



MERCURY SECURITIES GROUP BERHAD

(Registration No. 202101018329 (1418629-A))

(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 31 JULY 2024**

MERCURY SECURITIES GROUP BERHAD

Registration No. 202101018329 (1418629-A)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 JULY 2024**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 31 JULY 2024⁽¹⁾**

| | Note | Individual Quarter 3-months ended 31 July | | Cumulative Quarters 9-months ended 31 July | |
|--|------|--|------------------------------|---|------------------------------|
| | | Unaudited 31.7.2024 RM | Unaudited 31.7.2023 RM | Unaudited 31.7.2024 RM | Unaudited 31.7.2023 RM |
| Revenue | A9 | 9,439,488 | 7,259,551 | 23,753,637 | 18,698,576 |
| Cost of services | | (4,159,354) | (2,244,858) | (9,598,169) | (5,878,488) |
| Gross profit | | 5,280,134 | 5,014,693 | 14,155,468 | 12,820,088 |
| Other income | | 416,167 | 568,445 | 896,799 | 1,132,872 |
| Net trading gains on financial assets at fair value through profit or loss | | 241,755 | 303,506 | 856,639 | 758,188 |
| Administrative and other operating expenses | | (1,783,581) | (1,692,118) | (5,206,994) | (4,941,342) |
| Interest income | | 991,431 | 725,067 | 3,245,417 | 2,045,123 |
| Finance costs | | (3,521) | (6,395) | (12,756) | (22,041) |
| Profit before tax | B5 | 5,142,385 | 4,913,198 | 13,934,573 | 11,792,888 |
| Income tax expense | B6 | (1,235,000) | (1,185,234) | (3,395,800) | (2,987,474) |
| Profit after tax | | 3,907,385 | 3,727,964 | 10,538,773 | 8,805,414 |
| Other comprehensive income, net of income tax | | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | | |
| Fair value adjustment on other investments | | (359,025) | - | (359,025) | 14,183 |
| Realisation of revaluation surplus upon depreciation | | (15,612) | - | (46,836) | (31,224) |
| Transfer of revaluation surplus to retained earnings | | 15,612 | - | 46,836 | 31,224 |
| Total comprehensive income for the financial period | | 3,548,360 | 3,727,964 | 10,179,748 | 8,819,597 |
| Earnings per share⁽²⁾ (sen) | B7 | | | | |
| - Basic | | 0.44 | 0.51 | 1.18 | 1.20 |
| - Diluted | | 0.44 | 0.51 | 1.18 | 1.20 |
| Number of ordinary shares | | 893,000,000 | 735,904,300 | 893,000,000 | 735,904,300 |

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 31 JULY 2024⁽¹⁾ (CONT'D)

Notes:

1. The basis of preparation of the Unaudited Condensed Consolidated Statement of Comprehensive Income are disclosed in Note A1 and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 October 2023 ("AFS 2023") and the accompanying explanatory notes attached to this interim financial report.
2. The computation of the earnings per share ("EPS") is illustrated in the table set out in note B7 of this interim financial report.

Even though the profit attributable to owners of the Company has increased in the current financial quarter and current financial year-to-date, the lower EPS was due to the increase from 735,904,300 ordinary shares as at 31 July 2023 to 893,000,000 ordinary shares as at 31 July 2024. The increase in ordinary shares is due to the issuance of 157,095,700 new ordinary shares pursuant to the listing of the Company on 19 September 2023.

Diluted EPS is equivalent to the basic EPS as the Company does not have any dilutive instruments at the end of the reporting periods.

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 JULY 2024**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 JULY 2024⁽¹⁾**

| | Unaudited As at 31.7.2024 RM | Audited As at 31.10.2023 RM |
|---|---|--|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 11,632,224 | 11,777,672 |
| Investment properties | 4,500,000 | 4,500,000 |
| Right-of-use assets | 167,327 | 308,137 |
| Intangible assets | 7,891,722 | 7,891,722 |
| Other investments | 1,102,256 | 536,895 |
| | 25,293,529 | 25,014,426 |
| Current assets | | |
| Trade and other receivables | 87,932,442 | 73,743,157 |
| Inventories | 436,647 | - |
| Deposits and prepayments | 4,315,033 | 3,100,382 |
| Other investments | 830,282 | 1,111,418 |
| Cash and cash equivalents | 82,357,097 | 82,503,757 |
| | 175,871,501 | 160,458,714 |
| TOTAL ASSETS | 201,165,030 | 185,473,140 |
| EQUITY AND LIABILITIES | | |
| Equity attributable to owners of the Company | | |
| Share capital | 154,640,574 | 154,640,574 |
| Merger reserve | (97,008,736) | (97,008,736) |
| Other reserves | 118,678,469 | 112,963,721 |
| TOTAL EQUITY | 176,310,307 | 170,595,559 |
| Non-current liabilities | | |
| Lease liabilities | - | 139,876 |
| Deferred tax liabilities | 934,160 | 1,100,160 |
| | 934,160 | 1,240,036 |
| Current liabilities | | |
| Trade and other payables | 22,285,100 | 13,211,770 |
| Lease liabilities | 191,375 | 201,571 |
| Current tax liabilities | 1,444,088 | 224,204 |
| | 23,920,563 | 13,637,545 |
| TOTAL LIABILITIES | 24,854,723 | 14,877,581 |
| TOTAL EQUITY AND LIABILITIES | 201,165,030 | 185,473,140 |
| Net assets per share ⁽²⁾ (sen) | 19.74 | 19.10 |

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 JULY 2024⁽¹⁾ (CONT'D)

Notes:

1. The basis of preparation of the Unaudited Condensed Consolidated Statement of Financial Position are disclosed in Note A1 and should be read in conjunction with the AFS 2023 and the accompanying explanatory notes attached to this interim financial report.
2. Net assets per share is computed based on net assets attributable to owners of the Company divided by 893,000,000 ordinary shares in issue as at 31 July 2024 and 31 October 2023.

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 JULY 2024**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 31 JULY 2024⁽¹⁾**

| | <----- Non-distributable -----> | | | | Distributable | Total Equity RM |
|--|---------------------------------|-------------------------|------------------------------|-----------------------------|----------------------------|-----------------------|
| | Share Capital RM | Merger Reserve RM | Revaluation Reserve RM | Fair Value Reserve RM | Retained Earnings RM | |
| Balance as at 1 November 2023 | 154,640,574 | (97,008,736) | 2,362,838 | (78,199) | 110,679,082 | 170,595,559 |
| Profit for the financial period | - | - | - | - | 10,538,773 | 10,538,773 |
| Other comprehensive income / (loss) for the financial period, net of income tax | - | - | (46,836) | (359,025) | 46,836 | (359,025) |
| Transaction with owners of the Company: Dividend | - | - | - | - | (4,465,000) | (4,465,000) |
| Balance as at 31 July 2024 | 154,640,574 | (97,008,736) | 2,316,002 | (437,224) | 116,799,691 | 176,310,307 |

Note:

1. The basis of preparation of the Unaudited Condensed Consolidated Statement of Changes in Equity are disclosed in Note A1 and should be read in conjunction with the AFS 2023 and the accompanying explanatory notes attached to this interim financial report.

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 JULY 2024**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER ENDED 31 JULY 2024⁽¹⁾**

| | Unaudited 31.7.2024 RM | Unaudited 31.7.2023 RM |
|--|---------------------------------------|---------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 13,934,573 | 11,792,888 |
| Adjustments for: | | |
| Accretion of lease interest | 12,756 | 22,041 |
| Depreciation of: | | |
| - property, plant and equipment | 472,058 | 477,881 |
| - right-of-use assets | 140,810 | 153,567 |
| Dividend income | (17,229) | (53,100) |
| Interest income | (3,245,417) | (2,045,123) |
| Property, plant and equipment written off | - | 85 |
| Operating profit before working capital changes | 11,297,551 | 10,348,239 |
| Increase in trade and other receivables | (14,189,285) | (14,302,682) |
| Increase in deposits and prepayments | (1,214,651) | (1,561,513) |
| Increase in inventories | (436,647) | - |
| Increase in trade and other payables | 9,073,331 | 13,130,375 |
| Cash generated from operations | 4,530,299 | 7,614,419 |
| Income tax paid | (2,341,916) | (3,936,091) |
| Net cash from operating activities | 2,188,383 | 3,678,328 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 3,245,417 | 2,045,123 |
| Dividends received | 17,229 | 53,100 |
| Purchase of property, plant and equipment | (326,610) | (880,729) |
| Addition in other investments carried at fair value through profit or loss | (924,386) | (164,539) |
| Proceeds from disposal of other investments carried at fair value through profit or loss | 281,135 | - |
| Net cash from investing activities | 2,292,785 | 1,052,955 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of lease liabilities | (162,828) | (177,102) |
| Dividend paid | (4,465,000) | - |
| Net cash used in financing activities | (4,627,828) | (177,102) |

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| | Unaudited 31.7.2024 RM | Unaudited 31.7.2023 RM |
|---|---------------------------------------|---------------------------------------|
| NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS | (146,660) | 4,554,181 |
| Cash and cash equivalents at beginning of the financial period | 82,503,757 | 46,063,268 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD | <u>82,357,097</u> | <u>50,617,449</u> |

Note:

1. The basis of preparation of the Unaudited Condensed Consolidated Statement of Cash Flows are disclosed in Note A1 and should be read in conjunction with the AFS 2023 and the accompanying explanatory notes attached to this interim financial report.

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 JULY 2024

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 JULY 2024

A. EXPLANATORY NOTES ON THE COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS 134”), INTERIM FINANCIAL REPORT

A1. BASIS OF PREPARATION

This interim financial report of the Company and its subsidiaries (collectively, the “**Group**”) is unaudited and has been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“**MFRS**”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“**MASB**”), Rule 9.22 and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Listing Requirements**”).

This interim financial report should be read in conjunction with the AFS 2023 and the accompanying explanatory notes attached to this interim financial report.

A2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements of the Group for the financial year ended 31 October 2023.

As at the date of authorisation of this interim financial report, the following Standards were issued by the MASB but not yet effective and have not been adopted by the Group:

| | Effective for financial periods beginning on or |
|--|--|
| MFRSs, Amendments to MFRSs and IC Interpretations | |
| Amendments to MFRS 16: Leases: Lease Liability in a Sales and Leaseback | 1 January 2024 |
| Amendments to MFRS 101 Presentation of Financial Statements: Non-Current Liabilities with Covenants | 1 January 2024 |
| Amendments to MFRS 107 Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangement | 1 January 2024 |
| Amendments to MFRS 121 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability | 1 January 2025 |
| Amendments to MFRS 9 Financial Instruments and MFRS 7 Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments | 1 January 2026 |
| Amendments to MFRS 18 Presentation and Disclosure in Financial Statements | 1 January 2027 |
| Amendments to MFRS 19 Subsidiaries without Public Accountability: Disclosures | 1 January 2027 |

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**NOTES TO THE INTERIM FINANCIAL REPORT
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A. EXPLANATORY NOTES ON THE COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS 134”), INTERIM FINANCIAL REPORT (CONT’D)

A2. SIGNIFICANT ACCOUNTING POLICIES (CONT’D)

| | Effective for financial periods beginning on or |
|---|--|
| MFRSs, Amendments to MFRSs and IC Interpretations | |
| Amendments to MFRS 10: Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures – Sales or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined by the MASB |

The initial application of the above Standards is not expected to have any material impact to the consolidated financial statements of the Group upon their first adoption.

A3. AUDITORS’ REPORT OF PRECEDING ANNUAL AUDITED FINANCIAL STATEMENTS

The audited financial statements of the Group for the financial year ended 31 October 2023 was not subject to any qualification.

A4. SEASONAL OR CYCLICAL FACTORS

The business operations of the Group were not significantly affected by any seasonal or cyclical trend during the current financial quarter and financial year-to-date.

A5. MATERIAL UNUSUAL ITEMS

There were no material unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter and financial year-to-date.

A6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in accounting estimates that have a material effect to the Group in the current financial quarter and financial year-to-date.

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FOR THE THIRD QUARTER ENDED 31 JULY 2024****A. EXPLANATORY NOTES ON THE COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS 134”), INTERIM FINANCIAL REPORT (CONT’D)****A7. DEBT AND EQUITY SECURITIES**

There was no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the current financial quarter and financial year-to-date.

A8. DIVIDEND PAID

For the financial year-to-date, the Company had on the first quarter declared a single tier interim dividend of 0.5 sen per ordinary share amounting to RM4,465,000 in respect of the financial year ending 31 October 2024 and was paid on 2 February 2024 to the shareholders whose names appeared in the Record of Depositors on 12 January 2024.

The Company has not proposed and/or paid any dividend during the current financial quarter, as well as the previous corresponding period.

A9. SEGMENTAL INFORMATION

The Group’s revenue is segmented as follows:

| | Individual Quarter | | Cumulative Quarters | |
|---------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 3-months ended 31 July | 3-months ended 31 July | 9-months ended 31 July | 9-months ended 31 July |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| | 31.7.2024 | 31.7.2023 | 31.7.2024 | 31.7.2023 |
| | RM | RM | RM | RM |
| <u>Business segments</u> | | | | |
| Stockbroking | 6,230,703 | 4,466,274 | 16,695,352 | 13,557,300 |
| Corporate Finance | 3,208,785 | 2,793,277 | 7,058,285 | 5,141,276 |
| Total | 9,439,488 | 7,259,551 | 23,753,637 | 18,698,576 |

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FOR THE THIRD QUARTER ENDED 31 JULY 2024****A. EXPLANATORY NOTES ON THE COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS 134”), INTERIM FINANCIAL REPORT (CONT’D)****A10. CHANGES IN THE COMPOSITION OF THE GROUP**

On 19 April 2024, the Company incorporated a wholly-owned subsidiary, Mercury Wealth Management Sdn Bhd for the purpose to undertake fund management activities. As at the date of this interim financial report, this new subsidiary has not commenced operations.

Save for the above, there was no other changes in the composition of the Group during the current financial quarter and financial year-to-date.

A11. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no material contingent liabilities or contingent assets to be disclosed as at 31 July 2024.

A12. SIGNIFICANT RELATED PARTY TRANSACTIONS

Save as disclosed below, there are no other significant related party transactions during the current financial quarter and financial year-to-date:

| | Individual Quarter | | Cumulative Quarters | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 3-months ended 31 July | 3-months ended 31 July | 9-months ended 31 July | 9-months ended 31 July |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| | 31.7.2024 | 31.7.2023 | 31.7.2024 | 31.7.2023 |
| | RM | RM | RM | RM |
| Rental expenses paid to a related party for a branch office | 19,500 | 19,500 | 58,500 | 58,500 |
| Rental income received from a related party | 1,500 | 1,500 | 4,500 | 4,500 |
| Brokerage fees received from execution of trades on behalf of a major shareholder. | 1,309 | - | 1,675 | - |

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**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 31 JULY 2024**

A. EXPLANATORY NOTES ON THE COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS 134”), INTERIM FINANCIAL REPORT (CONT’D)

A13. MATERIAL CAPITAL COMMITMENTS

| | Unaudited As at 31.7.2024 RM | Audited As at 31.10.2023 RM |
|---|---|--|
| Contracted but not provided for: | | |
| - Computer equipment and software | <u>-</u> | <u>318,001</u> |

A14. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE CURRENT FINANCIAL QUARTER

On 9 September 2024, the Company incorporated Mercury Futures Sdn Bhd, a 51%-owned subsidiary for the purpose of investing and trading in derivatives and securities primarily listed on local and foreign exchanges. As at the date of this interim financial report, this new subsidiary has not commenced operations.

Save for the above, there were no other material events subsequent to the end of the current financial quarter that have not been reflected in this interim financial report.

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FOR THE THIRD QUARTER ENDED 31 JULY 2024****B. EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS****B1. REVIEW OF PERFORMANCE**

The Group's performance for the current financial quarter and the financial year-to-date ended 31 July 2024 are set out in the table below:

| | Individual Quarter | | Cumulative Quarters | |
|---------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 3-months ended 31 July | 3-months ended 31 July | 9-months ended 31 July | 9-months ended 31 July |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| | 31.7.2024 | 31.7.2023 | 31.7.2024 | 31.7.2023 |
| | RM | RM | RM | RM |
| Revenue | | | | |
| Stockbroking Segment | 6,230,703 | 4,466,274 | 16,695,352 | 13,557,300 |
| Corporate Finance Segment | 3,208,785 | 2,793,277 | 7,058,285 | 5,141,276 |
| Total Revenue | 9,439,488 | 7,259,551 | 23,753,637 | 18,698,576 |
| Gross Profit | 5,280,134 | 5,014,693 | 14,155,468 | 12,820,088 |
| Profit before tax ("PBT") | 5,142,385 | 4,913,198 | 13,934,573 | 11,792,888 |
| Gross profit margin (%) | 55.94 | 69.08 | 59.59 | 68.56 |
| PBT margin (%) | 54.48 | 67.68 | 58.66 | 63.07 |

COMMENTARIES

- (1) Review of performance in the current financial quarter ("Q3 2024") as compared to the corresponding financial quarter of last financial year ("Q3 2023")

In the Q3 2024, Stockbroking Segment achieved revenue of RM6.23 million, an increase of 39.51% as compared to RM4.47 million in the Q3 2023 due to increase in brokerage fees, margin income and underwriting and placement fees.

In the Q3 2024, Corporate Finance Segment also recorded increase in revenue by RM0.42 million or 14.88% to RM3.21 million from RM2.79 million in the Q3 2023 due to more mandates secured in Q3 2024 as compared to Q3 2023.

In the Q3 2024, the Group achieved an increase in gross profit by RM 0.27 million or 5.29% to RM5.28 million from RM5.01 million in the Q3 2023 due to higher revenue achieved in the Q3 2024. Gross profit margin declined by 13.14% to 55.94% in the Q3 2024 mainly due to higher:

- (i) amount of commission paid to dealers and remisiers from higher brokerage fees earned; and
- (ii) direct staff costs from payment of performance bonus.

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B. EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

B1. REVIEW OF PERFORMANCE (CONT'D)

COMMENTARIES (CONT'D)

In the Q3 2024, the Group achieved higher PBT of RM5.14 million, an increase of RM0.23 million or 4.66% as compared to RM4.91 million in Q3 2023 mainly due to higher gross profit and interest income. The lower PBT margin of 54.48% in the Q3 2024 was due to lower gross profit margin achieved in the Q3 2024.

- (2) Review of performance for the 9-months financial period ended 31 July 2024 (“**9-months FPE 2024**”) as compared to corresponding 9-months financial period ended 31 July 2023 (“**9-months FPE 2023**”)

In the 9-months FPE 2024, the Group recorded higher revenue of RM23.75 million, an increase of RM5.06 million or 27.03% as compared to RM18.70 million in the 9-months FPE 2023. The increase was mainly due to higher revenue achieved by both the Stockbroking Segment and Corporate Finance Segment.

As a result of higher revenue in the 9-months FPE 2024, the Group’s gross profit increased by RM 1.34 million or 10.42% to RM14.16 million. However, gross profit margin declined by 8.97% to 59.59% in the 9-months FPE 2024 mainly due to higher amount of commission paid to dealers and remisiers and direct staff costs from payment of performance bonus in the 9-months FPE 2024.

The Group achieved PBT of RM13.93 million, an increase of RM2.14 million or 18.16% in the 9-months FPE 2024 as compared to PBT of RM11.79 million recorded in the 9-corresponding period. The increase was mainly attributable to higher gross profit, interest income and gains from proprietary trading.

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| | Individual Quarter | | Variance RM |
|-------------------------|------------------------------|------------------------------|----------------|
| | Unaudited 31.7.2024 RM | Unaudited 30.4.2024 RM | |
| Revenue | 9,439,488 | 6,389,641 | 3,049,847 |
| Gross Profit | 5,280,134 | 3,895,129 | 1,385,005 |
| PBT | 5,142,385 | 3,972,948 | 1,169,437 |
| Gross profit margin (%) | 55.94 | 60.96 | (5.02) |
| PBT margin (%) | 54.48 | 62.18 | (7.70) |

COMMENTARIES

In the current financial quarter, the Group's revenue increased by RM3.05 million or 47.73% to RM9.44 million as compared to RM6.39 million for the immediate preceding quarter. The increase in revenue in the current financial quarter was mainly attributable to increase in brokerage fees as well as underwriting and placement fees.

With the higher revenue, the Group achieved higher gross profit of RM5.28 million, an increase of RM1.39 million or 35.56% as compared to RM3.89 million in the immediate preceding quarter.

The Group recorded PBT of RM5.14 million in the current financial quarter, an increase of RM1.17 million or 29.43% as compared to PBT of RM3.97 million in the immediate preceding quarter due to the higher revenue and gross profit coupled with higher interest income.

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B. EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

B3. PROSPECTS OF THE GROUP

The Malaysian economy expanded by 5.1% in the first half of 2024. The latest indicators point towards sustained strength in economic activity driven by resilient domestic expenditure and higher export activity. Going forward, exports are expected to be further lifted by the global tech upcycle given Malaysia's position in the semiconductor supply chain, as well as continued strength in non-electrical and electronics goods. Tourist spending is expected to continue to increase. Employment and wage growth, as well as policy measures, remaining supportive of household spending. The robust expansion in investment activity would be sustained by the progress of multi-year projects in both the private and public sectors, the implementation of catalytic initiatives under the national master plans, as well as the higher realisation of approved investments.

For the year as a whole, average headline and core inflation are expected to remain within the earlier projected ranges and are unlikely to exceed 3%.

The recent recovery in the ringgit is driven by the shift in expectations of lower interest rates in major economies, particularly the United States of America, as well as Malaysia's strong economic performance. Looking ahead, Malaysia's positive economic prospects and domestic structural reforms, complemented by ongoing initiatives to encourage flows, will continue to provide enduring support to the ringgit.

At the current overnight policy rate level, the monetary policy stance remains supportive of the economy and is consistent with the current assessment of inflation and growth prospects. The Monetary Policy Committee ("MPC") remains vigilant to ongoing developments to inform the assessment on the domestic inflation and growth trajectories going into 2025. The MPC will ensure that the monetary policy stance remains conducive to sustainable economic growth amid price stability.

(Source: Bank Negara Malaysia: Monetary Policy Statement dated 5 September 2024)

Given the encouraging growth prospects and Bank Negara Malaysia's continued policy supportive of the economy, the Board is cautiously optimistic that the trading conditions and corporate activities will remain positive which will bode well for the Group's performance in the remaining quarter of the financial year ending 31 October 2024.

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The Group did not issue any profit estimate, forecast, projection or internal targets in any public document.

B5. PROFIT BEFORE TAX

| | Individual Quarter | | Cumulative Quarters | |
|--|--|--|--|--|
| | 3-months ended 31 July Unaudited 31.7.2024 RM | 3-months ended 31 July Unaudited 31.7.2023 RM | 9-months ended 31 July Unaudited 31.7.2024 RM | 9-months ended 31 July Unaudited 31.7.2023 RM |
| Profit before tax is arrived at after charging: | | | | |
| Auditors' remuneration | | | | |
| - current year | 32,500 | 32,500 | 110,500 | 82,500 |
| Commission paid/payable to dealers and remisiers | 1,333,534 | 767,999 | 3,305,235 | 2,636,178 |
| Depreciation of: | | | | |
| - property, plant and equipment | 158,487 | 168,282 | 472,058 | 477,881 |
| - right-of-use assets | 46,937 | 8,669 | 140,810 | 153,567 |
| Property, plant and equipment written off | - | - | - | 85 |
| Staff costs | 2,783,609 | 2,148,797 | 7,268,879 | 4,962,061 |
| and crediting: | | | | |
| Dividend income | 14,882 | 33,105 | 17,229 | 53,100 |
| Interest income | 991,431 | 725,067 | 3,245,417 | 2,045,123 |
| Realised gain on foreign exchange | 47,757 | 231,495 | 152,005 | 437,877 |
| Rental income | 34,500 | 42,500 | 114,000 | 121,100 |
| Reversal of allowance for expected credit losses | - | 150,000 | - | 150,000 |

Save as disclosed above, the other disclosure items pursuant to Rule 16 of Appendix 9B of the Listing Requirements are not applicable.

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| | Individual Quarter | | Cumulative Quarters | |
|-------------------------------|------------------------|------------------|------------------------|------------------|
| | 3-months ended 31 July | | 9-months ended 31 July | |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| | 31.7.2024 | 31.7.2023 | 31.7.2024 | 31.7.2023 |
| | RM | RM | RM | RM |
| Current tax expense | 1,401,000 | 1,185,234 | 3,561,800 | 2,975,334 |
| Deferred tax expense | (166,000) | - | (166,000) | 12,140 |
| Total | 1,235,000 | 1,185,234 | 3,395,800 | 2,987,474 |
| Effective tax rate (%) | 24.02 | 24.12 | 24.37 | 25.33 |

The effective tax rate of 24.02% for current financial quarter and 24.37% for the financial year-to-date are slightly higher than the statutory tax rate of 24.00% due to certain expenses not deductible for tax purposes.

B7. BASIC/DILUTED EARNINGS PER SHARE

The basic EPS and diluted EPS for the current quarter and financial year-to-date and the corresponding quarter and financial year-to-date is computed as follows:

| | Individual Quarter | | Cumulative Quarters | |
|--|------------------------|-------------|------------------------|-------------|
| | 3-months ended 31 July | | 9-months ended 31 July | |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| | 31.7.2024 | 31.7.2023 | 31.7.2024 | 31.7.2023 |
| | RM | RM | RM | RM |
| Profit attributable to owners of the Company | 3,907,385 | 3,727,964 | 10,538,773 | 8,805,414 |
| Number of ordinary shares | 893,000,000 | 735,904,300 | 893,000,000 | 735,904,300 |
| Basic/Diluted EPS (sen) | 0.44 | 0.51 | 1.18 | 1.20 |

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There were no corporate proposals announced by the Company but not completed as at the date of this interim financial report.

B9. UTILISATION OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING (“IPO”)

The utilisation of proceeds as disclosed below should be read in conjunction with the Prospectus of the Company dated 28 August 2023. As at 31 July 2024, the status of utilisation of the gross proceeds of RM39.27 million raised from our IPO are as follows:

| <u>Details of use of proceeds</u> | <u>Proposed Utilisation (RM'000)</u> | <u>Amount Utilised (RM'000)</u> | <u>Balance Unutilised (RM'000)</u> | <u>Estimated timeframe for use from the date of Listing</u> |
|--|---|--|---|--|
| Margin financing facility services | 26,860 | 22,048 | 4,812 | Within 24 months |
| Enhancement of digitalisation programme and marketing activities for the stockbroking business and operations of the Group | 2,880 | 876 | 2,004 | Within 18 months |
| Working capital | 4,634 | 4,634 | - | Within 12 months |
| Listing expenses | 4,900 | 4,900 | - | Within 3 months |
| Total | <u>39,274</u> | <u>32,458</u> | <u>6,816</u> | |

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B. EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

B10. GROUP BORROWINGS AND DEBTS SECURITIES

As at the date of this interim financial report, there were no borrowings and the Group has not issued any debts securities.

B11. MATERIAL LITIGATION

There were no litigation or arbitration which has a material effect on the financial position and performance of the Group as at the date of this interim financial report.

B12. DIVIDEND

No interim dividend has been declared for the current quarter ended 31 July 2024.

B13. AUTHORISE FOR ISSUE

The interim financial report was authorised for issue by the Board in accordance with a resolution of the Directors on 26 September 2024.

**BY ORDER OF THE BOARD
MERCURY SECURITIES GROUP BERHAD
26 SEPTEMBER 2024**