate finance industries:
 - two-day (T+2) settlement for purchases of securities to improve operational efficiency and reduce systemic risk, and accelerate digitisation in the broking industry through the Brokerage Industry Digitisation Group (BRIDGE) including, among others, non-face-to-face verification of online trading and CDS account opening, and issuers to provide shareholders with electronic option of corporate actions;
 - The LEAP Market was established to provide emerging companies access to the capital market, enhancement of framework for transfer of ACE Market listed companies to the Main Market, Bursa Securities is authorised as the one-stop centre for ACE Market listings effective 1 January 2022, and the introduction of LEAP Market transfer framework effective 1 April 2023.

6. PERFORMANCE OF THE STOCKBROKING INDUSTRY IN MALAYSIA

- Malaysia's domestic capital market is influenced by key global developments, particularly the emergence and rapid spread of COVID-19 pandemic, US-China tensions in 2020, as well as prolonged supply disruptions, high commodity prices and food inflation in 2021. In 2021, the global and domestic economy continues to recover, supported by the ease of containment measures due to strong vaccination



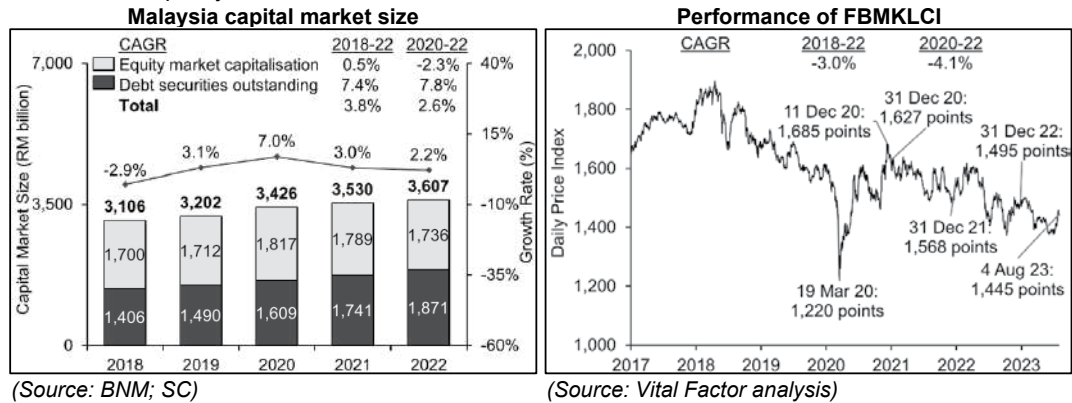
GDP = Gross Domestic Product (Source: BNM; Vital Factor analysis)

8. INDUSTRY OVERVIEW (CONT'D)



VITAL FACTOR CONSULTING
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progress. In 2022, the global economy experienced slowdown amid tighter monetary condition, inflationary pressures, ongoing Russia-Ukraine conflicts and China's economic growth concerns due to its zero-COVID policy.

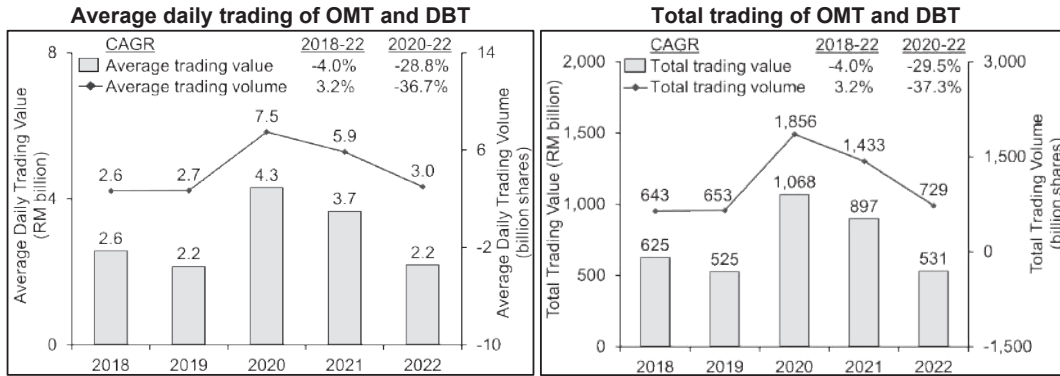


- (Source: BNM; SC) (Source: Vital Factor analysis)
- The Malaysian capital market experienced significant volatility in 2020, however it remained resilient and orderly throughout 2021. The funds raised in the capital market remained robust with notable improvement in fundraising activities across all market segments. Overall, the total capital market, comprising the equity and bond markets, increased by 3.0% to RM3.5 trillion in 2021, where the equity market declined by 1.5% and the bond market grew by 8.2%. In 2022, the total capital market grew by 2.2% to RM3.6 trillion compared to 2021, contributed by decline of 3.0% from the equity market and growth of 7.5% from the bond market.
 - The increase in the size of the equity market would help drive business growth for operators in the Stockbroking Industry. The performance of the FTSE Bursa Malaysia KLCI (FBMKLCI) index that consists of 30 of the largest companies based on market capitalisation listed on the Main Market of Bursa Securities. In 2020, the FBMKLCI index was volatile and dropped to 1,220 points on 19 March 2020 due to the containment measures imposed following the COVID-19 pandemic. It subsequently recovered by 38.1% to its peak at the closing on 11 December 2020, supported by strong demand for glove-related counters while being offset by continued weakness in financial services and service-intensive counters. The FBMKLCI index ended 31 December 2021 at 1,568 points representing a decline of 3.7% compared to the FBMKLCI index ended 31 December 2020 at 1,627 points, mainly due to continued headwinds both globally and domestically. On 31 December 2022, the index ended with a decline of 4.6% to 1,495 points compared to the index at the end of 2021. The decline was mainly due to the downtrend of most global markets (Source: SC). On 4 August 2023, the index further declined by 3.4% to 1,445 points compared to the index at the end of 2022.
 - The increase in value and volume of securities traded on Bursa Securities augurs well for stockbrokers as their brokerage revenue is mainly based on the value of buy and sell transactions, where the value is dependent on the traded volume (number of securities) and the securities price.
 - On-market transactions (OMT) are transactions that are concluded by way of automated matching of orders entered into the order book of the automated and computerised securities trading system established by Bursa Securities. Direct business transactions (DBT) refer to business transacted by a stockbroker who acts for both the buyer and the seller (known as married trade) or transactions between two participating organisations (known as crossing trade). In 2021, the total trading value of OMT constituted 97% of the total trading value of OMT and DBT collectively (Source: Bursa Securities).
 - The performance of the securities market in Malaysia moderated in 2019 due to an uncertain operations environment that affected the equities markets globally. The average daily trading (ADT) value of OMT and DBT collectively in Malaysia was RM2.2 billion in 2019 compared to RM2.6 billion in 2018 (Source: Bursa Securities). In 2020, the securities market experienced significant volatility due to the COVID-19 pandemic, but continued to be orderly and ended the year better compared to 2019. In terms of ADT value of OMT and DBT collectively, the market improved by 100.0%, amounting to RM4.3 billion in 2020.

8. INDUSTRY OVERVIEW (CONT'D)

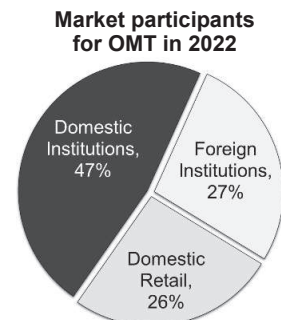


The ADT volume increased by 179.5% to 7.5 billion shares. In 2021, the securities market experienced a decline in trading participation, where ADT value and volume declined by 15.0% and 21.8% respectively compared to 2020, which amounted to RM3.7 billion and 5.9 billion shares respectively. Both ADT value and volume remained higher than the figures before 2020.



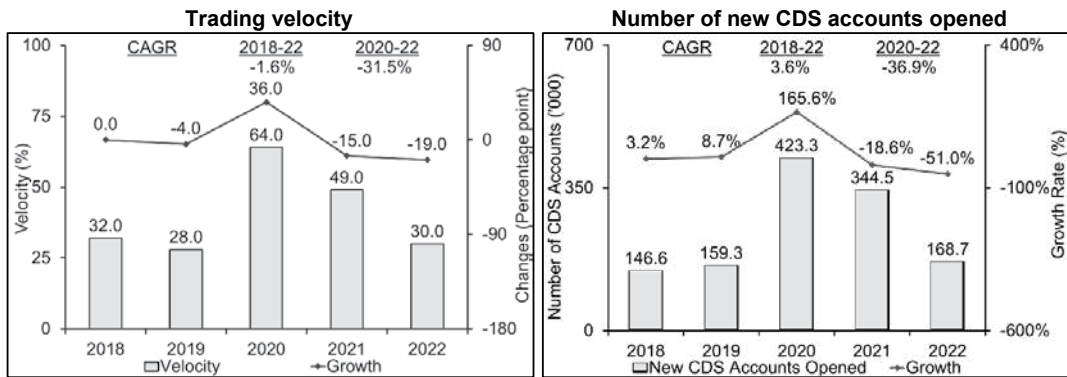
OMT = On-market transactions; DBT = Direct business transactions (Source: Bursa Securities)

- In 2022, the ADT value and volume declined by 40.3% and 48.7% respectively compared to 2021, which amounted to RM2.2 billion and 3.0 billion shares respectively. The decline was mainly due to normalisation of retail trading to pre-pandemic levels. In the first half of (H1) 2023, the ADT value declined by 15.0% while ADT volume grew by 6.5% compared to H1 2022, which amounted to RM2.1 billion and 3.4 billion shares respectively.
- In 2021, the total trading value of OMT and DBT collectively declined by 16.0% to RM897 billion. The total trading volume also declined by 22.8% to 1.4 trillion shares. Both total trading value and volume remained higher than the figures before 2020. In 2022, the total trading value and volume of OMT and DBT collectively declined by 40.8% and 49.1% respectively compared to 2021, which amounted to RM531 billion and 729 billion shares respectively. In H1 2023, the total trading value of OMT and DBT collectively declined by 15.6% to RM249 billion, while the trading volume grew by 5.5% to 408 billion shares compared to H1 2022.
- The market participants for OMT are made up of domestic retail and institutional investors, as well as foreign institutional investors, which accounted for 38%, 43% and 19% respectively of total trading value in 2021. Retail investors accounted for 38% of total trading value in both 2020 and 2021, which is a significant increase compared to 25% in 2019 before the COVID-19 pandemic. This is due to liquidity among retail investors, easy access to the securities market facilitated by various online trading platforms, and a low-interest-rate environment that encourages retail investors to consider the equity market as an alternative investment. In 2022, the domestic retail and institutional investors, as well as foreign institutional investors, accounted for 26%, 47% and 27% respectively of ADT value. The retail investors participation has moderated substantially mainly due to rising interest rates, concerns over growth prospect and the gradual normalisation of liquidity levels. (Source: Bursa Securities)



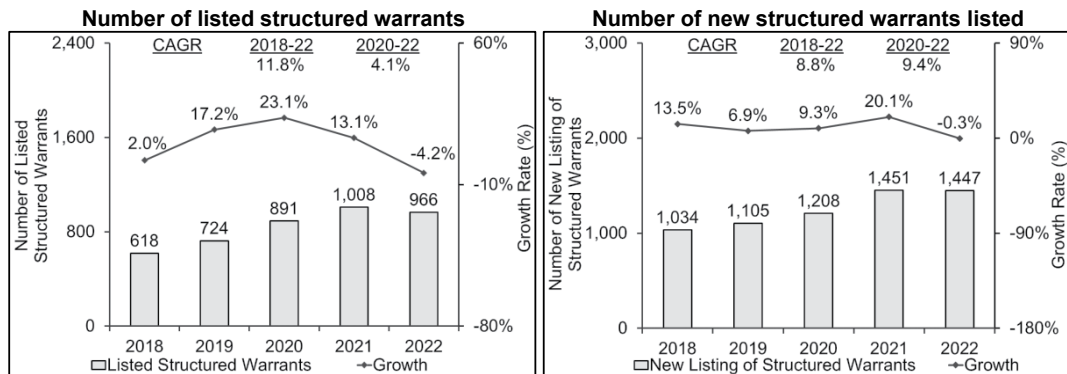
(Source: Bursa Securities)

8. INDUSTRY OVERVIEW (CONT'D)



(Source: Bursa Securities)

- All investors who wish to trade in securities listed on Bursa Securities must open Central Depository System (CDS) accounts with Authorised Depository Agents such as stockbroking companies. In 2021, there were 3.0 million CDS accounts which saw the number of new CDS accounts declined by 18.6% to approximately 344,500. The number of new CDS accounts in 2021 remained high, which contributed to increased trading activities especially by retail investors, which benefited stockbroking companies. In 2022, there were 3.1 million CDS accounts, while the number of new CDS accounts declined by 51.0% to approximately 168,700.



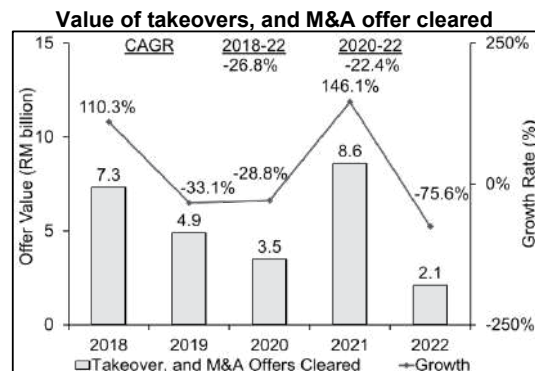
(Source: Bursa Securities)

- Structured warrants are proprietary instruments issued by a third-party issuer, namely an eligible broker or financial institution that gives holders the right, but not the obligation, to buy or sell a given quantity of an underlying asset at the strike or exercise price on or before the expiry date. In 2021, new structured warrants listed increased by 20.1% to 1,451 structured warrants. The growth was supported by educational webinars and an incentive programme to encourage greater retail participation in structured warrants. In 2022, new structured warrants declined by 0.3% to 1,447 structured warrants compared to 2021. In H1 2023, new structured warrants declined by 3.5% to 717 structured warrants compared to H1 2022.

7. PERFORMANCE OF THE CORPORATE FINANCE ADVISORY INDUSTRY IN MALAYSIA

7.1 Takeovers, and M&A

- In 2022, the SC cleared 18 offer documents involving a total offer value of RM2.10 billion. The 18 offer documents included 5 proposed privatisations. Of the 18 offers, 16 were related to companies listed on the Main Market, 1 was in relation to an offeree company listed on the LEAP Market and 1 was in relation to an unlisted public company.



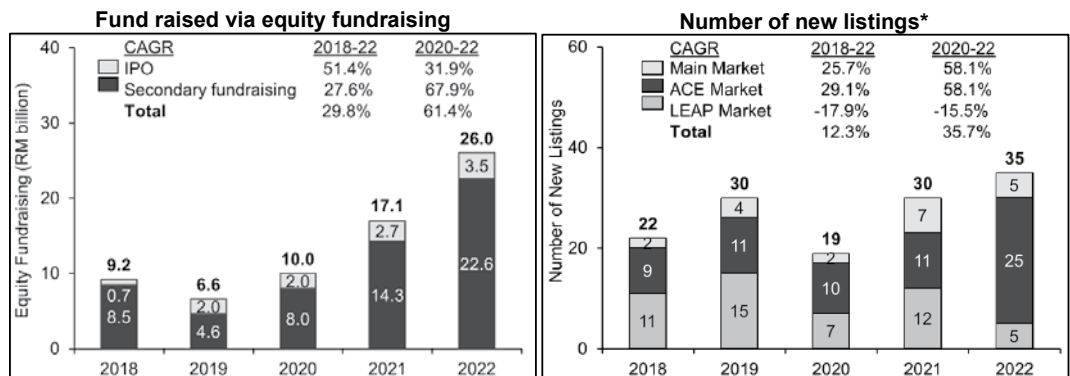
(Source: SC)

8. INDUSTRY OVERVIEW (CONT'D)



7.2 Fundraisings

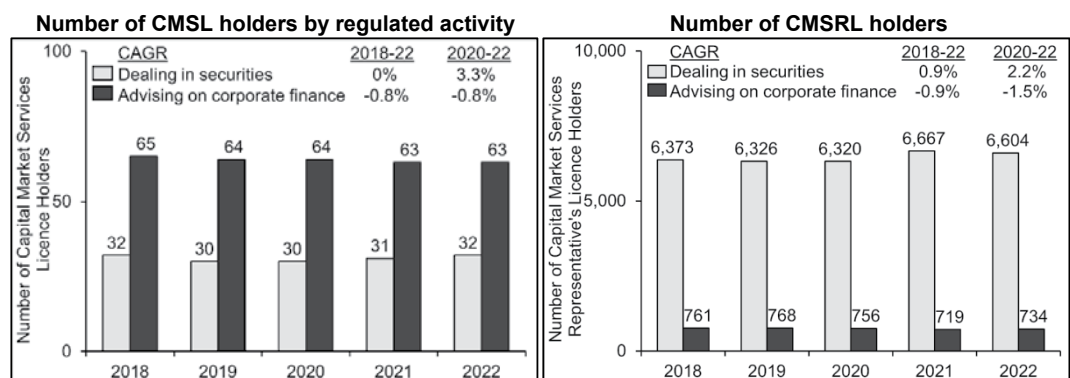
- Fundraising activities have improved notably with enhanced fundraising process and diversified financing avenues. Between 2020 and 2022, funds raised via alternative financing grew at a CAGR of 75.5%, where equity crowdfunding, peer-to-peer financing, venture capital and private equity amounted to RM0.1 billion, RM1.6 billion, RM0.1 billion and RM1.1 billion respectively in 2022 (Source: SC).
- In the equity market, a total of RM17.1 billion was raised in 2021, of which RM2.7 billion was through new equity listings comprising a total of 30 IPO, and RM14.3 billion was raised via secondary equity fundraising offerings from rights issues and private placements. The 30 IPO included 7 for the Main Market, 11 for the ACE Market and the remaining 12 for the LEAP Market. In 2022, a total of RM26.0 billion was raised, of which RM3.5 billion was through new equity listings comprising a total of 35 IPO (included 5 for the Main Market, 25 for the ACE Market and the remaining 5 for the LEAP Market), and RM22.6 billion was raised via secondary equity fundraising offerings. In H1 2023, a total of RM6.4 billion was raised, of which RM2.3 billion was raised through 16 IPO, and RM4.1 billion was raised via secondary equity fundraising offerings.



* Excludes exchange-traded funds, and includes secondary listings and listings of real estate investment trust (Source: Bursa Securities)

- Between 2020 and 2022, total IPO funds raised grew by a CAGR of 31.9%, while secondary equity fundraising offerings grew by a CAGR of 67.9%. Secondary equity fundraising represented 80.0%, 83.9% and 86.6% of total equity funds raised in 2020, 2021 and 2022 respectively. In H1 2023, total IPO funds raised grew by 8.9%, while secondary equity fundraising offerings grew by 10.9% compared to H1 2022.
- An increase in the number and value of primary and secondary equity fundraising offerings augur well for companies providing corporate finance advisory services including preparing and submitting proposals, as well as providing underwriting and placement services.

8. COMPETITIVE LANDSCAPE



Note: Two of the CMSL holders are not a participating organisation of Bursa Securities. (Source: SC)

8. INDUSTRY OVERVIEW (CONT'D)



- One factor of competition is the number of operators in various segments of the capital market. As of 4 August 2023, there are 30 participating organisations of Bursa Securities dealing in securities and 63 CMSL holders advising on certain corporate finance. Out of the 63 CMSL holders, there are 17 RPA that can submit specific proposals such as IPO for Main Market, and 17 registered sponsors for the ACE Market.
- The performance of Mercury Group as a 1+1 broker, other 1+1 brokers and one universal broker is provided in the tables below, listed in descending order of total group income/revenue:

1+1 brokers and universal broker	Business		FYE ⁽¹⁾	Revenue (RM mil)	Segment Income (RM mil)	Segment Income Proportion	NP (RM mil)	NP Margin
	Sec.	CF						
CGS-CIMB Securities S/B	√		Dec-22	264.1	264.1	100.0%	19.3	7.3%
UOB Kay Hian Securities (M) S/B	√	√	Dec-22	163.3	150.2	92.0%	45.4	27.8%
TA Securities Holdings Bhd	√	√	Dec-21	132.3	132.3	100.0%	30.8	23.3%
Malacca Securities S/B	√	√	Jan-23	54.5	n.a.	n.a.	13.4	24.6%
M & A Securities S/B ⁽²⁾	√	√	Jun-22	48.5	47.2	97.2%	17.9	37.0%
Inter-Pacific Securities S/B	√	√	Jun-22	43.9	31.6	85.6%	14.2	32.3%
Mercury Group	√	√	Oct-22	43.4	43.4	100.0%	17.7	40.7%
Apex Securities Bhd	√		Dec-22	32.7	19.4	59.3%	5.7	17.6%
KAF Equities S/B	√		May-22	20.5	20.5	100.0%	0.1	0.5%
*PM Securities S/B	√		Jun-22	17.3	15.9	91.7%	1.6	9.0%
SJ Securities S/B	√	√	Dec-22	13.0	13.0	100.0%	1.9	14.7%
BIMB Securities S/B	√		Dec-22	8.9	n.a.	n.a.	(3.5)	(39.0%)
FA Securities S/B	√		Mar-23	^	^	100.0%	(0.8)	@

* universal broker; ^ less than RM100,000; @ very high percentage due to very low Revenue; Sec. = licensed and registered for dealing in securities; CF = licensed for advising on corporate finance; FYE = Financial year ended; NP = Net profit; S/B = Sdn Bhd; Revenue = aggregated revenue/income from stockbroking and/or corporate advisory, as well as other business activities; Segment income = income from stockbroking and/or corporate advisory, where stockbroking fees include brokerage income, share margin financing related fees, rollover fees, trading interest income, nominee fees, handling fees, underwriting fees, placement fees, contra interest and service charges, service charges and/or administrative charges; corporate advisory fees including advisory fees and/or service income; n.a. = information not available.

(1) Latest available from annual reports, Companies Commission of Malaysia and Mercury Group.

(2) As of 30 June 2023, it completed its reverse takeover of SYF Resources Berhad, a listed entity on Bursa Securities, and changed the name to M & A Equity Holdings Berhad.

In addition to all 1+1 brokers and one universal broker, some investment banks and special scheme brokers also provide both stockbroking and corporate advisory services.

9. MARKET SIZE AND SHARE

- The market size and Mercury Group's market share in the stockbroking and corporate finance advisory segments of Malaysia's capital market are provided below:

Stockbroking - 2022	Market Size	Mercury Group	Mercury Group's Market Share (%)
Total trading value (RM billion) ⁽¹⁾	531 ^(a)	4.2 ^(b)	Less than 1
Total trading volume (billion shares) ⁽¹⁾	729 ^(a)	6.6 ^(b)	Less than 1
Corporate Finance Advisory – 2022			
Equity fundraising (RM billion) ⁽²⁾	26.039 ^(a)	2.308 ^(b)	9
Takeovers, and M&A (RM billion)	2.1 ^(c)	0.671 ^{(b)(3)}	32
Number of IPO Listings ⁽⁴⁾	35 ^(a)	5 ^(a)	14
Main Market	5	1	20
ACE Market	25	2	8
LEAP Market	5	2	40

Sources: (a) Bursa Securities; (b) Mercury Group's financial year ended 31 October 2022 as a proxy for the calendar year 2022; (c) SC

(1) Trading value and volume via OMT and DBT collectively on Bursa Securities; (2) Total funds raised on the equity markets via IPO and secondary equity fundraising offerings; (3) M&A exercises completed by Mercury Group as principal adviser; (4) Number of IPO listings approved by the SC and/or Bursa Securities and completed in 2022 – excludes exchange-traded funds, and includes secondary listings and listings of real estate investment trust

8. INDUSTRY OVERVIEW (CONT'D)



10. INDUSTRY CONSIDERATION FACTORS

Stockbroking

- The Stockbroking Industry is mainly concerned with the equity market as an asset class for investors. It competes against other asset classes including the following:
 - capital market such as bonds, private equity, venture capital and equity crowdfunding;
 - money market such as banker's acceptance, treasury bills, fixed deposits, negotiable instrument of deposits, repurchase agreements and interbank loans; and
 - other markets including foreign exchange, commodity, real estate and cryptocurrency.

Generally, investors will invest in asset classes that optimise between yields, risks and liquidity. The following table provides a comparison between equities represented by the FBMKLCI index and several other asset classes as follows:

	Equity market	Money market ⁽²⁾ (%pa)		Fixed deposit ⁽³⁾ (%pa)		Bond market MGS ⁽⁴⁾ (%pa)	
	FBMKLCI ⁽¹⁾ (%)	Overnight	1 year	1 month	1 year	1 year	5 years
2018	-5.9	3.19	nt	3.07	3.31	3.4460	3.7780
2019	-6.0	3.05	nt	2.92	3.17	2.9570	3.1790
2020	2.4	2.10	2.78	1.88	2.13	1.7340	2.1190
2021	-3.7	1.74	2.04	1.48	1.72	1.8540	3.1500
2022	-4.6	2.14	3.34	1.84	2.11	3.2540	3.8550
June 2023	-4.7*	2.99	nt	2.63	2.89	3.2760	3.6090

* compared to June 2022; pa = per annum; MGS = Malaysian Government Securities; nt = no trading.

(1) Change based on last market day of the year or month; (2) Weighted average interbank rates; (3) Average rate for commercial banks; (4) Year to maturity indicative yield; (Source: BNM; Bursa Securities)

The equity market experienced negative growth in 2018, 2019 and 2021, while 2020 was slightly better compared to fixed deposit and the bond market. For the full year 2022, the equity market experienced negative growth of 4.6% (Source: Bursa Securities).

- The regulatory, fiscal and monetary environment affects the performance of the Stockbroking Industry such as the following:
 - changes that negatively affect stockbroking brokerage will lower revenue for stockbrokers, and higher trading costs such as stamp duty would dampen trading activities. As of July 2023, the stamp duty is reduced from 0.15% to 0.10% capped at RM1,000 per contract (Source: Ministry of Finance);
 - increase in interest rates may make fixed income instruments such as bonds, money market and fixed deposits more attractive compared to equities; and
 - market liquidity created by, among others, net inflow of foreign funds, government stimulus packages, moratorium on loan repayment, and withdrawals from employees' provident funds.

Corporate finance

- Primary and secondary equity fundraising such as IPO, rights issues and private placements are mainly carried out to support business expansion and growth. A vibrant equity market will facilitate higher take-up of securities, which will encourage more fundraising deals. According to Bursa Securities, in 2021, the number of IPO grew by 57.9% compared to 2020. Growth in IPO in 2021 was against a backdrop of a more vibrant equity market such as an increase in the number of retail investors, low interest rate, moratorium on loan repayment, and increasing use of online trading platforms, all of which encouraged companies to seek funds from the equity market. In 2022, the number of IPO continued to grow by 16.7% compared to 2021.
- Takeovers, and M&A will benefit from a robust economy and abundance of capital that will support companies to grow their business through takeovers, and M&A. The continuing recovery of the economy from the impact of the COVID-19 pandemic will likely see more takeover and M&A activities.

9. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISKS FACTORS THAT MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF OUR GROUP. YOU SHOULD CAREFULLY CONSIDER THE RISKS AND INVESTMENT CONSIDERATIONS SET OUT BELOW ALONG WITH OTHER INFORMATION CONTAINED IN THIS PROSPECTUS BEFORE YOU MAKE YOUR INVESTMENT DECISION. IF YOU ARE IN ANY DOUBT AS TO THE INFORMATION CONTAINED IN THIS SECTION, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.

9.1 RISKS RELATING TO OUR BUSINESS OPERATIONS

9.1.1 Our business is highly dependent on the licenses issued by the authorities to carry out regulated activities

Our business, which is involved in the capital market services industry in Malaysia is highly regulated. In this respect, we are subject to extensive laws, regulations and guidelines under the purview of the governing authorities such as the SC and Bursa Securities. These laws, regulations and guidelines, among others, impose minimum capital, capital adequacy and equity margin requirements, clients' protection and market conduct, as well as restrictions on the type of regulated activities that we are allowed to conduct. We are required to obtain the following for us to carry out our business operations:

- (i) CMSL to carry out regulated activities of dealing in securities, advising on corporate finance and investment advice. Our dealers, remisiers, analysts, QP and other corporate finance personnel are required to obtain and maintain their CMSRL for the specific regulated activity and/or registrations with the SC. Our CMSL as well as CMSRL of its holders and registrations are subject to yearly renewal;
- (ii) to be a Participating Organisation of Bursa Securities, an ADA with Bursa Depository and trading clearing participant with Bursa Clearing;
- (iii) to be admitted to the Register of RPAs of the SC as a RPA, which enables us to provide corporate finance advisory services on specific proposals that require the SC's approval. As a RPA, we are able to provide corporate finance advisory services on corporate proposals undertaken by our clients that are listed on the Main Market that requires Bursa Securities' approval; and
- (iv) to be admitted to the Register of Sponsors as a sponsor for ACE Market pursuant to the listing requirements of the ACE Market, as well as to be admitted to the Register of Advisers of Bursa Securities as an approved adviser pursuant to the listing requirements of the LEAP Market.

Such admissions by the SC and/or Bursa Securities enables us to provide corporate finance advisory services on corporate proposals undertaken by our clients that are listed or to be listed on the Main Market, ACE Market and LEAP Market that require the SC's and/or Bursa Securities' approval.

Kindly refer to Section 7.19 of this Prospectus for the list of our major approvals, licenses and permits as well as Section 7.20 of this Prospectus for the key laws and regulations governing the conduct of our business.

9. RISK FACTORS (CONT'D)

In general, the laws and regulations applicable to the capital market services industry are stringent with reprimands, penalties, and revocation of licenses or registrations. As such, in the event we are unable to comply with the laws, regulations and guidelines issued by the regulatory authorities including the SC and Bursa Securities, our licenses and registrations required for our business operations may be revoked, suspended or not renewed. Similarly, any breach of these regulations and guidelines may result in reprimands, penalties, fines, potential civil and criminal liability claims against Mercury Securities and/or its directors and/or the CMSRL holders such as, our dealers, remisiers and/or QP, and/or restrictions may be imposed on our business operations. Any revocation, suspension and/or non-renewal of our licenses and/or registrations will affect our ability to continue our business operations and ultimately affect our financial performance.

In the past, we have encountered actions against Mercury Securities, our CMSRL holders and MAM (then a wholly-owned subsidiary of Mercury Securities) by the relevant authorities as follows:

- (a) on 10 January 2023, Mercury Securities received the Supervisory Letter which highlighted the following findings:
- (i) failure to conduct due diligence and monitoring of placees per the AML Guide;
 - (ii) absence in conducting due diligence and monitoring of third-party deposits;
 - (iii) discrepancies in requirement and practices within Corporate Finance Manual and the Corporate Finance committee's terms of reference; and
 - (iv) lack of appropriate internal policies and controls, poor record keeping, lack of evidence to support due diligence review conducted, and weaknesses relating to management of Restricted List.

Arising from the Supervisory Letter, the SC had on 12 January 2023 issued the Warning Letter. Based on the Warning Letter, the Managing Director of Mercury Securities is reminded to ensure proper and effective discharge of his duties in relation to adherence to AML Guide regulatory requirements, maintaining accountability and oversight for all anti-money laundering and countering the financing of terrorism activities within the company;

- (b) on 17 November 2022, the SC issued a public reprimand to Mercury Securities for imposition of sanction under Section 220 of the CMSA for non-compliances of Paragraphs 3.01 and 3.05 of the Rules and Section 221 of the CMSA. This is in relation to the conduct of Mercury Securities as the principal adviser for the Offer as disclosed in Section 7.20.1(a) of the Prospectus. The SC finds that:
- (1) As the principal adviser for the Offer, Mercury Securities had not demonstrated that it had used all reasonable effort to ensure that the Offeror and the Ultimate Offeror were provided with appropriate advice to comply with the Rules and the Code, particularly in relation to:
 - ensuring that the Offeror was aware that the Offer must be made to all shareholders and not limited to those shares in issue as at the date of the Notice, where failure to do so was a non-compliance with General Principle 1 of the Code; and
 - ensuring that the Offeror has sufficient financial ability to implement the Offer in full (for possible issuance of new shares) prior to the launch of the Offer, where failure to do so was a non-compliance with General Principle 3 of the Code; and

9. RISK FACTORS (CONT'D)

- (2) Mercury Securities had submitted a declaration pursuant to subparagraph 3(f) of Appendix 3 of the Rules in its initial application letter dated 15 March 2022 to the SC which contained a false or misleading statement by confirming that no conflict of interest situation exists or is likely to exist in relation to its role as principal adviser for the Offer, when in fact Mercury Securities was at the material time acting for both the Offeror (as the principal adviser for the Offeror) and the Offeree (as the principal adviser and placement agent for Offeree's proposed placement). Mercury Securities' appointments should have been disclosed in the initial application together with the justifications or mitigating factors, but were only disclosed in the application following enquiries by the SC;
- (c) on 18 December 2019, Mercury Securities was reprimanded by the SC for a breach of the CMSA and the SC's Guidelines on Prevention of Money Laundering & Terrorism Financing for Capital Market Intermediaries (now known as AML Guide) pertaining to:
- failure of a remisier to obtain satisfactory evidence on the identity of a person who purportedly acted as the authorised representative of 25 clients. The 25 clients had authorised the said authorised representative to conduct trades on their behalf although there were no visible relationships between the parties; and
 - failure to clarify the purpose of the business relationships between the 25 clients and the purported authorised representative.
- Pursuant to this incident, the remisier responsible for the 25 clients did not seek to renew his CMSRL for dealing in securities and his services were subsequently terminated;
- (d) in August 2017, one of our dealers from our KL Branch was reprimanded by Bursa Securities and ordered to pay a penalty of RM28,000 (the penalty was subsequently reduced to RM20,000 following an appeal by the said dealer) for engaging in manipulative trading activities in the securities of a public listed company. The said dealer subsequently resigned and left Mercury Securities in December 2018. Nonetheless, no administrative action was taken against Mercury Securities by Bursa Securities; and
- (e) on 19 November 2015, the SC revoked the CMSL of MAM for the regulated activity of fund management effective from 19 November 2015. The revocation was due to its inability to comply with the resources requirements of key personnel stipulated in the conditions of its CMSL. Prior to the revocation, the contribution of MAM to the overall financial performance of Mercury Securities group was not material as this investment was not considered strategic to Mercury Securities' overall business plan then. This company was dormant since then before it was disposed by Mercury Securities in April 2021 following an internal restructuring exercise.

Further, Mercury Securities did not comply with the requirements of maintaining at least 30.00% Bumiputera composition of its representatives for its licensed activities as well as its employees at all times pursuant to Paragraphs 4.02(36) and 4.02(38) of the Licensing Handbook in respect of its CMSL during the Financial Years and Period Under Review.

On 14 April 2022, Mercury Securities had submitted an application to the SC for an extension of time to comply with Paragraphs 4.02(36) and 4.02(38) of the Licensing Handbook from 14 April 2022 up to 6 months from the listing date of MSGB. The SC via its letter dated 17 June 2022 had granted Mercury Securities an extension of time until 31 December 2022 to comply with Paragraphs 4.02(36) and 4.02(38) of the Licensing Handbook. On 16 November 2022, Mercury Securities submitted an application to the SC for an extension of time until 30 June 2023 to comply with Paragraphs 4.02(36) and 4.02(38) of the Licensing Handbook. The SC via its letter dated 15 December 2022 had granted Mercury Securities a second extension of time until 30 June 2023 to comply with Paragraphs 4.02(36) and 4.02(38) of the Licensing Handbook. On 19 June 2023, Mercury Securities submitted an application to the SC for a further extension of time and the SC via its letter dated 13 July 2023 had granted Mercury Securities a further extension of time until 31 August 2023 to comply with Paragraphs 4.02(36) and 4.02(38) of the Licensing Handbook. As at the LPD, Mercury Securities has complied with Paragraph 4.02(38) but has not complied with Paragraph 4.02(36) of the Licensing Handbook.

9. RISK FACTORS (CONT'D)

The potential penalty for the non-compliance of the abovementioned would be at the SC's discretion, which includes amongst others, penalty of not exceeding RM1.00 million, reprimand the person in breach and revoke the CMSL. If Mercury Securities is unable to fulfill the relevant Bumiputera requirements by 31 August 2023 and the CMSL is revoked by the SC, Mercury Securities would not be able to continue with its existing business operations and this will consequently have an adverse impact on the financial condition of the Group.

As at the LPD, save as disclosed above and in Section 7.20.2 of this Prospectus, our Group has complied with the conditions imposed on all our major approvals, licenses and permits as well as the laws and regulations from various governing authorities.

Nonetheless, any adverse changes in the laws and regulations relating to the capital market services industry including guidelines and obligations may adversely impact our business operations. There is no guarantee that our operations and financial performance will not be affected by any changes in regulations and guidelines in the future.

9.1.2 We do not have any long-term contracted sources of revenue and therefore our revenue and profits may vary in each financial year

Our revenue stream is mainly derived from 2 business segments, namely Stockbroking Segment and Corporate Finance Segment. Our Group does not have any long-term contracts with our clients as our services are provided based on agreements and mandates entered with our stockbroking and corporate finance clients respectively, which is a common practice in the stockbroking and corporate finance advisory industry in Malaysia.

For the Financial Years and Period Under Review, 73.92% to 97.57% of our revenue from our Stockbroking Segment were attributed to brokerage fees based on the trading value of securities executed for clients as well as margin income. In this respect, the financial performance of our Stockbroking Segment is highly dependent on the performance of securities market and economic condition.

Meanwhile, revenue from our Corporate Finance Segment was derived from corporate finance advisory fees, where the fees are recognised over time based on various performance obligations stated in the mandates. Revenue derived from our Corporate Finance Segment accounted for 20.53% to 38.00% of our total revenue for the Financial Years and Period Under Review.

We provide advisory services for corporate proposals such as IPO, equity fundraisings, as well as mergers and acquisitions mainly for clients listed on Bursa Securities where we are subject to disclosure requirements of the relevant authorities for the submission of these proposals to the SC and/or Bursa Securities. These proposals are subject to the review, clearance and/or approval by various regulatory authorities, the timing and results of which are beyond our control. This may cause delays to the completion of the proposals or withdrawal or termination. In certain cases, proposals may not even be submitted to the relevant authorities due to, among others, delay on the part of the clients to provide the requisite data and information, unresolved issues arising from the due diligence or substantial decline in the financial and business performance of our clients undertaking an initial public offering.

Given our position to act not only as an underwriter of securities offerings in Malaysia but as the RPA, sponsor and approved adviser, we may be subject to claims, administrative action and penalties or disciplinary actions by the regulatory authorities due to inadequate due diligence, fraud or misconduct by the issuers or our staff, misstatements and omissions in the disclosure documents. In the event we are found or proven to be responsible for any of the abovementioned claims, administrative actions, penalties or disciplinary actions against Mercury Securities and/or our CMSRL holders may adversely affect our reputation, business operations and financial performance.

9. RISK FACTORS (CONT'D)

In this respect, the financial performance of our Corporate Finance Segment are dependent on our ability to secure new mandates and/or the ability to execute and complete the corporate proposals. In the event we encounter a decline in the amount of mandates secured, executed or completed successfully, the financial performance of our Corporate Finance Segment may be adversely affected.

Premised on the above and in the absence of any long-term contracts, our revenue and profits may vary in each financial year.

9.1.3 Financial performance of our Stockbroking Segment is highly dependent on the performance of the securities market and overall market conditions

Within our Stockbroking Segment, our financial performance is highly dependent on clients' demand to execute buying and selling of securities, where trading activities to a certain extent are influenced by the overall investors' sentiments and other factors such as, economic, political, monetary, fiscal development in Malaysia and the performance of major regional and global markets.

In 2020, the securities market experienced significant volatility due to the COVID-19 pandemic, but continued to be orderly and ended the year better compared to 2019. In terms of average daily trading value of on-market transactions and direct business transactions collectively, the market improved by 100.0%, amounting to RM4.3 billion in 2020. The average daily trading volume increased by 179.5% to 7.5 billion shares (*Source: Industry Overview Report*). This was reflected in the increase in revenue from our Stockbroking Segment which increased by RM15.05 million or 76.99% to RM34.59 million in FYE 2020. In 2021, the securities market experienced a decline in trading participation, where average daily trading value and volume declined by 15.0% and 21.8% respectively compared to 2020, which amounted to RM3.7 billion and 5.9 billion shares respectively. In 2022, the average daily trading value and volume declined by 40.3% and 48.7% respectively compared to 2021, which amounted to RM2.2 billion and 3.0 billion shares respectively. The decline was mainly due to normalisation of retail trading to pre-pandemic levels. (*Source: Industry Overview Report*)

In this respect, any unfavourable and/or adverse securities market and economic conditions could adversely impact the financial performance of our Stockbroking Segment.

9.1.4 Our business is subject to risks of security breaches or damage to our electronic infrastructure and systems and unintended human errors or careless actions

Our business operations involve receiving, processing, storing and transmitting critical and confidential data and information digitally, which may expose us to the risk of security breaches or damage relating to our online trading platforms, software, hardware, processing, communications and data.

Our electronic infrastructure and systems comprise communication and processing devices such as servers, computers and mobile devices that receive, process, store and transmit data, data centres that provide storage of data and information, and communications infrastructure including managed, leased, virtual, and private networks that facilitate transmission and reception of data are potentially vulnerable to physical or electronic intrusions, eavesdropping, cyber-attacks, malicious codes, ransomware or other destructive or disruptive actions. As with all electronic infrastructure and systems, we face the risk of, among others, sabotage, theft, destruction and/or loss of data, information and systems.

Among others, this may render our electronic systems to be inoperable for a period of time, result in a violation of applicable privacy and other laws, which could subject us to significant liabilities, losses or actions by regulators, and could also harm our reputation and adversely affect our business operations and financial performance.

9. RISK FACTORS (CONT'D)

We launched our MST28 Trading Platform on 28 February 2022 and ECOS Trading Platform on 3 October 2022 with new features and improved security attributes including firewall protection and anti-virus features to replace the previous online trading platform "Mercury StraightThru". "Mercury StraightThru" has ceased to be accessible to the public since 30 September 2022. Both the new trading platforms are equipped with additional and new features such as onboarding of new clients electronically. MST28 Trading Platform and ECOS Trading Platform are separate systems with different user interfaces. The 2 systems are aimed at providing choice of trading platforms to our stockbroking clients. At the same time, they provide us with trading platform redundancy as part of our business continuity plan. In the event that one trading platform is down, clients can continue to trade on the other platform.

Nonetheless, there can be no assurance that the improved security features are able to prevent all security breaches and/or damage to our trading platforms.

For the Financial Years and Period Under Review and up to the LPD, our business operations did not experience any security breaches or damage to our electronic infrastructures and systems.

Nevertheless, we may not be able to anticipate or implement adequate preventive measures against all security breaches and/or damage to our systems and/or human errors or careless actions, any of which would adversely impact our reputation, business operations and financial performance.

9.1.5 Our stockbroking business relies on electronic technology and facilities as well as the use of third-party service providers

Our stockbroking business relies on electronic technology and facilities as well as the use of third-party service providers for our stockbroking operations such as processing, recording and monitoring of transactions including accessing our order management system to place orders for buying or selling of securities on the securities exchange. In addition, we rely on third-party service providers for services such as clearing systems, exchange systems, banking systems, internet services, communication facilities, co-location facilities, back-ups, disaster recovery, business continuity and redundancies and other facilities. As such, we are highly dependent on the efficiency of our electronic technologies, hardware, software, systems, networks, infrastructure and other related facilities as well as our third-party service providers.

In the event of any failures or malfunction in our trading and related systems, services or facilities due to various circumstances including, among others, power outage, hardware failure including server and network equipment, changes to systems, connection to third party systems, software flaws, computer virus or malware, cyber-attacks and other operational errors, this could cause disruptions in the order management system for trading execution which affects our stockbroking operations. If such events occur, it may result in the disruption of our website, online trading platform and/or mobile application not being available for a certain period, which could adversely affect our ability to process and settle client transactions. Any prolonged system downtime could also result in unanticipated delays in execution of orders or cancelled orders which could cause material losses to our Group and our clients, and subject us to claims from our clients for damages, all of which could affect our reputation and adversely affect our financial performance.

In addition, the electronic technology and facilities are subject to risks of operational errors including, among others, human errors and carelessness, execution errors, employee misconduct and unauthorised trading, all of which could affect our stockbroking operations.

Although we have not experienced any material disruptions in our stockbroking operations due to electronic technology and facilities failures or malfunction and/or material operational errors for the Financial Years and Period Under Review and up to the LPD, there is no assurance that this situation may not occur in the future. In the event of any systems failure that causes interruptions in our services or delays in our services/responding to our clients or material operational errors, this could adversely affect our business and the results of our operations.

9. RISK FACTORS (CONT'D)

9.1.6 Our business operations are dependent on our Managing Director, Key Senior Management and CMSRL holders

Our business operations are dependent on the experience, knowledge and skills of our Managing Director, Key Senior Management and CMSRL holders who are involved in stockbroking and/or corporate finance advisory activities. Our Managing Director and Key Senior Management play significant roles in the continuing success of our Group from formulation and implementation of our strategies and plans, to the day-to-day operations of our business.

Our Managing Director, Chew Sing Guan, who is also a CMSRL holder for dealing in securities, have been with us for 31 years. Our Managing Director is assisted by our Key Senior Management, namely Head of Dealing, Head of Capital Markets, Head of Operation, Head of Credit and Risk Management, Head of IT and Chief Financial Officer who collectively have an average of 24 years of working experience in their respective field/roles in the capital market services industry in Malaysia. Further details on the profile of our Managing Director and Key Senior Management are set out in Sections 5.1.2(i) and 5.4.2 of this Prospectus respectively.

In addition, as mentioned in Section 9.1.1 of the Prospectus, our CMSRL holders, including our dealers, remisiers, analysts, QP and other corporate finance personnel who are undertaking regulated activities are required to obtain and maintain their CMSRL for the specific regulated activity and/or registrations with the SC, where their licenses are subject to yearly renewal. As such, any revocation, suspension and/or non-renewal of the licenses and/or registrations will affect their ability to continue their roles and in turn affect our business operations.

Premised on the above, the loss of our Managing Director, Key Senior Management and CMSRL holders may have an unfavourable impact or hinder the continued success of our business operations as well as our financial performance. Further, we cannot assure that their replacements would be prompt or that their replacements would be able to make similar or increased contributions to our business operations.

9.1.7 Our revenue may be affected in the immediate term arising from the resignation of the Former Corporate Finance Team

From FYE 2019 to FYE 2020, our corporate finance team consisted of 2 teams, each led by an experienced corporate finance personnel. Since FYE 2021, our corporate finance team increased to 3 teams. Since 1 August 2022, the corporate finance personnel under the Former Corporate Finance Team, of which 4 are CMSRL holders had progressively left Mercury Securities over a period of time. As at 1 November 2022, the entire Former Corporate Finance Team had completely left Mercury Securities. As at the LPD, we have 3 corporate finance teams consist of 22 corporate finance personnel, of which 9 are CMSRL holders with 4 QPs.

The Former Corporate Finance Team contributed 29.54% (RM9.31 million), 27.05% (RM13.46 million), 34.16% (RM20.84 million) and 27.77% (RM12.05 million) of our total revenue for the FYE 2019, FYE 2020, FYE 2021 and FYE 2022, respectively, comprising the advisory fees under the Corporate Finance Segment, as well as placement and underwriting fees under the Stockbroking Segment relating to the assignments undertaken by the Former Corporate Finance Team. As such, there can be no assurance that we would be able to generate similar level of revenue in the immediate term subsequent to the resignations of the Former Corporate Finance Team.

9. RISK FACTORS (CONT'D)

9.1.8 Our business is subject to risks associated with maintaining adequate financial requirements for our business operations

Our business, which include conducting regulated activities such as dealing in securities, investment advice and advising on corporate finance is subject to highest of various financial requirements including, among others, the following:

- minimum share capital and shareholders' fund of RM20.00 million, respectively, and CAR of not less than 1.2 times at all times for dealing in securities;
- minimum shareholders' fund of RM100.00 million for advising on corporate finance as a principal adviser; and
- minimum collateral value of RM250,000 in the form of cash, quoted securities and/or bank guarantee with Bursa Clearing under its equities margin system. The equities margin system was introduced by Bursa Clearing on 26 June 2016 to manage the exposure of trading clearing participants over the settlement cycle under its FDSS. The equities margin system was designed to receive settlement data from the clearing system and price data from the Bursa Securities system for the computation of margin requirement and valuation of collateral daily for each Bursa Clearing's participant.

As at 30 April 2023, Mercury Securities has met the minimum financial requirements with share capital, shareholders' fund and CAR are RM20.00 million, RM129.62 million and 19.59 times, respectively. Mercury Securities also maintained cash deposit of RM2.84 million under the equities margin system as at the LPD.

Nonetheless, there is no assurance that we are able to continue to meet the minimum financial requirements imposed by the governing authorities such as the SC and Bursa Securities. In the event the minimum financial requirements are not met due to changes in our financial position, we must immediately notify the SC in writing of a potential or an actual breach of the minimum financial requirements and the corrective measures intended to be taken and we must not continue to carry on the regulated activities in respect of the CMSL of Mercury Securities without the written consent of the SC and our CMSL may be revoked. In this respect, this may consequently affect our business operations and financial performance.

We are mainly utilising internally generated funds for our stockbroking operations where we typically will set aside sufficient funds for working capital to meet the commitment to Bursa Clearing and the available funds will be used to fund our provision of margin financing facility services. In this respect, the basis for determining the amount available for our margin financing facilities is subject to the availability of the shareholders' funds after setting aside the funds to meet the required commitments as mentioned above. As for the proprietary trading, there will be minimal funds required as the proprietary trading is mainly on an intra-day basis except for the potential loss that may result from the trading. However, we have control measures by setting trading limits and stop-loss trading conditions to limit the potential loss.

We also utilise internally generated funds for the underwriting services for the issuance/offering of securities undertaken by clients where we provide corporate finance advisory services as well as those we participate in the syndicate as 1 of the underwriters. The basis for determining the availability of funds for underwriting including those we participate in the syndicate as 1 of the underwriters is up to 25% of our shareholders' funds and subject to our risk assessment of each underwriting proposal and market conditions. Please refer to Section 9.1.10 of this Prospectus for further details on the risk pertaining to underwriting services.

9. RISK FACTORS (CONT'D)

9.1.9 Our operating cash flow may be negative arising mainly from provision of margin financing facilities

We are exposed to liquidity risk arising mainly from our provision of margin financing facilities. For our Stockbroking Segment, we offer margin financing facilities to our clients to fund their purchases of quoted securities listed on Bursa Securities based on terms and conditions stipulated in our credit facility agreement. In this respect, the higher utilisation of margin financing facilities will result in higher cash outflow which affects our operating cash flow.

We impose security requirements or collaterals in the form of cash deposits and/or quoted securities against the credit risks. When clients purchase securities through margin financing facilities, we are subject to the risk that clients may default on their obligations when the value of the quoted securities and cash held as collateral in their margin accounts fall below the amount of our clients' indebtedness. In the event of sudden negative changes in the valuation of pledged securities and our clients fail to meet margin calls, this could potentially result in losses for us. Under certain conditions, we may be forced to sell the securities held as collateral at a lower price than expected to realise or recover the amount owing by our margin financing clients. Although the securities are publicly traded, a large holding of securities held as collateral can often mean disposing over a long time which would expose our Group to the risks of further downward movement in market prices during the disposition period. If the amount realised from force selling of all the securities held as collateral does not fully cover the outstanding amount, and the outstanding amount is not repaid eventually, it could adversely affect our financial performance.

The margin financing facilities that we provided are collateralised against quoted shares and/or cash. During the Financial Years and Period Under Review, the collateral coverage ratio* was 4.25 times, 5.74 times, 7.99 times, 5.01 times and 5.58 times for FYE 2019, FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively, which was overall higher than the minimum collateral coverage ratio of 1.67 times# before margin call. However, there were some margin account receivables which were lower than the minimum collateral coverage ratio of 1.67 times during the Financial Years and Period Under Review. As at 31 October 2019, 31 October 2020, 31 October 2021, 31 October 2022 and 30 April 2023, RM1.09 million or 2.52% (3 clients), RM1.25 million or 3.67% (2 clients), RM4.67 million or 9.64% (5 clients), RM6.24 million or 12.29% (6 clients) and RM0.16 million or 0.37% (4 clients) of our margin account receivables, respectively were lower than the minimum collateral coverage ratio of 1.67 times. Please refer to Section 12.3.15 of this Prospectus for further details on our margin account receivables.

Notes:

* Computed based on mark-to-market value of quoted securities over margin accounts receivables.

The minimum collateral coverage ratio of 1.67 times is adopted based on internal practice.

9.1.10 We are subject to financial and market price risk on underwriting commitment

Part of our stockbroking services includes underwriting securities from primary and secondary equity fundraising such as initial public offerings and rights issues undertaken by us as principal adviser or we participate in an underwriting syndicate for such proposals advised by other advisers. Our responsibilities as an underwriter include, among others, assuming the risk of subscribing for part or all of the underwritten securities of the issuing company when there is an under-subscription on the closing date for subscription by the public for initial public offerings or entitled shareholders for rights issues. We can either hold the underwritten securities subscribed by us as short term investment and subsequently dispose of it in the open market or we procured investors to subscribe on our behalf. In this respect, we take on financial and market price risk for a fee as an underwriter in a securities offering, where we are committed to an underwriting amount for the specific number of securities as stipulated in the underwriting agreement. If a substantial portion of our underwritten securities is not taken up, it could adversely affect our liquidity and financial conditions.

9. RISK FACTORS (CONT'D)

For the Financial Years and Period Under Review, we were not required to subscribe for any underwritten securities in all of our underwriting commitments.

9.1.11 Our business is subject to the risk of liabilities and penalties associated with our ability to detect the possibility of money laundering and other illegal or improper activities in our business operations on a timely basis or at all

We are required to comply with applicable anti-money laundering and counter-terrorism financing laws and regulations in Malaysia such as the AMLA and the AML Guide. The AML Guide had on 26 April 2021 replaced the SC's Previous AML Guidelines. The Previous AML Guide took effect on 15 January 2014. We adopt due diligence measures with a set of procedures and processes to evaluate the identity and risk profile of clients. The on-boarding and/or ongoing due diligence conducted on our potential or existing clients are crucial in assisting us to monitor, detect and report any unusual transactions that could potentially expose us to financial losses and reputation risk, as well as minimising unscrupulous persons from using or intending to use our services for illicit purposes. The due diligence processes that we conduct include adhering to procedures set out in the AML Guide. Please refer to Section 7.20.9 of this Prospectus for further details on the obligations of Mercury Securities as a reporting institution.

When opening a new trading account for clients, we will conduct due diligence on the client based on a set of procedures and we will refer to our database of sanctioned persons made available to us periodically by the relevant authorities such as the SC, Malaysian Anti-Corruption Commission and Bank Negara Malaysia. Despite the measures we adopt to monitor, detect and prevent money laundering and terrorism activities or improper activities including, but not limited to, market manipulation and aiding and abetting tax evasion, there can be no assurance that we can fully detect money laundering and other illegal or improper activities such as market manipulation as well as aiding and abetting tax evasion in our business operations on a timely basis or detect them at all.

In the event we fail to comply with the applicable laws and regulations, we may be subject to fines and/or penalties and/or administrative actions imposed by regulatory authorities, which may adversely affect our reputation, business operations and financial results.

Save as disclosed under Sections 7.20.1(b), 7.20.9 and 9.1.1(c) of the Prospectus, Mercury Securities has been in compliance with the Previous AML Guide, AML Guide and AMLA since it has come into effect up to the LPD.

9.1.12 We may not have adequate insurance to cover liabilities for claims and litigation

We maintain a certain level of insurance which apply to our business operations to protect our Group against various losses and liabilities. We have insurance coverage against risks of fire, burglary, equipment and other assets, and consequential losses. In addition, we have insurance coverage against public liability, money in transit for collections, staff hospitalisation, comprehensive crime and professional indemnity. As at the LPD, the total sum insured for these insurance policies is RM14.15 million.

We may be exposed to liabilities or losses resulting from among others, corporate finance advice, business interruptions and/or other disruptions to our services including online trading platform and technological infrastructure and systems where we may not have adequate insurance. While we may have insurance coverage, this may not be sufficient to cover all the risks associated with our business operations. Any losses or damages over our insured limits or in areas where we are not insured or fully insured may adversely affect our financial conditions.

9. RISK FACTORS (CONT'D)

9.1.13 We may not be able to effectively execute some of our business strategies and plans

Our business strategies and plans are focused on leveraging our key strengths and capitalising on our core competencies in stockbroking. This includes expanding our margin financing facility services to expand our revenue, continuing capital investment to enhancement of digitalisation and ICT system for our stockbroking operations as well as expanding resources in proprietary trading to create incremental earnings. Further, we also intend to expand our office space in Kuala Lumpur to cater for additional office space for our stockbroking and corporate finance operations.

Please refer to Section 7.26 of this Prospectus for further details on our business strategies and plans.

The future growth of our business is dependent on our ability to implement and carry out plans and strategies promptly, focusing on the enhancement of digital technology for our business operations, and attracting, developing and retaining talents for our business operations. In the event of any delays or failure in executing our plans and strategies effectively, it may negatively affect our business growth and financial performance.

9.2 RISKS RELATING TO THE INDUSTRY THAT WE OPERATE IN**9.2.1 We face competition from other stockbroking and corporate finance companies**

We face competition from other stockbrokers that are licensed by the SC to deal in securities related activities. As of 4 August 2023, there were 30 Participating Organisations of Bursa Securities which were licensed to deal in securities on Bursa Securities. This comprises 12 licensed 1+1 broker where 7 of them are also licensed to carry out the regulated activities of advising on corporate finance, 8 investment banks, 7 special scheme brokers, 1 universal broker, and 2 other stockbroking companies. (*Source: Industry Overview Report*)

Within stockbroking services, we compete based on factors including among others, brokerage fees, provision of margin financing facilities, interest rates for margin financing facilities and other related services, our reputation, convenience based on locations of our branch offices and service level of our dealers and remisiers. Some of the other stockbroking companies may price their brokerage fees and related services lower than ours and this would exert competitive pressure on our pricing of services. Our continuing success is dependent on our ability to execute and deliver our services to the clients' satisfaction, uninterrupted and responsiveness of our online trading platform, track record and reputation as well as our ability to compete effectively against our peers. If we were unable to compete in terms of pricing and services, there is a risk that we would lose our existing or potential clients to our peers. This would adversely impact our business operations and financial performance.

We also face competition from other licensed companies who are permitted to carry out regulated activities on advising on corporate finance. As of 4 August 2023, there were 63 CMSL holders permitted to carry out advising on corporate finance comprising 7 1+1 broker who are also licensed to carry out the regulated activities of advising on corporate finance (*Source: Industry Overview Report*).

9. RISK FACTORS (CONT'D)

Pursuant to the Guidelines on Submission of Corporate and Capital Market Product Proposals and the Licensing Handbook issued by the SC, with effect from 1 January 2021, CMSL holders for advising on corporate finance are required to obtain the SC's recognition as a RPA to undertake specific proposals such as initial public offering on the Main Market, transfer of listing status from the ACE Market to the Main Market and corporate proposals by a Main Market issuer involving a significant change in the business directions or policy. Further, CMSL holders for advising on corporate finance who wish to act as a sponsor for ACE Market must be admitted to the Register of Sponsors of Bursa Securities, being a register maintained by Bursa Securities for the ACE Market specifying all persons which have been approved to act as sponsors by Bursa Securities pursuant to Chapter 4 of the listing requirements of ACE Market and such approval has not been revoked or suspended. As of 4 August 2023, there were a total of 17 RPAs and 17 sponsors (*Source: Industry Overview Report*).

Within the Corporate Finance Segment, we compete based on factors including, among others, our ability to provide solutions, timely execution and completion of proposals within our clients' expectations, track record in handling successful corporate proposals and deals, professional fees, underwriting capacity and placement capability, and our client relationship management which is supported by our experienced team of corporate finance personnel. In the event we are unable to compete effectively, there is a risk that we would lose our potential and existing clients to our peers, which may adversely impact our business operations and financial performance.

9.2.2 The stockbroking and corporate finance industry is affected by changes in political, economic, regulatory conditions, systemic risk as well as the risk of pandemic

Any changes and/or developments in political, economic, social and regulatory conditions in Malaysia and globally, could adversely affect our operations, business and financial prospects. These uncertainties include but are not limited to changes in political leadership, risks of war or civil unrest, declaration of a state of emergency, systemic risks such as financial meltdown, outbreak of diseases such as the COVID-19 pandemic and regulatory changes that may impact the demand for our services.

As of July 2023, the stamp duty is reduced from 0.15% to 0.10% capped at RM1,000 per contract (*Source: Industry Overview Report*). However, if there is any future increase in stamp duty rate, this will increase trading cost for the investors including our clients which may affect their propensity to trade which may lead to lower brokerage volume.

For instance, in 1997, Asia experienced a financial crisis which resulted in some banks and other financial intermediaries including stockbroking companies faced with liquidity and solvency issues. This crisis caused a meltdown in equity prices on several Asian including Malaysian stock exchanges, which among others, caused some Malaysian based stockbroking companies to suffer severe financial problems with some eventually ceasing operations.

Similarly, in 2007, the subprime and sovereign debt crisis which affected several countries in the Euro Zone and the United States had also adversely affected the equity prices of the stock exchanges of these countries which systemically spilled over to the stock exchanges in Asia including Malaysia. These systemic risks when occurred have a severe impact on the financial conditions and even threaten the going concern of financial institutions including stockbroking companies. In this respect, any similar financial crisis in the future may severely impact the demand for our services and could affect our operations and financial performance.

Any global or regional economic downturn would also affect the overall business confidence, consumer sentiments, risk aversion for equities as an investment asset class as well as business investments, which would subsequently affect the demand for our services. As a result, this may cause our clients to revise, defer, halt or abandon their investment plans. There can be no assurance that any adverse political, social, economic and regulatory developments or outbreak of diseases which are beyond our control, will not materially affect our financial performance.

9. RISK FACTORS (CONT'D)

9.3 RISKS RELATING TO OUR SHARES

9.3.1 There has been no prior market for our Shares

Prior to our Listing, there is no prior market for our Shares. Hence, there can be no assurance that an active market for our Shares will develop upon our Listing or if developed, that such market will be sustained. Our IPO Price was determined after taking into consideration several factors including but not limited to our historical earnings, our competitive strengths, our business strategies and prospects as well as our financial and operating history. There can be no assurance that our IPO Price will correspond to the price at which our shares will be traded on the ACE Market upon or after our Listing or that an active market for our Shares will develop and continue upon or after our Listing.

The price at which our Shares will trade on the ACE Market may be influenced by several factors, including, amongst others, the depth and liquidity of the market of our Shares, investors' perception of our Group, market and economic conditions.

9.3.2 Trading price and volume of our Shares upon our Listing may be volatile

The performance of Bursa Securities is very much dependent on external factors such as the performance of major regional and world bourses and the inflow or outflow of foreign funds. Sentiment is also largely driven by internal factors such as economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our listed Shares.

In addition, the market price of our Shares may be highly volatile and could be subject to fluctuations in response to various factors, some of which are not within our control and may be unrelated or disproportionate to our operating results. These factors may include the followings:

- (i) material variations in the financial results of our operations;
- (ii) success or failure of our management in implementing future plans, business and growth strategies;
- (iii) changes in securities analysts' recommendations or projections, perceptions or estimates of our financial performance;
- (iv) changes in conditions affecting the industry, general market conditions and broad market fluctuations, investors' sentiments or other related events or factors;
- (v) changes in market valuations and share price of companies with similar businesses to our Group that may be listed on Bursa Securities;
- (vi) additions or departures of key personnel; or
- (vii) involvement in claims, litigation, arbitration or other form of dispute resolution.

9.3.3 Control by Promoter

As disclosed in Section 5.1.1 of this Prospectus, our Promoter will hold 37.08% of our enlarged issued share capital upon Listing. As a result, our Promoter will be able to effectively control the business direction and management of our Group and may influence the outcome of certain matters requiring the vote of our shareholders, unless our Promoter is required to abstain from voting by applicable laws, the Listing Requirements and/or as required by the relevant authorities. There can be no assurance that the interests of our Promoter will always be aligned with those of our shareholders.

9. RISK FACTORS (CONT'D)

9.3.4 There may be a potential delay or cancellation of our Listing

Our Listing may be potentially delayed or aborted in the event of the following:

- (i) The MITI approved Bumiputera Investors fail to acquire our Shares allocated to them under the Public Issue;
- (ii) our Sole Underwriter exercising its rights pursuant to the Underwriting Agreement to discharge itself from its obligations thereunder;
- (iii) the revocation of approvals from the relevant authorities and/or parties for our Listing and/or admission for whatever reason; or
- (iv) we are unable to meet the public shareholding spread requirement of the Listing Requirements, whereby at least 25.00% of our enlarged issued share capital for which Listing is sought must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each at the time of our Listing.

In the event our Listing is aborted, investors will not receive any of our IPO Shares and all monies paid in respect of all Applications for our IPO Shares will be refunded free of interest.

Where prior to the issuance and allotment of our IPO Shares;

- (i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and/or the Company shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which the Company shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or
- (ii) our Listing is aborted, investors will not receive any of our IPO Shares and all monies paid in respect of all Applications for our IPO Shares will be refunded free of interest.

Where subsequent to the issuance and allotment of our IPO Shares:

- (i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, the Company shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or
- (ii) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by either:
 - (a) the sanction of our shareholders by special resolution in a general meeting, consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or
 - (b) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from our Directors.

10. RELATED PARTY TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

Pursuant to the Listing Requirements, a “**related party transaction**” is a transaction entered into by a listed corporation or its subsidiary, which involves the interest, direct or indirect, of a related party. A “**related party**” is defined in the Listing Requirements as a director, major shareholder or person connected with such director or major shareholder (including a person who is or was a director or major shareholder within the preceding 6 months before the transaction was entered into). “**Major shareholder**” is defined in the Listing Requirements as a shareholder with a shareholding of 10.00% or more (or 5.00% or more where such a person is the largest shareholder in the company) of all the voting shares in the company.

10.1.1 Material related party transactions entered into by our Group

Save for the Acquisition, pursuant to the internal reorganisation for our Listing (details of which are as set out in Section 6.1 of this Prospectus) and as disclosed below, our Board has confirmed that there are no other material related party transactions entered or to be entered into by our Group with related parties for the Financial Years and Period Under Review and up to the LPD:

				←-----Transaction value-----→					
No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FPE 2023 (RM'000)	From 1 May 2023 up to the LPD (RM'000)
1.	Mercury Securities and Sepang Asas Sdn Bhd	Chew Sing Guan , being our Promoter, Substantial Shareholder and Non-Independent Executive Director / Managing Director, is also a shareholder and a director of Sepang Asas Sdn Bhd	Sale of 4 ½ storey shophouse bearing the postal address of No. 8, 8A, 8B & 8C Jalan Lumut, Komplex Damai, 50400 Kuala Lumpur to Sepang Asas Sdn Bhd	-	-	2,650 2.26% of NA	-	-	-
			Sale of a piece of vacant land held under Geran 42218, Lot 2348, Seksyen 4, Bandar Butterworth, Daerah Seberang Perai Utama, Negeri Pulau Pinang to Sepang Asas Sdn Bhd	-	-	4,600 3.93% of NA	-	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction value					From 1 May 2023 up to the LPD (RM'000)
				FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FPE 2023 (RM'000)	
1.	Mercury Securities and Sepang Asas Sdn Bhd (Cont'd)	Chew Sing Guan , being our Promoter, Substantial Shareholder and Non-Independent Executive Director / Managing Director, is also a shareholder and a director of Sepang Asas Sdn Bhd (Cont'd)	Sale of 5 ½ storey commercial office building bearing the postal address of 213, Jalan Pinang, 10000 Pulau Pinang to Sepang Asas Sdn Bhd	-	-	5,850 5.00% of NA	-	-	-
			Sale of an apartment unit bearing the postal address of Unit 4-04, Pantai Apartment, Jalan Wisma Pantai 1, 12200 Butterworth, Pulau Pinang to Sepang Asas Sdn Bhd	-	-	255 0.22% of NA	-	-	-
			Sale of an apartment unit bearing the postal address of 109-15-2, Gambier Heights, Jalan Bukit Gambier, 11700 Gelugor, Pulau Pinang to Sepang Asas Sdn Bhd	-	-	380 0.32% of NA	-	-	-

Our Board, having considered all aspects of the related party transactions, are of the opinion that all the related party transactions set out above were transacted on an arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public in view that the sale considerations of the 5 properties disposed to Sepang Asas Sdn Bhd were based on the market value as appraised by an independent valuer vide its valuation certificate dated 31 October 2020.

As at the LPD, there are no related party transactions entered into but not yet effected.

10. RELATED PARTY TRANSACTIONS (CONT'D)

10.2 RELATED PARTY TRANSACTIONS THAT ARE UNUSUAL IN NATURE OR CONDITION

Our Board has confirmed that there are no related party transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which we were a party in respect of the Financial Years and Period Under Review and up to the LPD.

10.3 OUTSTANDING LOANS AND/OR FINANCIAL ASSISTANCE MADE TO OR FOR THE BENEFIT OF THE RELATED PARTIES

Save as disclosed below, our Board has confirmed that there are no outstanding loans and/or financial assistance (including guarantees of any kind) made by our Group to or for the benefit of the related parties for the Financial Years and Period Under Review and up to the LPD:

←-----Transaction value-----→									
No.	Parties	Nature of relationship	Nature of transaction and purpose	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FPE 2023 (RM'000)	From 1 May 2023 up to the LPD (RM'000)
1.	Sharikat United Book Sdn Bhd and Mercury Securities	Chew Sing Guan , being our Promoter, Substantial Shareholder and Non-Independent Executive Director / Managing Director, is also a shareholder and a director of Sharikat United Book Sdn Bhd	Advances from Mercury Securities to Sharikat United Book Sdn Bhd for working capital purpose ^(a)	1,310	-	-	-	-	-
2.	Malayan Investment Trust Sdn Bhd and Mercury Securities	Chew Sing Guan , being our Promoter, Substantial Shareholder and Non-Independent Executive Director / Managing Director, is also a shareholder and a director of Malayan Investment Trust Sdn Bhd	Advances from Mercury Securities to Malayan Investment Trust Sdn Bhd for working capital purpose ^(a)	1,211	-	-	-	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

←-----Transaction value-----→									
No.	Parties	Nature of relationship	Nature of transaction and purpose	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FPE 2023 (RM'000)	From 1 May 2023 up to the LPD (RM'000)
3.	Sepang Asas Sdn Bhd and Mercury Securities	Chew Sing Guan , being our Promoter, Substantial Shareholder and Non-Independent Executive Director / Managing Director, is also a shareholder and a director of Sepang Asas Sdn Bhd	Advances from Mercury Securities to Sepang Asas Sdn Bhd for working capital purpose ^(a)	8,103	-	-	-	-	-
4.	Faizal Bin Mat Zuki and Mercury Securities	Faizal Bin Mat Zuki , is our Substantial Shareholder by virtue of his shareholdings in Enrogetz, being our Substantial Shareholder	Staff advances of RM54,000 from Mercury Securities to Faizal Bin Mat Zuki ^(b)	54	54	54	-	-	-

Notes:

- (a) The advances was fully repaid with interest on 28 October 2020.
- (b) The advances was granted to Faizal Bin Mat Zuki as an employee of Mercury Securities, free of interest. The advances was fully repaid on 25 January 2022.

All the advances provided to Sharikat United Book Sdn Bhd, Malayan Investment Trust Sdn Bhd and Sepang Asas Sdn Bhd in the FYE 2019 and FYE 2020 were short-term in nature with an interest rate of 4.85% per annum. Our Board confirms that the above advances were made on an arm's length basis after taking into consideration that the interest rate charged of 4.85% per annum is:

- (i) within the indicative effective lending rate published by Bank Negara Malaysia on 14 June 2019 of 4.35% to 5.67%; and
- (ii) slightly higher than the highest indicative effective lending rate published by Bank Negara Malaysia on 6 August 2020 of 4.42%.

10. RELATED PARTY TRANSACTIONS (CONT'D)

However, the staff advances to Faizal Bin Mat Zuki was not made on arm's length basis as it was interest-free, unsecured and to be repaid within 6 years from the date of the advances being made available to Faizal Bin Mat Zuki. The staff advances was fully repaid on 25 January 2022.

Our Board also confirms that moving forward, our Group will not be providing such advances mentioned above (including loans and guarantees of any kind) to or for the benefit of the related parties.

10.4 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS

Upon Listing, our Audit and Risk Management Committee will review and ensure the terms of all related party transactions (including any recurrent related party transactions) are carried out on terms not more favourable to the related party than those generally available to third parties dealing at arm's length basis with our Group and are not to the detriment to our minority shareholders. Our Audit and Risk Management Committee will then table their opinion and recommendation to our Board for further deliberation and approval. Thereafter, our Board will make an announcement of the related party transaction containing the required information to be disclosed under the Listing Requirements as well as disclosed in the circular to our shareholders to seek for their approval, where required.

We will be required to seek our shareholders' approval each time we enter into material related party transactions in accordance with the Listing Requirements. Under the Listing Requirements, related party transactions may be aggregated to determine its materiality if the transactions occur within a 12 months period, are entered into with the same party or with parties related to one another or if the transactions involve the acquisition or disposal of securities or interests in one corporation/asset or of various parcels of land contiguous to each other. However, if the related party transactions of a trading or revenue nature can be deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such recurrent related party transactions during the validity period of the general mandate. We will make disclosures in our annual report of the aggregate value of the recurrent related party transactions entered into by us on the nature of the transactions made, names of the related parties involved and their relationship with our Group during the financial year and in the annual reports for the subsequent financial years.

In the event there are any proposed related party transactions that involve the interest, direct or indirect, of our Directors, the interested Director(s) shall disclose his/her interest to our Board, of the details of the nature and extent of his/her interest, including all matters in relation to the proposed related party transactions. The interested Director(s) shall abstain from any Audit and Risk Management Committee and/or Board deliberation and voting on the relevant resolution(s) in respect of such proposed related party transactions. If such proposed related party transactions require the approval of shareholders, the interested Directors, and/or major shareholders and/or persons connected with the interested Director or major shareholder, which have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of their direct and/or indirect shareholdings. Where a person connected with the interested Director or major shareholder has interest, direct or indirect, in any proposed related party transactions, the interested Director or major shareholder concerned will also abstain from voting in respect of his/her direct and/or indirect shareholdings. Such interested Director and/or major shareholder will also undertake that he/she shall ensure that the persons connected with him/her will abstain from voting on the resolution(s) tabled at the general meeting convened to consider and approve the proposed related party transactions.

10. RELATED PARTY TRANSACTIONS (CONT'D)

10.5 GUARANTEES

Our Promoter, Substantial Shareholder and Non-Independent Executive Director / Managing Director, namely Chew Sing Guan as well as Sepang Asas Sdn Bhd have provided personal guarantee and securities, respectively for the banking facility extended by Public Bank Berhad ("**Financier**") as disclosed in Section 12.3.11(iii) of this Prospectus. Chew Sing Guan is a shareholder and a director of Sepang Asas Sdn Bhd.

The following are the guarantees and securities provided for the said banking facility:

- (a) personal guarantee provided by Chew Sing Guan;
- (b) registered third party charge on the land and building owned by Sepang Asas Sdn Bhd ("**Property**");
- (c) equitable assignment of rental of all present and future monthly rental proceeds derived from the Property; and
- (d) corporate guarantee provided by Sepang Asas Sdn Bhd.

Items (b) to (d) above are collectively referred to as "**Securities**".

The aforesaid banking facility has been settled and cancelled by Mercury Securities on 27 June 2023. As at the LPD, the Securities are in the process of being discharged by the Financier.

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11. CONFLICTS OF INTEREST

11.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CLIENTS AND/OR OUR SUPPLIERS

Save as disclosed below, as at the LPD, none of our Directors and/or Substantial Shareholders have any interest, direct or indirect, in other businesses or corporations, which are carrying on a similar or related trade as that of our Group or which are our clients or our suppliers.

Name of company	Principal activities	Nature of interest
Hidong Estate PLC	Investment holding with investments in fixed income deposits and quoted securities	<p>Chew Sing Guan is our Promoter, Substantial Shareholder and Non-Independent Executive Director / Managing Director, and an executive director and chairman and a substantial shareholder of Hidong Estate PLC.</p> <p>Hidong Estate PLC has a trading account maintained by Mercury Securities and therefore is our client.</p>
Malayan Securities Trust Sdn Bhd	Investment holding with investments in shares in Hidong Estate PLC and Plantation Agencies Sdn Bhd	<p>Chew Sing Guan is our Promoter, Substantial Shareholder and Non-Independent Executive Director / Managing Director, and a director and substantial shareholder of Malayan Securities Trust Sdn Bhd.</p> <p>Malayan Securities Trust Sdn Bhd has a trading account maintained by Mercury Securities and therefore is our client.</p>

During the Financial Years and Period Under Review, a total brokerage fee of approximately RM2,000 was charged for trades executed by Hidong Estate PLC, and there was no trade executed under the trading account of Malayan Securities Trust Sdn Bhd.

Our Board is of the view that the interests in the companies mentioned above do not give rise to a conflict of interest situation after taking into consideration the following:

- (a) the abovementioned transactions entered into with Hidong Estate PLC and Malayan Securities Trust Sdn Bhd arose in the ordinary course of business of Mercury Securities;
- (b) the conduct of Mercury Securities is strictly regulated by, among others, the SC and Bursa Securities; and
- (c) Mercury Securities does not receive or derive any financial interest or benefit from the transactions with Hidong Estate PLC and Malayan Securities Trust Sdn Bhd other than the normal brokerage fee, which is charged based on the commission rate for retail trade as prescribed under the Rules of Bursa Securities.

11. CONFLICTS OF INTEREST (CONT'D)

Nonetheless, following our Listing, our Directors and/or Substantial Shareholders will be required to disclose any potential conflicts of interest situations to our Audit and Risk Management Committee as and when they arise and to abstain on deliberation in respect of transactions in which they have an interest which require the deliberation and/or approval of our Board. Our Audit and Risk Management Committee will review such situations whenever declared or brought to their attention and resolve or mitigate any such conflicts of interest situations, in the best interests of our Group.

11.2 DECLARATION OF CONFLICTS OF INTEREST BY OUR ADVISERS**11.2.1 PIVB**

PIVB, being our Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent, is a wholly-owned subsidiary of Public Bank Berhad (“**PBB**”). PBB and its other subsidiary companies together with PIVB (“**PBB Group**”) form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, assets and funds management and credit transaction services businesses.

PBB Group has engaged and may in the future, engage in transactions with and perform services for our Group and/or our affiliates, in addition to the roles set out in this Prospectus. Further, in the ordinary course of business, any member of the PBB Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with any member of our Group, our shareholders, our and/or their affiliates and/or any other entity or person, hold long or short positions in securities issued by our Company and/or our affiliates, and may trade or otherwise effect transactions for its own account or the account of its clients in debt or equity services or senior loans of any member of our Group and/or our affiliates.

This is a result of the businesses of the PBB Group generally acting independently of each other, and accordingly, there may be situations where parts of PBB Group and/or its clients now have or in the future, may have interest or take actions that may conflict with the interest of our Group. Nonetheless, PBB Group is required to comply with applicable laws and regulations issued by the relevant authorities, which required, among others, segregation between dealing and advisory activities and Chinese Wall between different business divisions within the PBB Group.

During the Financial Years and Period Under Review, Public Mutual Berhad, a wholly-owned subsidiary of PBB, has in its ordinary course of business, entered into transactions with our Group for the execution of trades of securities. This has contributed 18.94%, 16.28%, 12.19%, 6.65% and 4.49% of our Group’s revenue for the FYE 2019, FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. Accordingly, Public Mutual Berhad is one of our top 5 major clients during the Financial Years and Period Under Review. Please refer to Section 7.22 of this Prospectus for further details on our top 5 major clients.

In addition, our Group has also procured banking services from PBB in accordance with PBB’s ordinary course of business during the FYE 2019, FYE 2020 and FYE 2021. 18.40%, 17.72% and 14.48% of our Group’s operational cost for the FYE 2019, FYE 2020 and FYE 2021, respectively, was paid to PBB for the provision of banking services. Our Group procured banking services such as account management, bulk payment and transactional services from PBB in the FYE 2019, FYE 2020 and FYE 2021 solely in respect of the trades of securities by Public Mutual Berhad in view of its high trading volume. Nonetheless, we did not procure banking services from PBB in the FYE 2022 and FPE 2023 due to the low trading volume by Public Mutual Berhad during the FYE 2022 and FPE 2023. Accordingly, PBB is one of our top 5 major suppliers during the FYE 2019, FYE 2020 and FYE 2021. Please refer to Section 7.23 of this Prospectus for further details on our top 5 major suppliers.

11. CONFLICTS OF INTEREST (CONT'D)

Notwithstanding the above, PIVB is of the view that the abovementioned does not give rise to an existing or potential conflict of interest situation in its capacity as Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent due to the following:

- (i) the abovementioned transactions entered into with Public Mutual Berhad and PBB arose in the ordinary course of business of the respective companies;
- (ii) the conduct of the PBB Group is strictly regulated by, among others, the Financial Services Act, 2013;
- (iii) PIVB's role as the Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent has been carried out professionally and objectively in accordance with the relevant terms of the due diligence planning memorandum in PIVB's ordinary course of business. The due diligence processes and the verification exercises (which were participated by the Board and Key Senior Management, PIVB, External Auditors and Reporting Accountants, Solicitors, and other relevant advisers for the IPO) have been duly undertaken and performed in relation to the preparation of relevant documents relating to the IPO;
- (iv) none of the proceeds raised from the IPO are allocated for the repayment of bank borrowings by our Group to PBB Group and/or payment of banking services to PBB; and
- (v) PIVB does not receive or derive any financial interest or benefit from the IPO other than the normal advisory, underwriting and placement fees charged.

11.2.2 Azman Davidson & Co

Azman Davidson & Co confirms that there is no existing or potential conflict of interest in relation to it acting in its capacity as the Solicitors to our Company for our IPO.

11.2.3 Grant Thornton Malaysia PLT

Grant Thornton Malaysia PLT confirms that there is no existing or potential conflict of interest in relation to it acting in its capacity as the External Auditors and Reporting Accountants for our IPO.

11.2.4 Vital Factor

Vital Factor confirms that there is no existing or potential conflict of interest in relation to it acting in its capacity as the IMR for our IPO.

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12. FINANCIAL INFORMATION**12.1 HISTORICAL FINANCIAL INFORMATION**

The historical financial information for the Financial Years and Period Under Review presented below have been extracted from the Accountants' Report in Section 13 of this Prospectus. Our historical audited combined financial statements have been prepared in accordance with MFRS and IFRS.

12.1.1 Historical combined statements of comprehensive income

The following table sets out a summary of our historical audited combined statements of comprehensive income for the Financial Years and Period Under Review:

	Audited				Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue*	31,524	49,762	61,007	43,382	25,779	11,439
Cost of services	(17,690)	(27,704)	(30,661)	(19,887)	(12,282)	(3,634)
GP*	13,834	22,058	30,346	23,495	13,497	7,805
Other income	4,817	3,375	3,176	2,947	1,449	1,884
Net trading gains on financial assets at fair value through profit or loss	1,316	5,381	2,202	3,949	1,480	455
Administrative and other operating expenses	(6,420)	(7,123)	(8,200)	(7,143)	(3,454)	(3,249)
Allowance for expected credit losses on trade receivables	-	-	(358)	-	-	-
Finance costs	(156)	(384)	(63)	(47)	(18)	(15)
PBT*	13,391	23,307	27,103	23,201	12,954	6,880
Income tax expense	(3,546)	(6,109)	(6,843)	(5,538)	(3,060)	(1,803)
PAT	9,845	17,198	20,260	17,663	9,894	5,077
Other comprehensive (loss)/income, net of income tax						
<i>Items that will not be reclassified subsequently to profit or loss:</i>						
Fair value adjustment on other investments	(150)	(33)	172	(140)	(45)	15
Realisation of fair value reserve upon disposal of other investments	-	-	60	-	-	-
Realisation of revaluation surplus upon depreciation	-	-	-	(62)	(31)	(31)
Net surplus on revaluation of buildings	-	-	2,488	-	-	-
Transfer of fair value reserve to retained profits	-	-	(60)	-	-	-
Transfer of revaluation surplus to retained profits	-	-	-	62	31	31
Total comprehensive income for the financial year/period, net of income tax	9,695	17,165	22,920	17,523	9,849	5,092

12. FINANCIAL INFORMATION (CONT'D)

	Audited				Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Other selected financial data						
GP margin ^(a) (%)	43.88	44.33	49.74	54.16	52.36	68.23
PBT margin ^(b) (%)	42.48	46.84	44.43	53.48	50.25	60.15
PAT margin ^(c) (%)	31.23	34.56	33.21	40.72	38.38	44.38
Effective tax rate ^(d) (%)	26.48	26.21	25.25	23.87	23.62	26.21
EBITDA ^(e) (RM'000)	12,265	22,546	26,497	22,931	12,785	6,030
Assumed number of Shares in issue ('000)	893,000	893,000	893,000	893,000	893,000	893,000
Basic and diluted EPS ^(f) (sen)	1.10	1.93	2.27	1.98	1.11	0.57

Notes:

- (a) GP margin is computed based on GP divided by revenue of our Group.
- (b) PBT margin is computed based on PBT divided by revenue of our Group.
- (c) PAT margin is computed based on PAT divided by revenue of our Group.
- (d) Effective tax rate is computed based on income tax expense divided by PBT.
- (e) EBITDA is calculated as follows:

	Audited				Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
PBT	13,391	23,307	27,103	23,201	12,954	6,880
<u>Adjusted for:</u>						
Interest income	(1,876)	(1,873)	(1,526)	(1,300)	(652)	(1,320)
Finance costs	156	384	63	47	18	15
Depreciation of property, plant and equipment	594	512	537	642	295	310
Depreciation of right-of-use assets	-	216	320	341	170	145
EBITDA	12,265	22,546	26,497	22,931	12,785	6,030

- (f) For comparative purposes, the basic EPS of our Group is computed based on the PAT attributable to the owners of the Company divided by the assumed number of Shares in issue of 893,000,000 Shares. For information purposes, the diluted EPS of our Group is equal to the basic EPS of our Group as there were no existing potential dilutive shares and/or convertible securities into shares in issue during the Financial Years and Period Under Review.

12. FINANCIAL INFORMATION (CONT'D)

* The following table sets forth the contributions of the Former Corporate Finance Team to the revenue, GP and PBT of the Group, as well as the net revenue, net GP and net PBT of the Group after deducting the contribution of the Former Corporate Finance Team during the FYE 2019 to FYE 2022. As the Former Corporate Finance Team had completely left Mercury Securities as at 1 November 2022, there are no contributions from the Former Corporate Finance Team for the FPE 2023.

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue	31,524	49,762	61,007	43,382
Revenue contributed by the Former Corporate Finance Team	9,313	13,459	20,838	12,049
Net revenue after deducting revenue contributed by the Former Corporate Finance Team	22,211	36,303	40,169	31,333
GP	13,834	22,058	30,346	23,495
GP contributed by the Former Corporate Finance Team	3,880	5,181	8,607	1,771
Net GP after deducting GP contributed by the Former Corporate Finance Team	9,954	16,877	21,739	21,724
PBT	13,391	23,307	27,103	23,201
PBT contributed by the Former Corporate Finance Team [#]	3,636	4,996	8,159	1,397
Net PBT after deducting PBT contributed by the Former Corporate Finance Team	9,755	18,311	18,944	21,804
<u>GP margin</u>				
GP margin	43.88%	44.33%	49.74%	54.16%
GP margin after deducting GP contributed by the Former Corporate Finance Team	44.82%	46.49%	54.12%	69.33%
<u>PBT margin</u>				
PBT margin	42.48%	46.84%	44.43%	53.48%
PBT margin after deducting PBT contributed by the Former Corporate Finance Team	43.92%	50.44%	47.16%	69.59%
No. of corporate finance personnel under the Former Corporate Finance Team as at the end of the respective financial year	18	19	18	[^] 4

12. FINANCIAL INFORMATION (CONT'D)

Computed based on the following:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
GP contributed by the Former Corporate Finance Team	3,880	5,181	8,607	1,771
Other income contributed by the Former Corporate Finance Team	423	474	657	273
Administrative and other operating expenses incurred by the Former Corporate Finance Team	(667)	(659)	(1,105)	(647)
PBT contributed by the Former Corporate Finance Team	3,636	4,996	8,159	1,397

^ Since 1 August 2022, the corporate finance personnel under the Former Corporate Finance Team had progressively left Mercury Securities over a period of time and the remaining 4 corporate finance personnel as at 31 October 2022 had completely left Mercury Securities as at 1 November 2022.

For the FYE 2019 to FYE 2022, the Former Corporate Finance Team contributed substantially to our Group's total revenue of 29.54% (RM9.31 million), 27.05% (RM13.46 million), 34.16% (RM20.84 million) and 27.77% (RM12.05 million) and total PBT of 27.15% (RM3.64 million), 21.44% (RM5.00 million), 30.10% (RM8.16 million) and 6.02% (RM1.40 million) for the FYE 2019, FYE 2020, FYE 2021 and FYE 2022 respectively. As such, there can be no assurance that we would be able to generate similar level of revenue and profits in the immediate term subsequent to the resignations of the Former Corporate Finance Team.

Nonetheless, our Group's PBT for the FYE 2019 to FYE 2022 after excluding the Former Corporate Finance Team were still on an increasing trend due mainly to the significant cost of services incurred by the Former Corporate Finance Team, which accounted for 29.88% to 51.68% of our Group's total cost of services for the FYE 2019 to FYE 2022. The significant cost of services incurred by the Former Corporate Finance Team is higher than its revenue contribution to our Group's total revenue which accounted for 27.05% to 34.16% for the FYE 2019 to FYE 2022. This is reflected by the increasing trend of the GP (save for a marginal decline in FYE 2022) and GP margin of our Group after excluding the Former Corporate Finance Team.

12. FINANCIAL INFORMATION (CONT'D)**12.1.2 Historical combined statements of financial position**

The following table sets out our historical audited combined statements of financial position for the Financial Years and Period Under Review:

	Audited as at				
	31 October 2019	31 October 2020	31 October 2021	31 October 2022	30 April 2023
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
ASSETS					
Non-current assets					
Property, plant and equipment	6,882	6,459	11,625	11,185	11,222
Investment properties	17,930	17,735	4,000	4,200	4,200
Right-of-use assets	-	708	888	547	402
Intangible assets	7,892	7,892	7,892	7,892	7,892
Other investments	2,484	2,451	634	492	507
	35,188	35,245	25,039	24,316	24,223
Current assets					
Trade and other receivables	99,232	88,225	63,445	69,458	61,206
Deposits and prepayments	2,005	3,373	3,667	5,272	6,172
Other investments	-	-	-	490	627
Cash and cash equivalents	41,397	47,854	44,356	46,063	52,440
	142,634	139,452	111,468	121,283	120,445
TOTAL ASSETS	177,822	174,697	136,507	145,599	144,668
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	-	-	*	*	*
Invested equity	20,000	20,000	20,000	20,000	20,000
Reserves	119,223	96,388	97,009	104,532	109,623
Total equity	139,223	116,388	117,009	124,532	129,623
Non-current liabilities					
Lease liabilities	-	525	588	341	242
Deferred tax liabilities	182	540	1,154	1,087	1,099
	182	1,065	1,742	1,428	1,341
Current liabilities					
Trade and other payables	36,247	54,264	15,869	18,566	13,124
Lease liabilities	-	206	341	246	196
Loans and borrowings	523	-	-	-	-
Current tax liabilities	1,647	2,774	1,546	827	384
	38,417	57,244	17,756	19,639	13,704
Total liabilities	38,599	58,309	19,498	21,067	15,045
TOTAL EQUITY AND LIABILITIES	177,822	174,697	136,507	145,599	144,668

Note:

* Amount is less than RM1,000.

12. FINANCIAL INFORMATION (CONT'D)**12.1.3 Historical audited combined statements of cash flows**

The following table sets out our historical audited combined statements of cash flows for the Financial Years and Period Under Review:

	Audited				Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
CASH FLOWS FROM OPERATING ACTIVITIES						
PBT	13,391	23,307	27,103	23,201	12,954	6,880
Adjustments for:						
Accretion of lease interest	-	56	63	47	18	15
Allowance for expected credit losses on trade receivables	-	-	358	-	-	-
Change in fair value of investment properties	(170)	195	-	(200)	-	-
Depreciation of property, plant and equipment	594	512	537	642	295	310
Depreciation of right-of-use assets	-	216	320	341	170	145
Dividend income	(28)	(10)	(107)	(56)	(28)	(20)
Interest expense	156	328	-	-	-	-
Interest income	(1,876)	(1,873)	(1,526)	(1,300)	(652)	(1,320)
Gain on disposal of investment properties	(1,800)	-	-	-	-	-
Gain on disposal of property, plant and equipment	-	-	-	(12)	-	-
Property, plant and equipment written off	1	-	*	-	-	*
Operating profit before working capital changes	10,268	22,731	26,748	22,663	12,757	6,010
<u>Movement in working capital:</u>						
Trade and other receivables	(9,678)	(20,447)	38,813	(3,771)	(6,518)	1,443
Margin receivables	(14,883)	9,032	(14,391)	(2,242)	4,750	6,809
Deposits and prepayments	126	(1,369)	(293)	(1,605)	(1,057)	(900)
Trade and other payables	7,986	18,017	(38,395)	2,696	7,914	(5,441)
Cash (used in)/generated from operations	(6,181)	27,964	12,482	17,741	17,846	7,921
Income tax paid	(2,783)	(4,624)	(7,792)	(6,325)	(3,105)	(2,234)
Real property gains tax paid	(465)	-	(450)	-	-	-
Net cash (used in)/from operating activities	(9,429)	23,340	4,240	11,416	14,741	5,687

12. FINANCIAL INFORMATION (CONT'D)

	Audited				Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	1,876	1,873	1,526	1,300	652	1,320
Dividends received	28	10	107	56	28	20
Addition in other investments carried at fair value through profit or loss	-	-	-	(490)	-	(138)
Proceeds from disposal of investment properties	11,500	-	13,735	-	-	-
Proceeds from disposal of other investments carried at fair value through other comprehensive income	-	-	1,990	2	2	-
Proceeds from issuance of share	-	-	*	-	-	-
Proceeds from disposal of property, plant and equipment	-	-	-	12	-	-
Purchase of property, plant and equipment	(91)	(89)	(2,431)	(201)	(41)	(347)
Net cash from investing activities	13,313	1,794	14,927	679	641	855
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayment of a term loan	(1,722)	(523)	-	-	-	-
Repayment of lease liabilities	-	(249)	(365)	(388)	(194)	(165)
Interest paid	(156)	(328)	-	-	-	-
Dividends paid	(5,000)	(17,577)	(22,300)	(10,000)	-	-
Net cash used in financing activities	(6,878)	(18,677)	(22,665)	(10,388)	(194)	(165)
Net (decrease)/increase in cash and cash equivalents	(2,994)	6,457	(3,498)	1,707	15,188	6,377
Cash and cash equivalents at beginning of the financial year/period	44,391	41,397	47,854	44,356	44,356	46,063
Cash and cash equivalents at end of the financial year/period	41,397	47,854	44,356	46,063	59,544	52,440

Note:

* Amount is less than RM1,000.

12. FINANCIAL INFORMATION (CONT'D)**12.2 CAPITALISATION AND INDEBTEDNESS**

The following table sets out our consolidated capitalisation and indebtedness as at 30 June 2023 and after adjusting for the effects of the IPO and the utilisation of proceeds from our IPO. The pro forma information below does not represent our actual capitalisation and indebtedness as at 30 June 2023 and is provided for illustrative purposes.

	Unaudited as at 30 June 2023 (RM'000)	I After IPO (RM'000)	II After I and use of proceeds from Public Issue (RM'000)
Capitalisation			
Shareholders' equity	131,720	170,994	164,594
Total Capitalisation	131,720	170,994	164,594
Indebtedness			
Current			
Lease liabilities	196	196	196
Non-current			
Lease liabilities	213	213	213
Total indebtedness	409	409	409
Total capitalisation and indebtedness	132,129	171,403	165,003
Gearing ratio (times) ^(a)	#	#	#

Notes:

Less than 0.01 times.

(a) Gearing ratio is computed based on total indebtedness over total capitalisation.

12.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of our Group's financial condition and results of operations for the Financial Years and Period Under Review should be read together with the Accountants' Report and related notes as set out in Section 13 of this Prospectus.

There are no accounting policies which are peculiar to our Group because of the nature of the business and industry which we are involved in. For further details on the accounting policies of our Group, see Note 3 of the Accountants' Report as set out in Section 13 of this Prospectus.

The audited combined financial statements of our Group have been prepared as if the Group has been operating as a single economic entity throughout the FYE 2019, FYE 2020, FYE 2021, FYE 2022 and FPE 2023 since the combining entities were under common control throughout the Financial Years and Period Under Review by virtue of common controlling shareholders.

12. FINANCIAL INFORMATION (CONT'D)

The financial position, financial performance and cash flows of MAM had been carved out from the audited combined financial statements as MAM had been disposed pursuant to the internal restructuring exercise. Our Directors are of the view that the carve out effect of MAM is not material to the audited combined financial statements of our Group for the FYE 2019, FYE 2020 and FYE 2021 since MAM was dormant throughout these financial years. MAM had been disposed in FYE 2021.

12.3.1 Overview of our business operations

We are a licensed 1+1 broker involved in the provision of stockbroking and corporate finance advisory services. Our principal market is in Malaysia where we have operational offices located in Pulau Pinang, Kuala Lumpur, Melaka, Johor and Sarawak. Please refer to Section 7 of this Prospectus for further information about our business activities.

12.3.2 Overview of our financial results

Our revenue stream is derived mainly from 2 business segments, namely Stockbroking Segment and Corporate Finance Segment. The revenue recognition from these 2 business segments is stated below:

- (i) Stockbroking Segment: Revenue from our Stockbroking Segment is recognised when the following services have been rendered to the client at a point in time or over time depending on the type of services:

<u>Type of services</u>	<u>Revenue Recognition</u>
Brokerage	Brokerage fees are recognised at a point in time upon the completion of the execution of trades on behalf of clients based on a predetermined percentage of the transacted value.
Margin financing facility	<p>Margin income comprises margin interest income, processing fees, commitment fees and roll-over fees:</p> <ul style="list-style-type: none"> - Margin interest income is recognised on an accrual basis based on a time proportion basis at the agreed interest rate stipulated in the agreement. Where a margin account is considered impaired in accordance with Rule 12.04 of the Rules of Bursa Securities, in which case recognition of such interest is suspended. Subsequent to suspension, interest is recognised upon receipt until all interest in arrears have been paid. - Processing fees are recognised on an accrual basis based on the initial drawdown of the margin facilities accommodated to clients by us at the agreed rate stipulated in the agreement. - Commitment fees are recognised on an accrual basis based on a time proportion basis where the fee is charged on the unutilised amount of the margin facility limit at the agreed rate stipulated in the agreement. - Roll-over fees are recognised on an accrual basis based on a time proportion basis using the effective interest rate method on outstanding amount in the margin account that are carried over to the next period on a quarterly basis in accordance with the agreed percentage stipulated in the agreement. Roll-over fees from impaired margin accounts will be suspended until the accounts are reclassified as non-impaired margin accounts.

12. FINANCIAL INFORMATION (CONT'D)**Type of services Revenue Recognition**

Underwriting and placement Underwriting fees and placement fees are recognised when services are rendered and all the conditions precedent in the contracts are fulfilled.

Nominee Nominee fees are recognised as and when services are rendered.

- (ii) Corporate Finance Segment: Revenue recognition from our Corporate Finance Segment comprises advisory fees recognised over time based on various performance obligations stated in the contracts.

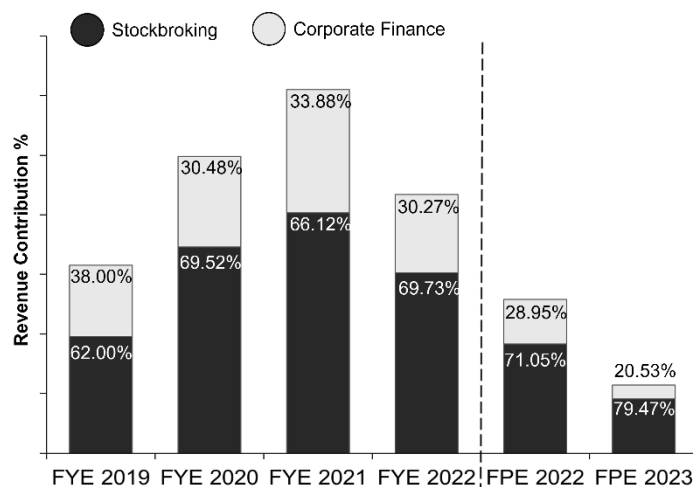
For the Financial Years and Period Under Review, our revenue from stockbroking and corporate finance advisory services are transacted mainly in RM.

In FYE 2020, our business recorded a growth where our total revenue increased by 57.85% to RM49.76 million. This was driven mainly by the growth in our Stockbroking Segment and reflected by our average daily trading value which recorded a growth of 69.77% to RM34.64 million in FYE 2020 compared to RM20.41 million in FYE 2019.

Our business continued to grow where our total revenue increased by 22.60% to RM61.01 million in FYE 2021. This was driven by the growth from both our Stockbroking Segment which grew by 16.61% to RM40.34 million and Corporate Finance Segment which grew by 36.25% to RM20.67 million. The growth of our Stockbroking Segment

was attributable to higher placement fees which increased from RM1.80 million in FYE 2020 to RM5.88 million in FYE 2021. The growth of our Corporate Finance Segment in FYE 2021 was attributed to higher advisory fees as a result of increased number of new mandates secured in relation to right issues and other secondary equity fundraising offerings, takeovers, mergers and acquisitions, as well as initial public offering which also contributed to the higher placement fees recorded under our Stockbroking Segment.

In FYE 2022, our business recorded a decline where our total revenue declined by 28.89% to RM43.38 million. This was due mainly to the decline from both our Stockbroking Segment which decreased by 25.01% to RM30.25 million and Corporate Finance Segment which decreased by 36.47% to RM13.13 million in FYE 2022. The decline of our Stockbroking Segment was mainly attributable to decrease in brokerage fees from RM27.07 million in FYE 2021 to RM13.28 million in FYE 2022 as reflected in our average daily trading value which declined by 49.81% to RM17.26 million in FYE 2022 compared to RM34.39 million in FYE 2021. The decline was partially offset by the increase in total margin income and placement fee from RM13.26 million in FYE 2021 to RM15.94 million in FYE 2022, as well as underwriting fees of RM1.01 million billed in FYE 2022. The increase was attributable to higher utilisation of margin financing facilities, and underwriting and placement of securities mainly from the 3 initial public offering mandates in FYE 2022. The decline of our Corporate Finance Segment in FYE 2022 was due mainly to the decrease in number of new mandates secured during the FYE 2022 of 59 mandates as compared to 141 mandates in FYE 2021 as a result of lower number of mandates secured for secondary equity fundraising offerings from 77 mandates in FYE 2021 to 19 mandates in FYE 2022.



	FYE 31 October				FPE 30 April	
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2022 RM'000	2023 RM'000
● Stockbroking	19,545	34,593	40,339	30,251	18,316	9,091
○ Corporate Finance	11,979	15,169	20,668	13,131	7,463	2,348
Total Revenue	31,524	49,762	61,007	43,382	25,779	11,439

12. FINANCIAL INFORMATION (CONT'D)

In FPE 2023, our total revenue declined by 55.63% to RM11.44 million. This was due mainly to the decline from both our Stockbroking Segment which decreased by 50.37% to RM9.09 million and Corporate Finance Segment which decreased by 68.54% to RM2.35 million in FPE 2023. The decline of our Stockbroking Segment was mainly attributable to decrease in revenue from related services which declined by RM6.65 million or 64.04% to RM3.73 million in FPE 2023 due to decrease in placement fees and the absence of underwriting fees in FPE 2023. The decline in revenue of our Corporate Finance Segment in FPE 2023 was due mainly to the decrease in number of new mandates secured during the FPE 2023 of 17 mandates as compared to 34 mandates in FPE 2022 as well as the completion of the listing of SenHeng New Retail Berhad on the Main Market on 25 January 2022 (during FPE 2022).

In FYE 2019, FYE 2020, FYE 2021, FYE 2022 and FPE 2023, revenue from our Stockbroking Segment accounted for 62.00% (RM19.54 million), 69.52% (RM34.59 million), 66.12% (RM40.34 million), 69.73% (RM30.25 million) and 79.47% (RM9.09 million) of our total revenue respectively. This was contributed mainly by brokerage fees comprising broker-assisted and online trading, as well as other related services including margin income, underwriting and placement fees.

Meanwhile, revenue from our Corporate Finance Segment accounted for 38.00% (RM11.98 million), 30.48% (RM15.17 million), 33.88% (RM20.67 million), 30.27% (RM13.13 million) and 20.53% (RM2.35 million) of our total revenue in FYE 2019, FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. This was contributed by advisory fees from corporate finance advisory services mainly from primary equity fundraising offerings through initial public offerings, rights issues and other secondary equity fundraising offerings as well as takeovers, mergers and acquisitions. During FYE 2019 to FYE 2022, the Former Corporate Finance Team contributed substantially to our Group's total revenue of 29.54% (RM9.31 million), 27.05% (RM13.46 million), 34.16% (RM20.84 million) and 27.77% (RM12.05 million) and total PBT of 27.15% (RM3.64 million), 21.44% (RM5.00 million), 30.10% (RM8.16 million) and 6.02% (RM1.40 million) for the FYE 2019, FYE 2020, FYE 2021 and FYE 2022 respectively. The Former Corporate Finance Team had resigned and left Mercury Securities as at 1 November 2022.

Please refer to Section 12.3.3 of this Prospectus for further analysis of our revenue by business activities.

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12. FINANCIAL INFORMATION (CONT'D)**12.3.3 Segmental analysis by revenue**

The segmental analysis of our revenue for the Financial Years and Period Under Review by business activities and services, are set out below:

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Stockbroking Segment	19,545	62.00	34,593	69.52	40,339	66.12	30,251	69.73
Brokerage fees	14,566	46.21	27,157	54.58	27,070	44.37	13,278	30.61
- <i>Broker-assisted trading</i>	12,276	38.94	21,337	42.88	20,151	33.03	10,699	24.66
- <i>Online trading</i>	2,290	7.27	5,820	11.70	6,919	11.34	2,579	5.95
Related services	4,979	15.79	7,436	14.94	13,269	21.75	16,973	39.12
- <i>Margin income^(a)</i>	3,604	11.43	4,981	10.01	7,373	12.09	9,084	20.94
- <i>Underwriting fees</i>	532	1.69	638	1.28	-	-	1,012	2.33
- <i>Placement fees</i>	816	2.59	1,800	3.62	5,884	9.64	6,853	15.80
- <i>Nominee fees</i>	27	0.08	17	0.03	12	0.02	24	0.05
Corporate Finance Segment	11,979	38.00	15,169	30.48	20,668	33.88	13,131	30.27
Advisory fees	11,979	38.00	15,169	30.48	20,668	33.88	13,131	30.27
- <i>Primary equity fundraising</i>	2,094	6.64	1,030	2.07	1,225	2.01	4,425	10.20
- <i>Secondary equity fundraising</i>	4,285	13.59	6,634	13.33	9,893	16.22	4,093	9.43
- <i>Takeovers, mergers and acquisitions</i>	5,273	16.73	4,838	9.72	5,432	8.90	3,305	7.62
- <i>Others^(b)</i>	327	1.04	2,667	5.36	4,118	6.75	1,308	3.02
Group Revenue	31,524	100.00	49,762	100.00	61,007	100.00	43,382	100.00

12. FINANCIAL INFORMATION (CONT'D)

	Unaudited		Audited	
	FPE 2022		FPE 2023	
	(RM'000)	(%)	(RM'000)	(%)
Stockbroking Segment	18,316	71.05	9,091	79.47
Brokerage fees	7,933	30.77	5,357	46.83
- <i>Broker-assisted trading</i>	6,387	24.77	3,722	32.54
- <i>Online trading</i>	1,546	6.00	1,635	14.29
Related services	10,383	40.28	3,734	32.64
- <i>Margin income^(a)</i>	4,252	16.50	3,513	30.71
- <i>Underwriting fees</i>	506	1.96	-	-
- <i>Placement fees</i>	5,617	21.79	215	1.88
- <i>Nominee fees</i>	8	0.03	6	0.05
Corporate Finance Segment	7,463	28.95	2,348	20.53
Advisory fees	7,463	28.95	2,348	20.53
- <i>Primary equity fundraising</i>	3,003	11.65	891	7.79
- <i>Secondary equity fundraising</i>	2,602	10.09	660	5.77
- <i>Takeovers, mergers and acquisitions</i>	1,193	4.63	415	3.63
- <i>Others^(b)</i>	665	2.58	382	3.34
Group Revenue	25,779	100.00	11,439	100.00

Notes:

- (a) Includes margin interest income (approximately 85.00%), roll-over fees (approximately 9.00% to 13.00%), commitment fees and processing fees (approximately 2.00% to 6.00%).
- (b) Includes standalone proposals such as diversification of business activities, bonus issue of shares, bonus issue of warrants, employees' share option scheme, transfer of listing from ACE Market to Main Market, corporate restructuring and acting as sponsor and continuing adviser for issuers listed on the ACE Market and LEAP Market respectively.

12. FINANCIAL INFORMATION (CONT'D)**Stockbroking Segment**

Within the Stockbroking Segment, the trading volume and trading value from our stockbroking clients for the Financial Years and Period Under Review are as follows:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
Trading volume (million units of securities)	7,999	15,072	12,506	6,623
Trading value (RM' million):	4,938	8,522	8,425	4,228
- <i>Retail investors</i>	2,292	4,902	5,026	2,929
- <i>Institutional investors</i>	2,646	3,620	3,399	1,299
Number of trading days	242	246	245	245
Average daily trading value (RM'000)	20,405	34,642	34,388	17,257
	FPE 2022	FPE 2023		
Trading volume (million units of securities)	3,390	3,711		
Trading value (RM' million):	2,906	1,768		
- <i>Retail investors</i>	2,035	1,534		
- <i>Institutional investors</i>	871	234		
Number of trading days	124	119		
Average daily trading value (RM'000)	23,435	14,857		

Corporate Finance Segment

Within the Corporate Finance Segment, the number of new mandates secured, on-going, completed and aborted mandates for the Financial Years and Period Under Review are as follows:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
No. of new mandates secured	62	115	141	59
No. of on-going mandates	23	105	46	36
No. of completed mandates	47	61	119	53
No. of aborted mandates*	1	4	4	15
	FPE 2022	FPE 2023		
No. of new mandates secured	34	17		
No. of on-going mandates	19	28		
No. of completed mandates	46	5		
No. of aborted mandates*	3	-		

Note:

- * Revenue from the aborted mandates amounted to RM0.08 million, RM0.11 million, RM0.19 million, RM1.58 million and RM0.27 million for the FYE 2019, FYE 2020, FYE 2021, FYE 2022 and FPE 2022 is recognised in the respective primary equity fundraising, secondary equity fundraising, takeovers, mergers and acquisitions and other corporate proposals.

12. FINANCIAL INFORMATION (CONT'D)**(i) FYE 2020 compared to FYE 2019****Stockbroking Segment**

Revenue from our Stockbroking Segment increased by RM15.05 million or 76.99% to RM34.59 million in FYE 2020. This was contributed mainly by higher brokerage fees which increased by RM12.59 million or 86.44% to RM27.16 million in FYE 2020. This was in line with the increase in our average daily trading value of 69.77% to RM34.64 million in FYE 2020 as compared to RM20.41 million in FYE 2019. The increase was driven by higher trading activities from both our retail and institutional investors where the trading value of securities transacted increased by RM3.58 billion or 72.58% to RM8.52 billion in FYE 2020 as compared to RM4.94 billion in FYE 2019, while trading volume increased by 7.07 billion units of securities or 88.42% to 15.07 billion units of securities in FYE 2020 as compared to 8.00 billion units of securities in FYE 2019.

Revenue from related services also increased by RM2.46 million or 49.35% to RM7.44 million in FYE 2020 due mainly to an increase in:

- (a) margin income by RM1.38 million or 38.20% to RM4.98 million in FYE 2020, contributed by higher demand for margin financing facility services from our margin clients, which was due mainly to the utilisation of new and/or additional facilities by our new and existing clients to purchase securities, coupled with the increase in clients from 90 clients in FYE 2019 to 96 clients in FYE 2020; and
- (b) placement fees by RM0.98 million or 120.59% to RM1.80 million in FYE 2020. The increase was attributed mainly to an initial public offering on the ACE Market as well as higher number of secondary equity fundraising offerings of 56 new mandates secured during FYE 2020, coupled with higher amount raised from private placement proposals of RM309.06 million as compared to RM27.04 million raised from such proposals in FYE 2019.

The increase in revenue from our Stockbroking Segment was moderated by a decrease in revenue from nominee fees which decreased by RM0.01 million or 37.04% to RM0.02 million in FYE 2020 due mainly to decrease in nominee services arising from the decline in such services required by the clients.

Corporate Finance Segment

Revenue from our Corporate Finance Segment increased by RM3.19 million or 26.63% to RM15.17 million in FYE 2020. This was due mainly to the following:

- (a) increase in number of new mandates secured during the FYE 2020 of 115 new mandates secured with 56 new mandates for secondary equity fundraising offerings, 27 new mandates for takeovers, mergers and acquisitions as well as 2 new mandates for initial public offerings. The number of new mandates secured for secondary equity fundraising offerings increased from 24 new mandates in FYE 2019 to 56 new mandates in FYE 2020 which also contributed to the increase in revenue from secondary equity fundraising offerings by RM2.35 million from RM4.29 million in FYE 2019 to RM6.63 million in FYE 2020; and
- (b) increase in advisory fees billed for secondary equity fundraising offerings of RM2.35 million and other corporate proposals of RM2.34 million during the FYE 2020. However, the increase was offset mainly by lower advisory fees billed for initial public offerings of RM1.03 million in FYE 2020 as compared to RM2.09 million in FYE 2019. In FYE 2020, we completed 1 initial public offering mandate on the ACE Market as compared to 3 initial public offering mandates on the LEAP Market in FYE 2019.

12. FINANCIAL INFORMATION (CONT'D)**(ii) FYE 2021 compared to FYE 2020****Stockbroking Segment**

Revenue from our Stockbroking Segment increased by RM5.75 million or 16.61% to RM40.34 million in FYE 2021. This was contributed mainly by the increase in revenue from related services which increased by RM5.83 million or 78.44% to RM13.27 million in FYE 2021 due to the increase in:

- (a) placement fees by RM4.08 million or 226.89% to RM5.88 million in FYE 2021 attributed mainly to an increase in secondary equity fundraising offerings of 77 new mandates secured in FYE 2021, coupled with higher amount raised from private placement proposals of RM1,122.69 million as compared to RM309.06 million raised from such proposals in FYE 2020; and
- (b) margin income by RM2.39 million or 48.02% to RM7.37 million in FYE 2021, contributed by higher demand for margin financing facility services from our margin clients.

The total increase in margin income and placement fees was moderated by the decrease in underwriting fees as there was no underwriting fees billed in FYE 2021 as compared to RM0.64 million billed in FYE 2020.

The increase in revenue from our Stockbroking Segment was also moderated by a decrease in revenue from brokerage fees which decreased slightly by RM0.09 million or 0.32% to RM27.07 million in FYE 2021. Our average daily trading value decreased by 0.74% to RM34.39 million in FYE 2021 as compared to RM34.64 million in FYE 2020. This was due mainly to lower trading activities from institutional investors, where the total trading value of securities transacted decreased by 6.10% to RM3.40 billion in FYE 2021 as compared to RM3.62 billion in FYE 2020.

The decrease in revenue from our Stockbroking Segment was also partly due to the decrease in revenue from nominee fees which decreased by RM0.01 million or 29.41% to RM0.01 million in FYE 2021 due mainly to decrease in nominee services arising from the decline in such services required by the clients.

Corporate Finance Segment

Revenue from our Corporate Finance Segment increased by RM5.50 million or 36.25% to RM20.67 million in FYE 2021. This was due mainly to the following:

- (a) increase in number of new mandates secured during the FYE 2021 of 141 new mandates secured with 77 new mandates for secondary equity fundraising offerings, 24 new mandates for takeovers, mergers and acquisitions as well as 6 new mandates for initial public offerings; and
- (b) increase in advisory fees billed for secondary equity fundraising offerings of RM3.26 million, takeovers, mergers and acquisitions of RM0.59 million, other corporate proposals of RM1.45 million and initial public offerings of RM0.20 million during the FYE 2021. The slight increase in initial public offerings of RM0.20 million was due to completion of 2 initial public offering mandates on the LEAP Market in FYE 2021 as compared to 1 initial public offering mandate on the ACE Market in FYE 2020.

12. FINANCIAL INFORMATION (CONT'D)

(iii) FYE 2022 compared to FYE 2021**Stockbroking Segment**

Revenue from our Stockbroking Segment decreased by RM10.09 million or 25.01% to RM30.25 million in FYE 2022. This was due mainly to the decrease in brokerage fees of RM13.79 million or 50.95% to RM13.28 million in FYE 2022. Our average daily trading value also decreased by 49.81% to RM17.26 million in FYE 2022 as compared to RM34.39 million in FYE 2021 due to lower trading activities from both our retail and institutional investors.

However, the decrease in revenue from brokerage fees was partially offset by the following:

- (a) an increase in margin income by RM1.71 million or 23.21% to RM9.08 million in FYE 2022 contributed by higher demand for margin financing facility services from our margin clients; and
- (b) an increase in placement fees by RM0.97 million or 16.47% to RM6.85 million in FYE 2022 and underwriting fees of RM1.01 million in FYE 2022. The increase in placement fees was contributed mainly from a primary equity fundraising offering from an initial public offering mandate on the Main Market and 2 initial public offering mandates on the ACE Market. The underwriting fees was also attributed to the said 3 initial public offering mandates.

Corporate Finance Segment

Revenue from our Corporate Finance Segment decreased by RM7.54 million or 36.47% to RM13.13 million in FYE 2022. This was due mainly to the following:

- (a) decrease in number of new mandates secured during the FYE 2022 of 59 mandates as compared to 141 mandates in FYE 2021 as a result of lower number of mandates secured for secondary equity fundraising offerings from 77 mandates in FYE 2021 to 19 mandates in FYE 2022; and
- (b) decrease in advisory fees billed for secondary equity fundraising offerings of RM5.80 million, takeovers, mergers and acquisitions of RM2.13 million and other corporate proposals of RM2.81 million in FYE 2022 as compared to FYE 2021. The decrease was mainly attributable to the decrease in number of new mandates secured during the FYE 2022 as a result of lower number of mandates secured for secondary equity fundraising offerings from 77 mandates in FYE 2021 to 19 mandates in FYE 2022.

However, the decrease in advisory fees billed was partially offset by the increase in advisory fees billed for primary equity fundraising of RM3.20 million in FYE 2022 arising from 1 initial public offering mandate on the Main Market, 2 initial public offering mandates on the ACE Market and 2 initial public offering mandates on the LEAP Market.

12. FINANCIAL INFORMATION (CONT'D)

(iv) FPE 2023 compared to FPE 2022**Stockbroking Segment**

Revenue from our Stockbroking Segment decreased by RM9.23 million or 50.37% to RM9.09 million in FPE 2023. This was due mainly to the decrease in revenue from related services which declined by RM6.65 million or 64.04% to RM3.73 million in FPE 2023 due mainly to the following:

- (a) decrease in placement fees by RM5.40 million or 96.17% to RM0.22 million in FPE 2023, and no underwriting fees in FPE 2023. This was mainly resulting from lower underwriting and placement services rendered during FPE 2023 due to the absence of underwriting fees and placement fees for primary equity fundraising, as well as lower number of mandates secured for secondary equity fundraising offerings of 13 new mandates secured during FPE 2023. The higher underwriting fees and placement fees in FPE 2022 were attributed mainly from the completion of an initial public offering, namely Senheng New Retail Berhad; and
- (b) decrease in margin income by RM0.74 million or 17.38% to RM3.51 million in FPE 2023 attributable to lower utilisation of margin financing facility services from our margin clients.

The decrease in revenue from our Stockbroking Segment was also partly contributed by the decrease in brokerage fees by RM2.58 million or 32.47% to RM5.36 million in FPE 2023. Our average daily trading value decreased by 36.60% to RM14.86 million in FPE 2023 as compared to RM23.44 million in FPE 2022 due to lower trading activities from our retail and institutional investors.

Corporate Finance Segment

Revenue from our Corporate Finance Segment decreased by RM5.12 million or 68.54% to RM2.35 million in FPE 2023. This was due mainly to the following:

- (a) decrease in number of new mandates secured during the FPE 2023 of 17 mandates as compared to 34 mandates in FPE 2022, as a result of lower number of mandates secured for secondary equity fundraising offerings from 13 mandates in FPE 2022 to 3 mandates in FPE 2023; and
- (b) decrease in advisory fees billed mainly for primary equity fundraising of RM2.11 million and secondary equity fundraising offerings of RM1.94 million in FPE 2023. The higher advisory fees billed in FPE 2022 attributed to higher billings arising from 5 initial public offering mandates including 4 submissions to the relevant authorities and completion of an initial public offering, namely Senheng New Retail Berhad.

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12. FINANCIAL INFORMATION (CONT'D)**12.3.4 Segmental analysis by cost of services**

The segmental analysis of our cost of services for the Financial Years and Period Under Review by business segments, are set out below:

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Stockbroking Segment	10,250	57.94	16,984	61.31	16,393	53.47	8,555	43.02
Dealers and remisiers' commission	3,700	20.91	8,124	29.32	8,049	26.25	3,886	19.54
Banking services	4,328	24.46	6,042	21.81	5,503	17.95	-	-
Soft commission allowance	-	-	-	-	-	-	385	1.93
SC levy	472	2.67	899	3.25	869	2.83	423	2.13
Technology facility related costs	500	2.83	572	2.07	577	1.88	584	2.94
Staff costs	510	2.88	529	1.91	550	1.79	2,649	13.32
Telecommunications network and related charges	438	2.48	383	1.38	440	1.44	443	2.23
Other expenses ^(a)	302	1.71	435	1.57	405	1.33	185	0.93
Corporate Finance Segment	7,440	42.06	10,720	38.69	14,268	46.53	11,332	56.98
Staff costs	7,230	40.87	10,491	37.87	14,037	45.78	11,090	55.76
Technology facility related costs	210	1.19	229	0.82	231	0.75	242	1.22
Total	17,690	100.00	27,704	100.00	30,661	100.00	19,887	100.00

12. FINANCIAL INFORMATION (CONT'D)

	Unaudited		Audited	
	FPE 2022		FPE 2023	
	(RM'000)	(%)	(RM'000)	(%)
Stockbroking Segment	5,341	43.49	3,121	85.88
Dealers and remisiers' commission	2,040	16.61	1,868	51.40
Banking services	-	-	-	-
Soft commission allowance	143	1.17	67	1.84
SC levy	235	1.91	169	4.65
Technology facility related costs	302	2.46	407	11.20
Staff costs	2,296	18.69	365	10.05
Telecommunications network and related charges	221	1.80	184	5.06
Other expenses ^(a)	104	0.85	61	1.68
Corporate Finance Segment	6,941	56.51	513	14.12
Staff costs	6,823	55.55	382	10.51
Technology facility related costs	118	0.96	131	3.61
Total	12,282	100.00	3,634	100.00

Note:

(a) Include system maintenance fees, CDS fees and internet trading charges.

12. FINANCIAL INFORMATION (CONT'D)

The cost of services under our Stockbroking Segment comprises mainly the following:

- Dealers' commission is payable to our salaried dealers on ex-gratia and discretionary basis based on performance, taking into account, amongst others, the overall brokerage fees earned, volume and value of trades executed by each dealer and the dealing team, nature of trade executed (on-market transaction or direct business transaction), while remisiers' commission is payable based on a percentage of brokerage fees generated from matched trades undertaken by their clients as set out in the remisiers' agreement.
- Banking services refer to payments made for banking services such as account management, bulk payment and transactional services from Public Bank Berhad solely in respect of the trades of securities by Public Mutual Berhad in view of its high trading volume.
- Soft commission allowance refers to the amount payable to Public Mutual Berhad for services, which may include amongst others, research and advisory, data and quotation, computer hardware and software used for and/or in support of the investment transactions or orders placed by Public Mutual Berhad for its clients through and executed by Mercury Securities pursuant to a soft commission agreement between Mercury Securities and Public Mutual Berhad dated 28 January 2022. The amount payable is derived by applying the agreed rate to the value of securities traded. This soft commission arrangement is an industry practice and is in accordance with the Guidelines on Compliance Function for Fund Management Companies issued by the SC.
- SC levy refers to the levy to be paid on securities transactions by a purchaser or seller in respect of the purchase or sale of securities matched on Bursa Securities but absorbed by us. The amount of SC levy to be paid to Bursa Securities for the account of the SC is stipulated under Schedule 7 of Rule 11.04 of the Rules of Bursa Securities pursuant to the Securities Commission (Levy on Securities Transactions) Order 1995. The amount of SC levy incurred in each financial year is dependent on the value of matched securities executed by us.
- Technology facility related costs includes access and subscription fees for data and information.
- Staff costs includes salaries, bonuses, EPF, EIS and SOCSO in relation to salaried dealers.
- Telecommunications network and related charges include leased lines to connect to Bursa Securities, managed network services to link our branch offices, internet and related charges to facilitate access to the information service provider's systems, and hosting of our online trading platform.
- Other expenses include system maintenance fees and CDS fees that are payable to Bursa Securities and Bursa Depository respectively and internet trading charges.

Within Corporate Finance Segment, staff cost is a key component of our cost of services. As at the LPD, we have a total of 22 employees in the Corporate Finance Segment including 9 CMSRL holders for advising on corporate finance of which 4 are QP. The components of the staff cost include regular wages, salaries, performance bonuses and social security contributions such as EPF, EIS and SOCSO. Technology facility related cost includes terminal charges for financial market information.

12. FINANCIAL INFORMATION (CONT'D)**(i) FYE 2020 compared to FYE 2019****Stockbroking Segment**

Our cost of services from the Stockbroking Segment increased by RM6.73 million or 65.70% to RM16.98 million in FYE 2020, due mainly to the following:

- (a) dealers and remisiers' commission paid in FYE 2020 increased by RM4.42 million or 119.57% in tandem with higher retail trading value which increased by 113.87% to RM4.90 billion in FYE 2020;
- (b) banking services charges incurred which increased by RM1.71 million or 39.60% to RM6.04 million as a result of higher trading value from Public Mutual Berhad. This was in tandem with higher institutional trading value which increased by 36.81% to RM3.62 billion in FYE 2020; and
- (c) higher SC levy which increased by RM0.43 million or 90.47% to RM0.90 million in FYE 2020. This was due to higher trading activities from both retail and institutional investors, where the trading value of securities transacted increased by 72.58% to RM8.52 billion in FYE 2020.

Corporate Finance Segment

The higher cost of services from the Corporate Finance Segment which increased by RM3.28 million or 44.09% to RM10.72 million in FYE 2020 was due to higher staff cost attributed mainly to an increase in headcounts from 28 employees in FYE 2019 to 30 employees in FYE 2020, coupled with annual increment as well as higher performance bonus payments in FYE 2020. This was in tandem with the increase in revenue by RM3.19 million or 26.63% to RM15.17 million in FYE 2020.

(ii) FYE 2021 compared to FYE 2020**Stockbroking Segment**

Our cost of services from the Stockbroking Segment decreased by RM0.59 million or 3.48% to RM16.39 million in FYE 2021, due mainly to lower banking services charges incurred which decreased by RM0.54 million or 8.92% to RM5.50 million in FYE 2021. This was in tandem with lower institutional trading value which decreased by 6.10% to RM3.40 billion in FYE 2021.

Corporate Finance Segment

In FYE 2021, our cost of services from the Corporate Finance Segment increased by RM3.55 million or 33.10% to RM14.27 million due to higher staff cost attributed mainly to annual increment as well as higher performance bonus payments in FYE 2021. This was in tandem with the increase in revenue by RM5.50 million or 36.25% to RM20.67 million in FYE 2021. Our headcounts under the Corporate Finance Segment remained unchanged at 30 employees in FYE 2021.

12. FINANCIAL INFORMATION (CONT'D)**(iii) FYE 2022 compared to FYE 2021****Stockbroking Segment**

Our cost of services from the Stockbroking Segment decreased by RM7.84 million or 47.81% to RM8.56 million in FYE 2022, due mainly to the following:

- (a) there was no banking services charges as we did not procure the banking services from Public Bank Berhad due to the low trading volume by Public Mutual Berhad during the FYE 2022; and
- (b) lower dealers and remisiers' commission paid which decreased by RM4.16 million or 51.72% to RM3.89 million in FYE 2022. This was reflected in lower institutional and retail trading value which decreased by 61.78% and 41.72% to RM1.30 billion and RM2.93 billion respectively in FYE 2022.

The decrease in cost of services from the Stockbroking Segment was partially offset by the following:

- (a) increase in staff costs by RM2.10 million to RM2.65 million in FYE 2022 due mainly to the provision for bonus payment classified under the Stockbroking Segment amounting to RM1.95 million; and
- (b) the soft commission allowance of RM0.39 million in FYE 2022. This is based on the agreed terms stipulated in the agreement entered into between Mercury Securities and Public Mutual Berhad dated 28 January 2022, where the amount payable is derived by applying the agreed rate to the value of securities traded.

Corporate Finance Segment

The cost of services from the Corporate Finance Segment decreased by RM2.94 million or 20.58% to RM11.33 million in FYE 2022 and this was due to lower staff cost attributed mainly to lower performance bonus payments in FYE 2022. The lower staff cost was in tandem with the decrease in revenue from our Corporate Finance Segment by RM7.54 million or 36.47% to RM13.13 million in FYE 2022 attributable to lower number of mandates secured for secondary equity fundraising offerings from 77 mandates in FYE 2021 to 19 mandates in FYE 2022.

(iv) FPE 2023 compared to FPE 2022**Stockbroking Segment**

Our cost of services from the Stockbroking Segment decreased by RM2.22 million or 41.57% to RM3.12 million in FPE 2023 due mainly to lower staff costs incurred which decreased by RM1.93 million or 84.10% to RM0.37 million in FPE 2023. This was attributed mainly to lower performance bonus payments in FPE 2023.

Corporate Finance Segment

For FPE 2023, the cost of services from the Corporate Finance Segment decreased by RM6.43 million or 92.61% to RM0.51 million in FPE 2023, which was attributed mainly to the decline of staff cost pertaining to salaries, related cost and provision of performance bonus attributed to the Former Corporate Finance Team. In FPE 2023, there was a reversal of staff costs arising from the overprovision of performance bonus amounting to RM0.94 million for the Former Corporate Finance Team provided in FYE 2022.

Excluding the said reversal of overprovision of performance bonus, our staff cost was RM1.32 million in FPE 2023 and the lower staff cost attributed to the Former Corporate Finance Team as the team had completely left Mercury Securities as at 1 November 2022.

12. FINANCIAL INFORMATION (CONT'D)**12.3.5 Segmental analysis by GP and GP margin**

The segmental analysis of our GP and GP margin for the Financial Years and Period Under Review by business activities and services, are set out below:

	Audited											
	FYE 2019			FYE 2020			FYE 2021			FYE 2022		
	(RM'000)	(%)	GP Margin (%)	(RM'000)	(%)	GP Margin (%)	(RM'000)	(%)	GP Margin (%)	(RM'000)	(%)	GP Margin (%)
Stockbroking Segment ^(a)	^(a) 9,295	67.19	47.56	^(a) 17,609	79.83	50.90	^(b) 23,946	78.91	59.36	^(a) 21,696	92.34	71.72
Corporate Finance Segment	4,539	32.81	37.89	4,449	20.17	29.33	6,400	21.09	30.97	1,799	7.66	13.70
Group GP	13,834	100.00	43.88	22,058	100.00	44.33	30,346	100.00	49.74	23,495	100.00	54.16
	Unaudited			Audited								
	FPE 2022			FPE 2023								
	(RM'000)	(%)	GP Margin (%)	(RM'000)	(%)	GP Margin (%)						
Stockbroking Segment ^(a)	^(a) 12,975	96.13	70.84	^(b) 5,970	76.49	65.67						
Corporate Finance Segment	522	3.87	6.99	1,835	23.51	78.15						
Group GP	13,497	100.00	52.36	7,805	100.00	68.23						

Notes:

- (a) Include margin income, underwriting fees and placement fees from initial public offerings and secondary equity offerings as well as nominee fees in FYE 2019, FYE 2020, FYE 2022 and FPE 2022.
- (b) Include margin income, placement fees from initial public offerings and secondary equity offerings as well as nominee fees in FYE 2021 and FPE 2023.

12. FINANCIAL INFORMATION (CONT'D)**(i) FYE 2020 compared to FYE 2019****Stockbroking Segment**

In FYE 2020, our GP from the Stockbroking Segment increased by RM8.31 million or 89.45% due mainly to the following:

- GP from brokerage fees increased by RM5.86 million or 135.65% to RM10.17 million from higher trading activities. Our average daily trading value increased by 69.77% to RM34.64 million in FYE 2020 as compared to RM20.41 million in FYE 2019. This was also reflected in the increase in our revenue by 76.99% in FYE 2020 from our Stockbroking Segment; and
- GP from related services which increased by RM2.46 million or 49.33% to RM7.44 million in FYE 2020 attributed mainly to higher GP contribution from margin income due to higher utilisation of the margin financing facility services by our retail clients and higher GP contribution from placement services of more secondary equity offerings advised by us in FYE 2020.

Our GP margin from Stockbroking Segment improved from 47.56% in FYE 2019 to 50.90% in FYE 2020 attributed mainly to the increase in average brokerage fees charged. This was due mainly to the increased trading value by retail investors from RM2,292 million in FYE 2019 to RM4,902 million in FYE 2020 as average brokerage fees charged on trades by retail investors are comparatively higher to the average brokerage fees charged on trades by institutional investors.

Corporate Finance Segment

In FYE 2020, our GP from the Corporate Finance Segment decreased marginally by RM0.09 million or 1.98% due to increase in staff cost by RM3.26 million or 45.10% to RM10.49 million. This was partly offset by an increase in advisory fees by RM3.19 million or 26.63% to RM15.17 million due mainly from higher secondary equity offerings in FYE 2020.

Meanwhile, our GP margin from the Corporate Finance Segment decreased from 37.89% in FYE 2019 to 29.33% in FYE 2020. This was contributed mainly by an increase in staff cost by 45.10%, from RM7.23 million in FYE 2019 to RM10.49 million in FYE 2020. The higher staff cost was mainly attributed to an increase in headcounts from 28 employees in FYE 2019 to 30 employees in FYE 2020, coupled with annual increment as well as higher performance bonus payments in FYE 2020.

(ii) FYE 2021 compared to FYE 2020**Stockbroking Segment**

In FYE 2021, our GP from the Stockbroking Segment increased by RM6.34 million or 35.99% contributed mainly by increase in GP of RM5.83 million from the related services including placement fees as well as margin income. This was also reflected in our revenue from placement fees as well as margin income which increased by 226.89% and 48.02% respectively.

Our GP margin improved from 50.90% in FYE 2020 to 59.36% in FYE 2021 mainly contributed by the increased GP contributions from higher margin related services including placement fees and margin income. The improvement was also partly attributed to an improvement in GP margin from brokerage fees due to lower average banking services charges in FYE 2021.

12. FINANCIAL INFORMATION (CONT'D)**Corporate Finance Segment**

In FYE 2021, our GP from the Corporate Finance Segment increased by RM1.95 million or 43.85%, while GP margin improved slightly from 29.33% in FYE 2020 to 30.97% in FYE 2021. The increase in GP was due mainly to higher advisory fees billed from secondary equity offerings, takeovers, mergers and acquisitions, initial public offerings as well as other corporate proposals, which was reflected in our higher revenue from the Corporate Finance Segment which increased by 36.25% in FYE 2021. Despite an increase of 43.85% in GP in FYE 2021, the GP margin only improved slightly and this was due mainly to the increase in staff cost by 33.80%, from RM10.49 million in FYE 2020 to RM14.04 million in FYE 2021. The higher staff cost was mainly attributed to annual increment as well as higher performance bonus payments in FYE 2021. There were no changes to the headcounts in FYE 2021.

(iii) FYE 2022 compared to FYE 2021**Stockbroking Segment**

In FYE 2022, our GP from the Stockbroking Segment decreased by RM2.25 million or 9.40% attributed mainly to the decrease in GP from brokerage fees which decreased by RM4.00 million or 37.50% to RM6.67 million in FYE 2022 as a result of lower trading activities. This was also reflected in the decrease in our revenue from brokerage fees by 50.95% in FYE 2022. The decrease in GP was partially offset by the increase in GP of RM1.75 million from related services including margin income, placement fees and underwriting fees. This was also reflected in our revenue from margin income and placement fees which increased by 23.21% and 16.47% respectively, as well as the RM1.01 million of underwriting fees recorded during FYE 2022 (FYE 2021: nil).

Our GP margin from Stockbroking Segment improved from 59.36% in FYE 2021 to 71.72% in FYE 2022 due mainly to the lower cost of services incurred. This includes no procurement of the banking services as discussed in Section 12.3.4(iii) of this Prospectus as well as a decline in dealers and remisiers' commission in respect to decline in trading of securities transacted. The average daily value transacted declined by 49.81% to RM17.26 million per day during the FYE 2022 (FYE 2021: RM34.39 million per day). The improvement in GP margin also mainly contributed by the increased GP contributions from higher margin related services with the contribution increased from 43.73% in FYE 2021 to 63.94% in FYE 2022 including margin income, placement fees and underwriting fees in FYE 2022.

Corporate Finance Segment

In FYE 2022, our GP from the Corporate Finance Segment decreased by RM4.60 million or 71.89%. This was in line with the decrease in the revenue from Corporate Finance Segment which decreased by 36.47% in FYE 2022.

Our GP margin from the Corporate Finance Segment decreased from 30.97% in FYE 2021 to 13.70% in FYE 2022 due to lower advisory fees billed from secondary equity offerings, and takeovers, mergers and acquisitions, which was reflected in our lower revenue from the Corporate Finance Segment which decreased by 36.47% in FYE 2022. This was partially offset by lower staff cost attributed mainly to lower performance bonus payments in FYE 2022 as discussed in Section 12.3.4(iii) of this Prospectus.

12. FINANCIAL INFORMATION (CONT'D)

(iv) FPE 2023 compared to FPE 2022**Stockbroking Segment**

In FPE 2023, our GP from the Stockbroking Segment decreased by RM7.01 million or 53.99% attributed mainly to the following:

- (a) GP from related services decreased by RM4.70 million or 55.72% to RM3.73 million in FPE 2023 attributed mainly to lower GP contribution from placement services and there was no GP contribution from underwriting services; and
- (b) GP from brokerage fees decreased by RM2.31 million or 50.77% to RM2.24 million in FPE 2023 as a result of lower trading activities. This was also reflected in the decrease in our revenue from brokerage fees by 32.47% in FPE 2023.

Our GP margin from Stockbroking Segment decreased from 70.84% in FPE 2022 to 65.67% in FPE 2023 due mainly to lower revenue from underwriting and placement fees, which was reflected in our lower revenue from the Stockbroking Segment which decreased by 50.37% in FPE 2023.

Corporate Finance Segment

In FPE 2023, our GP from the Corporate Finance Segment increased by RM1.31 million. This was due mainly to substantially lower staff costs in FPE 2023 resulting from the reversal of staff costs arising from the overprovision of performance bonus of RM0.94 million for the Former Corporate Finance Team provided in FYE 2022. Excluding the reversal of RM0.94 million, our GP from Corporate Finance Segment increased by RM0.37 million due to substantially lower staff costs in FPE 2023.

Our GP margin from the Corporate Finance Segment also improved significantly to 78.15% in FPE 2023 as a result of the substantially lower staff costs and the reversal of staff costs arising from the overprovision of performance bonus of RM0.94 million for the Former Corporate Finance Team provided in FYE 2022. Without the reversal of RM0.94 million, our GP margin improved to 38.12% in FPE 2023 as compared to 6.99% in FPE 2022.

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12. FINANCIAL INFORMATION (CONT'D)**12.3.6 Other income and gains**

The table below provides a breakdown of our other income and gains:

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Interest income ^(a)	1,876	30.59	1,873	21.39	1,526	28.37	1,300	18.85
Reimbursement of out-of-pocket expenses ^(b)	490	7.99	550	6.28	757	14.08	430	6.23
Realised gain on foreign exchange	182	2.97	240	2.74	399	7.42	490	7.11
Rental income	113	1.84	101	1.15	136	2.53	144	2.09
Gain on disposal of investment properties	1,800	29.35	-	-	-	-	-	-
Change in fair value of investment properties	170	2.77	-	-	-	-	200	2.90
Others ^(c)	186	3.03	611	6.98	358	6.66	383	5.55
Sub-total other income	<u>4,817</u>	<u>78.54</u>	<u>3,375</u>	<u>38.54</u>	<u>3,176</u>	<u>59.06</u>	<u>2,947</u>	<u>42.73</u>
Net trading gains on financial assets at fair value through profit or loss (" Proprietary Trading ") ^(d)	1,316	21.46	5,381	61.46	2,202	40.94	3,949	57.27
Total	<u>6,133</u>	<u>100.00</u>	<u>8,756</u>	<u>100.00</u>	<u>5,378</u>	<u>100.00</u>	<u>6,896</u>	<u>100.00</u>

12. FINANCIAL INFORMATION (CONT'D)

	Unaudited		Audited	
	FPE 2022		FPE 2023	
	(RM'000)	(%)	(RM'000)	(%)
Interest income ^(a)	652	22.26	1,320	56.43
Reimbursement of out-of-pocket expenses ^(b)	258	8.81	74	3.16
Realised gain on foreign exchange	238	8.13	206	8.81
Rental income	68	2.32	79	3.38
Gain on disposal of investment properties	-	-	-	-
Change in fair value of investment properties	-	-	-	-
Others ^(c)	233	7.95	205	8.77
Sub-total other income	1,449	49.47	1,884	80.55
Net trading gains on financial assets at fair value through profit or loss (" Proprietary Trading ") ^(d)	1,480	50.53	455	19.45
Total	2,929	100.00	2,339	100.00

Notes:

- (a) Includes interest from repo deposit and fixed deposit (FYE 2019 to FPE 2023: 78.00% to 83.00%, save for FYE 2020: 44.00%), contra loss interest (FYE 2019 to FPE 2023: 13.00% to 22.00%) and interest income from advances to related parties (FYE 2019: 6.50%; FYE 2020: 39.00%). There is no interest income from advances to related parties after FYE 2020.
- (b) Reimbursement of out-of-pocket expenses from clients under our Corporate Finance Segment such as travelling, accommodation, stationery, photocopy and other ancillary expenses incurred in the course of executing corporate finance mandates.
- (c) Includes mainly dividend income, discretionary finance fees, Bursa Clearing fee rebates, insurance claims, adjustment on fair value of quoted shares and income from research reports.
- (d) Gains from Proprietary Trading is largely dependent on the analytical skills and judgement of our PDT and IVT traders when making trading decisions. As such, there will be times when our PDT and IVT traders will strike profitable trades regardless of market conditions, volume and price volatility. There are also other times when our PDT and IVT traders are not able to produce satisfactory results, despite the voluminous trades.

12. FINANCIAL INFORMATION (CONT'D)

FYE 2020 compared to FYE 2019

In FYE 2020, other income and gains increased by RM2.62 million or 42.77% to RM8.76 million. This was primarily contributed by an increase in gains from Proprietary Trading by RM4.07 million in FYE 2020. The increase in others was partly contributed by the adjustment on fair value of quoted shares of RM0.17 million as well as the increase in income from research reports by RM0.08 million in FYE 2020.

The increase was partially offset by the one-off gain of RM1.80 million from the disposal of 1 investment property located in Kuala Lumpur during the FYE 2019.

FYE 2021 compared to FYE 2020

In FYE 2021, other income and gains decreased by RM3.38 million or 38.58% to RM5.38 million. This was primarily contributed by a decrease in gains from Proprietary Trading by RM3.18 million in FYE 2021 due mainly to lower trading activities where the trading value of securities transacted decreased by RM0.35 billion or 9.89% in FYE 2021, while trading volume decreased by 2.67 billion units of securities or 29.57% in FYE 2021.

FYE 2022 compared to FYE 2021

In FYE 2022, other income and gains increased by RM1.52 million or 28.23% to RM6.90 million. This was primarily contributed by an increase in gains from Proprietary Trading by RM1.75 million in FYE 2022. The increase in other income and gains was also partly contributed by the increase in realised gain on foreign exchange of RM0.09 million in FYE 2022 due to the movements in foreign currency related to trading in foreign securities for our clients.

The increase was partially offset by the lower reimbursement of out-of-pocket expenses that declined by RM0.33 million which was also reflected in the decrease in our revenue of 36.47% from Corporate Finance Segment arising from lower mandates completed and decrease in the number of new mandates secured during the FYE 2022, as well as lower interest income that declined by RM0.23 million in FYE 2022.

FPE 2023 compared to FPE 2022

In FPE 2023, other income and gains decreased by RM0.59 million or 20.14% to RM2.34 million. This was attributed mainly to the decrease in realised gain on foreign exchange by RM0.03 million, decrease in gains from Proprietary Trading by RM1.03 million and decrease in reimbursement of out-of-pocket expenses by RM0.18 million. The lower reimbursement of out-of-pocket expenses was also reflected in the decrease in our revenue of 68.54% from Corporate Finance Segment arising from lower mandates completed and decrease in the number of new mandates secured during the FPE 2023. The decrease was partially offset by increase in interest income of RM0.67 million mainly from higher contra loss interest earned and higher interest rates on repo deposits.

12. FINANCIAL INFORMATION (CONT'D)**12.3.7 Administrative and other operating expenses and allowance for expected credit losses on trade receivables**

The table below provides a breakdown of our administrative and other operating expenses and allowance for expected credit losses on trade receivables:

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Staff costs ^(a)	2,669	41.57	3,328	46.72	4,511	52.71	3,756	52.58
Depreciation	594	9.25	728	10.22	857	10.01	983	13.76
Utilities charges	497	7.74	493	6.92	448	5.24	469	6.56
Technology facility related costs ^(b)	371	5.78	299	4.20	397	4.64	477	6.68
Professional and legal fees	604	9.41	398	5.59	357	4.17	151	2.11
Marketing expenses ^(c)	247	3.85	289	4.06	221	2.58	280	3.92
Travelling expenses	379	5.90	407	5.71	266	3.11	233	3.26
Rental expenses	458	7.13	192	2.70	99	1.16	79	1.11
Insurance	115	1.79	128	1.80	106	1.24	107	1.50
Others ^(d)	486	7.58	861	12.08	938	10.96	608	8.52
Sub-total administrative and other operating expenses	<u>6,420</u>	<u>100.00</u>	<u>7,123</u>	<u>100.00</u>	<u>8,200</u>	<u>95.82</u>	<u>7,143</u>	<u>100.00</u>
Allowance for expected credit losses on trade receivables	-	-	-	-	358	4.18	-	-
Total	<u>6,420</u>	<u>100.00</u>	<u>7,123</u>	<u>100.00</u>	<u>8,558</u>	<u>100.00</u>	<u>7,143</u>	<u>100.00</u>

12. FINANCIAL INFORMATION (CONT'D)

	Unaudited		Audited	
	FPE 2022		FPE 2023	
	(RM'000)	(%)	(RM'000)	(%)
Staff costs ^(a)	1,838	53.21	1,697	52.23
Depreciation	465	13.46	455	14.00
Utilities charges	215	6.22	219	6.74
Technology facility related costs ^(b)	278	8.05	269	8.28
Professional and legal fees	68	1.97	131	4.03
Marketing expenses ^(c)	122	3.53	66	2.03
Travelling expenses	88	2.55	66	2.03
Rental expenses	40	1.16	68	2.10
Insurance	52	1.51	52	1.60
Others ^(d)	288	8.34	226	6.96
Sub-total administrative and other operating expenses	3,454	100.00	3,249	100.00
Allowance for expected credit losses on trade receivables	-	-	-	-
Total	3,454	100.00	3,249	100.00

Notes:

- (a) Includes wages, salaries, bonuses, EPF, EIS and SOCSO mainly to operational and administrative employees.
- (b) Includes maintenance and support services.
- (c) Includes marketing and promotion expenses such as entertainment, advertisement or sponsorships expenses.
- (d) Includes mainly office supplies and stationery, postage and courier expenses, quit rent and assessment fees, office and motor vehicle repair and maintenance. There was a loss of RM0.20 million from the fair value on investment properties in FYE 2020, and a loss of RM10,000 from bad debt written off in FPE 2022 and FYE 2022.

12. FINANCIAL INFORMATION (CONT'D)

FYE 2020 compared to FYE 2019

For the FYE 2020, administrative and other operating expenses increased by RM0.70 million or 10.95% to RM7.12 million, due mainly to an increase in staff cost by RM0.66 million. The increase in the staff cost was due mainly to higher directors' fees and higher salaries, wages and bonus.

The decrease in rental expenses in FYE 2020 was due mainly to the adoption of MFRS 16 Leases in FYE 2020 where rental paid were off-set against the lease liabilities and depreciation of RM0.22 million on the right-of-use assets has been recognised as administrative and operating expenses in FYE 2020.

FYE 2021 compared to FYE 2020

For the FYE 2021, administrative and other operating expenses increased by RM1.08 million or 15.12% to RM8.20 million, due mainly to an increase in staff cost by RM1.18 million. The increase in the staff cost was due mainly to higher salaries, wages and bonus.

The allowance for expected credit losses on trade receivables of RM0.36 million in FYE 2021 was in relation to an impairment loss of RM0.36 million which was outstanding from 2 corporate finance clients.

FYE 2022 compared to FYE 2021

For the FYE 2022, administrative and other operating expenses decreased by RM1.06 million or 12.89% to RM7.14 million, due mainly to a decrease in staff cost by RM0.76 million, as well as lower professional and legal fees by RM0.21 million. The reduction in staff cost is due mainly to our Group having accorded a higher bonus in FYE 2021 as the overall performance of our Group was better in FYE 2021 as compared to FYE 2022. The higher professional and legal fees in FYE 2021 were mainly contributed by the legal fees for purchase of properties.

FPE 2023 compared to FPE 2022

For the FPE 2023, administrative and other operating expenses decreased by RM0.21 million or 5.94% to RM3.25 million. This was due mainly to a decrease in staff cost by RM0.14 million as there was lower performance bonus payments in FPE 2023 as well as decrease in marketing expenses by RM0.06 million arising mainly from lower marketing activities.

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12. FINANCIAL INFORMATION (CONT'D)**12.3.8 Finance costs**

The table below provides a breakdown of our finance costs:

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Bank overdraft interest	-	-	171	44.53	-	-	-	-
Interest charged by MAM	156	100.00	157	40.89	-	-	-	-
Accretion of lease interest	-	-	56	14.58	63	100.00	47	100.00
Total	156	100.00	384	100.00	63	100.00	47	100.00
	Unaudited		Audited					
	FPE 2022		FPE 2023					
	(RM'000)	(%)	(RM'000)	(%)				
Bank overdraft interest	-	-	-	-				
Interest charged by MAM	-	-	-	-				
Accretion of lease interest	18	100.00	15	100.00				
Total	18	100.00	15	100.00				

For the FYE 2019, our finance cost was mainly interest charged by MAM at the rate of 10% per annum, pertaining to advances of RM1.57 million provided by MAM to Mercury Securities when it was a 100% owned subsidiary of Mercury Securities. Subsequently, the outstanding advances were settled in the FYE 2021 pursuant to the disposal of the entire equity interest in MAM for RM1.99 million following a strategic review by Mercury Securities' board as MAM was a dormant company.

For the FYE 2020, our finance cost increased by RM0.23 million or 146.15% to RM0.38 million contributed mainly by the interest expenses of RM0.17 million on bank overdraft facilities used for our working capital purposes during the FYE 2020.

For the FYE 2021, our finance cost decreased by RM0.32 million or 83.59% to RM0.06 million as we did not utilise any bank overdraft facilities for our working capital purposes during the FYE 2021.

12. FINANCIAL INFORMATION (CONT'D)

For the FYE 2022, our finance cost decreased by RM0.02 million or 25.40% to RM0.05 million attributed to decrease in accretion of lease interest due to the repayment of lease liabilities for rental of our Group's leased properties.

For the FPE 2023, our finance cost decreased by RM3,000 or 16.67% to RM15,000 attributed to a decrease in accretion of lease interest due to the repayment of lease liabilities for rental of our Group's leased properties.

12.3.9 PBT, PAT and taxation

The PBT, PAT and taxation for the Financial Years and Period Under Review are set out below:

	Audited				Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
PBT (RM'000)	13,391	23,307	27,103	23,201	12,954	6,880
PBT margin	42.48%	46.84%	44.43%	53.48%	50.25%	60.15%
Total taxation (RM'000)	3,546	6,109	6,843	5,538	3,060	1,803
Effective tax rate	26.48%	26.21%	25.25%	23.87%	23.62%	26.21%
Statutory tax rate	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%
PAT (RM'000)	9,845	17,198	20,260	17,663	9,894	5,077
PAT margin	31.23%	34.56%	33.21%	40.72%	38.38%	44.38%

FYE 2020 compared to FYE 2019

Our PBT increased by RM9.92 million or 74.05% to RM23.31 million in FYE 2020. This was reflected in the increase in revenue and GP coupled with higher gains from Proprietary Trading in FYE 2020. Our PBT margin improved from 42.48% in FYE 2019 to 46.84% in FYE 2020. This was attributed mainly to the improvement in GP margin from our Stockbroking Segment and higher gains from Proprietary Trading.

For the FYE 2020, our effective tax rate was 26.21%, which was slightly higher than the statutory tax rate of 24.00%. This was due mainly to RM0.22 million of non-deductible expenses and partially offset by RM0.04 million of non-taxable income.

Our PAT increased by RM7.35 million or 74.69% in FYE 2020 while PAT margin improved from 31.23% in FYE 2019 to 34.56% in FYE 2020. This was attributed mainly to improvements in GP margin from our Stockbroking Segment as well as higher gains from Proprietary Trading.

FYE 2021 compared to FYE 2020

Our PBT increased by RM3.80 million or 16.29% to RM27.10 million in FYE 2021. This was reflected in the increase in revenue and GP in FYE 2021. Our PBT margin decreased from 46.84% in FYE 2020 to 44.43% in FYE 2021, due mainly to lower gains from Proprietary Trading, coupled with increase in administrative and operating expenses by RM1.08 million or 15.12% due mainly to the increase in staff cost.

For the FYE 2021, our effective tax rate was 25.25%, which was slightly higher than the statutory tax rate of 24.00%. This was due mainly to a one-off RPGT of RM0.45 million relating to the disposal of investment properties, comprising a piece of vacant land, 2 units of residential properties and 2 units of commercial properties in FYE 2021, coupled with non-deductible expenses of RM0.16 million, partially offset by RM0.02 million of non-taxable income and effect of reversal of deferred tax on disposal of investment properties of RM0.27 million.

12. FINANCIAL INFORMATION (CONT'D)

Our PAT increased by RM3.06 million or 17.80% in FYE 2021 attributed mainly to the improvement in GP from our Stockbroking Segment and Corporate Finance Segment. The PAT margin decreased from 34.56% in FYE 2020 to 33.21% in FYE 2021 due mainly to decrease in gains from Proprietary Trading, coupled with increase in administrative and operating expenses by RM1.08 million or 15.12% due mainly to the increase in staff cost. Please refer to Section 12.3.7 of this Prospectus for further details on the administrative and other operating expenses.

FYE 2022 compared to FYE 2021

Our PBT decreased by RM3.90 million or 14.40% to RM23.20 million in FYE 2022 and this was reflected in the decrease in revenue and GP in FYE 2022. Our PBT margin improved from 44.43% in FYE 2021 to 53.48% in FYE 2022. This was attributed mainly to the improvement in GP margin from our Stockbroking Segment due mainly to lower cost incurred for trading of securities transacted, as well as increased GP contributions from higher margin income, placement fees and underwriting fees. The improvement in PBT margin was also attributed to the higher gains from Proprietary Trading, as well as decrease in administrative and operating expenses by RM1.06 million or 12.89% due mainly to the decrease in staff costs.

For the FYE 2022, our effective tax rate was 23.87%, which approximate to the statutory tax rate of 24.00%.

Our PAT decreased by RM2.60 million or 12.82% in FYE 2022 due mainly to the decrease in our GP in FYE 2022. The PAT margin improved from 33.21% in FYE 2021 to 40.72% in FYE 2022. This was attributed mainly to the improvement in GP margin from our Stockbroking Segment due mainly to lower cost incurred for trading of securities transacted, as well as increased GP contributions from higher margin income, placement fees and underwriting fees, coupled with higher gains from Proprietary Trading as well as decrease in administrative and operating expenses by RM1.06 million or 12.89% due mainly to the decrease in staff costs.

FPE 2023 compared to FPE 2022

Our PBT decreased by RM6.07 million or 46.89% to RM6.88 million in FPE 2023. This was reflected in the decrease in revenue and GP in FPE 2023. Our PBT margin improved from 50.25% in FPE 2022 to 60.15% in FPE 2023. This was due mainly to the improvement in GP margin from our Corporate Finance Segment attributable to the reversal of staff costs and decrease in administrative and operating expenses by RM0.21 million or 5.94% due mainly to a decrease in staff costs as well as decrease in marketing expenses.

For the FPE 2022, our effective tax rate was 23.62%, which approximate to the statutory tax rate of 24.00%.

For the FPE 2023, our effective tax rate was 26.21% which was slightly higher than the statutory tax rate of 24.00%. This was due mainly to non-deductible expenses of RM0.07 million, partially offset by RM0.01 million of non-taxable income and crystallisation of deferred tax on revaluation reserve of RM0.01 million.

Our PAT decreased by RM4.82 million or 48.69% in FPE 2023 due mainly to the decrease in our GP in FPE 2023. Our PAT margin improved from 38.38% in FPE 2022 to 44.38% in FPE 2023 attributed mainly to the improvement in GP margin from our Corporate Finance Segment, coupled with decrease in administrative and operating expenses due mainly to a decrease in staff costs as well as decrease in marketing expenses.

12. FINANCIAL INFORMATION (CONT'D)

12.3.10 Significant factors affecting our operations and financial results**(a) Our revenue contribution and financial performance could vary from year to year which is attributed to clients' demand for the execution of buying and selling of securities and overall market conditions**

Our revenue contribution and financial performance could vary from year to year. Our stockbroking business performance is dependent on clients' demand to execute buying and selling of securities, where trading activities to a certain extent are influenced by the overall investors' sentiments and other factors such as, economic, political, monetary, fiscal development in Malaysia and the performance of major regional and global markets.

In this respect, any reduction in the clients' orders may adversely impact our stockbroking business and financial performance. Please refer to Section 12.3.3 of this Prospectus for a year-on-year analysis of our revenue by activities and services and Section 9.1.3 of this Prospectus for further details on the risks associated with the variance in our revenue contribution and financial performance.

(b) Our ability to comply with regulatory financial requirements

Our stockbroking and corporate finance businesses are subject to various regulatory regimes in Malaysia. Compliance with regulatory requirements will result in higher financial capital or expenses requirements.

As a licensed 1+1 broker, we are subject to various financial requirements including, among others, the following:

- minimum share capital and shareholders' fund of RM20.00 million, respectively, and CAR of not less than 1.2 times at all times for dealing in securities;
- minimum shareholders' fund of RM100.00 million for advising on corporate finance as a principal adviser; and
- minimum collateral of RM250,000 in cash with Bursa Clearing. The equities margin system is introduced by Bursa Clearing on 26 June 2016 to manage the exposure of all trading clearing participants over the settlement cycle under its FDSS. The equities margin system is designed to receive settlement data from the clearing system and price data from Bursa Securities' system for the computation of margin requirement and valuation of collateral daily of each Bursa Clearing's participant.

In this respect, we are subject to maintain the minimum requirements at RM20.00 million of share capital and RM100.00 million of shareholders' funds throughout the licence term as per the Licensing Handbook issued by the SC. In the event the financial position falls below the applicable minimum financial requirements, we must not continue to carry on the regulated activities without written consent of the SC and Bursa Securities.

As at LPD, we maintain a cash deposit of RM2.84 million under Bursa Clearing's equities margin system. Our CAR was 16.25 times, 15.28 times, 17.08 times and 15.92 times as at 31 October 2019, 2020, 2021 and 2022 respectively, as well as 19.59 times as at 30 April 2023. Any increase of the relevant capital or other financial requirements may affect our liquidity condition. Please refer to Section 9.1.8 of this Prospectus for further details on risks associated with maintaining adequate financial requirements.

12. FINANCIAL INFORMATION (CONT'D)**(c) Our ability to secure new mandates and/or ability to complete corporate proposals to ensure continuity for our Corporate Finance Segment**

The financial performance and results of our Corporate Finance Segment are dependent on our ability to continually secure new engagements and/or ability to complete corporate proposals.

Our financial performance could be materially affected if we encounter a decline in securing new engagements or mandates in the future. In addition, mandates for corporate finance advisory services typically are not a long term contracted source of revenue and each engagement or mandate are also typically awarded and negotiated separately. In addition, some types of corporate finance proposals such as initial public offerings, secondary equity offerings, as well as takeovers and privatisations, and mergers and acquisitions are subject to review and approval by various regulatory authorities and the timing and results, of which are beyond our control. This may cause delays or withdrawal or termination of the corporate proposals. In the event that the corporate proposals are delayed, withdrawn or terminated, our fee payments may be delayed or we may not receive the full fees for the services that we have provided. This could adversely affect our financial performance. Please refer to Sections 9.1.2 and 9.1.6 of this Prospectus for further details on risks associated with our ability to secure new mandates and/or ability to complete the corporate proposals to ensure continuity for our Corporate Finance Segment.

(d) Impact of foreign exchange fluctuations

Our businesses are exposed to foreign currency risk mainly on buying and selling of securities denominated in foreign currency. We also hold cash and bank balances denominated in foreign currencies mainly in USD and GBP held for settlement from the buying and selling of securities denominated in the respective currency with the counterparty. For the settlement, we will settle from the USD and GBP held or in the transactional foreign currency based on prevailing buying and selling rate offers by the banks. Nevertheless, our business is subject to risks relating to any unfavourable foreign currency exchange rate fluctuations, which may materially affect our financial performance.

Please refer to Note 24.2.3.2 of the Accountants' Report set out in Section 13 of this Prospectus for our exposure to foreign currency risk for the Financial Years and Period Under Review.

(e) Impact of interest rates

	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
EBIT (RM'000)	11,671	21,818	25,640	21,948	12,320	5,575
Finance cost (RM'000)	156	384	63	47	18	15
Interest coverage ratio (times) ^(a)	74.81	56.82	406.98	466.98	684.44	371.67

Note:

(a) Computed based on EBIT over finance costs.

Our interest coverage ratio was between 56.82 times to 684.44 times for the Financial Years and Period Under Review, indicating that our Group has been able to generate sufficient profits before interest and tax to meet our interest serving obligations.

12. FINANCIAL INFORMATION (CONT'D)

For the Financial Years and Period Under Review and up to LPD, we have not defaulted on any payments of either principal sums and/or interests in relation to our borrowings. Further, our Group does not have any bank borrowings as at 30 April 2023 and the LPD.

Our Group's financial results for the Financial Years and Period Under Review were not materially affected by the fluctuations in interest rates.

Please refer to Note 24.2.3.1 of the Accountants' Report set out in Section 13 of this Prospectus for our exposure to interest rate risk for the Financial Years and Period Under Review.

(f) Impact of inflation

There was no material impact of inflation on the financial results for the Financial Years and Period Under Review. However, inflation may affect our financial performance by increasing our expenses. Any increase in the inflation rate beyond levels experienced in the past may affect our financial performance if we are unable to fully offset higher costs through increased revenue.

(g) Government/economic/fiscal/monetary policies

Our business is subject to the risks relating to government, economic, fiscal or monetary policies. Any unfavourable changes in the government policies, economic conditions, or fiscal or monetary policies may materially affect our operations and financial performance. For further details, please refer to Risk Factors in Section 9.2.2 of this Prospectus. Some of the temporary relief measures introduced by the Government to alleviate the impact of COVID-19 in 2020 includes greater flexibility for brokers to manage margin accounts and expanding the list of collaterals for purposes of margin financing. The aforesaid temporary relief measures did not have any material financial impact on our financial performance as we did not have to utilise such temporary relief measures.

12.3.11 Liquidity and capital resources

(i) Working capital

Our business is financed by combination of internal and external sources of funds. Our internal sources of funds comprise mainly of cash generated from our business operations and our cash and cash equivalents while our external sources of funds consist mainly of banking facilities from a financial institution such as fixed loan and bank overdraft. These funds are mainly used to finance our business operations and growth.

Based on our audited combined statements of financial position as at 30 April 2023, we have RM52.44 million of cash and cash equivalents and no outstanding borrowings. As at 30 April 2023, our current ratio was 8.79 times and CAR was 19.59 times. As at the LPD, our Group does not have any bank overdraft facilities.

Our Board is of the opinion that, after taking into consideration our cash flow position, as well as the proceeds to be raised from our Public Issue, we will have sufficient working capital to meet our present and foreseeable requirements for at least 12 months from the date of this Prospectus.

12. FINANCIAL INFORMATION (CONT'D)**(ii) Review of cash flows**

The following is the summary of our historical audited combined statements of cash flows for the Financial Years and Period Under Review. This should be read in conjunction with the Accountants' Report as set out in Section 13 of this Prospectus.

	Audited				
	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FPE 2023 (RM'000)
Net cash (used in)/from operating activities ^(a)	(9,429)	23,340	4,240	11,416	5,687
Net cash from investing activities	13,313	1,794	14,927	679	855
Net cash used in financing activities	(6,878)	(18,677)	(22,665)	(10,388)	(165)
Net (decrease)/increase in cash and cash equivalents	(2,994)	6,457	(3,498)	1,707	6,377
Cash and cash equivalents at the beginning of the financial year/period	44,391	41,397	47,854	44,356	46,063
Cash and cash equivalent at end of the financial year/period^(b)	41,397	47,854	44,356	46,063	52,440

Notes:

- (a) Our net cash from operating activities before increase/(decrease) in margin account receivables is illustrated below:

	Audited				
	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FPE 2023 (RM'000)
Net cash (used in)/from operating activities	(9,429)	23,340	4,240	11,416	5,687
Increase/(decrease) in margin account receivables	14,883	(9,032)	14,391	2,242	(6,809)
Net cash from/(used in) operating activities before changes in margin account receivables	5,454	14,308	18,631	13,658	(1,122)

12. FINANCIAL INFORMATION (CONT'D)

- (b) The components of our cash and cash equivalents are as illustrated below:

	Audited				
	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FPE 2023
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Cash and bank balances	28,577	21,178	27,155	9,132	12,988
Short-term deposits with licensed banks	9,454	23,310	13,824	33,550	36,067
Fixed deposits with licensed banks	3,366	3,366	3,377	3,381	3,385
Total	41,397	47,854	44,356	46,063	52,440

Net cash used in/from operating activities**FYE 2019**

For the FYE 2019, our Group recorded net cash used in operating activities of RM9.43 million. Our operating profit before changes in working capital of RM10.27 million was adjusted for the changes in working capital of RM16.45 million arising from the following:

- (a) increase in margin account receivables of RM14.88 million due mainly to higher utilisation of margin financing facility services by our retail clients for the trading of securities in FYE 2019. As at 31 October 2019, we recorded margin account receivables of RM43.13 million as compared to RM28.25 million as at 31 October 2018;
- (b) increase in trade and other receivables (excluding margin account receivables) of RM9.68 million due mainly to higher trade receivables from clients for outstanding purchases of securities which was still within the settlement cycle of T+2 days prior to 31 October 2019. In addition, the increase was also partly attributed to higher receivables of RM0.40 million due from clients of our Corporate Finance Segment;
- (c) increase in trade and other payables of RM7.99 million, attributed mainly to the amount owing to Bursa Clearing of RM5.06 million as at 31 October 2019 for the net amount payable for the outstanding purchases of securities less outstanding sale of securities which were still within the settlement cycle of T+2 days as at 31 October 2019. In addition, there was an increase in amount due to clients from higher sale of securities pending settlement still within the settlement cycle of T+2 as at 31 October 2019; and
- (d) decrease in deposits and prepayments of RM0.12 million, contributed mainly by lower amount of deposits placed with Bursa Clearing under its equities margin system as at 31 October 2019.

For the FYE 2019, we also paid a total tax payment of RM3.25 million comprising RM2.78 million of income tax in FYE 2019, and RM0.47 million of RPGT on the gains of RM1.80 million from the disposal of 1 investment property during the FYE 2019.

We recorded cash flows used in our operating activities of RM9.43 million in FYE 2019, attributed mainly to an increase in the utilisation of margin financing facility services offered to retail clients, where our margin account receivables increased by RM14.88 million as at 31 October 2019. After excluding the increase in margin account receivables of RM14.88 million, we generated cash flows from operating activities of RM5.45 million as illustrated in Note (a) under Section 12.3.11(ii) of this Prospectus.

12. FINANCIAL INFORMATION (CONT'D)

Under our Stockbroking Segment, we offer margin financing facility services to extend credit facilities to our stockbroking clients to fund their purchase of quoted securities. This enables us to earn income from the credit facilities that we offered where the margin income we earned comprises margin interest income, processing fees, commitment fees and roll-over fees. The margin financing facilities we offered are funded through our internally generated funds. In this respect, the higher utilisation of margin financing facilities will result in higher cash outflow which affected the operating cash flow.

The margin financing facilities that we provided are collateralised against quoted shares and/or cash. During the Financial Years and Period Under Review, the collateral coverage ratio was 4.25 times, 5.74 times, 7.99 times, 5.01 times and 5.58 times for FYE 2019, FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively, which was higher than the minimum collateral coverage ratio of 1.67 times before margin call.

During the Financial Years and Period Under Review, our margin income has been increasing which accounted for 11.43% (RM3.60 million), 10.01% (RM4.98 million), 12.09% (RM7.37 million), 20.94% (RM9.08 million) and 30.71% (RM3.51 million) of our total revenue for FYE 2019, FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

FYE 2020

For the FYE 2020, our Group generated net cash from operating activities of RM23.34 million. Our operating profit before changes in working capital of RM22.73 million was adjusted for the changes in working capital of RM5.23 million arising from the following:

- (a) decrease in margin account receivables of RM9.03 million as at 31 October 2020 due to lower utilisation of margin financing facility services by margin clients. As at 31 October 2020, we recorded margin account receivables of RM34.10 million as compared to RM43.13 million as at 31 October 2019;
- (b) increase in trade and other receivables (excluding margin account receivables) of RM20.45 million was due to higher amount due from clients for outstanding purchases of securities which was still within the settlement cycle of T+2 Market Days of RM51.30 million as at 31 October 2020 compared to RM33.36 million as at 31 October 2019;
- (c) increase in trade and other payables of RM18.02 million, mainly due to increase in the amount owing to Bursa Clearing of RM24.37 million as at 31 October 2020 compared to RM5.06 million as at 31 October 2019. This amount due to Bursa Clearing was for the net amount of outstanding purchase of securities less outstanding sale of securities which were still within the settlement cycle of T+2 Market Days as at 31 October 2020; and
- (d) increase in deposits and prepayments of RM1.37 million, mainly contributed by higher amount of deposits placed with Bursa Clearing under its equity margin system. As at 31 October 2020, the amount deposited with Bursa Clearing was higher at RM2.07 million compared to RM0.78 million as at 31 October 2019.

For the FYE 2020, we declared a total dividend of RM40.00 million out of which RM22.42 million was used to set off against the amount owing by Enrogetz and 2 directors of Mercury Securities (who are the shareholders of Mercury Securities). The remaining dividend of RM17.58 million was paid to the shareholders of Mercury Securities as disclosed below under net cash used in financing activities in FYE 2020. We also paid income tax amounting to RM4.62 million in FYE 2020.

12. FINANCIAL INFORMATION (CONT'D)**FYE 2021**

For the FYE 2021, our net cash from operating activities was RM4.24 million. Our operating profit before changes in working capital of RM26.75 million was adjusted for the changes in working capital of RM14.27 million arising from the following:

- (a) increase in margin account receivables of RM14.39 million due to higher utilisation of the margin financing facility services by margin clients as at 31 October 2021. As at 31 October 2021, we recorded margin account receivables of RM48.49 million as compared to RM34.10 million as at 31 October 2020;
- (b) decrease in trade and other receivables (excluding margin account receivables) of RM38.81 million due mainly to lower outstanding receivables from clients for purchases of securities which are still within the settlement cycle of T+2 Market Days as at 31 October 2021. As at 31 October 2021, the amount due from such clients was lower at RM11.77 million compared to RM51.30 million as at 31 October 2020;
- (c) decrease in trade and other payables of RM38.40 million attributed mainly to lower amount due to clients for outstanding sales of securities and there was no outstanding amount due to Bursa Clearing as at 31 October 2021; and
- (d) increase in deposits and prepayments of RM0.29 million contributed mainly by increase in prepayments for the expenses related to the Listing.

For the FYE 2021, we also paid a total tax payment of RM8.24 million comprising RM7.79 million of income tax and RM0.45 million of RPGT pertaining to the disposal of 5 investment properties (comprising a piece of vacant land, 2 units of residential apartments and 2 units of commercial properties) during the financial year, following a strategic review by the directors of Mercury Securities as these 5 investment properties were not used for our operations.

FYE 2022

For the FYE 2022, our net cash from operating activities was RM11.42 million. Our operating profit before changes in working capital of RM22.66 million was adjusted for the changes in working capital of RM4.92 million arising from the following:

- (a) increase in trade and other payables of RM2.70 million attributed mainly to increase in accrued expenses mainly pertaining to the accrued bonus payable for the Former Corporate Finance Team;
- (b) increase in trade and other receivables (excluding margin account receivables) of RM3.77 million attributed mainly to higher amount due from clients for outstanding purchases of securities which was still within the settlement cycle of T+2 Market Days of RM15.21 million as at 31 October 2022 compared to RM11.77 million as at 31 October 2021;
- (c) increase in margin account receivables of RM2.24 million attributed to higher utilisation of the margin financing facility services by margin clients as at 31 October 2022. As at 31 October 2022, we recorded margin account receivables of RM50.73 million as compared to RM48.49 million as at 31 October 2021; and
- (d) increase in deposits and prepayments of RM1.61 million contributed mainly by increase in prepayments for the expenses related to the Listing.

For the FYE 2022, we also paid RM6.32 million of income tax.

12. FINANCIAL INFORMATION (CONT'D)**FPE 2023**

For the FPE 2023, our net cash from operating activities was RM5.69 million. Our operating profit before changes in working capital of RM6.01 million was adjusted for the changes in working capital of RM1.91 million arising from the following:

- (a) decrease in trade and other receivables of RM1.44 million attributed mainly to the decrease in amount due from brokers amounting to RM0.74 million and decrease in trade receivables from Corporate Finance Segment of RM0.61 million;
- (b) decrease in trade and other payables of RM5.44 million attributed mainly to lower accrued expenses mainly pertaining to the accrued performance bonus payable for the Former Corporate Finance Team that have been partially paid during the FPE 2023;
- (c) decrease in margin account receivables of RM6.81 million attributed to repayment by our margin clients during the FPE 2023. This was also reflected in the lower outstanding balance of margin account receivables of RM43.92 million as at 30 April 2023 as compared to RM50.73 million as at 31 October 2022; and
- (d) increase in deposits and prepayments of RM0.90 million contributed mainly by an increase in prepaid fees and expenses related to the Listing.

For the FPE 2023, we also paid RM2.23 million of income tax.

Net cash from investing activities**FYE 2019**

For the FYE 2019, our net cash from investing activities amounted to RM13.31 million, attributed mainly to:

- (a) proceeds of RM11.50 million received from the disposal of 1 investment property located in Kuala Lumpur; and
- (b) interest received of RM1.88 million from short term placement of funds with licensed financial institutions.

The increase in cash from investing activities was partially offset by RM0.09 million due mainly to payments for office renovation works, purchase of 12 units of computers and software as well as office furniture and equipment.

FYE 2020

For the FYE 2020, our net cash from investing activities amounted to RM1.79 million, attributed mainly to RM1.87 million of interest received from short term placement of funds with licensed financial institutions, which was partially offset by RM0.09 million due mainly for the purchase of 1 unit of motorcycle, 17 units of computers and software as well as office furniture and equipment.

12. FINANCIAL INFORMATION (CONT'D)**FYE 2021**

For the FYE 2021, our net cash from investing activities amounted to RM14.93 million, attributed mainly to:

- (a) proceeds of RM13.74 million received from the disposal of 5 investment properties, comprising a piece of vacant land, 2 units of residential apartments and 2 units of commercial properties in FYE 2021;
- (b) proceeds of RM1.99 million received from the disposal of unquoted shares in MAM; and
- (c) interest received of RM1.53 million from short term placement of funds with licensed financial institutions.

The cash from investing activities was partially offset by RM2.43 million, due mainly to the purchase of 2 units of commercial office lots located within the vicinity of our KL Branch amounting to RM1.89 million to cater for additional office space required, 1 unit of motor vehicle, 16 units of computers and software as well as office furniture and equipment.

FYE 2022

For the FYE 2022, our net cash from investing activities amounted to RM0.68 million, attributed mainly to interest received of RM1.30 million from short term placement of funds with licensed financial institutions, which was partially offset by RM0.49 million for addition in other investments in quoted securities by our Group, as well as RM0.20 million due mainly for the purchase of 1 unit of motor vehicle.

FPE 2023

For the FPE 2023, our net cash from investing activities amounted to RM0.86 million, attributed mainly to RM1.32 million of interest received from short term placement of funds with licensed financial institutions. This was partially offset by the RM0.35 million which was used to fund the purchases of office equipment mainly order management systems, 1 unit of motor vehicle and 8 units of computer hardware and software.

Net cash used in financing activities**FYE 2019**

For the FYE 2019, our net cash used in financing activities amounted to RM6.88 million which was attributed to the following:

- (a) RM5.00 million for the dividend payments to shareholders of our subsidiary, Mercury Securities;
- (b) RM1.72 million used for the repayment of a term loan, which was used as working capital; and
- (c) RM0.16 million of interest paid.

12. FINANCIAL INFORMATION (CONT'D)**FYE 2020**

For the FYE 2020, our net cash used in financing activities amounted to RM18.68 million which was attributed to the following:

- (a) RM17.58 million for the dividend payments to shareholders of our subsidiary, Mercury Securities;
- (b) RM0.52 million used for the repayment of a term loan, which was used as working capital;
- (c) RM0.33 million of interest paid; and
- (d) RM0.25 million used for the repayment of lease liabilities pertaining to right-of-use assets of 2 units of operational premises with lease period ranging from 40 months to 79 months.

FYE 2021

For the FYE 2021, our net cash used in financing activities amounted to RM22.67 million and this was attributed to the following:

- (a) RM22.30 million for the dividend payments to shareholders of our subsidiary, Mercury Securities; and
- (b) RM0.37 million used for the repayment of lease liabilities pertaining to the right-of-use assets pertaining to the 3 units of operational premises with lease period ranging from 40 months to 79 months.

FYE 2022

For the FYE 2022, our net cash used in financing activities amounted to RM10.39 million and this was attributed to the following:

- (a) RM10.00 million for the dividend payments to shareholders of our subsidiary, Mercury Securities; and
- (b) RM0.39 million used for the repayment of lease liabilities pertaining to the right-of-use assets of the 3 units of operational premises with lease period ranging from 40 months to 79 months.

FPE 2023

For the FPE 2023, our net cash used in financing activities amounted to RM0.17 million which was mainly used for the repayment of lease liabilities pertaining to the right-of-use assets pertaining to the 3 units of operational premises.

12. FINANCIAL INFORMATION (CONT'D)**(iii) Borrowings**

We do not have any outstanding borrowings as at 31 October 2020, 31 October 2021, 31 October 2022, 30 April 2023 and LPD. Nonetheless, our outstanding borrowings as at 31 October 2019, which was for working capital purposes, was interest bearing with effective interest rate of 6.72% per annum.

We have not defaulted on any payment of either principal sums and/or interest in relation to any borrowings for Financial Years and Period Under Review and up to the LPD.

As at the LPD, we have not breached any terms and conditions or covenants associated with the credit arrangements or bank loans, which can materially affect our financial position and results of business operations or investments by holders of our Shares.

We have not experienced any claw back or reduction in the facilities limit granted to us by our lender from the FYE 2019 to FPE 2023. Further, we do not encounter seasonality in the trend of our borrowings and there is no restriction on the use of our committed banking facilities, save for prior consents from our lenders before utilising the banking facilities, where necessary.

The table below sets out the banking facility granted to our Group as well as the amount unutilised as at 30 April 2023 and LPD:

	As at 30 April 2023		As at the LPD	
	Amount granted (RM'000)	Amount unutilised (RM'000)	Amount granted (RM'000)	Amount unutilised (RM'000)
Bank overdraft	5,000	5,000	-	-
	5,000	5,000	-	-

As at the LPD, our Group did not use any other financial instruments.

12.3.12 Treasury policies and objectives

Our main treasury policy and objective is to maintain sufficient working capital or liquidity and cash and cash equivalents to finance our operations, coupled with adequate credit facilities to meet estimated commitments arising from our operational expenditure and financial liabilities, if any as well as to ensure that we are in compliance with Bursa Securities' CAR requirements of not less than 1.2 times.

The combination of internal and external sources of funds includes mainly cash generated from our operations as well as cash and cash equivalents.

12.3.13 Financial instruments

For the Financial Years and Period Under Review and as at the LPD, save as disclosed in Section 12.3.11(iii) of this Prospectus, we do not use any other financial instruments. Certain of our cash and cash equivalents are held in USD and GBP which we will utilise to pay our appointed agent, a foreign stockbroking company to settle foreign securities purchased by our clients denominated in these currencies. Our clients have the option to settle their purchase obligations or we settle their sale obligations in either the transacted foreign currency or in RM equivalent approximating the exchange rate prevailing on the settlement date.

12. FINANCIAL INFORMATION (CONT'D)

Further, as at the LPD, our Group did not use any financial instruments for hedging purposes as cost associated to hedging of such exposure does not commensurate with the potential unrealised gain or loss arising from translation into RM as well as such foreign currency holdings is not material as compared to our overall financial position.

12.3.14 Material litigation, claims or arbitration and material contingent liabilities**(i) Material litigation, claims or arbitration**

Save as disclosed below, we are not engaged in any other material litigation, claim or arbitration either as plaintiff or defendant and do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially or adversely affect our financial position or business as at the LPD.

High Court of Malaya at Kuala Lumpur as Civil Suit No.: WA-22NCC-362-08/2020 ("Suit 362"): Silver Ridge Holdings Berhad v Jonathan Chong Teik Cheh ("1st Defendant") v 6 Other Defendants

On 10 August 2020, Silver Ridge Holdings Berhad ("Plaintiff") commenced litigation, Suit 362, against Mercury Securities and 28 other defendants. On 2 October 2020, the Plaintiff had discontinued its Suit 362 against 22 of the Defendants leaving out Mercury Securities ("as the 5th Defendant"), and 6 other Defendants.

The Plaintiff has conducted a private placement exercise whereby Mercury Securities was appointed as the Principal Adviser and Placement Agent/Manager and whereby the 1st Defendant had subscribed to the placement shares in the private placement exercise.

The Plaintiff is suing Mercury Securities, inter alia, the following:

- a. Mercury Securities had assisted the other Defendants in the alleged misrepresentation to the Plaintiff on the status of the 1st Defendant's investment with the Plaintiff;
- b. The Plaintiff has claimed that it is not aware of the true status of the 1st Defendant's investment with the Plaintiff;
- c. Mercury Securities had conspired with other Defendants to defraud the Plaintiff by way of the alleged misrepresentation to enable the 1st Defendant to subscribe and purchase the placement shares; and
- d. Mercury Securities had breached its fiduciary duty in allegedly enabling and allowing the 1st Defendant to subscribe and purchase the placement shares.

On 10 December 2020, Mercury Securities had filed an application to strike out the suit and the said application has been fixed for hearing on 19 February 2021. However, on 13 January 2021, the Plaintiff has withdrawn its suit against Mercury Securities. On 19 February 2021, the High Court has ordered the Plaintiff to pay Mercury Securities costs of RM15,000 for the discontinuance of Suit 362. As at the LPD, the Plaintiff has not made payment to Mercury Securities for the costs of RM15,000.

(ii) Material contingent liabilities

As at the LPD, we do not have any contingent liabilities which, upon becoming enforceable, may have a material adverse impact on our results of operations or financial position.

12. FINANCIAL INFORMATION (CONT'D)**12.3.15 Key financial ratio**

The following table provides the key financial ratios based on our combined financial statements for the financial years and period indicated below:

	<u>FYE 2019</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FPE 2023</u>
Average trade receivables turnover period (days) ^(a)	69	50	26	45	127
Average trade payables turnover period (days) ^(b)	^(b) N/A	^(b) N/A	^(b) N/A	^(b) N/A	^(b) N/A
Current ratio (times) ^(c)	3.71	2.44	6.28	6.18	8.79
Gearing ratio (times) ^(d)	#	-	-	-	-

Notes:

Less than 0.01 times.

(a) Denotes only the average trade receivables turnover ratios from the Corporate Finance Segment. Under the Stockbroking Segment, settlement of margin account receivables is usually at clients' discretion, while the receivables from non-margin accounts for the purchases of securities on behalf of the clients under the Stockbroking Segment are required to be settled within the settlement cycle of T+2 days which means 2 Market Days after the transaction date under the FDSS rules of Bursa Clearing. In this respect, the average trade receivables turnover ratio for the Stockbroking Segment is not applicable.

The average trade receivables turnover ratio from the Corporate Finance Segment is based on dividing average closing balance of trade receivables from Corporate Finance Segment of the respective financial years/period over revenue of the Corporate Finance Segment of the respective financial years/period, and multiplied by 365/181 days. Average closing balance of net trade receivables for a particular financial year is calculated by adding the value of the financial year/period's closing balance of net trade receivables with that of the previous financial year/period, and dividing the total by 2.

(b) There are no trade payables for Corporate Finance Segment, while trade payables in relation to our Stockbroking Segment are settled within the settlement cycle of T+2 days which is in accordance with the FDSS. In this respect, the trade payables turnover ratio is not applicable.

(c) Based on current assets over current liabilities.

(d) Based on total interest bearing borrowings over total equity.

(i) Trade receivables

Our trade receivables comprise mainly the following:

- receivables due from clients under margin accounts;
- receivables due from clients under non-margin accounts for outstanding purchases and contra losses; and
- corporate advisory receivables due from clients.

12. FINANCIAL INFORMATION (CONT'D)

The details of our trade receivables are set out below:

	As at 31 October				As at 30 April
	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)	2022 (RM'000)	2023 (RM'000)
Stockbroking Segment	76,493	85,399	61,377	66,812	59,214
Margin account receivables	43,131	34,099	48,490	50,731	43,922
Non-margin account receivables	33,362	51,300	11,769	15,213	15,168
Others ^(a)	-	-	1,118	868	124
Corporate Finance Segment	2,446	1,697	1,297	1,944	1,339
Corporate advisory receivables	2,446	1,697	1,655	2,302	1,697
Less: Impairment loss	-	-	(358)	(358)	(358)
Total trade receivables	78,939	87,096	62,674	68,756	60,553

Note:

- (a) Refers to amount due from brokers. According to the Rules of Bursa Clearing issued by Bursa Clearing, any outstanding amount from the execution of sales of securities orders from the Group on behalf of its clients will have to be settled within the settlement cycle of T+2 Market Days through the FDSS after the transaction date. Typically, the amount due from brokers refer to net amount owing from Bursa Clearing when the total value of sales of securities is more than the total value of purchase of securities at the end of Market Day, which are still within the settlement cycle of T+2 Market Days.

Stockbroking Segment

Within our Stockbroking Segment, the amount due from clients comprises outstanding receivables on contra losses incurred, overdue and/or outstanding amount in the trading accounts and margin accounts.

- **Margin account receivables**

We offer margin financing facility services to extend credit facilities to our stockbroking clients to fund their purchase of quoted securities. We charge our client an interest rate on the amount borrowed from our margin financing facilities and processing fees at a rate based on the amount of the margin financing facilities. In addition, we also charge roll-over fees for outstanding margin facility amounts that are carried over to the next period, where each period is 90 days. The settlement of margin account receivables is normally at clients' discretion. In this respect, the margin account receivables turnover ratio for the Stockbroking Segment is not applicable.

12. FINANCIAL INFORMATION (CONT'D)

As at 31 October 2019, 31 October 2020, 31 October 2021, 31 October 2022 and 30 April 2023, the margin account receivables are adequately collateralised as the total value quoted securities held as collaterals to secure the margin accounts is above the minimum collateral coverage ratio as illustrated below:

	As at 31 October				As at 30 April
	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)	2022 (RM'000)	2023 (RM'000)
Mark-to-market value of quoted securities pledged as collaterals based on closing market price of each security ^(a)	183,457	195,726	387,607	254,234	245,286
Margin account receivables	43,131	34,099	48,490	50,731	43,922
- <i>receivables lower than the minimum collateral coverage ratio of 1.67 times^(b)</i>	1,089	1,252	4,674	6,237	164
- <i>receivables higher than the minimum collateral coverage ratio of 1.67 times</i>	42,042	32,847	43,816	44,494	43,758
Collateral coverage ratio (times) ^(c)	4.25	5.74	7.99	5.01	5.58
Minimum collateral coverage ratio before margin call (times) ^(d)	1.67	1.67	1.67	1.67	1.67

Notes:

- (a) The mark-to-market value of quoted securities are assessed at least once on a daily basis.
- (b) As at 31 October 2019, 31 October 2020, 31 October 2021, 31 October 2022 and 30 April 2023, RM1.09 million or 2.52% (3 clients), RM1.25 million or 3.67% (2 clients), RM4.67 million or 9.64% (5 clients), RM6.24 million or 12.29% (6 clients) and RM0.16 million or 0.37% (4 clients) of our margin account receivables respectively were lower than the minimum collateral coverage ratio of 1.67 times.

As at 30 April 2023, the RM0.16 million of our margin account receivables have an average collateral coverage ratio of 0.26 times which are lower than the minimum collateral coverage ratio of 1.67 times and it remained at RM0.16 million as at the LPD.

- (c) Computed based on mark-to-market value of quoted securities over margin accounts receivables.
- (d) Generally, the minimum collateral coverage ratio based on the outstanding amount relative to the total value of acceptable collaterals is at least 1.67 times. Margin call will be instituted by force-selling of the collaterals pledged if the margin client is unable to regularise the collateral coverage ratio to above 1.67 times after due notice.

12. FINANCIAL INFORMATION (CONT'D)

The ageing analysis of margin account receivables as at 31 October 2019, 31 October 2020, 31 October 2021, 31 October 2022 and 30 April 2023 is as follows:

	As at 31 October				As at 30 April
	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)	2022 (RM'000)	2023 (RM'000)
Not past due	43,131	34,099	48,490	50,731	43,922
Past due:	-	-	-	-	-
1 to 30 days	-	-	-	-	-
31 to 60 days	-	-	-	-	-
61 to 90 days	-	-	-	-	-
91 to 120 days	-	-	-	-	-
more than 120 days	-	-	-	-	-
Total trade receivables	43,131	34,099	48,490	50,731	43,922
Subsequent collections as at the LPD	(38,954)	(24,847)	(28,845)	(15,592)	(11,564)
Net trade receivables after subsequent collections as at the LPD on the outstanding amount for the respective financial year/period end	4,177	9,252	19,645	35,139	32,358

As at the LPD, RM11.56 million of the margin account receivables from Stockbroking Segment as at 30 April 2023 has been subsequently collected. The remaining outstanding amount due from clients under margin account was RM32.36 million, which is adequately secured and conducted within the terms of the margin agreement.

- Non-margin receivables**

The normal credit term for the non-margin accounts receivables, i.e., trading account receivables is as follows:

	<u>FYE 2019</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FPE 2023</u>
Credit term (transaction day plus number of trading days) ^(a)	T+2 days	T+2 days	T+2 days	T+2 days	T+2 days

Note:

(a) This is based on the FDSS of Bursa Clearing.

12. FINANCIAL INFORMATION (CONT'D)

In contra transactions, buying and selling of the same securities are carried out within the T+2 settlement period. It will result in a contra loss if the sell price is lower than the buy price (net of all charges), in which the client has to pay by the fifth Market Day of the contra sales (C+5).

We charge contra interest at a flat rate of 10.00% per annum on the contra loss amount due from non-margin accounts which has been outstanding for 5 days after the contra date (C+5) until full settlement.

We also offer discretionary financing for non-margin clients to purchase securities which is permitted by the Rules of Bursa Securities for an extended settlement period of up to T+7 days at an interest rate of 10.00% per annum.

In general, receivables from non-margin accounts for the purchase of securities under our Stockbroking Segment are required to be settled within the settlement cycle of T+2 which means 2 Market Days after the transaction date under the FDSS. In this respect, the non-margin account receivables turnover ratio for the Stockbroking Segment is not applicable.

The ageing analysis of non-margin account receivables as at 31 October 2019, 31 October 2020, 31 October 2021, 31 October 2022 and 30 April 2023 is as follows:

	As at 31 October				As at 30 April
	2019	2020	2021	2022	2023
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Not past due	29,649	48,041	8,631	11,830	11,947
Past due:	3,713	3,259	3,138	3,383	3,221
<i>1 to 30 days</i>	<i>1,110</i>	<i>220</i>	<i>50</i>	<i>95</i>	<i>127</i>
<i>31 to 60 days</i>	-	-	-	-	-
<i>61 to 90 days</i>	-	-	-	-	-
<i>91 to 120 days</i>	-	-	-	-	-
<i>more than 120 days</i>	<i>2,603</i>	<i>3,039</i>	<i>3,088</i>	<i>3,288</i>	<i>3,094</i>
Total trade receivables	33,362	51,300	11,769	15,213	15,168
Subsequent collections as at the LPD	(31,851)	(49,776)	(10,213)	(13,438)	(13,881)
Net trade receivables after subsequent collections as at the LPD on the outstanding amount for the respective financial year/period end	1,511	1,524	1,556	1,775	1,287

For the Financial Years and Period Under Review, the past due amount was from contra losses due from clients under non-margin accounts. We charged such clients interest at the rate 10.00% per annum on the said outstanding amount from C+5 onwards until full settlement. Nonetheless, all of the overdue outstanding amount is adequately secured against their quoted securities, trust monies and/or covered by their remisiers' deposits, which are adequate to cover the contra losses due from clients.

12. FINANCIAL INFORMATION (CONT'D)

As at the LPD, RM13.88 million of the non-margin receivables as at 30 April 2023 has been subsequently collected. The remaining outstanding amount of RM1.29 million were amount due from clients under non-margin clients which have exceeded credit period. The amount due from non-margin clients are adequately secured against their quoted securities, trust monies and/or covered by their remisiers' deposits.

For the Financial Years and Period Under Review, there was no additional write-off or provisions made for non-margin receivables.

Corporate Finance Segment

	As at 31 October				As at 30 April
	2019	2020	2021	2022	2023
Corporate advisory receivables (RM'000)	2,446	1,697	1,297	1,944	1,339
Average trade receivables turnover period (days) ^(a)	69	50	26	45	127

Note:

- (a) Denotes only the average trade receivables turnover ratios from the Corporate Finance Segment. Under the Stockbroking Segment, settlement of margin account receivables is usually at clients' discretion, while the receivables from non-margin accounts for the purchases of securities on behalf of the clients under the Stockbroking Segment are required to be settled within the settlement cycle of T+2 days which means 2 Market Days after the transaction date under the FDSS rules of Bursa Clearing. In this respect, the average trade receivables turnover ratio for the Stockbroking Segment is not applicable.

The average trade receivables turnover ratio from the Corporate Finance Segment is based on dividing average closing balance of trade receivables from Corporate Finance Segment of the respective financial years/period over revenue of the Corporate Finance Segment of the respective financial years/period, and multiplied by 365/181 days. Average closing balance of net trade receivables for a particular financial year/period is calculated by adding the value of the financial year/period's closing balance of net trade receivables with that of the previous financial year/period, and dividing the total by 2.

Our credit term for our corporate advisory services to clients is generally 14 days. However, some of our clients may request for longer credit terms and such predetermined agreed term will be stated in the signed mandates. Subsequently, invoices will be issued based on the agreed credit term upon completion of the various agreed billing milestones as stated in the signed mandates. Our invoice provides for late payment charges of 10.00% per annum, however, we generally waive such late payment charges, in order to maintain a cordial and long term relationship with our clients.

Our average corporate advisory receivables turnover period was 69 days for the FYE 2019, 50 days for the FYE 2020, 26 days for the FYE 2021, 45 days for the FYE 2022 and 127 days for the FPE 2023, which exceeded the credit term due mainly to slow payments from clients.

Our average corporate advisory receivables turnover period has improved in FYE 2020 and FYE 2021. The improvement for FYE 2020 and FYE 2021 was due mainly to:

- (a) prompt payments from clients who procured our advisory services for secondary equity fundraising offerings; and
- (b) higher revenue recorded in FYE 2020 and FYE 2021 as a result of increased mandates for secondary equity fundraising offerings, merger and acquisitions and initial public offering exercises.

12. FINANCIAL INFORMATION (CONT'D)

Our average corporate advisory receivables turnover period increased from 26 days for the FYE 2021 to 45 days for the FYE 2022, due mainly to slow payments from clients. Our average corporate advisory receivables turnover period increased from 45 days for the FYE 2022 to 127 days for the FPE 2023, mainly due to slow payments from customers.

The ageing analysis of our trade receivables for Corporate Finance Segment as at 31 October 2019, 31 October 2020, 31 October 2021, 31 October 2022 and 30 April 2023 is as follows:

	As at 31 October				As at 30 April
	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)	2022 (RM'000)	2023 (RM'000)
Not past due	1,193	176	564	672	255
Past due:	1,253	1,521	733	1,272	1,084
1 to 30 days	76	490	446	448	169
31 to 60 days	122	159	98	37	100
61 to 90 days	126	205	83	197	242
91 to 120 days	90	162	-	210	111
more than 120 days	839	505	106	380	462
Total trade receivables	2,446	1,697	^(a)1,297	^(a)1,944	1,339
Subsequent collections as at the LPD	(2,446)	(1,697)	(1,233)	(1,599)	(718)
Net trade receivables after subsequent collections as at the LPD on the outstanding amount for the respective financial year/period end	-	-	64	345	621

Note:

- (a) Based on trade receivables less impairment loss. For FYE 2021 and FYE 2022, there was an impairment loss of RM0.36 million which was outstanding from 2 corporate finance clients.

The number of clients and the nature of the corporate advisory proposals relating to the overdue corporate advisory receivables of our Corporate Finance Segment are set out below:

FYE/ FPE	Past due (RM'000)	% of past due to total trade receivables	Number of clients	Nature and number of proposals			
				Initial public offering	Takeovers, mergers and acquisitions	Secondary equity offering	Other proposals
2019	1,253	1.59%	9	1	2	5	1
2020	1,521	1.75%	11	1	3	6	1
2021	733	1.17%	8	-	2	4	2
2022	1,272	1.85%	17	-	5	7	5
2023	1,084	1.79%	14	2	5	4	3

As at the LPD, save for RM0.62 million past due from 8 clients has yet to be collected, the past due amount in the FYE 2019, FYE 2020, FYE 2021, FYE 2022 and FPE 2023 have been collected. The corporate advisory proposals undertaken by these 8 clients are still on-going and pending completion.

12. FINANCIAL INFORMATION (CONT'D)**(ii) Trade payables**

The details of our trade payables are set out below:

	As at 31 October				As at 30 April
	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)	2022 (RM'000)	2023 (RM'000)
Amount due to brokers	5,060	24,374	-	-	-
Amount due to clients	15,669	14,824	3,878	2,868	2,833
Total trade payables	20,729	39,198	3,878	2,868	2,833

Our trade payables consist only of the following, which are in relation to our Stockbroking Segment:

- (a) Amount due to brokers refer to outstanding amounts to be settled with Bursa Clearing within the settlement cycle of T+2 days after the transaction date through the FDSS, from the purchase of securities that we executed for our clients. Typically, the amount due to brokers refer to net amount owing to Bursa Clearing when the value of purchases of securities is more than the sales of securities at the end of Market Day, which are still within the settlement cycle of T+2 days.
- (b) Amount due to clients refer to the outstanding amount to be paid to our stockbroking clients from the sales of securities that we executed for our stockbroking clients within the settlement cycle of T+2 days effective from 29 April 2019 for FYE 2019, FYE 2020, FYE 2021, FYE 2022 and FPE 2023, and contra gains to be settled on the 3rd Market Day from the contra sales transaction date (C+3).

In this respect, the trade payables turnover ratio for the Stockbroking Segment is not applicable.

The ageing analysis of our trade payables as at 31 October 2019, 31 October 2020, 31 October 2021, 31 October 2022 and 30 April 2023 is set out below:

	As at 31 October				As at 30 April
	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)	2022 (RM'000)	2023 (RM'000)
Not past due	20,729	39,198	3,878	2,868	2,833
Past due	-	-	-	-	-
Trade payables	20,729	39,198	3,878	2,868	2,833
Subsequent payments as at the LPD	(20,729)	(39,198)	(3,878)	(2,868)	(2,833)
Trade payables after subsequent payments	-	-	-	-	-

12. FINANCIAL INFORMATION (CONT'D)**(iii) Current ratio**

The summary of our Group's current ratio is set out below:

	As at 31 October				As at 30 April
	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)	2022 (RM'000)	2023 (RM'000)
Current assets	142,634	139,452	111,468	121,283	120,445
Current liabilities	38,417	57,244	17,756	19,639	13,704
Current ratio (times) ^(a)	3.71	2.44	6.28	6.18	8.79

Note:

(a) Based on current assets over current liabilities.

As at 31 October 2020, our current ratio was 2.44 times which was lower compared to 3.71 times as at 31 October 2019 due mainly to:

- (i) higher trade and other payables of RM24.37 million of amount due to brokers; and
- (ii) the decrease in current assets arising mainly from the decrease in other receivables from the settlement of RM22.42 million amount owing by Enrogetz and 2 directors of Mercury Securities (who are the shareholders of Mercury Securities) via the set-off against the dividend declared in FYE 2020. Please refer to Section 12.3.11(ii) of this Prospectus for further details on the said repayment.

As at 31 October 2021, our current ratio was 6.28 times which was higher than 2.44 times as at 31 October 2020 due mainly to lower outstanding amount owing to clients for the sales of securities as well as lower amount owing to Bursa Clearing as at 31 October 2021.

As at 31 October 2022, our current ratio was 6.18 times which was lower than 6.28 times as at 31 October 2021 due mainly to the increase in trade and non-trade payables of RM2.70 million attributed mainly to increase in accrued expenses mainly pertaining to the accrued bonus payable for the Former Corporate Finance Team. The decrease in current ratio was also partially offset by an increase of current assets of RM9.82 million in FYE 2022 attributed mainly to higher amount due from clients for outstanding purchases of securities which was still within the settlement cycle of T+2 Market Days of RM15.21 million as at 31 October 2022 compared to RM11.77 million as at 31 October 2021.

As at 30 April 2023, our current ratio was 8.79 times which was higher than 6.18 times as at 31 October 2022 due mainly to the decrease in trade and non-trade payables by RM5.44 million arising mainly from lower accrued expenses pertaining to the accrued performance bonus for the Former Corporate Finance Team that have been partially paid during the FPE 2023.

12. FINANCIAL INFORMATION (CONT'D)**(iv) Gearing ratio**

The summary of our Group's gearing ratio is set out below:

	As at 31 October				As at 30 April
	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)	2022 (RM'000)	2023 (RM'000)
Total bank borrowings	523	-	-	-	-
Total equity	139,223	116,388	117,009	124,532	129,623
Gearing ratio (times) ^(a)	#	-	-	-	-

Notes:

Less than 0.01 times.

(a) Based on total interest bearing bank borrowings over total equity.

Our gearing ratio was relatively low at less than 0.01 times as at 31 October 2019. There were no outstanding bank borrowings as at 31 October 2020, 31 October 2021, 31 October 2022 and 30 April 2023 respectively.

As at 31 October 2022, our total equity was at RM124.53 million after payment of RM10.00 million in dividend out of the PAT of RM17.66 million recorded in FYE 2022. As at 30 April 2023, our total equity was at RM129.62 million and there was no dividend declared or payable by our Group for the FPE 2023.

12.3.16 Trend analysis

As at the LPD, our Board confirms that there are no:

- (i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations other than those discussed in this section and risk factors in Section 9 of this Prospectus;
- (ii) material commitment for capital expenditure, as set out in Section 12.3.20 of this Prospectus;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclosed in this section and risk factors in Section 9 of this Prospectus;
- (iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our Group revenue and/or profits as well as our liquidity and capital resources, save for those that have been disclosed in this section, industry overview as set out in Section 8 of this Prospectus and business strategies as set out in Section 7.26 of this Prospectus; and
- (v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position other than those disclosed in this section and risk factors in Section 9 of this Prospectus.

12. FINANCIAL INFORMATION (CONT'D)

Our Board is optimistic about the future prospects of our Group after taking into account of our Group's competitive advantages and key strengths as well as business strategies as set out in Sections 7.6 and 7.26 of this Prospectus.

12.3.17 Significant changes

Save as disclosed in this Prospectus, and in particular the impact of COVID-19 outbreak on our operations as highlighted in Section 7.17 of this Prospectus, there are no significant changes that have occurred which may have a material effect on the financial position and results of our Group subsequent to the FPE 2023 and up to the LPD. Kindly refer to Section 7.17 of this Prospectus for further details on business interruptions pertaining to COVID-19 pandemic conditions. Nevertheless, our business is recognised by the government as "essential services" by the Government. Between March 2020 and up to the LPD, we adopted precautionary measures to safeguard our operations and employees.

In addition, Mercury Securities entered into the BMA with Apex Securities and Apex Equity Holdings Berhad on 18 December 2018. Mercury Securities had on 15 April 2021, decided not to proceed with the BMA after mutually extending the conditions fulfilment period of the BMA for 10 times over a period of more than 2 years. As such, the BMA had lapsed with effect from 15 April 2021.

Please refer to Note 27 of the Accountants' Report as set out in Section 13 and Section 14.6 of this Prospectus for further details pursuant to the BMA.

12.3.18 Order book

For our Stockbroking Segment, the revenue is derived mainly from:

- (i) brokerage fees charged upon the execution of trades for buying and selling of securities as well as nominees fees and/or interest charged on contra loss upon services rendered and the terms of contracts with clients. In this respect, we do not maintain an execution order book as the value of securities bought and/or sold vary in each Market Day;
- (ii) underwriting fees and placements fees from initial public offering and secondary equity offering that we advised or when we participated in the syndicate for underwriting and placement of such equity offerings. Such fees are recognised based on various performance obligations stated in the contracts. As at the LPD, we do not have any outstanding underwriting commitment; and
- (iii) margin income in the form of interest and fees from the margin financing facilities accepted and utilised by our clients and the outstanding amount owing by margin clients. Unless the conduct of the margin accounts is not satisfactory or value of collaterals pledged is not preferred and/or is below the margin of financing in the margin agreement, we normally roll-over the margin accounts for another period of 90 days. In this respect, we will continue to earn interest income (computed on a daily rest basis) based on outstanding balances of our margin account receivables and fees. Our margin income for the Financial Years and Period Under Review is set out below:

	<u>FYE 2019</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FPE 2023</u>
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Total margin income	3,604	4,981	7,373	9,084	3,513
Total margin account receivables as at the end of the FYE/FPE	43,131	34,099	48,490	50,731	43,922

12. FINANCIAL INFORMATION (CONT'D)

As for our Corporate Finance Segment, our income is in the form of fixed corporate advisory fees agreed by our clients when accepting our mandates. The level of income depends on, amongst others, the nature of each corporate advisory proposals, the number of new mandates secured and the progress of our execution and completion of the mandates, as our corporate advisory fees is billed on the pre-agreed schedule of billings stipulated in the mandates.

As at the LPD, our unbilled order book from our on-going proposals based on secured mandates are as follows:

	No. of mandates as at LPD	Unbilled order book as at the LPD (RM'000)
Initial public offering	8	6,350
Right issues and other secondary equity offerings	(b)9	1,405
Takeovers, mergers and acquisitions	5	1,100
Others ^(a)	10	1,408
Total	32	10,263

Notes:

- (a) Includes standalone proposals such as diversification of business activities, bonus issue of shares, bonus issue of warrants, employees' share option scheme, corporate restructuring and acting as sponsor and continuing adviser for issuers listed on the ACE Market and LEAP Market respectively. We do not have any on-going proposal for the transfer of listing from ACE Market to Main Market as at the LPD.
- (b) Excluded 4 secondary equity offerings exercises which have been approved, without any remaining unbilled advisory fee but are pending the placement of securities.

12.3.19 Regulatory capital and other requirements

Our subsidiary, Mercury Securities is recognised by the SC as a 1+1 broker where we are licensed and permitted to carry out regulated activities of dealing in securities, advising on corporate finance (including undertaking the role of "principal adviser" for corporate proposals) and investment advice. There is a requirement to maintain a minimum paid-up share capital of RM20.00 million, shareholders' fund of RM100.00 million and CAR of not less than 1.2 times or any other financial requirement as determined by the SC and Bursa Malaysia from time to time.

In addition, as a trading clearing participant, we are also required to maintain certain amounts as deposits with Bursa Clearing under its equities margin system. The equities margin system was introduced by Bursa Clearing on 26 June 2016 to manage the exposure over the settlement cycle of T+2 days. The equities margin system is designed to receive settlement data from the clearing system and price data from the Bursa Securities' system for the computation of margin requirement and valuation of collateral. As at LPD, we maintain cash deposit of RM2.84 million which is interest bearing with Bursa Clearing under its equities margin system.

Our CAR was 16.25 times, 15.28 times, 17.08 times, 15.92 times and 19.59 times as at 31 October 2019, 31 October 2020, 31 October 2021, 31 October 2022 and 30 April 2023 respectively. In addition, our business was subject to liquidity stress and we are required to test our business continuity plan with Bursa Securities at least twice per year.

12. FINANCIAL INFORMATION (CONT'D)

12.3.20 Material commitment for capital expenditures

As at the LPD, our Group's material commitments for capital expenditure are summarised below:

	<u>Capital commitment</u> (RM'000)
Contracted but not provided for:	
Computer equipment and software	550
Total	<u>550</u>

The capital commitments will be funded through our internally generated funds.

12.4 DIVIDEND POLICY

It is our Boards' policy to recommend dividends to allow our shareholders to participate in the profits of our Group. Nonetheless, our Company does not have any formal dividend policy.

As we are a holding company, our ability to declare and pay dividends or make other distributions to our shareholders are dependent upon the dividends we receive from our Subsidiaries, present and future. The payment of dividends by our Subsidiaries is dependent upon various factors, including but not limited to, their distributable profits, financial performance, and cash flow requirements for operations, business expansion plans and capital expenditures, as well as other factors that their respective boards of directors deem relevant. Save for certain banking restrictive covenants, which our Subsidiaries are subject to, there is no other dividend restriction imposed on our Subsidiaries as at the LPD.

In addition to the factors above which may affect the ability of our Subsidiaries to pay dividends to us, our Board will also take into consideration, amongst others, the following factors when recommending the dividends for approval by our shareholders or when declaring any dividends:

- (i) the level of our cash, gearing, return on equity and retained earnings;
- (ii) our projected levels of operations and capital expenditures and other growth/investment plans;
- (iii) our expected financial performance and working capital requirements;
- (iv) any restrictive covenants contained in our current and future financing arrangements; and
- (v) any material impact of tax laws and other regulatory requirements.

The payment and amount of any dividends and distributions to our shareholders will be at the discretion of our Board and will depend on the factors mentioned above (which may not be exhaustive). There is no assurance as to whether the dividend distribution will occur as intended, the amount of dividend payment or timing of such payment.

12. FINANCIAL INFORMATION (CONT'D)

Investors should note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our future dividends which are subject to modifications (including non-declaration thereof) at our Board's discretion. We cannot assure you that we will be able to pay dividends or that our Board will declare dividends in the future. There can also be no assurance that future dividends declared by our Board, if any, will not differ materially from historical dividend levels.

During the Financial Years and Period Under Review and up to the LPD, we have declared and paid for the following dividends:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FPE 2023	1 May 2023 up to the LPD
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Dividends declared and paid	^(a) 5,000	^(b) 40,000	^(c) 22,300	^(d) 10,000	-	-
PAT	9,845	17,198	20,260	17,663	-	-
Dividend payout ratio ^(e) (%)	50.79	232.59	110.07	56.62	-	-

Notes:

- (a) The dividend of RM5.00 million in FYE 2019 was funded from internally generated funds.
- (b) RM22.42 million of the total dividends declared was paid via setting-off against the outstanding amount owing by Enrogetz and 2 directors of Mercury Securities (who are also the shareholders of Mercury Securities) and hence there was no cash outflow for the said amount. The remaining cash dividend of RM17.58 million was funded from cash proceeds received from the disposal of an investment property in FYE 2019 of RM11.50 million and internally generated funds of RM6.08 million.
- (c) The total dividends of RM22.30 million paid in FYE 2021 was funded from cash proceeds received from the disposal of 5 investment properties in FYE 2021 of RM13.74 million, disposal of MAM of RM1.99 million and internally generated funds of RM6.57 million.

Notwithstanding the payment of the dividend amounting to RM22.30 million in FYE 2021, our financial position as at 31 October 2021 remained strong with:

- (i) no gearing;
- (ii) unencumbered cash and cash equivalents of RM44.36 million;
- (iii) current ratio of 6.28 times; and
- (iv) CAR of 17.08 times, which is above the minimum CAR of 1.20 times as required under Rule 13.04 of Bursa Securities and Paragraph 4.04 of the Licensing Handbook.

12. FINANCIAL INFORMATION (CONT'D)

- (d) The total dividends of RM10.00 million paid in FYE 2022 was funded from internally generated funds.

Notwithstanding the payment of the dividend amounting to RM10.00 million in FYE 2022, our financial position as at 31 October 2022 remained strong with:

- (i) no gearing;
 - (ii) unencumbered cash and cash equivalents of RM46.06 million;
 - (iii) current ratio of 6.18 times; and
 - (iv) CAR of 15.92 times, which is above the minimum CAR of 1.20 times as required under Rule 13.04 of Bursa Securities and Paragraph 4.04 of the Licensing Handbook.
- (e) Computed based on dividends declared and paid divided by PAT.

Subsequent to the Financial Years and Period Under Review and up to the LPD, there was no dividend declared or payable by our Group. Further, our Board does not intend to declare any dividends prior to our Listing.

No inference should be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

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