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NOTARIAL CERTIFICATE

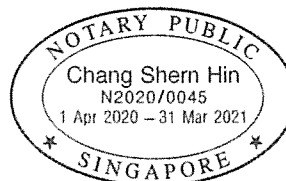
TO ALL TO WHOM these presents shall come

I, Chang Shern Hin, NOTARY PUBLIC duly admitted, authorised to practise in the Republic of Singapore, DO HEREBY CERTIFY

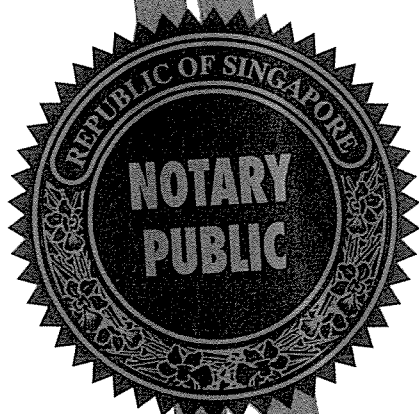
that the document annexed hereto is an original **REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020** signed by **SUNDARAM SRIDHARAN**, Director for and on behalf of **SANKALP SEMICONDUCTOR SDN. BHD. (1250624-M)** dated the 4th day June 2020.

IN FAITH AND TESTIMONY whereof I the said notary have subscribed my name and set and affixed my seal of office at Singapore, this 4th day of June 2020.

NOTARY PUBLIC
SINGAPORE



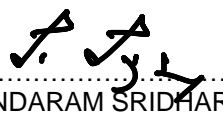
By virtue of Rule 8(3)(c) of the Notaries Public Rules, a Notarial Certificate must be authenticated by the Singapore Academy of Law in order to be valid.



SANKALP SEMICONDUCTOR SDN. BHD. (1250624-M)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

These financial statements and reports of the
Company with ~~Qualified~~ / Unqualified Auditors'
Report for the financial year ended 31.03.2020
were circulated on



.....
SUNDARAM SRIDHARAN
Director

MESSRS. K. H. TAN & ASSOCIATES (AF: 1189)
Chartered Accountants (Malaysia)
20-A4, Jalan SS 6/3, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan
Tel: 03-78061018 Fax: 03-78061018

SANKALP SEMICONDUCTOR SDN. BHD. (1250624-M)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

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MESSRS. K. H. TAN & ASSOCIATES (AF: 1189)
Chartered Accountants (Malaysia)
20-A4, Jalan SS 6/3, Kelana Jaya, 47301 Petaling Jaya, Selangor, Malaysia
Tel: (6)03-78061018 Fax: (6)03-78061018

SANKALP SEMICONDUCTOR SDN. BHD. (1250624-M)
(Incorporated in Malaysia)

CORPORATE INFORMATION
YEAR ENDED MARCH 31, 2020

| | |
|---|--|
| BOARD OF DIRECTORS | : Sundaram Sridharan Anup Kumar Tarapada Dutta Huang Swee Lin |
| COMPANY SECRETARIES | : Tan Lai Hong (MAICSA No: 7057707) Goh Xin Yee (LS 0010359) |
| PRINCIPAL BANKER | : OCBC Bank (Malaysia) Berhad |
| AUDITORS | : K. H. Tan & Associates (AF 1189) Chartered Accountants (M) No. 20-A4, Jalan SS 6/3 Kelana Jaya 47301 Petaling Jaya Selangor Darul Ehsan Malaysia Tel: (6)03-78061018 Fax: (6)03-78061018 Email: tankh1@hotmail.com |
| REGISTERED OFFICE & PRINCIPAL OFFICE | : 12 th Floor, Menara Symphony No. 5, Jalan Prof. Khoo Kay Kim Seksyen 13 46200 Petaling Jaya Selangor Darul Ehsan Malaysia Tel: (6)03-78904800 Fax: (6) 03-78904650 |

SANKALP SEMICONDUCTOR SDN. BHD. (1250624-M)
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Company for the financial year ended March 31, 2020.

HOLDING COMPANY

The Company is a wholly owned subsidiary of Sankalp Semiconductor Private Limited, a company incorporated and domiciled in India.

PRINCIPAL ACTIVITY

The Company is principally involved in the provision of semi-conductor, analog and mixed signal technology, design services and solutions. There has been no significant change in the nature of this activity during the financial year.

RESULTS OF OPERATIONS

| | |
|-------------------|-----------------|
| | RM |
| Loss for the year | <u>(71,009)</u> |

In the opinion of the directors, the results of operations of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The Company did not pay or declare any dividend since the end of the previous financial year. The directors of the Company do not recommend a dividend for the current financial year.

RESERVES AND PROVISIONS

There was no material transfer to or from reserves and provisions during the financial year.

SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up un-issued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

SANKALP SEMICONDUCTOR SDN. BHD. (1250624-M)
(Incorporated in Malaysia)

DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

Sundaram Sridharan (Appointed on 8.1.2020)
Anup Kumar Tarapada Dutta (Appointed on 8.1.2020)
Huang Swee Lin (Appointed on 8.1.2020)
Uday Ramachandran (Resigned on 8.1.2020)
Cynthia Gloria Louis (Resigned on 8.1.2020)

DIRECTORS' INTERESTS

In accordance with the register of directors' shareholdings in the Company, none of the directors hold shares in the Company during financial year.

In accordance to the register of directors' shareholding in the holding company, Sankalp Semiconductor Private Limited, none of the directors hold shares in the holding company during financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REMUNERATION

None of the directors received remuneration for the current financial year.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

There was no indemnity given to or insurance effected for any directors, officers and auditors of the company.

SANKALP SEMICONDUCTOR SDN. BHD. (1250624-M)
(Incorporated in Malaysia)

OTHER STATUTORY INFORMATION

Before the statement of income and retained earnings, and the statement of financial position of the Company were made out, the directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realize their book values in the ordinary course of business had been written down to their estimated realizable values.

At the date of this report, the directors are not aware of any circumstances:

- (a) which would render the amount written off for bad debts or the making of provision for doubtful debts inadequate to any material extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Company misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Company misleading.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability which has arisen since the end of the financial year.

No contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Company to meet its obligations as and when they fall due.

EVENTS SUBSEQUENT TO BALANCE SHEET DATE

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Company for the current financial year.

SANKALP SEMICONDUCTOR SDN. BHD. (1250624-M)
(Incorporated in Malaysia)

AUDITORS

The auditors, Messrs. K. H. Tan & Associates, have indicated their willingness to continue in office.

The auditors' remuneration is disclosed in Note 11 to the financial statements.

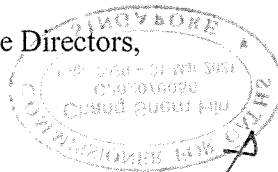
Signed on behalf of the Board
in accordance with a resolution of the Directors,



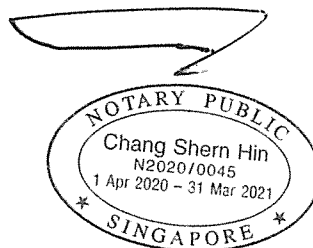
ANUP KUMAR TARAPADA DUTTA
Director

Singapore

Date:



SUNDARAM SRIDHARAN
Director



SANKALP SEMICONDUCTOR SDN. BHD. (1250624-M)
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
(Pursuant to Section 251(2) of the Companies Act 2016)

The directors of SANKALP SEMICONDUCTOR SDN. BHD. state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Private Entities Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as of March 31, 2020 and of the financial performance and the cash flows of the Company for the year ended on that date.

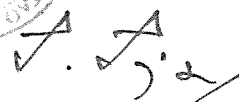
Signed on behalf of the Board
in accordance with a resolution of the directors,



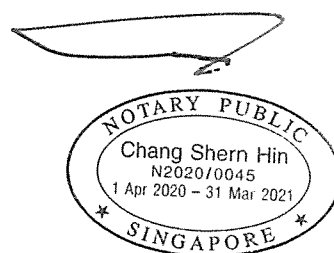
ANUP KUMAR TARAPADA DUTTA
Director

Singapore

Date:



SUNDARAM SRIDHARAN
Director

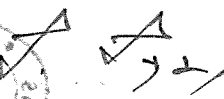


SANKALP SEMICONDUCTOR SDN. BHD. (1250624-M)
(Incorporated in Malaysia)

DECLARATION BY THE DIRECTOR PRIMARILY RESPONSIBLE FOR THE
FINANCIAL MANAGEMENT OF THE COMPANY
(Pursuant to Section 251(1)(b) of the Companies Act 2016)

I, SUNDARAM SRIDHARAN, the director primarily responsible for the financial management of SANKALP SEMICONDUCTOR SDN. BHD., do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Oaths and Declarations Act 2000.

Subscribed and solemnly declared
by the above named at Singapore,
on


SUNDARAM SRIDHARAN

Before me:



K. H. TAN & ASSOCIATES (AF: 1189)

Chartered Accountants (Malaysia)

20-A4, Jalan SS 6/3, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia

Tel: (6)03-78061018 Fax: (6)03-78061018

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
SANKALP SEMICONDUCTOR SDN. BHD. (1250624-M)
(Incorporated in Malaysia)****REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS***Opinion*

We have audited the financial statements of SANKALP SEMICONDUCTOR SDN. BHD., which comprise the Statement of Financial Position as at March 31, 2020 of the Company, and the Statement of Income and Retained Earnings and Statement of Cash Flows of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 11 to 27.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2020, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Private Entities Reporting Standard and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

K. H. TAN & ASSOCIATES (AF: 1189)

Chartered Accountants (Malaysia)

20-A4, Jalan SS 6/3, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia

Tel: (6)03-78061018 Fax: (6)03-78061018

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
SANKALP SEMICONDUCTOR SDN. BHD. (1250624-M)
(Incorporated in Malaysia)***Information Other than the Financial Statements and Auditors' Report Thereon (cont...)*

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company 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 the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of the financial statements of the Company that give a true and fair view in accordance with Malaysian Private Entities Reporting Standard and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal controls as the directors determine is necessary to enable the preparation of the financial statements of the Company that are free from material misstatements, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing 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.

K. H. TAN & ASSOCIATES (AF: 1189)

Chartered Accountants (Malaysia)

20-A4, Jalan SS 6/3, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia

Tel: (6)03-78061018 Fax: (6)03-78061018

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
SANKALP SEMICONDUCTOR SDN. BHD. (1250624-M)
(Incorporated in Malaysia)***Auditors' Responsibilities for the Audit of the Financial Statements (cont...)*

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, 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 of the Company, 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 directors.
- Conclude on the appropriateness of the directors' 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 auditors' report to the related disclosures in the financial statements of the Company 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 auditors' 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 of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.

K. H. TAN & ASSOCIATES (AF: 1189)

Chartered Accountants (Malaysia)

20-A4, Jalan SS 6/3, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia

Tel: (6)03-78061018 Fax: (6)03-78061018

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
SANKALP SEMICONDUCTOR SDN. BHD. (1250624-M)
(Incorporated in Malaysia)***Other matters*

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



K. H. TAN & ASSOCIATES
(AF: 1189)
Chartered Accountants (Malaysia)



TAN KWONG HUA
(No. 01810/03/2021 J)
Chartered Accountant (Malaysia)

Petaling Jaya

Date: June 4, 2020

SANKALP SEMICONDUCTOR SDN. BHD. (1250624-M)
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2020

| | NOTE | 2020 RM | 2019 RM |
|---------------------------------|------|------------|------------|
| <u>ASSETS</u> | | | |
| CURRENT ASSETS | | | |
| Trade & other receivables | 5 | 41,982 | 59,634 |
| Deposits & prepayments | 6 | 15,198 | 28,866 |
| Cash & cash equivalents | 7 | 97,524 | 160,708 |
| | | 154,704 | 249,208 |
| TOTAL ASSETS | | 154,704 | 249,208 |
| <u>EQUITY & LIABILITIES</u> | | | |
| EQUITY | | | |
| Share capital | 8 | 500,000 | 500,000 |
| Retained losses | | (367,197) | (296,188) |
| TOTAL EQUITY | | 132,803 | 203,812 |
| CURRENT LIABILITIES | | | |
| Trade & other payables | 9 | 21,901 | 45,396 |
| | | 21,901 | 45,396 |
| TOTAL EQUITY AND LIABILITIES | | 154,704 | 249,208 |

The annexed notes form an integral part of these financial statements.

SANKALP SEMICONDUCTOR SDN. BHD. (1250624-M)
(Incorporated in Malaysia)

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 2020

| | NOTE | 2020 RM | 2019 RM |
|---------------------------------|------|-------------------------|-------------------------|
| Revenue | 10 | - | 425,254 |
| Cost of services | 10 | - | (547,523) |
| Gross profit/(loss) | | <u>-</u> | <u>(122,269)</u> |
| Other income | | 741 | 3,275 |
| Expenses | | (71,750) | (155,342) |
| Loss before taxation | 11 | <u>(71,009)</u> | <u>(274,336)</u> |
| Taxation | 12 | - | - |
| Loss for the year | | <u>(71,009)</u> | <u>(274,336)</u> |
| Retained losses brought forward | | (296,188) | (21,852) |
| Retained losses carried forward | | <u><u>(367,197)</u></u> | <u><u>(296,188)</u></u> |

The annexed notes form an integral part of these financial statements.

SANKALP SEMICONDUCTOR SDN. BHD. (1250624-M)
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2020

| | NOTE | 2020 RM | 2019 RM |
|---|------|------------|------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Loss before taxation | | (71,009) | (274,336) |
| OPERATING LOSS BEFORE WORKING CAPITAL CHANGES | | (71,009) | (274,336) |
| Working capital changes:- | | | |
| Receivables, deposits & prepayments | | 31,320 | (59,876) |
| Payables & accruals | | (23,495) | 37,766 |
| NET CASH USED IN OPERATIONS | | (63,184) | (296,446) |
| Income tax paid | | - | (238) |
| NET CASH USED IN OPERATING ACTIVITIES | | (63,184) | (296,684) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| NET CASH FROM INVESTING ACTIVITIES | | - | - |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| NET CASH FROM FINANCING ACTIVITIES | | - | - |
| NET DECREASE IN CASH & CASH EQUIVALENTS | | (63,184) | (296,684) |
| Cash & cash equivalents brought forward | | 160,708 | 457,392 |
| CASH & CASH EQUIVALENTS | | | |
| CARRIED FORWARD | 7 | 97,524 | 160,708 |

The annexed notes form an integral part of these financial statements.

SANKALP SEMICONDUCTOR SDN. BHD. (1250624-M)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

1) CORPORATE INFORMATION

The Company is a private limited company incorporated on October 10, 2017 under the Companies Act 2016 and is domiciled in Malaysia.

The Company is a wholly owned subsidiary of Sankalp Semiconductor Private Limited, a company incorporated and domiciled in India.

The registered office and principal place of business are situated at:-

Registered & Principal office

12th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan

The Company is principally involved in the provision of semi-conductor, analog and mixed signal technology, design services and solutions. There has been no significant change in the nature of this activity during the financial year.

2) COMPLIANCE WITH FINANCIAL REPORTING STANDARDS AND THE COMPANIES ACT 2016

The financial statements of the Company have been prepared in accordance with the Malaysian Private Entities Reporting Standard (MPERS) issued by the Malaysian Accounting Standards Board (MASB) and the provisions of the Companies Act 2016 in Malaysia.

3) BASIS OF PREPARATION

The financial statements of the Company have been prepared using the cost and fair value bases.

The financial statements are prepared in Ringgit Malaysia ("RM"), which is the Company's functional currency.

Management has used estimates and assumptions in measuring the reported amounts of assets and liabilities at the end of the reporting period and the reported amount of revenues and expenses during the reporting period. Judgements and assumptions are applied in the measurement, and hence, the actual results may not coincide with the reported amounts. The areas involving significant judgements and estimation uncertainties are disclosed in Note 3(a).

SANKALP SEMICONDUCTOR SDN. BHD. (1250624-M)
(Incorporated in Malaysia)

3) BASIS OF PREPARATION (cont...)

a) Critical judgements and estimation uncertainty

Estimation uncertainty

The measurement of some assets and liabilities requires management to use estimates based on various observable inputs and other assumptions. The areas or items that are subject to significant estimation uncertainties are as follows:

i) Measurement of a provision

The Company uses a “best estimates” as the basis for measuring a provision. Management evaluates the estimates based on Company’s historical experiences and other inputs or assumptions, current developments and future events that are reasonably possible under the particular circumstances. In the case when a provision relates to large population of customers (such as warranty provision), a probability-weighted estimate of the outflows required to settle the obligation is used. In the case of a single estimate (such as provision for environmental restoration cost) a referenced contractor’s price or market price is used as the best estimate. If an obligation is to be settled over time, the expected outflows are discounted at a rate that takes into account the time value of money and the risk that actual outcome might differ from the estimates made.

ii) Measurement of income taxes

Significant judgment is required in determining the Company’s provision for current and deferred tax because the ultimate tax liability is uncertain. When the final outcome of the taxes payable is determined with the tax authorities, the amounts might be different from the initial estimates of the taxes payable. Such differences may impact the current and deferred taxes in the period when such determination is made. The Company will adjust for the differences as over or under provision of current or deferred taxes in the current period in which those differences arise.

iii) Loss allowances of financial assets

Impairment losses for loans and receivables are recognised by using the incurred loss model. Significant loans and receivables are tested for impairment separately by estimating the cash flows expected to be recoverable.

iv) Defined benefit liabilities or assets

The measurement of the present value of defined benefit obligations is based on number of assumptions and factors that are determined on an actuarial basis. The assumptions used in the measurement of the defined benefit costs and the related liabilities or assets include projected employee salaries, employee turnover, inflation, interest cost and an appropriate discount rate using yields of high quality corporate bonds in each jurisdiction. Any changes in these assumptions will have an impact on the carrying amount of the defined obligations.

SANKALP SEMICONDUCTOR SDN. BHD. (1250624-M)
(Incorporated in Malaysia)

4) SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies for recognition and measurement under MPERS are discussed below:

a) Impairment of non-financial assets

An impairment loss arises when the carrying amount of a Company's asset exceeds its recoverable amount. At the end of each reporting date, the Company assesses whether there is any indication that a stand-alone asset or a cash-generating unit may be impaired by using external and internal sources of information. If any such indication exists, the Company estimates the recoverable amount of the asset or cash-generating unit.

If an individual asset generates independent cash inflows, it is tested for impairment as a stand-alone asset. If an asset does not generate independent cash inflows, it is tested for impairment together with other assets in a cash-generating unit, at the lowest level in which independent cash inflows are generated and monitored for internal management purposes.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and the value in use. The Company determines the fair value less cost to sell of an asset or a cash-generating unit in a hierarchy based on: (i) price in a binding sale agreement; (ii) market price traded in an active market; and (iii) estimate of market price using the best available information. The value in use is estimated by discounting the net cash inflows (by an appropriate discount rate) of the asset or unit, using reasonable and supportable management's budgets and forecasts of five years and extrapolation of cash inflows for period beyond the five-year forecast or budget.

For an asset measured on a cost-based model, any impairment loss is recognised in profit or loss. For a property, plant and equipment measured on the revaluation model, any impairment loss is treated as a revaluation decrease.

The Company reassesses the recoverable amount of an impaired asset or a cash-generating unit if there is any indication that an impairment loss recognised previously may have reversed. Any reversal of impairment loss for an asset carried at a cost-based model is recognised in profit or loss, subject to the limit that the revised carrying amount does not exceed the amount that would have been determined had no impairment loss been recognised previously.

b) Financial instruments

i) Initial recognition and measurement

The Company recognises a financial asset or a financial liability (including derivative instruments) in the statement of financial position when, and only when, an entity in the Company becomes a party to the contractual provisions of the instruments.

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4) SIGNIFICANT ACCOUNTING POLICIES (cont...)

b) Financial instruments (cont...)

i) Initial recognition and measurement (cont...)

On initial recognition, all financial assets (including intra-group loans and advances) and financial liabilities (including intra-group payables) are measured at fair value, which is generally the transaction price, plus transactions costs if the financial assets or financial liabilities is not measured at fair value through profit or loss. For instruments measured at fair value through profit or loss, transaction costs are expensed to profit or loss when incurred. For intra-group loans and advances, and other contractual arrangements, that constitute a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

ii) Derecognition of financial instruments

For derecognition purposes, the Company first determines whether a financial asset or a financial liability should be derecognised in its entirety as a single item or derecognised part-by-part of a single item or of a group of similar items.

A financial assets, whether as a single item or a part, is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire, or when the Company transfers the contractual rights to receive cash flows of the financial assets, including circumstances when the Company acts only as a collecting agent of the transferee, and retains no significant risks and rewards of ownership of the financial asset or no continuing involvement in the control of the financial asset transferred.

A financial liability is derecognised when, and only when, it is legally extinguished, which is either when the obligation specified in the contract is discharged or cancelled or expired. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. For this purpose, the Company considers a modification as substantial if the present value of the revised cash flows of the modified terms discounted at the original effective interest rate differs by 10% or more when compared with the carrying amount of the original liability.

iii) Subsequent measurement of financial assets

For the purpose of subsequent measurement, the Company classifies financial assets into two categories, namely: (i) financial assets at fair value through profit or loss, and (ii) financial assets at amortised cost.

Other than financial assets measured at fair value through profit or loss, all other financial assets are subject to review for impairment in accordance with Note 4(b)(vii).

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4) SIGNIFICANT ACCOUNTING POLICIES (cont...)

b) Financial instruments (cont...)

iv) Subsequent measurement of financial liabilities

After initial recognition, all financial liabilities are measured at amortised cost using the effective interest method.

v) Fair value measurement of financial instruments

The fair value of a financial asset or a financial liability is determined by reference to the quoted market price in an active market, and in the absence of an observable market price, by valuation technique using reasonable and supportable assumptions.

vi) Recognition of gains and losses

Fair value changes of financial assets and financial liabilities classified as at fair value through profit or loss are recognised in profit or loss when they arise.

For financial assets and financial liabilities carried at amortised costs, a gain or loss is recognised or impaired, and through the amortization process of the instrument.

vii) Impairment and uncollectibility of financial assets

The Company applies the incurred loss model to recognise impairment losses of financial assets. At the end of each reporting period, the Company examines whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Evidences of trigger loss events include: (i) significant difficulty of the issuer or obligor; (ii) a breach of contract, such as default or delinquency in interest or principal payment; (iii) granting exceptional concession to a customer; (iv) it is probable that a customer will enter bankruptcy or other financial reorganisation; (v) the disappearance of inactive market for that financial asset because of financial difficulties; or (vi) any observable market data indicating that there may be a measurable decrease in the estimated future cash flows from a group of financial assets.

For short term trade and other receivables, where the effect of discounting is material, impairment loss is tested for each individually significant receivable whenever there is any indication of impairment. Individually significant receivable for which no impairment loss is recognised is grouped together with all other receivables by classes based on credit risk characteristics and aged according to their past due periods. A collective allowance is estimated for a class group based on the Company's experiences of loss ratio in each class, taking into consideration current market conditions.

c) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, short term and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

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4) SIGNIFICANT ACCOUNTING POLICIES (cont...)

d) Equity instruments

i) Share capital

Ordinary shares issued that carry no put option and mandatory contractual obligation: (i) to deliver cash or another financial asset; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company, are classified as equity instruments.

When ordinary shares and other equity instruments are issued in a private placement or in a rights issue to existing shareholders, they are recorded at the issue price.

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax effect.

ii) Distributions

Distributions to holders of an equity instruments are debited directly in equity, net of any related income tax effect.

A dividend declared is recognised as a liability only after it has been appropriately authorised, which is the date when the Board of Directors declares an interim dividend, or in the case of a proposed final dividend, the date the shareholders of the Company approve the proposed final dividend in an annual general meeting of shareholders.

e) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

Sales of goods & rendering of services

An entity shall recognise revenue associated with the transaction by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- i) the amount of revenue can be measured reliably;
- ii) it is probable that the economic benefits associated with the transaction will flow to the entity;
- iii) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- iv) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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4) SIGNIFICANT ACCOUNTING POLICIES (cont...)

f) Employee benefits

The Company recognises a liability when an employee has provided service in exchange for employee benefits to be paid in the future and an expense when the Company consumes the economic benefits arising from service provided by an employee in exchange for employee benefit.

i) Short term employee benefits

Wages and salaries are usually accrued and paid on a monthly basis and are recognised as an expense, unless they relate to cost of producing inventories or other assets.

Paid absences (annual leave, maternity leave, paternity leave, sick leave, etc.) are accrued in each period if they are accumulating paid absences that can be carried forward, or in the case of non-accumulating paid absences, recognised as and when the absences occur.

Profit sharing and bonus payments are recognised when, and only when, the Company has a present legal or constructive obligation to make such payment as a result of past events and a reliable estimate of the obligation can be made.

ii) Post-employment benefits (defined contribution plans)

The Company make statutory contributions to the approved provident funds and the contributions made are charged to profit or loss in the period to which they relate. When the contributions have been paid, the Company has no further payment obligations.

g) Tax assets and tax liabilities

A current tax for current and prior periods, to the extent unpaid, is recognized as a current tax liability. If the amount already paid in respect of current and prior periods exceed the amount due for those periods, the excess is recognised as a current tax asset. A current tax liability/(asset) is measured at the amount the entity expects to settle/(recover) using tax rates and laws that have been enacted or substantially enacted by the reporting date.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (or tax loss). The exceptions for initial recognition differences include items of property, plant and equipment that do not qualify for capital allowances and acquired intangible assets that are not deductible for tax purposes.

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4) SIGNIFICANT ACCOUNTING POLICIES (cont...)

g) Tax assets and tax liabilities (cont...)

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (or tax loss). The exceptions for the initial recognition differences include non-taxable government grants received and reinvestment allowances and investment tax allowances on qualifying property, plant and equipment.

A deferred tax asset is recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. Unused tax credits do not include unabsorbed reinvestment allowances and unabsorbed investment tax allowances because the Company treats these as part of initial recognition differences.

Deferred taxes are measured using tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred taxes reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities.

At the end of each reporting period, the carrying amount of a deferred tax asset is reviewed, and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of a part or all of deferred tax asset to be utilised. Any such reduction will be reversed to the extent that it becomes probable that sufficient taxable profit will be available

A current or deferred tax is recognised as income and expense in profit or loss for the period, except to the extent that the tax arises from items recognised outside profit or loss. For an income or expense item recognised in other comprehensive income, the current or deferred tax expense or tax income is recognised in other comprehensive income. For items recognised directly in equity, the related tax effect is also recognised directly in equity.

h) Foreign currencies

The financial statements of the Company are presented in Ringgit Malaysia, the currency of the primary economic environment in which the Company operates (its functional currency). Transactions denominated in foreign currencies are translated and recorded at the rates of exchange prevailing at the respective dates of transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the period (i.e. the closing rate). Non-monetary items carried at revalued amounts or at fair values that are denominated in foreign currencies are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items that are measured at their historical cost amounts continue to be and are not retranslated.

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4) SIGNIFICANT ACCOUNTING POLICIES (cont...)

i) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

j) Provisions

The Company recognises a liability as a provision if the outflows required to settle the liability are uncertain in timing or amount. A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event, and of which the outflows of resources on settlement are probable and a reliable estimate of the amount can be made. No provision is recognized if these conditions are not met.

Any reimbursement attributable to a recognised provision from a counter-party (such as an insurer) is not off-set against the provision but recognised separately as an asset when, and only when, the reimbursement is virtually certain.

A provision is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. A provision is measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects the time value of money and the risk that the actual outcome might differ from the estimate made. The unwinding of the discount is recognised as an interest expense.

k) Fair value measurement

For assets, liability and equity instruments (whether financial or non-financial items) that require fair value measurement or disclosure, the Company establishes a fair value measurement hierarchy that gives the highest priority to quoted prices (unadjusted) in active markets for identical assets, liabilities or equity instruments and the lowest priority to unobservable inputs.

A fair value measurement of an item is estimated using a quoted price in an active market if that price is observable. The active market is the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability; and for which the Company can enter into a transaction for the asset or liability at the price in that market at the measurement date.

In the absence of an active market, the fair value of an item is estimated by an established valuation technique using inputs from the marketplace that are observable for substantially the full term of the asset or liability.

In the absence of both market price and observable inputs, a fair value measurement of an item is estimated by established valuation techniques using unobservable inputs, including internally developed assumptions that are reasonable and supportable.

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4) SIGNIFICANT ACCOUNTING POLICIES (cont...)

l) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

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| 5) TRADE & OTHER RECEIVABLES | 2020 RM | 2019 RM |
|---------------------------------|------------|------------|
| <u>Trade:</u> | | |
| Due from holding company | - | 59,564 |
| | - | 59,564 |
| <u>Non-trade:</u> | | |
| Due from third parties | 41,982 | 70 |
| | 41,982 | 70 |
| Total trade & other receivables | 41,982 | 59,634 |

The normal trade credit term ranges from 30 to 60 days while other credit terms are assessed and approved on ad-hoc basis.

The trade balance due from holding company is unsecured and is subjected to normal trade credit term.

| 6) DEPOSITS & PREPAYMENTS | 2020 RM | 2019 RM |
|---------------------------|------------|------------|
| Deposits | 15,198 | 15,198 |
| Prepayments | - | 13,668 |
| | 15,198 | 28,866 |

7) CASH & CASH EQUIVALENTS

The Company's cash management policy is to use cash and bank balances, money market instruments, bank overdrafts and short-term trade financings to manage cash flows to ensure sufficient liquidity to meet the Company's obligations. The components of cash and equivalents consist of:

| | 2020 RM | 2019 RM |
|---------------|------------|------------|
| Bank balances | 97,524 | 160,708 |
| | 97,524 | 160,708 |

| 8) SHARE CAPITAL | 2020 No. of units | 2019 No. of units | 2020 RM | 2019 RM |
|--|----------------------|----------------------|------------|------------|
| Issued and fully paid-up ordinary shares | 500,000 | 500,000 | 500,000 | 500,000 |
| | 500,000 | 500,000 | 500,000 | 500,000 |

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| | | |
|--|------------|------------|
| 9) TRADE & OTHER PAYABLES | 2020 RM | 2019 RM |
| <u>Trade:</u> | | |
| Due to third parties | - | 36,370 |
| | - | 36,370 |
| <u>Non-trade:</u> | | |
| Due to holding company | 4,720 | 4,720 |
| Due to third parties | 15,181 | 2,306 |
| Accruals | 2,000 | 2,000 |
| | 21,901 | 9,026 |
| Total trade & other payables | 21,901 | 45,396 |
| The balances due to holding company is unsecured, interest free and have no fixed term of repayment. | | |
| 10) REVENUE AND COST OF SERVICES | 2020 RM | 2019 RM |
| Revenue from: | | |
| Service income | - | 425,254 |
| Total revenue | - | 425,254 |
| Cost of services and other direct expenses | | |
| Subcontract cost | - | 547,523 |
| Total cost of services and other direct expenses | - | 547,523 |
| Gross loss | - | (122,269) |
| 11) LOSS BEFORE TAXATION | 2020 RM | 2019 RM |
| This has been arrived at after charging/(crediting):- | | |
| Audit fee | 1,700 | 1,200 |
| Loss on forex (realised) | 15 | 8,663 |
| Rental of premises | 13,041 | 16,455 |
| Staff benefits:- | | |
| - Salary & allowances | 24,000 | 85,588 |
| - EPF, SOCSO & EIS | 148 | 1,017 |
| Interest income | (741) | (3,275) |

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12) TAXATION

| | 2020 RM | 2019 RM |
|------------------------------------|------------|------------|
| Malaysia income tax - current year | <u>-</u> | <u>-</u> |
| | <u>-</u> | <u>-</u> |

Reconciliation of income tax expense applicable to loss before taxation at the statutory tax rate to income tax expense at the effective tax rate:-

| | 2020 RM | 2019 RM |
|--|-----------------|------------------|
| Loss before taxation | <u>(71,009)</u> | <u>(274,336)</u> |
| Taxation at statutory rate of 17% (2019: 17%) | 12,072 | 46,637 |
| Effects of non deductible expenses & other items | (2,659) | (137) |
| Tax benefit not recognised for the year | <u>(9,413)</u> | <u>(46,500)</u> |
| Tax expenses for the year | <u>-</u> | <u>-</u> |

As at the balance sheet date the Company has deferred tax assets not recognised in the financial statements in respect of the following items:-

| | 2020 RM | 2019 RM |
|-----------------------|----------------|----------------|
| Unabsorbed tax losses | <u>323,010</u> | <u>267,641</u> |

13) FINANCIAL RISK MANAGEMENT POLICIES

The operation of the Company is subject to a variety of financial risk, including credit risk, liquidity risk and cash flow risk, forex risk and market risk. The Company's overall risk management programme focuses on the unpredictability of financial market and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by Risk Management Department under policies approved by the Board of Directors. The Company's Risk Management Department identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board of Directors provide written principles for overall risk management, as well as policies covering specific areas, such as credit risk, use of non-derivative financial instruments, and investment of excess liquidity.

a) Credit risk

The Company has a credit policy to evaluate customers requiring credit over a certain amount or period. Credit risk is further minimised by ensuring that the Company is not over exposed to a large concentration of high credit customers or customers from a particular market. Trade receivables are monitored on an ongoing basis via the Company's management reporting procedures.

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13) FINANCIAL RISK MANAGEMENT POLICIES (cont...)

b) Liquidity risk and cash flow risk

The Company actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. The Company practices prudent liquidity risk management to minimise the mismatch of financial assets and liabilities.

c) Foreign currency risk

Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to transactional currency risk primarily through sales and payments that are denominated in a currency other than the functional currency to which they relate. The currencies giving rise to this risk are primarily United States Dollar. Forex risk is monitored on an ongoing basis via the Company's management reporting procedures.

d) Market risk

The Company's exposure to market risk arises mainly from increases in operating costs, changes in general economic and business conditions, changes in legal and environmental framework and competition.

The Company seeks to minimise these risks by, inter alia, actively managing resources, carrying out and maintaining quality services and products, carrying out products and market research and survey, and promoting its brand and seeking new products, services and markets.

14) AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issuance by the Board of Directors in accordance with a resolution of the board of directors on June 4, 2020.

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DETAILED INCOME STATEMENT
FOR THE YEAR ENDED MARCH 31, 2020

| | 2020 RM | 2019 RM |
|---------------------------|------------|------------|
| REVENUE | | |
| Service income | - | 425,254 |
| LESS: COST OF SERVICES | | |
| Subcontract cost | - | 547,523 |
| | - | 547,523 |
| GROSS LOSS | - | (122,269) |
| ADD: OTHER INCOME | | |
| Interest income | 741 | 3,275 |
| | 741 | 3,275 |
| TOTAL INCOME/(LOSS) | 741 | (118,994) |
| LESS: OPERATING EXPENSES | | |
| Audit fee | 1,700 | 1,200 |
| Bank charges | 112 | 126 |
| EPF | - | 626 |
| Loss on forex (realised) | 15 | 8,663 |
| Postage & courier | 970 | - |
| Printing & stationery | 140 | - |
| Professional fee | 4,619 | 29,727 |
| Rental of premises | 13,041 | 16,455 |
| Repairs & maintenance | 378 | - |
| Salary & allowances | 24,000 | 85,588 |
| Secretarial fee & charges | 19,958 | 11,395 |
| Service tax | 632 | |
| SOCSSO & EIS | 148 | 391 |
| Tax fee | 800 | 800 |
| Telephone | - | 3 |
| Travelling | 5,237 | 331 |
| Upkeep of computer | - | 37 |
| | 71,750 | 155,342 |
| LOSS FOR THE YEAR | (71,009) | (274,336) |