

# **MOSCHIP TECHNOLOGIES, USA**

Financial Statements  
And Supplemental Schedule

*For the year ended March 31, 2020*

*With  
Independent Auditors' Report and Accompanying Notes*

Prepared by:

**Chugh CPAs, LLP**  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders  
Moschip Technologies, USA  
Santa Clara, CA

We have audited the accompanying financial statements of Moschip Technologies, USA (a California corporation), which comprise the balance sheet as of March 31, 2020 and the related statement of income and changes in stockholders' equity and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the balance sheet of Moschip Technologies, USA as of March 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Chugh CPAs LLP*

Chugh CPAs LLP  
Santa Clara, CA  
May 15, 2020

**MOSCHIP TECHNOLOGIES, USA**  
**BALANCE SHEET**  
**AS OF MARCH 31, 2020**

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ASSETS

Cash	\$	11,663
Accounts receivable, net		1,187,648
Deposits		<u>3,470</u>
TOTAL CURRENT ASSETS		1,202,781
Property & equipment, at cost		122,948
Less: Accumulated depreciation		<u>(79,841)</u>
TOTAL PROPERTY & EQUIPMENT		43,107
Capital work in progress		452,200
TOTAL NON CURRENT ASSETS		<u>495,307</u>
TOTAL ASSETS	\$	<u><u>1,698,088</u></u>

**MOSCHIP TECHNOLOGIES, USA**  
**BALANCE SHEET**  
**AS OF MARCH 31, 2020**

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LIABILITIES & STOCKHOLDERS' EQUITY

Accounts payable	\$ 1,704,144
Accrued expenses	113,533
Line of credit	148,280
Salaries payable	39,782
Loan from Citibank	9,141
Customer advances	50,919
401k deduction payable	<u>1,384</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,067,183</b>
Loan from shareholders	<u>237,555</u>
<b>TOTAL LONG TERM LIABILITIES</b>	<b>237,555</b>
<b>TOTAL LIABILITIES</b>	<b>2,304,738</b>
Common stock, no par value, 20,212,813 authorized, 19,192,404 issued and outstanding	3,044,000
Capital reserve	945,965
Retained earnings	<u>(4,596,616)</u>
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b><u>(606,651)</u></b>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b><u>\$ 1,698,088</u></b>

**MOSCHIP TECHNOLOGIES, USA**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2020**

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Production service revenue	\$ 849,942
Design service revenue	<u>2,493,207</u>
<b>TOTAL REVENUE</b>	3,343,149
Cost of services (Schedule A)	<u>2,942,587</u>
<b>GROSS PROFIT</b>	400,562
Operating expenses (Schedule B)	<u>781,827</u>
<b>NET OPERATING LOSS BEFORE TAXES</b>	(381,265)
Income tax benefit	<u>(20,671)</u>
<b>NET LOSS</b>	<u><u>\$ (360,594)</u></u>

**MOSCHIP TECHNOLOGIES, USA**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEAR ENDED MARCH 31, 2020**

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	<u>Common Stock</u>		<u>Capital</u>	<u>Retained</u>	<u>Total</u>
	<u>No. of Shares</u>	<u>Amount</u>	<u>Reserve</u>	<u>Earnings</u>	<u>Stockholders'</u>
					<u>Equity</u>
Balance as of March 31, 2019	19,192,404	\$ 3,044,000	-	\$ (3,314,839)	\$ (270,839)
Gigacom Semiconductor LLC's Deficit				(921,183)	(921,183)
Share cancellation of Gigacom after merger			945,965		945,965
Net loss				(360,594)	(360,594)
Balance as of March 31, 2020	19,192,404	\$ 3,044,000	\$ 945,965	\$ (4,596,616)	\$ (606,651)



**MOSCHIP TECHNOLOGIES, USA**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2020**

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CASH FLOWS FROM OPERATING ACTIVITIES

Net loss	\$ (360,594)
Provided by operating activities:	
Depreciation expense	8,163
Deferred tax liability	(22,312)
(Increase) decrease in operating assets	
Accounts receivable, net	874,683
Inventory	218,652
Deposits	296,845
Prepaid taxes	143,025
Notes receivable	65,000
Unbilled revenue	28,660
Loans and advances	680,000
Work in progress	-
Increase (decrease) in operating liabilities	
Accounts payable	(1,883,904)
Credit card payable	(4,472)
Line of credit	2,124
Accrued expenses	(44,440)
Provision for taxes	(42,797)
Salaries payable	8,231
Loan from Citibank	(4,625)
Customer advance	(82,252)
401k deduction payable	1,384
	<hr/>
Net Cash Used in Operating Activities	(118,627)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Increase in cash due to merger	<hr/> 84,467
Net Cash Provided by Investing Activities	84,467
 CASH FLOWS FROM FINANCING ACTIVITIES	
Loan from shareholders	<hr/> 7,939
Net Cash Provided by Financing Activities	<hr/> 7,939
NET INCREASE (DECREASE) IN CASH	(26,222)
CASH, beginning of year	<hr/> 37,885
CASH, end of year	<hr/> <hr/> \$ 11,663

## **NOTE 1 – DESCRIPTION OF BUSINESS**

Moschip Technologies, USA, (“the Company”) was incorporated in the state of California on March 5, 1998 as “Netmos Technology, Inc.,” subsequently changed its name on February 15, 2002 to “Moschip Technology, USA;” thereafter changed its name to “Moschip Technologies, USA” on July 23, 2019. The Company provides comprehensive design services, and essential silicon and systems services for its customers worldwide.

The Company uses enterprise and mobile network platforms that implement complex computing and communication functions to support the growing internet and cloud-based applications. The Company’s PHY technology based on G-Architecture, provides high-speed serial data interface (serDes) IP for developing low-cost, low-power SoC for various networking applications.

On October 7, 2019, Gigacom Semiconductor, LLC merged with and into Moschip Technologies, USA and Moschip Technologies, USA is the surviving corporation in the merger. Upon the merger, the 6,076,075 equity shares of Gigacom Semiconductor, LLC were cancelled without consideration.

Moschip Technologies USA is a wholly owned subsidiary of Moschip Technologies Limited, an Indian company.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### *Basis of Presentation*

The accompanying interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). The Company uses accrual method of accounting for income tax reporting.

### *Use of Estimates*

The preparation of financial statements and the related disclosures in conformity with generally accepted accounting principles in the United States of America (“GAAP”), requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and revenue and expenses during the period reported. Actual results may differ from these estimates. Estimates are used in accounting from among other things, estimated useful lives of property and equipment, impairment of long-lived assets and goodwill, depreciation, amortization, certain accrued expenses, intangible asset valuation and taxes.

Changes in estimates are reflected in the interim financial statements in the period in which the changes are made and if material, their effects are disclosed in the notes to the financial statements.

Revenue Recognition

The Company recognizes revenues in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic No. 606, Revenue from Contracts with Customers (“ASC 606”). Under ASC 606, revenue is recognized when the following steps have been fulfilled:

- Identify the contract(s) with a customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contract.
- Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company generates revenue from Analog Layout/Design Services, ASIC Services and IP Licensing.

Cash

Cash consists of cash in bank account.

Accounts Receivable

The Company extends credit to its customers in the normal course of business. The Company performs ongoing evaluation of its existing receivables and evaluation of periodic ageing of the accounts to estimate allowance for potential credit losses. Losses are written off against the allowances when determined to be uncollectable. The Company has written off \$1,798,083 of receivables and \$1,633,444 of payables from various parties for the year ended March 31, 2020.

Inventories

Inventories are stated at the lower of cost or market value. Cost is determined by the first-in, first-out method and market represents the lower of replacement cost or estimated net realizable value. Inventory consists of finished goods.

Property, Plant and Equipment

Property and equipment are recorded at cost. Depreciation is calculated using the straight-line method over estimated useful lives of five and seven years. When items of property or equipment are sold or retired, the related cost and accumulated depreciation is removed from the accounts and any gain or loss is included in the results of operations.

Capital Work in Progress

The Company has capitalized \$452,200 of the research and development costs towards development of intellectual property rights to Work in Progress, in accordance with ASU No. 2015-05.

Other Current Assets

Other current assets include some deposits and advances made in the general course of business.

Income Taxes

The Company accounts for income taxes in accordance with FASB ASC No. 740 (formerly SFAS No. 109) "Accounting for Income Taxes", which requires an assets and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statements and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income.

Subsequent Events

As required under FASB ASC 855 "Subsequent Events" (formerly FAS 165), the Company is required to disclose events and transactions after balance sheet date but before the financial statements are available to be issued.

The Company has evaluated the subsequent events until April 30, 2020 which is the date the financial statements are available for issuance. The Company has concluded that no other events or transactions other than the one described above have occurred which would require adjustments or disclosures in the Company's financial statements.

Recent Accounting Pronouncements

In March 2019, the FASB issued ASU 2019-01, "Leases" (Topic 842) which affects all lessors that are not manufacturers or dealers and clarifies some transition disclosures to the financial statements. The amendments in this Update are effective for all other entities for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption can be possible. Management is evaluating the effect of the new update.

In December 2018, the FASB issued ASU 2018-20, "Leases: Narrow-Scope Improvements for Lessors" (Topic 842). The amendments in this Update provide an accounting policy election for lessors similar to the accounting policy election provided in the amendments in Update 2016-12. The amendments in this Update related to sales taxes and other similar taxes collected from lessees affect all lessors that elect the accounting policy election. The amendments in this Update related to lessor costs affect all lessor entities that have lease contracts that either require lessees to pay lessor costs directly to a third party or require lessees to reimburse lessors for costs paid by lessors directly to third parties. The amendments in this Update related to recognition of variable payments for contracts with lease and non-lease components affect all lessor entities with variable payments that relate to both lease and non-lease components. The amendments in this Update affect the amendments in Update 2016-02, which are not yet effective but can be early adopted. Management is evaluating the effect of the new update.

**NOTE 3 – ADOPTION OF NEW ACCOUNTING STANDARD**

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014- 09, “Revenue from Contracts with Customers (Topic 606)”. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted the new standard effective April 1, 2019, the first day of the Company’s fiscal year using the modified retrospective approach.

As part of the adoption of the ASU, the Company elected the following transition practical expedients: (i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and (ii) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

The adoption resulted in no change to the beginning retained earnings or service revenue. The impact of applying this ASU for the year ended March 31, 2019 has had no impact in the service sales, which have always been accounted for based on agreed upon consultancy hours, and recognized in time and material spent, over the life of the project.

We thus recorded no change to retained earnings as of April 1, 2019 due to the cumulative impact of adopting ASC 606. Further, we recorded no change to present the contract assets as our previous methods are compliant with ASC 606 requirements.

We have reflected the aggregate effect of all contracts occurring prior to the ASC 606 adoption date when (i) identifying the satisfied and unsatisfied performance obligations, (ii) determining the transaction price, and (iii) allocating the transaction price to the satisfied and unsatisfied performance obligations. The adoption of ASC 606 had no transition impact on cash provided by or used in operating, financing, or investing activities reported in our statement of cash flows.

*Disaggregation of revenue from contracts with customers*

The following table disaggregates the Company’s revenue based on the nature of service. The Management has applied the practical expedient of providing limited disclosure in this regard, as the cost to obtaining this information exceeds the benefits.

Nature of Service	Amount
SDS income	\$ 1,272,178
Production service income	830,727
IP services income	814,097
Design service income	267,106
ASIC services income	139,826
Product sales	19,215
Total revenue	\$ 3,343,149

Contract assets and liabilities

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) on the Balance Sheet. Amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals (e.g., milestone based or monthly) or upon achievement of contractual milestones. Generally, billing occurs after revenue recognition, resulting in contract assets. However, we sometimes receive advances or deposits from our customers, particularly on our international contracts, before revenue is recognized, resulting in contract liabilities. These deposits are liquidated when revenue is recognized.

The contract balances as of March 31, 2020 and March 31, 2019 were as follows:

Particulars	March 31, 2020	March 31, 2019
Accounts receivable	\$ 1,187,648	\$ 1,328,644
Unbilled revenue	-	28,660

**NOTE 4 – CONCENTRATION OF RISKS**

Accounts Receivables and Sales

The Company performs ongoing credit evaluations of its customers and maintains allowances for potential uncollectable accounts as deemed necessary. The Company generally does not require collateral to secure its accounts receivable.

It estimates credit losses based on management’s evaluation of historical experience and current industry trends. Although the Company expects to collect amounts due, actual collections may differ from the estimated amounts.

The Company’s revenues and accounts receivable from its major customers as of March 31, 2020 are as follows:

Clients	Revenue	Percentage	Accounts Receivable	Percentage
A	\$ 626,172	30%	\$ 731,900	37%
B	548,800	26%	931,816	47%
C	348,133	16%	98,910	5%

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at March 31, 2020:

Particulars	Amount
Furniture and fixtures	\$ 4,279
Equipment	118,669
Property and equipment, gross	122,948
Less: Accumulated depreciation	(79,841)
Property and equipment, net	\$ 43,107

Depreciation expense was \$8,163 for the year ended March 31, 2020.

**NOTE 6 – INVENTORY**

The Company maintains inventory at lower of cost or market value. The Company has written off \$208,866 of obsolete materials for the year ended March 31, 2020.

**NOTE 7 – LINE OF CREDIT**

The Company had an available revolving line of credit as of March 31, 2020. Interest for this is at 0.008% as of March 31, 2020). The Company has an outstanding balance of \$145,280. as of March 31, 2020. The line of credit is personally guaranteed by one of the directors of the Parent Company. Significant restrictive covenants include provisions regarding maintenance of certain financial ratios, legal disclosure requirements, and third-party lending. The Company was in compliance with all financial covenants during the quarter ending March 31, 2020.

**NOTE 8 – ACCRUED EXPENSES**

Accrued expenses consisted of the following at March 31, 2020:

Particulars	Amount
Vacation expense	\$ 25,945
Miscellaneous payable	50,021
Audit fees	18,932
Bonus	11,167
Legal	3,500
Insurance	2,500
Interest	1,468
Accrued expenses, March 31, 2020	\$ 113,533

**NOTE 9 – COMMITMENTS UNDER OPERATING LEASE**

The Company leases its office in Santa Clara, California under an operating lease that expires on October 31, 2021. The related rent expense is calculated on a straight-line basis with the difference recorded as deferred rent, if any. Rent expense for the year ended March 31, 2020 was \$14,185.

The future minimum lease payments under this operating lease agreement were as follows:

April 2020 to March 2021	\$ 28,982
April 2021 to October 2021	17,191

**NOTE 10 – RELATED PARTY TRANSACTIONS**

The Company receives engineering services from FirstPass Semiconductor Pvt. Ltd., an Indian company with whom the Company has common directors.

The Company also receives engineering services from Gigacom Semiconductor Pvt. Ltd., an Indian company. Gigacom Semiconductor Pvt. Ltd. and the Company have common directors and are owned by the same Parent Company Moschip Technologies Limited (previously known as Moschip Semiconductor Technology Limited), an Indian company.

The Company is a wholly owned subsidiary of Moschip Technologies Limited (previously known as Moschip Semiconductor Technology Limited), an Indian based company as of March 31, 2020. The Parent Company provides engineering services to the Company.

The Company gets into the above transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers, and did not, in the opinion of management, involved more than normal credit risk or present other unfavorable features.

Details of transactions between the Company and its related parties are as follows:

<b>Gigacom Semiconductor Pvt. Ltd.</b>	
Accounts payable	\$ 109,341
<b>Moschip Technologies, Ltd.</b>	
Sales	\$ 1,120,504
Accounts receivable	180,891
Accounts payable	1,425,619
<b>Loan from shareholders</b>	<b>\$ 237,555</b>

#### **NOTE 11 – CONTINGENCIES**

Per the management, there are no pending legal actions, including arbitrations, class actions and other litigation, arising in connection with the Company’s activities as IT consultants. Legal reserves are established in accordance with FASB ASC 450 (formerly known as SFAS No. 5), “*Accounting for Contingencies*”. Once established, reserves are adjusted when there is more information available or when an event occurs requiring a change. There are no legal reserves in the statement of financial condition as of March 31, 2020.

#### **NOTE 12– INCOME TAXES**

The Company accounts for income taxes under the provisions of FASB ASC 740, “Accounting for Income Taxes”. Under ASC 740, deferred taxes are required to be classified based on the financial statement classification of the related assets and liabilities which give rise to temporary differences. Deferred taxes result from temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. The components of income tax expense relating to earnings from operations are as follows:

	March 31, 2020
<i>Current tax expense:</i>	
Federal	\$ -
State	1,641
<i>Deferred tax (benefit):</i>	
Federal	(19,530)
State	(2,782)
<b>Total taxes</b>	<b>\$ (20,671)</b>



The U.S. Tax Cuts and Jobs Act (Tax Act) was enacted on December 22, 2017 and it introduced significant changes to U.S. income tax law. Effective in 2018, the Tax Act reduces the U.S. statutory tax rate from 35% to 21% and creates new taxes on certain foreign-sourced earnings and certain related-party payments, which are referred to as the global intangible low-taxed income tax and the base erosion tax, respectively.

#### Valuation Allowance

At March 31, 2020, the Company had net operating loss carry forwards for federal and state income tax purposes of \$2.99 million and \$3.86 million respectively. Federal net operating loss accumulated till 2017 will begin to expire in 2035. The federal losses from 2018 will be carried forward indefinitely under the new Tax Act. State net operating loss carry forwards begin to expire in 2035.

During the period under review, there has been a merger of Gigacom Semiconductor, LLC into the Company. Utilization of the historic net operating loss is subject to a substantial annual limitation even due to the indirect ownership change under Section 382 of the Internal Revenue Code of 1986 and similar state provisions. Under Section 382, after the ownership change the new loss corporation may deduct its pre-change losses against the taxable income in the future years in an amount equal to the Section 382 limitation amount, which is driven by the value of the stock. The section 382 base limitation is a product of fair market value of the old loss corporation and the federal long-term tax-exempt rate. The Company has not computed the section 382 base limitation amount. Accordingly, the loss utilization in the future years is not known during the year ended March 31, 2020. The deferred tax liability of Gigacom Semiconductor, LLC has been reversed after the merger.

As of March 31, 2020, the Company, has federal and state net deferred tax assets of \$531,138 and \$237,868, respectively, which have been fully offset by a valuation allowance. Deferred tax assets relate primarily to net operating loss carry forwards. FASB ASC 740 Accounting for Income Taxes, provides for recognition of deferred tax assets if realization of such assets is more likely than not. Based upon the weight of available evidence, which includes the Company's net losses since 2015, the Company has provided a full valuation allowance against its deferred tax assets.

The Company will reassess the valuation allowance and if future evidence allows of a partial and full release of the valuation allowance, a tax benefit will be recorded accordingly.

#### **NOTE 13 – STOCKHOLDERS' EQUITY**

The Company had the following stockholders' equity structure as at March 31, 2020:

	Authorized Shares	Issued and Outstanding Shares
Common Stock	20,212,813	19,192,404
Series A Preferred	3,900,000	-
Series B Preferred	2,500,000	-
Series C Preferred	1,400,000	-

**Common Stock:**

The Company had authorized capital of 20,212,813 shares of its common stock at no par value.

The holder of each share of Common Stock shall have the right to one vote for each share, and shall be entitled to notice of any stockholders' meeting in accordance with the bylaws of the Corporation, and shall be entitled to vote upon such matters and in such manner as may be provided by law.

**Preferred Stock:**

***Voting Rights*** - Each holder of the shares of Preferred Stock shall be entitled to the number of votes equal to the number of shares of Common Stock into which the shares of Preferred Stock held by such holder could be converted as of record date. The holders of shares of the Preferred Stock will be entitled to vote on all matters on which the Common Stock shall be entitled to vote.

***Conversion*** - Each share of Preferred Stock is convertible, at the option of the holder, into fully paid shares of Common Stock determined by dividing the original issue price by the conversion price.

Each share of Preferred Stock shall automatically be converted into shares of Common Stock at the conversion price:

- (a) The closing of a Qualified Public Offering, or
- (b) Upon the receipt by the Corporation of a written request for such conversion from the holders of the Preferred Stock then outstanding for that class of stock

***Dividends*** - The holders of the Preferred Stock shall be entitled to receive dividends at the rate of \$0.14 per share for Series A, \$0.0136 per share for Series B and \$0.0272 per share for Series C of the Preferred Stock.

***Liquidation*** - In the event of any liquidation, dissolution, or winding up of the Corporation, the holders of each class of Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any assets or surplus funds, an amount per share equal to the sum of (i) The Original Issue price for that class of preferred stock and (ii) all declared but unpaid dividends on that class of preferred stock.

Holders of common stock have a right to one vote. Subject to the prior rights of holders of all classes of stock at the time outstanding having prior rights as to dividends, the holders of the Common stock shall be entitled to receive dividends, as and when declared by Board of Directors.

**NOTE 14- GOING CONCERN**

These financial statements are presented on the basis that the Corporation is a going concern. Going concern contemplates the realization of assets and the satisfaction of liabilities in the normal course of business over a reasonable length of time. The accompanying financial statements show that operations have resulted in an accumulated deficit. The Corporation anticipates increase in the revenues as it grows its comprehensive design services line of business. This is expected to increase revenue in the periods after these financial statements. The Parent Company also has assured the management of providing financial assistance till the Company starts making profits.



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**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors and Stockholders  
Moschip Technologies, USA  
Santa Clara, CA

We have audited the financial statements of Moschip Technologies, USA as of and for the year ended March 31, 2020, and our report thereon dated May 15, 2020, which expressed an unmodified opinion on those financial statements, appears on page 1-2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information in Schedule A – Cost of services and Schedule B – Operating expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Chugh CPAs LLP*

Chugh CPAs LLP  
Santa Clara, CA  
May 15, 2020

**MOSCHIP TECHNOLOGIES, USA**  
**SCHEDULE A: COST OF SERVICES**  
**FOR THE YEAR ENDED MARCH 31, 2020**



Subcontractor charges	\$ 1,624,899
Salaries and wages	657,952
Production service	579,688
Payroll taxes	56,008
Employee benefits	13,813
Freight charges	10,227
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<b>TOTAL COST OF SERVICES</b>	<b>\$ 2,942,587</b>
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**MOSCHIP TECHNOLOGIES USA**  
**SCHEDULE B: OPERATING EXPENSES**  
**FOR THE YEAR ENDED MARCH 31, 2020**

**CHUGH**

Inventory writeoff	\$	208,866
Bad debt expense		121,801
Other expenses		143,379
Commission		119,455
Legal and professional fees		51,738
Insurance		39,034
Salaries expense		24,668
Interest expense		15,956
Rent expense		14,185
Travel		13,351
Depreciation		8,163
Bank charges		4,342
Telephone and internet		3,967
Office expenses		3,936
Maintenance		2,634
Employee benefits		1,565
Meals expense		1,455
Payroll tax expense		1,301
Dues and subscriptions		1,171
Advertising and marketing		575
Business licenses and permits		209
Penalties		78
<b>TOTAL OPERATING EXPENSES</b>	<b>\$</b>	<b>781,827</b>