



Majestic Corporation Plc

AQUIS Exchange Ticker - MCJ

We Prefer Metals to Be Recycled NOT Mined

**Majestic Corporation Plc
Annual Report and Consolidated Financial Statements
For the period ending 31 Dec 2021**

Registration Number: 13795187

Annual Report 2021

Majestic Corporation Plc
Annual Report and Consolidated Financial Statements
For the year ended 31 Dec 2021

OUR COMMITMENT

Majestic Corporation is an emerging leader in the precious metals and non-ferrous metals recycling. Working with suppliers globally, Majestic plays an integral role in the circular economy by making resources available for future use.

As a responsible corporate citizen, we continuously seek ways to broaden our participation in the environmental sector.

Our purpose, create a world without waste to preserve our planet, is what drives us to constantly innovate and offer new solutions in the circular economy for businesses around the world.

With our experience, highly skilled employees, expanding globally our future has never been brighter.

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Company Information

Chairman and Chief Executive Officer	Peter Lai
Chief Financial Officer	Joe Lee
Executive Director	Gianfranco Guerra
Non-Executive Director	Chris Neoh
Non-Executive Director	Larry Howick
Company Secretary	Michael Woodward
Company Registration Number	13795187
UK - Registered Office	1 High Street Mews Wimbledon Village London SW19 7RG
HK - Office	Unit 1203, CC Wu Building, 302-308 Hennessy Road., Wan Chai., Hong Kong
Company Advisor	Guild Financial Advisory Limited 382 Russel Court Woburn Place London WC1H 0NH
Company Auditor	Shipleys LLP 10 Orange Road Haymarket London WC2H 7DQ
HK Auditor	RX CPA Limited 1405 Lucky Center 165-171 Wan Chai Road Wan Chai., Hong Kong
Lawyers	Punter Southall 11 Strand WC2N 5HR
Registrars	Neville Registrars Limited Neville House Steelpark Road Halesowen B62 8HD

Statement from Chairman and Chief Executive Officer

I have great pleasure in presenting the results for Majestic Corporation Limited (“Majestic” or “the Company”) for the year ended 31 December 2021. Majestic is the wholly owned subsidiary of Majestic Corporation Plc (together the Group), which was incorporated on 10 December 2021.

Majestic continues to be a leading non-ferrous metal and precious metals recycler with partnership ventures operating in eight countries and growing. It is through these key partnerships and our network, that we work to increase our presence across all countries to improve global sustainability as well as increase the value to our shareholders.

At our core, we are urban miners, working alongside suppliers and consumers committed to closing the loop on recycling to achieve a more sustainable and green future.

Our capital allocation has been focused on two main areas – investing in partnerships to secure long-term contracts and investing in equipment to recover greater yields from our inventories and technology in procuring inventory at the right price.

Ever since China implemented the National Sword policy, in January 2018, banning the importation of certain types of metals and imposed national tariffs between the United States, Europe and China, our team has shifted and broadened our customer base as well as strengthening our partnerships across the globe.

Highlights

Following the listing of Majestic Corporation Plc on AQSE in March, I see clear opportunities for the Group and I am delighted to announce a new facility in Deeside, UK which is expected to be fully operational in 2022. This move fits into our long-term strategic objectives of deepening partnerships and expanding our presence in our current markets.

Financial Highlights

The year end results mark the first results of trading following the successful listing of the company to the AQSE exchange in March 2022.

2021 has been an excellent year for Majestic and I am pleased to report yet another year of strong operational and financial results. Revenue was up 8% to US\$29.7m (2020: US\$27.5m), largely driven by improvements in market prices for materials and the strengthening of key partnerships within our network.

Not only did we deliver another year of excellent results, but we also further advanced and solidified growth plans with all our partners putting us in a better position to succeed in the future ahead. The Company has retained a strong cash position at year end with cash at bank increasing to US\$2.47m (2020: US\$2.35m).

Underlying earnings before tax of US\$853k was up 103% (2020: US\$419k). Net Profit after Tax of US\$735k was up 97% (2020: US\$374k). For year ended 31 December 2021, the company has decided not to pay a dividend.

Strategic Report

In 2022, Majestic Corporation Plc unveiled a multi plan in their admission document to drive growth and expand globally in three main segments, PCB refining, catalytic converters and ingot processing. In the first half of 2022, the company has achieved good progress across these segments.

Strategic Growth

- open a new facility in Deeside UK
- established business with other smelters “end user”

The company is in a strong position to further advance its growth in FY22 and beyond. China’s new regulations has freed up a lot of availability in the market allowing the group to take advantage of their relationship with end users in Japan.

Outlook

Trading in the current year has started well and the Board is confident that the Group is well placed to achieve continued success and views the future with confidence and optimism.

We will continue to focus on three main areas:

- investment in partnerships to secure long term contracts;
- investment in equipment to recover greater yields from our inventories; and
- investment in technology to find the most accurate way to procure our inventory.

Business Risk and Ongoing Concerns

There are always unforeseen risks and concerns the company faces

- geopolitical tensions
- tariffs imposed to the metals industry
- government intervention to artificially suppress the market

Peter Lai
Chairman & CEO
01 June 2022

MAJESTIC CORPORATION LIMITED

REPORT OF THE DIRECTOR

On behalf of the Board of Director, I submit herewith its annual financial statements of the Company for the year ended 31 December 2021.

PRINCIPAL ACTIVITY

The Company was engaged in information technology assets management and recovery including processing, re-sales and recycling of metal scrap materials during the year.

BUSINESS REVIEW

The Company falls within reporting exemption for the financial year. Accordingly, the company is exempted from preparing a business review.

RESULTS AND DIVIDEND

The result of the Company for the year ended 31 December 2021 and the state of the Company's affairs as at that date are set out in the annexed financial statements. The director does not recommend the payment of a final dividend for the year ended 31 December 2021.

SHARE CAPITAL

Details of share capital during the year are set out in note 17 to the financial statements.

DIRECTORS

The director of the Company during the year and up to the date of the report was:

Lai Yu Pok Peter

There being no provision in the company's Articles of Association for retirement by rotation, the director continues in office.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the company were entered into or existed during the year.

PERMITTED INDEMNITY PROVISIONS

At no time during the financial year and up to date of this report, there was or is, any permitted indemnity provision being in force for the benefit at any of the director of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

EQUITY-LINKED AGREEMENTS

No equity-linked agreement which may result in the Company issuing shares was entered into or existed during the financial year.

AUDITOR

The financial statements have been audited by Messrs. RX CPA Limited, Certified Public Accountants (Practising), who now retire and, being eligible, offer themselves for re-appointment.

For and on behalf of the Board

Lai Yu Pok Peter
Director

**INDEPENDENT CHARTERED ACCOUNTANTS' REVIEW REPORT TO THE
DIRECTOR OF MAJESTIC CORPORATION LIMITED (Incorporated in Hong Kong
with limited liability)**

We have reviewed the financial statements of Majestic Corporation Limited (“the company”) for the year ended 31 December 2021, which comprise the statement of financial position, the statement of profit and loss, statement of changes in equity and the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable laws of Hong Kong and International Financial Reporting Standards.

Director’s Responsibility for the Financial Statements

As explained more fully in the Director’s Responsibilities Statement, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Accountants’ Responsibility

Our responsibility is to express a conclusion on the financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised) Engagements to review historical financial statements and ICAEW technical release [TECH 09/13AAF](#)(Revised) Assurance review engagements on historical financial statements. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared, in all material respects, in accordance with International Financial Reporting Standards. ISRE 2400 (Revised) also requires us to comply with the ICAEW Code of Ethics and the FRC’s [Ethical Standard](#), as applicable.

Scope of the Assurance Review

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. We have performed procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, applying analytical procedures, and evaluating the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (UK). Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements have not been prepared:

- so as to give a true and fair view of the state of the company’s affairs as at 31 December 2021, and of its profit for the year then ended;
- in accordance with International Financial Reporting Standards; and
- in accordance with the requirements of the laws of Hong Kong.

Use of our report

This report is made solely to the company's director, as a body, in accordance with the terms of our engagement letter dated 28 March 2022. Our review work has been undertaken so that we might state to the company's directors those matters we have agreed to state to them in a reviewer's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's director as a body, for our review work, for this report, or for the conclusions we have formed.

Shipleys LLP
Chartered Accountants,

10 Orange Street,

Haymarket,

London, WC2H 7DQ

01 June 2022

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of MAJESTIC CORPORATION LIMITED (“the Company”) set out on pages 14 to 27, which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss, the statement of changes in equity and the statement of cash flows for the year ended 31 December 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (“IASB”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance (Cap. 622).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”) issued by the ISAB. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board of Accountants’ Code of Ethics for Professional Accountants (“the Code”) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The director is responsible for the other information. The other information comprises the information included in the director’s report but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT
MAJESTIC CORPORATION LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Incorporated in Hong Kong with limited liability)

Responsibilities of Director and Those Charged with Governance for the Financial Statements

The director of the Company is responsible for the preparation of financial statements in accordance with the IFRS issued by the IASB, and for such internal control as the director determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance (Cap. 622), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.

**INDEPENDENT AUDITOR'S REPORT
MAJESTIC CORPORATION LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Incorporated in Hong Kong with limited liability)

Auditor's Responsibilities for the Audit of the Financial Statements - continued

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

RX CPA Limited
Certified Public Accountants
Auditor – Yuen Ching Fung
Practising Certificate No.: P06791

Hong Kong,

31 May 2022

MAJESTIC CORPORATION LIMITED**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Expressed in United States Dollar)

	Notes	2021	2020
Turnover	5	29,661,683	27,482,363
Cost of goods sold		(28,183,275)	(26,230,343)
Gross Profit		<u>1,478,408</u>	<u>1,252,020</u>
Other income	5	164,838	(155,531)
Administrative expenses		(668,455)	(564,236)
Finance costs	6	(121,037)	(112,863)
Profit from operation and before taxation	7	<u>853,754</u>	<u>419,390</u>
Taxation	10	(118,307)	(45,839)
Profit for the year		<u>735,447</u>	<u>373,551</u>
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u>735,447</u>	<u>373,551</u>

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

MAJESTIC CORPORATION LIMITED**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

(Expressed in United States Dollar)

	Notes	2021	2020
CURRENT ASSETS			
Inventories	11	6,118,375	5,917,953
Trade receivables	12	1,282,190	812,079
Prepayments, deposits and other receivables		2,043,368	753,982
Amounts due from related companies	13	1,533,245	-
Cash in bank and on hand		2,467,428	2,347,117
		<u>13,444,606</u>	<u>9,831,131</u>
CURRENT LIABILITIES			
Trade payables	14	1,354,152	2,059,387
Deposits received		347,600	288,453
Accruals and other payables		38,242	64,101
Amounts due to related companies	15	1,971,093	-
Import loans	16	3,469,272	1,957,853
Tax payable		131,716	64,253
		<u>7,312,075</u>	<u>4,434,047</u>
NET CURRENT ASSETS		<u>6,132,531</u>	<u>5,397,084</u>
NET ASSETS		<u>6,132,531</u>	<u>5,397,084</u>
CAPITAL AND RESERVE			
Share capital	17	1	1
Capital reserve		4,767,431	4,767,431
Retained profits		1,365,099	629,652
		<u>6,132,530</u>	<u>5,397,084</u>

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

The financial statements of Majestic Corporation Limited have been approved by the Board of Directors and authorised for issue on 31 May 2022.

Signed on its behalf by:

Lai Yu Pok Peter
Director

MAJESTIC CORPORATION LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Expressed in United States Dollar)

	Share capital	Capital reserve	Retained profits	Total
Balance as at 1 January 2020	1	-	256,101	256,102
Profit for the year	-	-	373,551	373,551
Transfer to capital reserve	-	4,767,431	-	4,767,431
Balance as at 31 December 2020	1	4,767,431	629,652	5,397,084
Balance as at 1 January 2021	1	4,767,431	629,652	5,397,084
Profit for the year	-	-	735,447	735,447
Balance as at 31 December 2021	1	4,767,431	1,365,099	6,132,531

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these consolidated financial statements.

MAJESTIC CORPORATION LIMITED**STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Expressed in United States Dollar)

	2021	2020
OPERATING ACTIVITIES		
Profit for the year	735,447	373,551
Adjustment:		
Cost of gold sold	28,183,275	26,230,343
Finance costs	121,037	112,863
Operating profit before working capital changes	<u>29,039,759</u>	<u>26,716,757</u>
Changes in working capital		
Purchase of inventories	(28,383,697)	(27,081,466)
Increase in trade and other receivables	(3,292,742)	(307,606)
Increase/(decrease) in trade and other payables	1,366,609	(2,665,167)
NET CASH USED TO OPERATING ACTIVITIES	<u>(1,270,071)</u>	<u>(3,337,482)</u>
INVESTING ACTIVITIES		
NET CASH USED TO INVESTING ACTIVITIES	-	-
FINANCING ACTIVITIES		
Payment of finance costs	(121,037)	(112,863)
Withdrawal/(repayment) of import loans	1,511,419	(558,818)
Fund injected to capital reserve	-	4,767,431
NET CASH GENERATED FROM FINANCING ACTIVITIES	<u>1,390,382</u>	<u>4,095,750</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>120,311</u>	<u>758,268</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,347,117	1,588,849
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>2,467,428</u>	<u>2,347,117</u>

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these consolidated financial statements.

MAJESTIC CORPORATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Expressed in United States Dollar)

1. GENERAL

The Company is a private limited company incorporated and domiciled in Hong Kong.

The address of its registered office and the principal place of business are located at Unit 1203, 12/F, CC Wu Building, 302-308 Hennessy Road, Wan Chai, Hong Kong. The Company was engaged in information technology assets management and recovery including processing, re-sales and recycling of metal scrap materials during the year.

The financial statements are presented in United States Dollars.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (“IASB”) and Hong Kong Companies Ordinance (Cap. 622). The financial statements have been prepared on a going concern basis.

3. ADOPTION OF NEW AND REVISED STANDARDS

In 2021, the Company has initially applied the new and revised IFRSs issued by the IASB that are first effective for accounting periods beginning on or after 1 January 2021 and are relevant to the Company’s financial statements, including:

IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 (amendments)	Interest Rate Benchmark Reform – Phase 2
IFRS 16 (amendments)	Covid-19-Related Rent Concessions

The application of the new and revised IFRSs has no material effects on the Company’s financial performance and positions.

4. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted are set out below.

a. Basis of accounting

The financial statements have been prepared under the historical cost basis.

MAJESTIC CORPORATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Expressed in United States Dollar)

4. PRINCIPAL ACCOUNTING POLICIES - continued

b. Revenue recognition

Revenue from the sales of goods is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location. Following delivery, the customer has full discretion over the usage of the goods, has the primary responsibility when onselling the goods and bears the risks in relation to the goods. A receivable is recognised by the Company when the goods are delivered to the customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Interest income is recognised as other income as it accrues using the effective interest method.

c. Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

d. Cash and cash equivalents

Cash and cash equivalents include demand deposits and other short-term highly liquid investments with original maturities of three months or less.

e. Trade and other receivables

Trade and other receivables are stated at estimated realisable value after each debt has been considered individually. Where the payment of a debt becomes doubtful a provision is made and charged to the income statement.

f. Trade and other payables

Trade and other payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

g. Translation of foreign currency

Foreign currency transactions during the period are translated into United States Dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into United States Dollars at the market rates of exchange ruling at the reporting date. Exchange gains and losses on foreign currency translation are dealt with in the statement of income and retained earnings.

h. Taxation

Income tax expense represents current tax expense. The income tax payable represents the amounts expected to be paid to the tax authority, using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not provided.

MAJESTIC CORPORATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Expressed in United States Dollar)

4. PRINCIPAL ACCOUNTING POLICIES – continued

i. Inventories

Inventories are stated at the lower of cost and net realisable value. In arriving at net realisable value an allowance has been made for deterioration and obsolescence.

j. Leases

Leases are classified as operating leases and the rentals receivable or payable under these leases are credited or charged to the statement of income and retained earnings on a straight line basis over the duration of the leases.

k. Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Termination benefits are recognized when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

l. Government grants

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

MAJESTIC CORPORATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Expressed in United States Dollar)

4. PRINCIPAL ACCOUNTING POLICIES – continued

m. Related parties

For the purposes of these financial statements, related party includes a person and entity as defined below:

(a) A person, or a close member of that person's family, is related to the Group if that person:

- i. has control or joint control over the Group;
- ii. has significant influence over the Group; or
- iii. is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- i. The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- iii. Both entities are joint ventures of the same third party.
- iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- v. The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- vi. The entity is controlled or jointly controlled by a person identified in (a).
- vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

MAJESTIC CORPORATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Expressed in United States Dollar)

5. TURNOVER AND OTHER INCOME

Turnover represents the amounts received and receivables for goods sold to the customers. Turnover and other income recognised during the year are as follows:

	2021	2020
Turnover		
Sales income	29,661,683	27,482,363
Other income		
Interest income	383	4,868
Government subsidies	-	32,177
Exchange gain/(loss)	164,455	(192,576)
	<u>164,838</u>	<u>(155,531)</u>

6. FINANCE COSTS

	2021	2020
Interest on the import loan	45,007	52,394
Arrangement fees on the import loan	76,028	60,469
Interest on the bank overdraft	2	-
	<u>121,037</u>	<u>112,863</u>

7. PROFIT FROM OPERATION AND BEFORE TAXATION

Profit from operation and before taxation have been arrived at after charging/(crediting):

	2021	2020
Audit and other professional fees	12,857	10,215
Bad debt written off	-	43,260
Stock loss	83,687	-
Cost of goods sold	28,183,275	26,230,343

8. DIRECTOR'S REMUNERATIONS

Director's remunerations disclosed pursuant to section 383(1) of the Hong Kong Company Ordinance (Cap.622) is as follows:

	2021	2020
Fees	-	-
Other emoluments	79,734	82,740
	<u>79,734</u>	<u>82,740</u>

MAJESTIC CORPORATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Expressed in United States Dollar)

9. STAFF COST

	2021	2020
Salary	137,016	161,697
Mandatory provident fund	6,185	7,266
	<u>143,201</u>	<u>168,963</u>

10. TAXATION

Hong Kong profits tax has been provided at the rate of 8.25% on the assessable profits up to HK\$2 million and 16.5% on any part of assessable profits over HK\$2 million during the year. For the year of assessment 2021/22, 100% of tax payable would be waived, subject to a ceiling of HK\$10,000.

Taxation is reconciled to profit before taxation in the statement of profit or loss and other comprehensive income as follows:

	2021	2020
Profit before taxation	853,754	419,390
Notional tax on profit before taxation, calculated at the rates applicable to profits	140,869	69,199
Tax effect of tax reduction due to implementation of two-tiered rates	(21,214)	(21,268)
Tax effect of tax rebate	(1,285)	(1,289)
Tax effect of non-taxable income for tax purpose	(63)	(803)
	<u>118,307</u>	<u>45,839</u>

11. INVENTORIES

Inventories comprise entirely of stock in trade.

	2021	2020
Inventory in warehouse	2,481,953	2,314,118
Inventory in transit	3,636,422	3,603,835
	<u>6,118,375</u>	<u>5,917,953</u>

MAJESTIC CORPORATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS
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12. TRADE RECEIVABLES

The ageing analysis of the trade receivables, based on invoice dates, is as follows:

	2021	2020
Within one month	1,280,970	812,079
1-3 months	1,220	-
Over 3 months	-	-
	<u>1,282,190</u>	<u>812,079</u>

Trade receivables disclosed above include amounts which are past due at the end of the reporting period against which the Company has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are recovered subsequent to the reporting date. The Company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Company to the counterparty.

13. AMOUNTS DUE FROM RELATED COMPANIES

Amounts due from related companies of the company disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance (Cap. 622) and 622G15(3)(b) of Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622) are as follows:

Name of companies	2021	2020	Maximum amount outstanding during the year
Konbatas Corporation Limited	183,308	-	183,308
Majestic Corporation PLC	139,599	-	139,599
Majestic Global Corporation	1,210,338	-	,210,338
	<u>1,533,245</u>	<u>-</u>	

The amounts are unsecured, interest free and receivable on demand.

14. TRADE PAYABLES

The ageing analysis of the trade payables, based on invoice dates, is as follows:

	2021	2020
Within one month	472,974	1,202,822
1-3 months	813,090	787,837
Over 3 months	68,088	68,728
	<u>1,354,152</u>	<u>2,059,387</u>

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15. AMOUNTS DUE TO RELATED COMPANIES

Name of companies	2021	2020	Maximum amount outstanding during the year
MC Asset Malaysia Sdn. Bhd.	1,942,084	-	1,942,084
TeleCycle Europe Limited	29,009	-	29,009
	<u>1,971,093</u>	<u>-</u>	

The amounts are unsecured, interest free and repayable on demand.

16. IMPORT LOANS

The Company has obtained credit facilities from its bankers as secured by guarantees of the director and a related company together with fixed deposit of the Company. The loans are interest bearing at LIBOR+1.45% and repayable in 120 days from the drawdown date which has multiple repayment dates. During the year, the company has drawn a new facility under the SME Financing Guarantee Scheme of HKMC Insurance Limited. It is secured by guarantees of the director, a related company and HKMC Insurance Limited. It is interest bearing at LIBOR+2.5% and repayable in 180 days from the drawdown date which has multiple repayment dates.

17. SHARE CAPITAL

	2021	2020
Issued and fully paid		
1 ordinary share at HK\$1	<u>1</u>	<u>1</u>

Capital management

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to shareholder. The Company defines "capital" as including all components of equity.

The Company's capital structure is regularly reviewed and managed with due regard to the capital management practices of the Company. In order to maintain or adjust the capital structure, the Company monitors capital by regularly reviewing debts to capital ratio, being the measure of the Company's ability to pay off all debts that reflects financial health and liquidity position. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Company, to the extent that these do not conflict with the director's fiduciary duties towards the Company.

The Company was not subject to externally imposed capital requirements during the year and at 31 December 2021.

MAJESTIC CORPORATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS
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18. LEASE COMMITMENTS

The Company had the following total future minimum lease payments payable under non-cancellable operating leases:

	2021	2020
- not later than one year	21,666	37,141
- later than one year and not later than five years	-	21,666
	21,666	58,807

19. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Company had the following material transactions with related parties:

Name of related party	Nature of transactions	2021	2020
MC Asset Malaysia Sdn. Bhd.	Tolling fee	1,835,000	1,716,000

20. FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, interest rate, foreign currency and equity price risks arises in the normal course of the Company's business. The Company's exposure to these risks and the financial risk management policies and practices used by the Company to manage these risks are described below.

a. Credit risk

In order to minimise credit risk, credit approvals and monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

b. Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

MAJESTIC CORPORATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS
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21. FINANCIAL RISK MANAGEMENT – continuedc. Interest rate risk

The Company draws import loans to maintain stable cashflow. The loans are interest bearing at LIBOR+1.45% and LIBOR+2.5%. 5% is the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The Company's sensitivity to a 5% increase and decrease in LIBOR is as follow:

	2021	2020
5% increase effect on profit for the year	(279)	(636)
5% decrease effect on profit for the year	279	636

d. Foreign currency risk

The Company undertakes most of the transactions denominated in United States Dollar with few transactions denominated in Euro. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The Company's sensitivity to a 5% increase and decrease in Euro against United States Dollar is as follow:

	2021	2020
5% increase effect on profit for the year	(164,111)	(57,328)
5% decrease effect on profit for the year	164,111	57,328

22. COVID-19 SUBSEQUENT EVENT

The outbreak of the coronavirus (COVID-19) since early January 2020 has had a significant impact on the economy and social well-being worldwide. The year ended 31 December 2021 was impacted although the management do not consider the impact to be significant. The management of the Company maintains a positive and strong cash position to deal with all its liabilities when they fall due. The management will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Company.

23. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Company's director on 31 May 2022.