

# **MOSCHIP TECHNOLOGIES, USA**

Financial Statements  
And Supplemental Schedule

*For the year ended March 31, 2021.*

*With  
Independent Auditors' Report and Accompanying Notes*

Prepared by:

**Chugh CPAs, LLP**

1600 Duane Ave, Santa Clara,  
CA, 95054



TAX | ACCOUNTING | AUDIT | CONSULTING

---

1600 DUANE AVENUE, SANTA CLARA, CA 95054 | TEL 408.970.0100 | FAX 408.970.0200 | WWW.CHUGH.NET

---

CONTENTS	PAGE
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Balance Sheet	2-3
Statement of Operations	4
Statements of Changes in Stockholders' Equity	5
Statements of Cash Flows	6
Notes to Financial Statements	7-15
<b>SUPPLEMENTAL INFORMATION</b>	
Independent Auditors' Report on Supplementary Information	16
Schedule A – Cost of Services	17
Schedule B – Operating Expenses	18



TAX | ACCOUNTING | AUDIT | CONSULTING

1600 DUANE AVENUE, SANTA CLARA, CA 95054 | TEL 408.970.0100 | FAX 408.970.0200 | WWW.CHUGH.NET

## 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, 2021 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, 2021 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  
April 22, 2021

**MOSCHIP TECHNOLOGIES, USA**  
**BALANCE SHEET**  
**AS OF MARCH 31, 2021**

**CHUGH**

ASSETS

Cash	\$	408,001
Accounts receivable, net		645,749
Deposits		<u>3,470</u>
TOTAL CURRENT ASSETS		1,057,220
Property & equipment, at cost		42,414
Less: Accumulated depreciation		<u>(40,119)</u>
TOTAL PROPERTY & EQUIPMENT		2,295
Intangibles, at cost		507,297
Less: Accumulated amortization		<u>(14,092)</u>
TOTAL INTANGIBLE ASSETS		493,205
TOTAL NON CURRENT ASSETS		<u>495,500</u>
TOTAL ASSETS	\$	<u><u>1,552,720</u></u>

**MOSCHIP TECHNOLOGIES, USA**  
**BALANCE SHEET**  
**AS OF MARCH 31, 2021**

**CHUGH**

LIABILITIES & STOCKHOLDERS' EQUITY

Accounts payable	\$ 1,257,469
Accrued expenses	148,708
Line of credit	117,520
Salaries payable	40,450
Unearned Revenue	2,667
TOTAL CURRENT LIABILITIES	<u>1,566,814</u>
Loans and Advances	142,234
SVB PPP Loan	247,384
TOTAL LONG TERM LIABILITIES	<u>389,618</u>
TOTAL LIABILITIES	1,956,433
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>(4,393,677)</u>
TOTAL STOCKHOLDERS' EQUITY	<u>(403,712)</u>
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	<u>\$ 1,552,720</u>

**MOSCHIP TECHNOLOGIES, USA**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2021**

**CHUGH**

Service revenue	\$ 4,966,236
Cost of services (Schedule A)	<u>4,557,174</u>
GROSS PROFIT	409,062
Operating expenses (Schedule B)	<u>258,612</u>
OPERATING INCOME	150,450
OTHER INCOME/(EXPENSE)	
Other income	80,727
Interest expense	<u>(27,398)</u>
INCOME BEFORE INCOME TAX	203,779
Income Tax Expense	<u>(840)</u>
NET INCOME	<u><u>\$ 202,939</u></u>

**MOSCHIP TECHNOLOGIES, USA**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEAR ENDED MARCH 31, 2021**



	<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, 2020	19,192,404	\$ 3,044,000	\$ 945,965	\$ (4,596,616)	\$ (606,651)
Net Income				202,939	202,939
Balance as of March 31, 2021	19,192,404	\$ 3,044,000	\$ 945,965	\$ (4,393,677)	\$ (403,712)

**MOSCHIP TECHNOLOGIES, USA**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2021**



CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	\$ 202,939
Provided by operating activities:	
Depreciation expense	9,924
Amortization	14,092
(Increase) decrease in operating assets	
Accounts receivable, net	541,899
Increase (decrease) in operating liabilities	
Accounts payable	(446,675)
Accrued expenses	35,176
Salaries payable	668
Customer advance	(50,919)
Unearned Revenue	2,667
401K deduction payable	(1,384)
	308,386
Net Cash Provided by Operating Activities	308,386

CASH FLOWS FROM INVESTING ACTIVITIES

Intangible Assets	(55,097)
Sale of Fixed Assets	30,888
	(24,209)

Net Cash Used in Investing Activities (24,209)

CASH FLOWS FROM FINANCING ACTIVITIES

SVB PPP Loan	247,384
Loan from Citibank	(9,141)
Line of credit	(30,761)
Loan from shareholders	(95,321)
	112,161

Net Cash Provided in Financing Activities 112,161

NET INCREASE IN CASH 396,338

CASH, beginning of year 11,663

CASH, end of year \$ 408,001

**Non-Cash Transactions:**

Capital WIP has been capitalized as intangibles and put to use during the year ended March 31, 2021.





---

**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.

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 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 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 recognize revenues when on delivery of services to the customers in an amount that reflects the consideration which is expected to be entitled to in exchange for those services. See Note 3 for further discussion on Revenues.



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.

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. The Company made a gain on sale of assets of \$ 2,427 which has been included under the Other Income.

Intangible Assets

Intangible Assets are stated at cost and are being amortized over their estimated useful lives using the straight- line method for financial reporting purposes as follows:

Intellectual Property	3 to 5 years
-----------------------	--------------

Capital Work in Progress

The Company had research & development cost of \$452,200 which was capitalized earlier. Additions of \$55,097 was made during the year. The CWIP has been put to use effective March 31, 2021 and accordingly classified as Intangible Asset.

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. Valuation Allowance is established when necessary, to reduce deferred tax assets to the amount expected to be realized.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02 (Topic 842) "Leases." Topic 842 supersedes the lease requirements in Accounting Standards Codification (ASC) Topic 840, "Leases." Under Topic 842, lessees are required to recognize assets and liabilities on the balance sheet for most leases and provide enhanced disclosures. Leases will continue to be classified as either finance or operating. This ASC is effective for private companies for the fiscal years beginning after December 15, 2021. Management is currently evaluating the new update.

**NOTE 3 – REVENUE RECOGNITION**

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 the 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

Differences between the timing of billings and the recognition of revenue are recognized as either unbilled receivables or deferred revenues in the accompanying balance sheet. When there is no identifiable contract, the Company recognizes revenue in the amount of consideration received when the Company has transferred control of the services.

The Company generates its revenues from providing professional services under two types of billing arrangements: time-and-expense and milestone basis. Time-and-expense billing arrangements require the client to pay based on the number of hours worked at agreed-upon rates. Expense reimbursements that are billable to the clients are included in total revenues. Reimbursable expenses are primarily recognized as revenue in the period in which the expense is incurred.

The Company has fixed-price contracts, and revenue is recognized under the percentage of completion method, measured by the percentage of costs incurred to date to estimated total costs of each contract. Provisions for estimated losses on uncompleted contracts are provided for when determined, regardless of the completion percentage. As contracts can extend over one or more accounting periods, changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions and final contract settlements may result in revisions to cost and income and are recognized in the period in which the revisions are determined.

Disaggregation of Revenue:

The following table presents revenue disaggregated by revenue source for the period. The Management has applied the practical expedient of providing limited disclosure in this regard, as the cost to obtaining this information exceeds the benefits.

<b>Revenue Source</b>	<b>Amount</b>
Production Services Income	\$ 323,192
Design Service Income	4,643,044
<b>TOTAL</b>	<b>\$ 4,966,236</b>

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. However, the Company sometimes receive advances or deposits from the customers, before revenue is recognized, resulting in deferred revenue. These deposits are liquidated when revenue is recognized.

The contract balances as of March 31, 2021 and March 31, 2020 were as follows:

<b>Particulars</b>	<b>March 31, 2021</b>	<b>March 31, 2020</b>
Accounts Receivable	\$ 645,749	\$ 1,187,648
Unearned Revenue	\$ 2,667	-

**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, 2021 are as follows:

<b>Clients</b>	<b>Revenue</b>	<b>Percentage</b>	<b>AR</b>	<b>Percentage</b>
A	\$ 2,428,119	49%	\$ 460,768	43%
B	1,608,758	32%	103,790	16%



**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment as of March 31, 2021 are as follows:

Equipment	42,414
<b>Property and equipment, gross</b>	<b>42,414</b>
Less: Accumulated Depreciation	(40,119)
<b>Property and Equipment</b>	<b>\$ 2,295</b>

Depreciation expense for the year ended March 31, 2021 is \$ 9,924.

**NOTE 6 – INTANGIBLE ASSETS**

Intangible assets include internally developed IP assets as of March 31, 2021. Amortization of the IP Asset is computed over the estimated economic life of the product of 3 years.

IP Assets	507,297
<b>Intangibles, gross</b>	<b>507,297</b>
Less: Accumulated Amortization	(14,092)
<b>Intangibles</b>	<b>\$ 493,205</b>

Amortization expense for the year ended March 31, 2021 is \$ 14,092.

**NOTE 7 – LINE OF CREDIT**

The Company has an available revolving line of credit with an interest rate of 5.75% as of March 31, 2021. The Company has an outstanding balance of \$117,520 as of March 31, 2021. Interest expense for the year is \$7,732. 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 complied with all financial covenants during the year ended March 31, 2021.

**NOTE 8 – ACCRUED EXPENSES**

Accrued expenses consisted of the following at March 31, 2021:

Audit Fees	\$ 10,500
Bonus	37,389
Vacation Expense	37,253
Production Services	62,766
Professional Services	800
<b>Accrued Expenses, March 31, 2021</b>	<b>\$ 148,708</b>



**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. Rent expense for the year ended March 31, 2020 was \$28,982.

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

April 2021 – October 2021	\$ 17,191
---------------------------	-----------

**NOTE 10 – PPP LOAN AND EIDL GRANT**

In May 2020, the Company received loan proceeds of \$245,078, under the Paycheck Protection Program (the “PPP”). The PPP, which was established as part of the Coronavirus Aid, Relief and Economic Security Act, provides for loans to qualifying businesses for amounts up to 2.5 times certain average monthly payroll expenses of the qualifying business. The loan and accrued interest, or a portion thereof, may be forgiven after 24 weeks (“applicable period”) so long as the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent, mortgage interest, and utilities, and maintains its payroll levels as defined by the PPP. At least 60% of the loan proceeds must be spent on payroll costs, as defined by the PPP for the loan to be eligible for forgiveness. The Company accrued interest towards the PPP loan of \$2,307 for the year ended March 31, 2021.

Emergency one-time payout of \$10,000 as a grant was received by the Company under the Economic Injury Disaster Loan Program and has been included under Other Income.

**NOTE 11 – RELATED PARTY TRANSACTIONS**

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, 2021. The Parent Company provides engineering services to the Company.

As of March 31, 2021 the company has a liability to pay to the key personnel \$142,234 towards loan which includes the accrued interest of \$14,679 on the loan @ 7% p.a.

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

<b>Moschip Technologies, Ltd.</b>	
Accounts payable	1,056,622
Engineering Services	2,517,556
Sale of Fixed Asset	33,315

<b>Loan from Key Personnel</b>	\$ 142,234
--------------------------------	------------

**NOTE 12 – CONTINGENCIES**

There are no pending legal actions, including arbitrations, class actions and other litigation, arising in connection with the Company’s activities. Legal reserves are established in accordance with FASB ASC 450 “Accounting for Contingencies” (formerly known as SFAS No. 5). 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, 2021.

#### **NOTE 13 – 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 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 (GILTI) and the base erosion tax, respectively. GITLI provision does not apply to the Company.

##### Valuation Allowance

At March 31, 2021, the Company had net operating loss carry forwards for federal and state income tax purposes of \$2.8 million and \$5.3 million. 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.

There had been a merger of Gigacom Semiconductor, LLC into the Company. Utilization of the historic net operating loss is subject to a substantial annual limitation 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 period under review.

As of March 31, 2021, the Company, has federal and state net deferred tax assets of \$574K and \$366K, 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.

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





**NOTE 14 – STOCKHOLDERS’ EQUITY**

The Company had the following stockholders’ equity structure as at March 31, 2021:

	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 15 - 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 Corporation anticipates increase in the revenues as it grows its comprehensive design services line of business. This is expected to increase revenue in the future periods. However, the Company's management believe sufficient funds can be secured if required with financial support from the parent entity, and as such management is of the opinion that going concern is not an issue.

**NOTE 16 – SUBSEQUENT EVENTS**

The Company has evaluated the subsequent events until April 22, 2021 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.

COVID-19 has spread across most of the world including the United States of America where the Company has its operations. However, the Company's operations has not been affected significantly for the current year. The impact of COVID 19 may be different from that estimated by the Company and the Company will continue to closely monitor any material changes in future economic conditions. Considering the Company's present liquidity position and its customer relationships, the management of the Company is of the opinion that it would be able to discharge its obligations. No material subsequent event occurred that requires disclosure.

The Company has concluded that neither of the event mentioned above, nor any other events or transactions have occurred which would require adjustments or disclosures in the Company's financial statements.



TAX | ACCOUNTING | AUDIT | CONSULTING

---

1600 DUANE AVENUE, SANTA CLARA, CA 95054 | TEL 408.970.0100 | FAX 408.970.0200 | WWW.CHUGH.NET

---

**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, 2021, and our report thereon dated April 22, 2021, which expressed an unmodified opinion on those financial statements, appears on page 1. 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  
April 22, 2021

**MOSCHIP TECHNOLOGIES, USA**  
**SCHEDULE A: COST OF SERVICES**  
**FOR THE YEAR ENDED MARCH 31, 2021**



Subcontractor charges	\$ 2,954,217
Salaries and wages	1,254,326
Production service	241,677
Payroll taxes	80,708
Vacation expense	25,792
Freight charges	455
	<hr/>
<b>TOTAL COST OF SERVICES</b>	<b>\$ 4,557,174</b>
	<hr/> <hr/>

**MOSCHIP TECHNOLOGIES USA**  
**SCHEDULE B: OPERATING EXPENSES**  
**FOR THE YEAR ENDED MARCH 31, 2021**



Advertising and marketing	3,559
Amortization	14,092
Provision for doubtful debts	(8,422)
Bank charges	5,016
Business licenses and permits	94
Commission	7,587
Consulting fees	54,800
Depreciation	9,924
Maintenance fees	1,544
Insurance	54,474
Legal and professional fees	45,671
Meals expense	655
Misc expenses	109
Office expenses	3,951
Payroll Processing Fees	5,729
Rent expense	28,982
Software Expense	6,760
Telephone and internet	3,528
Travel	19,649
Unsecured Property Tax	910
	<hr/>
TOTAL OPERATING EXPENSES	<u>\$ 258,612</u>