



MERCURY SECURITIES GROUP BERHAD

(Registration No. 202101018329 (1418629-A))

(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2023**

MERCURY SECURITIES GROUP BERHAD

Registration No. 202101018329 (1418629-A)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2023**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2023⁽¹⁾**

	Note	Individual Quarter		Cumulative Quarters	
		Unaudited 31.10.2023 RM	Unaudited 31.10.2022 ⁽²⁾ RM	Unaudited 31.10.2023 RM	Unaudited 31.10.2022 ⁽²⁾ RM
Revenue	A9	8,706,177	N/A	27,404,753	N/A
Cost of services		(3,662,727)	N/A	(9,541,215)	N/A
Gross profit		5,043,450	N/A	17,863,538	N/A
Other income		1,435,238	N/A	4,613,233	N/A
Net trading gains on financial assets at fair value through profit or loss		391,998	N/A	1,150,186	N/A
Administrative and other operating expenses		(2,265,907)	N/A	(7,207,249)	N/A
Listing expenses ⁽³⁾		(3,931,652)	N/A	(3,931,652)	N/A
Finance costs		(5,692)	N/A	(27,733)	N/A
Profit before tax	B5	667,435	N/A	12,460,323	N/A
Income tax expense	B6	(1,089,139)	N/A	(4,076,613)	N/A
(Loss)/Profit after tax		(421,704)	N/A	8,383,710	N/A
Other comprehensive (loss) / income, net of income tax					
Items that will not be reclassified subsequently to profit or loss:					
Fair value adjustment on other investments		30,126	N/A	44,309	N/A
Realisation of revaluation surplus upon depreciation		(31,224)	N/A	(62,448)	N/A
Transfer of revaluation surplus to retained profit		31,224	N/A	62,448	N/A
Total comprehensive (loss) / income for the financial period/year		(391,578)	N/A	8,428,019	N/A
(Loss) / Earnings per share⁽⁴⁾ (sen)	B7				
- Basic		(0.15)	N/A	3.06	N/A
- Diluted		(0.15)	N/A	3.06	N/A

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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 Accountants' Report dated 8 August 2023 ("**Accountants' Report**") included in the prospectus of Mercury Securities Group Berhad ("**Company**") dated 28 August 2023 ("**Prospectus**") and the accompanying explanatory notes attached to this interim financial report.
2. This is the second interim financial report being announced in compliance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**") following the listing of and quotation for the Company's enlarged issued shares on 19 September 2023. There are no comparative figures for the preceding corresponding quarter and financial year-to-date as there is no interim financial report prepared for the comparative quarter and financial year-to-date concerned.
3. The listing expenses is one off and non-recurring in nature. For illustration purposes only, the Group's financial performance after adjusting for the one off and non-recurring listing expenses is as follows:

	Individual Quarter Unaudited 31.10.2023 RM	Cumulative Quarters Unaudited 31.10.2023 RM
Profit before tax	667,435	12,460,323
Add: Listing expenses	3,931,652	3,931,652
Adjusted profit before tax	<u>4,599,087</u>	<u>16,391,975</u>

4. Basic earnings per share ("**EPS**") is calculated based on the profit attributable to owners of the Company divided by 274,131,334 ordinary shares being the weighted average number of ordinary shares in issue during the financial quarter and financial-year-to-date. Diluted EPS is equivalent to the basic EPS as the Company does not have any dilutive instruments at the end of the reporting period.

N/A - Not applicable.

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2023**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2023⁽¹⁾**

	Unaudited As at 31.10.2023 RM	Audited As at 31.10.2022⁽⁴⁾ RM
ASSETS		
Non-current assets		
Property, plant and equipment	11,777,672	11,184,638
Investment properties	4,500,000	4,200,000
Right-of-use assets	308,137	546,909
Intangible assets	7,891,722	7,891,722
Other investments	536,894	492,585
	25,014,425	24,315,854
Current assets		
Trade and other receivables	73,826,622	69,457,687
Deposits and prepayments	3,100,382	5,272,345
Other investments	1,111,418	489,845
Cash and cash equivalents	82,503,757	46,063,268
	160,542,179	121,283,145
TOTAL ASSETS	185,556,604	145,598,999
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	154,640,574	3
Invested equity ⁽²⁾	-	20,000,000
Merger reserve	(97,008,736)	-
Other reserves	112,959,721	104,531,702
TOTAL EQUITY	170,591,559	124,531,705
Non-current liabilities		
Lease liabilities	139,875	341,447
Deferred tax liabilities	1,106,160	1,086,880
	1,246,035	1,428,327
Current liabilities		
Trade and other payables	13,298,235	18,565,457
Lease liabilities	201,571	246,465
Current tax liabilities	219,204	827,045
	13,719,010	19,638,967
TOTAL LIABILITIES	14,965,045	21,067,294
TOTAL EQUITY AND LIABILITIES	185,556,604	145,598,999
Net assets per share ⁽³⁾ (sen)	19.10	16.92

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2023⁽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 Accountants' Report included in the Prospectus and the accompanying explanatory notes attached to this interim financial report.
2. As at 31 October 2022, the invested equity of RM20,000,000 comprises of the entire issued share capital of Mercury Securities Sdn Bhd. In conjunction with the listing, the entire invested equity was acquired by the Company upon completion of the acquisition on 26 June 2023, Mercury Securities Sdn Bhd together with its wholly-owned subsidiaries, namely Mercsec Nominees (Tempatan) Sdn Bhd and Mercsec Nominees (Asing) Sdn Bhd became subsidiaries of the Company. The Company has adopted the merger accounting principles as the consolidated entities are under common control by the same shareholders before and after the completion of the acquisition.
3. Net assets per share is computed based on net assets attributable to owners of the Company divided by 893,000,000 shares in issue as at 31 October 2023.
4. The comparative figures as at 31 October 2022 were prepared on a combined basis whereby it is assumed that the Group has been operating as a single economic entity throughout the financial year ended 31 October 2022 since the combining entities were under common control throughout the financial year by virtue of common controlling shareholders.

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2023**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2023⁽¹⁾**

	<----- Non-distributable ----->					Distributable	Total Equity RM
	Share Capital RM	Invested Equity RM	Merger Reserve RM	Revaluation Reserve RM	Fair Value Reserve RM	Retained Earnings RM	
Balance as at 1 November 2022	3	20,000,000	-	2,425,286	(122,509)	102,228,925	124,531,705
Profit for the financial year	-	-	-	-	-	8,383,710	8,383,710
Other comprehensive income / (loss) for the financial year, net of income tax	-	-	-	(62,448)	44,309	62,448	44,309
Transaction with owners of the Company:							
Acquisition of subsidiaries	117,008,736	(20,000,000)	(97,008,736)	-	-	-	-
Public issue	39,273,925	-	-	-	-	-	39,273,925
Shares issuance expenses for the listing	(1,642,090)	-	-	-	-	-	(1,642,090)
Balance as at 31 October 2023	154,640,574	-	(97,008,736)	2,362,838	(78,200)	110,675,083	170,591,559

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 Accountants' Report included in the Prospectus and the accompanying explanatory notes attached to this interim financial report.

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2023**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2023⁽¹⁾**

	Unaudited 31.10.2023 RM	Unaudited 31.10.2022⁽²⁾ RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	12,460,323	N/A
Adjustments for:		
Accretion of lease interest	27,733	N/A
Allowance for expected credit losses	84,471	N/A
Depreciation of:		
- property, plant and equipment	636,508	N/A
- right-of-use assets	238,772	N/A
Dividend income	(56,128)	N/A
Interest income	(3,016,963)	N/A
Loss on disposal on property, plant and equipment	1,636	N/A
Property, plant and equipment written off	85	N/A
Gain on changes in fair value of investment properties	(300,000)	N/A
Operating profit before working capital changes	10,076,437	N/A
Increase in trade and other receivables	(4,453,406)	N/A
Decrease in deposits and prepayments	2,171,963	N/A
Decrease in trade and other payables	(5,267,222)	N/A
Cash generated from operations	2,527,772	N/A
Income tax paid	(4,665,174)	N/A
Net cash used in operating activities	(2,137,402)	N/A
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	3,016,963	N/A
Dividends received	56,128	N/A
Purchase of property, plant and equipment	(1,231,463)	N/A
Proceeds from disposal of property, plant and equipment	200	N/A
Addition in other investments carried at fair value through profit or loss	(621,573)	N/A
Net cash from investing activities	1,220,255	N/A
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(274,199)	N/A
Proceeds from issuance of shares, net	37,631,835	N/A
Net cash from financing activities	37,357,636	N/A

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	Unaudited 31.10.2023 RM	Unaudited 31.10.2022⁽²⁾ RM
NET INCREASE IN CASH AND CASH EQUIVALENTS	36,440,489	N/A
Cash and cash equivalents at beginning of the financial year	46,063,268	N/A
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	82,503,757	N/A

Notes:

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 Accountants' Report included in the Prospectus and the accompanying explanatory notes attached to this interim financial report.
2. This is the second interim financial report being announced in compliance with the Listing Requirements. There are no comparative figures for the preceding corresponding quarter and financial year-to-date as there is no interim financial report prepared for the comparative quarter and financial year-to-date concerned.

N/A - Not applicable.

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2023

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2023

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 our 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”) and Rule 9.22 and Appendix 9B of the Listing Requirements.

This is the second interim financial report on the Company’s consolidated results for the fourth quarter ended 31 October 2023 announced by the Company in compliance with the Listing Requirements and as such, there are no comparative figures for the preceding year’s corresponding quarter.

This interim financial report should be read in conjunction with the Accountants’ Report included in the Prospectus 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 preparation of the Accountants’ Report as disclosed in the Prospectus.

As at the date of authorisation of this interim financial report, the following Standards were issued 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 17: Insurance Contracts: Initial application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendments to MFRS 101: Presentation of Financial Statements: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 112: Income Taxes: International Tax Reform: Pillar Two Model Rules	1 January 2023

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2023

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2023**

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 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 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	Deferred

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

A3. AUDITORS’ REPORT OF PRECEDING ANNUAL AUDITED FINANCIAL STATEMENTS

The audited financial statements of the Company and its subsidiaries namely Mercury Securities Sdn Bhd, Mercsec Nominees (Tempatan) Sdn Bhd, and Mercsec Nominees (Asing) Sdn Bhd for the financial year ended 31 October 2022 were not qualified.

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2023

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2023

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

A4. SEASONAL OR CYCLICAL FACTORS

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

A5. MATERIAL UNUSUAL ITEMS

During the current financial quarter, the Company charged out total expenses of RM5,573,742 incurred in conjunction with the listing of the Company on the ACE Market of Bursa Securities on 19 September 2023. A sum of RM3,931,652 was charged to the Unaudited Condensed Statement of Comprehensive Income and the balance sum of RM1,642,090 was accounted as share issuance expenses in the Unaudited Condensed Statement of Changes in Equity for the current financial quarter.

Save for the above, there were no 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 changes in accounting estimates that have a material effect to the Group in the current financial quarter and financial year-to-date.

A7. DEBT AND EQUITY SECURITIES

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

- the issuance of 735,904,000 new Shares to settle the purchase consideration of RM117,008,736 for the acquisition of the entire equity interest comprising 20,000,000 ordinary shares in Mercury Securities Sdn Bhd that was completed on 26 June 2023; and
- the issuance of 157,095,700 new Shares at an issue price of RM0.25 per Share in conjunction with the listing of and quotation for the Company’s enlarged issued share capital comprising 893,000,000 Shares on the ACE Market of Bursa Securities on 19 September 2023.

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2023**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2023****A. EXPLANATORY NOTES ON THE COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS 134”), INTERIM FINANCIAL REPORT (CONT’D)****A8. DIVIDEND PAID**

There was no dividend paid during the current financial quarter and financial year-to-date.

A9. SEGMENTAL INFORMATION

The Group’s revenue is segmented as follows:

	Individual Quarter		Cumulative Quarters	
	Unaudited 31.10.2023	Unaudited 31.10.2022⁽¹⁾	Unaudited 31.10.2023	Unaudited 31.10.2022⁽¹⁾
	RM	RM	RM	RM
<u>Business segments</u>				
Stockbroking	6,346,357	N/A	19,903,657	N/A
Corporate Finance	2,359,820	N/A	7,501,096	N/A
Total	8,706,177	N/A	27,404,753	N/A

Notes:

1. This is the second interim financial report being announced in compliance with the Listing Requirements. There are no comparative figures for the preceding corresponding quarter and financial year-to-date as there is no interim financial report prepared for the comparative quarter and financial year-to-date concerned.

N/A - Not applicable.

A10. CHANGES IN THE COMPOSITION OF THE GROUP

On 26 June 2023, the Company completed the acquisition of the entire equity interest of 20,000,000 ordinary shares in Mercury Securities Sdn Bhd together with its wholly-owned subsidiaries, Mercsec Nominees (Tempatan) Sdn Bhd and Mercsec Nominees (Asing) Sdn Bhd.

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

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2023**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2023****A. EXPLANATORY NOTES ON THE COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS 134”), INTERIM FINANCIAL REPORT (CONT’D)****A11. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

There were no material contingent liabilities or contingent assets to be disclosed as at the end of the current financial quarter.

A12. SIGNIFICANT RELATED PARTY TRANSACTIONS

Save as disclosed below, there are no other significant related party transactions during the current financial quarter and cumulative quarters ended 31 October 2023:

	Individual Quarter		Cumulative Quarters	
	Unaudited 31.10.2023	Unaudited 31.10.2022⁽¹⁾	Unaudited 31.10.2023	Unaudited 31.10.2022⁽¹⁾
	RM	RM	RM	RM
Rental expenses paid to a related party for a branch office	19,500	N/A	78,000	N/A
Rental income received from a related party	1,500	N/A	6,000	N/A

Notes:

1. This is the first interim financial report being announced in compliance with the Listing Requirements. There are no comparative figures for the preceding corresponding quarter and financial year-to-date as there is no interim financial report prepared for the comparative quarter and financial year-to-date concerned.

N/A - Not applicable.

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2023

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2023

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

A13. MATERIAL CAPITAL COMMITMENTS

	Unaudited	Audited
	As at	As at
	31.10.2023	31.10.2022
	RM	RM
Contracted but not provided for:		
- Computer equipment and software	<u>318,001</u>	<u>781,325</u>

A14. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE QUARTER

There were no 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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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2023**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2023****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 cumulative quarters ended 31 October 2023 are tabled below:

	Individual Quarter		Cumulative Quarters	
	Unaudited 31.10.2023 RM	Unaudited 31.10.2022 ⁽¹⁾ RM	Unaudited 31.10.2023 RM	Unaudited 31.10.2022 ⁽¹⁾ RM
Revenue	8,706,177	N/A	27,404,753	N/A
Gross Profit	5,043,450	N/A	17,863,538	N/A
Profit before tax ("PBT")	667,435	N/A	12,460,323	N/A
Gross profit margin (%)	57.93	N/A	65.18	N/A
PBT margin (%)	7.67	N/A	45.47	N/A

Notes:

1. This is the second interim financial report being announced in compliance with the Listing Requirements. There are no comparative figures for the preceding corresponding quarter and financial year-to-date as there is no interim financial report prepared for the comparative quarter and financial year-to-date concerned.

N/A - Not applicable.

COMMENTARY

After accounting for the one off non-recurring listing expenses of RM3.93 million in the current financial quarter, the Group recorded PBT of RM0.67 million and for the cumulative quarters ended 31 October 2023, the Group recorded PBT of RM12.46 million. Without the one off non-recurring listing expenses of RM3.93 million, the Group would have recorded PBT of RM4.60 million and RM16.39 million in the current financial quarter and cumulative quarters respectively.

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2023**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2023****B. EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)****B1. REVIEW OF PERFORMANCE (CONT'D)****COMMENTARY (CONT'D)**

The Group recorded revenue of RM8.71 million for the current financial quarter and RM27.40 million for the cumulative quarters ended 31 October 2023.

Stockbroking segment recorded a revenue of RM6.35 million (72.90%) in the current financial quarter and RM19.90 million (72.63%) in the cumulative quarters ended 31 October 2023. The main revenue contributors to the revenue of the Stockbroking segment are derived from:

	Individual Quarter		Cumulative Quarters	
	Unaudited 31.10.2023	Unaudited 31.10.2022 ⁽¹⁾	Unaudited 31.10.2023	Unaudited 31.10.2022 ⁽¹⁾
	RM	RM	RM	RM
Brokerage fees	3,681,320	N/A	11,389,134	N/A
Margin income	1,744,914	N/A	6,962,323	N/A
Underwriting and placement fees	915,148	N/A	1,537,506	N/A
Nominees fees	4,975	N/A	14,694	N/A
Total	6,346,357	N/A	19,903,657	N/A

Notes:

1. This is the second interim financial report being announced in compliance with the Listing Requirements. There are no comparative figures for the preceding corresponding quarter and financial year-to-date as there is no interim financial report prepared for the comparative quarter and financial year-to-date concerned.

N/A - Not applicable.

The Corporate Finance segment contributed revenue of RM2.36 million (27.10%) in the current financial quarter and RM7.50 million (27.37%) for the cumulative quarters ended 31 October 2023. During the financial year, the corporate finance team successfully listed 2 companies on the ACE Market of Bursa Securities and also completed several secondary fund raising exercises, accounting for the underwriting and placement fees.

The Group recorded gross profit of RM5.04 million with gross profit margin of 57.93% for the current financial quarter and gross profit of RM17.86 million with gross profit margin of 65.18% for the cumulative quarters ended 31 October 2023.

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In addition to the gross profit contribution from the 2 main operating segments, other income of RM4.61 million (mainly interest income from placement of funds on repo basis) and gains from proprietary trading of RM1.15 million net of administrative and other operating expenses of RM7.21 million contributed to the overall Group's PBT of RM12.46 million for the cumulative quarters ended 31 October 2023.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER

	Individual Quarter		
	Unaudited	Unaudited	Variance
	31.10.2023	31.7.2023	
	RM	RM	RM
Revenue	8,706,177	7,259,551	1,446,626
Gross Profit	5,043,450	5,014,693	28,757
PBT*	667,435	4,913,198	(4,245,763)
Gross profit margin (%)	57.93	69.07	(11.14%)
PBT margin (%)	7.67	67.68	(60.01%)

The Group recorded a revenue and PBT of RM8.71 million and RM0.67 million respectively in the current financial quarter, as compared to the revenue and PBT of RM7.26 million and RM4.91 million respectively in the preceding quarter.

* The lower PBT in the current financial quarter as compared to the preceding quarter was mainly attributed to the following:

- a one off non-recurring expenses of RM3.93 million incurred for the Company's listing which was not directly attributable to the issuance of new shares;
- provision for expected credit loss of RM0.23 million from 2 corporate finance clients; and
- increase of staff costs of RM0.45 million due to higher headcount in the corporate finance teams as part of ongoing efforts to enhance capacity.

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

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER (CONT'D)

The higher expenses were partially offset by an increase in fair value gain of RM0.30 million from the revaluation of investment properties in the current financial quarter.

Revenue in the current financial quarter increased by RM1.45 million or 19.93% as compared to the preceding quarter was mainly due to the increase in revenue from the Stockbroking segment of RM1.88 million attributable mainly to higher brokerage fees, underwriting and placement fees.

B3. PROSPECTS OF THE GROUP

Despite escalating uncertainties in the global landscape, Malaysia's economy remains resilient. The GDP is forecast to expand between 4% and 5% in 2024, which will be achieved through robust domestic demand, effectively offsetting the challenges posed by the moderate global growth, supported by the implementation of measures in the new National Energy Transition Roadmap, New Industrial Master Plan 2030, and the Mid-Term Review of the Twelfth Malaysia Plan.

The current monetary policy stance remains accommodative and supportive of the economy in tandem with the assessment of the inflation and growth prospects. The financial sector is envisaged to remain resilient and stable, driven by a robust banking system which continues to support financial intermediation activities, benefitting from positive growth projections and an improving labour market. Simultaneously, the capital market remains vibrant in fostering Malaysia's prosperity, inclusivity, and sustainability by leveraging thought leadership, intensifying innovation, and diversifying the market's range of products to remain competitive.

(Source: Economy Outlook 2024 published by the Ministry of Finance, Malaysia)

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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 (CONT'D)

On the business and operations front, the Group will remain steadfast and continue to drive revenue growth whilst optimising operating costs through a combination of:

- (a) enhancing the Group's online trading platform to facilitate client acquisition efforts and improve clients' experience to increase the Group's market share;
- (b) increasing the proprietary trading teams and set out an algorithmic trading desk to support trading;
- (c) scaling the Group's share margin financing portfolio based on prudent and acceptable credit criteria, when the IPO proceeds earmarked for this purpose is being fully utilised, thus increasing margin income and brokerage fees;
- (d) focusing on origination efforts to secure more mandates beside executing and completing the pipeline of IPO mandates and other corporate finance proposals already secured to enhance corporate advisory and other fees growth; and
- (e) enhancing the digitalisation programme for the stockbroking business and operations.

The Group is also in the midst of introducing new products and services for its clients and continue its efforts to widen and increase its client base.

Premised on the above, the Board is cautiously optimistic that the prospects of the Group will continue to remain positive.

B4. PROFIT FORECAST

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

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	Individual Quarter		Cumulative Quarters	
	Unaudited 31.10.2023	Unaudited 31.10.2022 ⁽¹⁾	Unaudited 31.10.2023	Unaudited 31.10.2022 ⁽¹⁾
	RM	RM	RM	RM
Profit before tax is arrived at after charging:				
Auditors' remuneration				
- current year	515,468	N/A	597,968	N/A
Commission paid/payable to dealers and remisiers	1,215,962	N/A	3,852,140	N/A
Depreciation of:				
- property, plant and equipment	158,627	N/A	636,508	N/A
- right-of-use assets	85,205	N/A	238,772	N/A
Loss on disposal of property, plant and equipment	1,636	N/A	1,636	N/A
Property, plant and equipment written off	-	N/A	85	N/A
Provision for allowance for expected credit losses	234,471	N/A	234,471	N/A
Staff costs	3,679,662	N/A	8,641,723	N/A
and crediting:				
Dividend income	3,028	N/A	56,128	N/A
Interest income	971,840	N/A	3,016,963	N/A
Realised gain on foreign exchange	163,609	N/A	601,486	N/A
Rental income	45,000	N/A	166,100	N/A
Reversal of allowance for expected credit losses	-	N/A	150,000	N/A

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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1. This is the second interim financial report being announced in compliance with the Listing Requirements. There are no comparative figures for the preceding corresponding quarter and financial year-to-date as there is no interim financial report prepared for the comparative quarter and financial year-to-date concerned.

N/A - Not applicable.

B6. INCOME TAX EXPENSE

	Individual Quarter		Cumulative Quarters	
	Unaudited 31.10.2023	Unaudited 31.10.2022⁽¹⁾	Unaudited 31.10.2023	Unaudited 31.10.2022⁽¹⁾
	RM	RM	RM	RM
Current tax expense	1,081,999	N/A	4,057,333	N/A
Deferred tax expense	7,140	N/A	19,280	N/A
Total	1,089,139	N/A	4,076,613	N/A
Effective tax rate (%)	163.18	N/A	32.72	N/A

The effective tax rate is significantly higher than the statutory tax rate of 24% was mainly due to a substantial amount of one off non-deductible expenses incurred for the Company's listing.

Notes:

1. This is the second interim financial report being announced in compliance with the Listing Requirements. There are no comparative figures for the preceding corresponding quarter and financial year-to-date as there is no interim financial report prepared for the comparative quarter and financial year-to-date concerned.

N/A - Not applicable.

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The basic EPS and diluted EPS for the current and cumulative quarters is computed as follows:

	Individual Quarter		Cumulative Quarters	
	Unaudited 31.10.2023 RM	Unaudited 31.10.2022⁽¹⁾ RM	Unaudited 31.10.2023 RM	Unaudited 31.10.2022⁽¹⁾ RM
(Loss)/Profit attributable to owners of the Company	(421,704)	N/A	8,383,710	N/A
Weighted average number of ordinary shares	274,131,334	N/A	274,131,334	N/A
Basic/Diluted EPS (sen) ⁽²⁾	(0.15)	N/A	3.06	N/A

Notes:

1. No comparative figures for the preceding corresponding quarter and financial year-to-date are available as this is the first interim report announced by the Company in compliance with the Listing Requirement.
2. EPS is calculated based on the profit attributable to owners of the Company divided by 274,131,334 shares, being the weighted average number of ordinary shares in issue during the financial year ended 31 October 2023. Diluted EPS is equivalent to the basic EPS as the Company does not have any dilutive instruments at the end of the reporting period.

N/A - Not applicable.

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

B8. STATUS OF CORPORATE PROPOSALS

There were no other corporate proposals announced by the Company as at the date of this interim financial report except for the following corporate proposal which has been completed:

During the current financial quarter, in conjunction with the listing on the ACE Market of Bursa Securities, the Company issued 157,095,700 new shares at an issue price of RM0.25 per share made available for subscription by the Malaysian public, selected investors and Bumiputera investors approved by the Ministry of Investment, Trade and Industry.

The public balloting portion of 44,650,000 new shares was oversubscribed by the Malaysian public by 45.45 times and the remaining public portion of the new shares and the entire portion of the offer shares (comprising 71,512,300 existing shares) were fully subscribed by selected investors and Bumiputera investors approved by the Ministry of Investment, Trade and Industry. Following that, on 19 September 2023, the enlarged issued share capital of the Company comprising 893,000,000 shares was listed and quoted on the ACE Market of Bursa Securities.

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The Company had raised gross proceeds of RM39.27 million from the IPO. As at 30 November 2023, the status of utilisation of the IPO proceeds 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	-	26,860	Within 24 months
Enhancement of digitalisation programme and marketing activities for the stockbroking business and operations of the Group	2,880	318	2,562	Within 18 months
Working capital	4,634	2,773	1,861	Within 12 months
Listing expenses	4,900	4,900	-	Within 3 months
Total	<u>39,274</u>	<u>7,991</u>	<u>31,283</u>	

B10. GROUP BORROWINGS AND DEBTS SECURITIES

There were no borrowings and debts securities of the Group during the current financial quarter and financial year-to-date.

B11. MATERIAL LITIGATION

There were no litigation or arbitration which has a material effect on the financial position and performance of the Group. The Board is not aware of any pending proceedings or of any fact likely to give rise to any proceedings as at the date of this interim financial report.

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

B12. DIVIDEND

The Board of Directors has on 26 December 2023 declared a maiden interim dividend of 0.5 sen per ordinary share for the financial year ending 31 October 2024. The dividend will be paid on 2 February 2024 to the shareholders whose names appear in the Record of Depositors on 12 January 2024.

**BY ORDER OF THE BOARD
MERCURY SECURITIES GROUP BERHAD
26 DECEMBER 2023**