

**MERCURY SECURITIES GROUP BERHAD**  
**REGISTRATION NO. 202101018329 (1418629-A)**  
(Incorporated in Malaysia)

**SUMMARY OF KEY MATTERS DISCUSSED AT THE THIRD ANNUAL GENERAL MEETING (“3<sup>RD</sup> AGM”) OF MERCURY SECURITIES GROUP BERHAD (“COMPANY”) HELD ON FRIDAY, 29 MARCH 2024, AT 10.00 A.M.**

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1. Based on page 112 of the Annual Report 2023, the allowance for expected credit losses (“ECL”) of the Company is RM592,041, which is approximately 26% of the total trade receivables. Is there any possible bad debt?

Reply: Mr. Edmund Teoh Wee Tong, Chief Financial Officer

Management opined that these debts from the corporate finance segment are deemed collectable. Management clarified that the provision was made pursuant to Malaysian Financial Reporting Standards 9, which requires the Company to determine and recognise allowance for ECL on trade receivables.

2. Based on page 123 of the Annual Report 2023, the basic earnings per ordinary share is 1.11 sen. However, in the morning of the 3<sup>rd</sup> AGM, the share price was RM0.40. Is there any chance for the share price to increase to RM1.10?

Reply: Mr. Chew Sing Guan, Non-Independent Executive Director/Managing Director

The share price movement is dictated by various factors, which include amongst others, market forces and market sentiments, which are beyond the Company’s control.

Nonetheless, it is worth noting that the share price of the Company has stood above the initial public offering price of RM0.25 per share ever since the listing of the Company’s on the ACE Market of Bursa Malaysia Securities Berhad on 19 September 2023. The Company is optimistic that the prospects of the Group will continue to remain positive and strive to do well in terms of its financial performance.

3. Based on page 115 of the Annual Report 2023, why did the Company place RM3.4 million in the fixed deposit with licensed banks instead of in the money market? The money market is net of tax whereas the fixed deposit is only gross. If the fixed deposit rate is 2.5%, the net of tax is only 1.02%, whereas for money market, it is 2%.

Reply: Mr. Edmund Teoh Wee Tong, Chief Financial Officer

The fixed deposit placed with licensed banks represents collateral received from remisiers which is placed on an individual remisier basis to facilitate ease of record keeping for the respective remisiers. Accordingly, all interest income earned from the fixed deposits will be returned to the respective remisiers.

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4. Based on page 121, Note 19 of the Audited Financial Statements included in the Annual Report 2023, it is noted that the staff costs in 2023 was RM8.7 million compared with RM17.9 million in 2022. Why was there a reduction of staff cost by approximately 50%?

Reply: Mr. Edmund Teoh Wee Tong, Chief Financial Officer

The decrease in staff cost in 2023 was mainly due to the departure of a corporate finance team.

Reply: Mr. Chew Sing Guan, Non-Independent Executive Director/Managing Director

Furthermore, the staff cost of the said corporate finance team were relatively high as their remuneration includes basic salary and performance bonus. As disclosed in the Company's IPO Prospectus, the quality of work performed by this former corporate finance team also has not met expectations which led to the Securities Commission Malaysia issuing a letter of reprimand on their work. The said corporate finance team had completely left the Company as at 1 November 2022. Nonetheless, the Company still has several other competent corporate finance teams to carry out its corporate finance activities.

5. Based on page 118, Note 16 of the Audited Financial Statements included in the Annual Report 2023, the trade amount due to brokers in 2023 was RM2.18 million whereas there was nil in 2022. Why is this so?

Reply: Mr. Chew Sing Guan, Non-Independent Executive Director/Managing Director

The trade amount due to brokers as stated in the Note 16 of the Audited Financial Statements included in the Annual Report 2023 represents the snapshot based on the cut-off date ended on 31 October 2023, depending on the Company's trading position in the market. The amount due to brokers is a result of net buy as at 31 October 2023 and if it was an amount due from brokers, it would then mean that the Company was a net seller as at 31 October 2023.

6. Is there a possibility of paying dividend for the forthcoming financial year?

Reply: Mr. Chew Sing Guan, Non-Independent Executive Director/Managing Director

As a stockbroker, the Company always views companies that pay dividends to be fundamentally strong and in a positive light. The Board will always consider paying yearly dividend to shareholders. However, for prudence, the Company should not be guaranteeing dividend payouts other than it will do its best to deliver good financial results for its shareholders.

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7. Based on the licensing handbook stated in the Company’s IPO Prospectus, has the Company complied with the 30% Bumiputera composition of its representatives and employees in accordance with the national policy of Malaysia?

Reply: Mr. Chew Sing Guan, Non-Independent Executive Director/Managing Director

Yes, the Company has complied with the 30% Bumiputera requirements as disclosed in the Company’s IPO Prospectus.

8. It is noted that the IPO proceeds were utilised to enhance the digitalisation programme and marketing activities for the stockbroking business and operations of the Group. What is the revenue contribution from the digital online platforms for the year 2023 and first quarter of the financial year 2024?

Reply: Mr. Chew Sing Guan, Non-Independent Executive Director/Managing Director

The enhancement is still ongoing, and it requires a lot of coordination between the Company and the vendors of the order management system and other ancillary systems for trading in securities listed on Bursa Malaysia Securities Berhad.

For information, brokerage fee from online trading for 4 financial years ending 2019 to 2022 and 6-month financial period ended 30 April 2023 and 30 April 2022 were disclosed in the Company’s IPO Prospectus.

The brokerage fee contribution from online trading fluctuates depending on various factors, among others, market sentiments, and retail clients’ interest. Online trading contributed approximately 14% and 19% of total revenue for FYE 2023 and for 3-month financial period ended 31 January 2024 respectively.

9. Is there any marketing plan for the year 2024?

Reply: Mr. Chew Sing Guan, Non-Independent Executive Director/Managing Director

The comprehensive marketing plan for online trading will be implemented once the digitalisation programme is launched. In the meantime, the Company is still carrying out its marketing plan for online customers via the social media platforms.

The Company still continues to market for more yield accretive clients such as share margin financing and discretionary financing services as well as increasing clients’ base for the corporate finance segment.

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10. Is there any Research and Development (“R&D”) team in the Company?

Reply: Mr. Chew Sing Guan, Non-Independent Executive Director/Managing Director

The Company's IT department has its own capabilities and most of the IT staff specialise in development and maintenance works. In order to remain cost effective, Management prefers to outsource the R&D to external vendors to produce new software solutions whenever required.

11. What is the amount on proprietary trading for 2023 and for the first quarter of 2024?

Reply: Mr. Edmund Teoh Wee Tong, Chief Financial Officer

It is stated in page 76 of the Annual Report 2023 of the Company, under the Statements of Comprehensive Income. Results from proprietary trading was disclosed as “trading gains on financial assets at fair value through profit or loss”. In the financial year ended 31 October 2023, the Group recorded proprietary trading gains of RM1.33 million. For the first quarter financial period ended 31 January 2024, the Group recorded proprietary trading gains of RM0.26 million.

12. Why is the payment of Director's fee of Dato' A. Rahman Bin Safar different from the other Directors?

Reply: Mr. Chew Sing Guan, Non-Independent Executive Director/Managing Director

The payment of the Directors' fees is determined based on the experience of the Directors, their length of service, and their responsibilities within the Company. Dato' A Rahman's Director's fee is higher than the others to recognise his extensive experience, contribution and involvement with our Group.