

---

# ***Audit Report***

Scholz Holding GmbH  
Essingen

Annual Financial Statements  
for the period ending December 31, 2018

Auditor's Report

(Translation - the German text is authoritative)





**Appendices**

**Page**

Financial Statements for the Period ending December 31, 2018..... 1

1. Balance Sheet as of December 31, 2018..... 2

2. Income Statement for the period from 1 January to 31 December 2018..... 5

3. Notes to the Financial Statements for 2018..... 7

Auditor's Report..... 1



**Financial Statements for the Period  
ending December 31, 2018**

**Scholz Holding GmbH**  
**Balance Sheet as of December 31, 2018**

<b>Assets</b>	EUR k	31.12.2018 EUR k	31.12.2017 EUR k
<b>A. Fixed Assets</b>			
<b>I. Property, plant and equipment</b>			
Other equipment, furniture and fixtures	19		29
	19		29
<b>II. Financial Assets</b>			
1. Shares in affiliates	105.552		105.552
2. Equity Investments	0		353
	105.552		105.905
		105.571	105.934
<b>B. Current Assets</b>			
<b>I. Receivables and other assets</b>			
1. Trade receivables	0		32
2. Receivables from affiliates	5.797		7.216
3. Receivables from other investees and investors	0		617
4. Other assets	661		160
	6.457		8.025
<b>II. Cash on hand and bank balances</b>			
	1.148		1.392
		7.605	9.417
<b>C. Prepaid expenses</b>			
	59		23
		59	23
		113.235	115.374

<b>Equity and liabilities</b>	31.12.2018	31.12.2017
	EUR k	EUR k
<b>A. Equity</b>		
I. Subscribed capital	50.000	50.000
II. Capital reserves	290.478	290.478
III. Revenue reserves	7.279	7.279
IV. Accumulated loss	-315.751	-312.490
	.....	.....
	32.006	35.268
<b>B. Provisions</b>		
1. Tax provisions	290	1.257
2. Other provisions	6.256	1.998
	.....	.....
	6.546	3.255
<b>C. Liabilities</b>		
1. Bonds	0	5.804
2. Trade payables	0	91
3. Liabilities to affiliates	74.450	70.766
4. Liabilities to other investees and investors	2	21
5. Other liabilities	230	169
	.....	.....
	74.682	76.851
	.....	.....
	113.235	115.374





Scholz Holding GmbH  
Income Statement for the period from 1 January to 31 December 2018

	EUR k	2018 EUR k	2017 EUR k
1. Other operating income thereof from foreign currency translation: EUR 164k (prior year: EUR 301k)		1.916	7.007
2. Personnel expenses			
a) Wages and salaries	-103		-161
b) Social security, pensions and other benefit costs	-3		-2
	<u>-105</u>		<u>-163</u>
3. Amortization, depreciation and write-downs			
a) of intangible assets and property, plant and equipment	-11		-10
b) of current assets in excess of write-downs which are customary for the company	-92		-1
	<u>-103</u>		<u>-11</u>
4. Other operating expenses thereof from foreign currency translation: EUR 155k (prior year: EUR 634k)	-2.813		-8.925
		<u>-3.021</u>	<u>-9.099</u>
5. Income from equity investments	0		0
6. Other interest and similar income thereof from affiliates: EUR 624k (prior year: EUR 938k)	650		1.005
7. Write-downs of financial assets	-5		-325.580
8. Interest and similar expenses thereof from affiliates: EUR 3.386k (prior year: EUR 3.494k)	-3.420		-3.836
		<u>-2.774</u>	<u>-328.411</u>
9. Income taxes		635	36
<b>10. Net earnings after taxes</b>		<u>-3.244</u>	<u>-330.467</u>
11. Other taxes		-17	-10
<b>12. Net loss for the year</b>		<u>-3.261</u>	<u>-330.478</u>
13. Loss carryforward (prior year: profit carryforward)		-312.490	17.988
<b>14. Accumulated loss</b>		<u><u>-315.751</u></u>	<u><u>-312.490</u></u>



## Scholz Holding GmbH

### Notes to the Financial Statements for 2018

---

#### In General

Scholz Holding GmbH has its registered office in Essingen ("SHG") and is entered in the commercial register of the Ulm Local Court (HR B Reg. No. 730756).

The location of the management of SHG has been located in Surrey, United Kingdom, since January 14, 2016, (so-called "COMI" - Center of Main Interest).

As of the balance sheet date of December 31, 2018, SHG is a small corporation as defined by Section 267 HGB.

The income statement has been prepared in accordance with the total cost method pursuant to Section 275 (2) HGB.

The financial year corresponds to the calendar year.

In order to improve the clarity of presentation, we have provided details on the inclusion of other items and on the "of which" details of the balance sheet and the income statement in these notes.

SHG is included in the consolidated financial statements of Chiho Environmental Group Limited, Grand Cayman, Cayman Island (CEG). In accordance herewith, all companies included in this consolidated group in the course of full consolidation are regarded as "affiliated companies" (Section 271 (2) HGB).

As of 31 December 2018, SHG held shares in various companies, in particular a 20 % share in Scholz Recycling GmbH, Essingen (SRG).

As of the date of the capital increase SHG is no longer the parent company of the Scholz Group.

#### Accounting and valuation methods

**Tangible assets** is carried at cost and, if depreciable, reduced by scheduled straight-line depreciation. Unscheduled depreciation is performed if an impairment in value has arisen that is expected to be permanent. Tangible assets are depreciated on a straight-line basis based on their anticipated useful lives (2 to 50 years). Depreciation on-additions to tangible assets is charged pro rata temporis. Low-value assets up to a net

individual value of EUR 800.00 are fully written off in the year of acquisition or recognized as an expense.

In the case of **financial assets**, share rights are capitalized at acquisition cost or, in the case of permanent impairment, at their lower fair value based on the corporate values determined by discounted cash flow (DCF) method.

**Receivables and other assets** are carried at their nominal values. Account has been taken of all risky items by forming appropriate specific valuation allowances. The general credit risk is reflected by global deductions.

**Cash and cash equivalents** are stated at their nominal value on the balance sheet date.

**Prepaid expenses and deferred charges** include payments made before the balance sheet date insofar as they represent expenditure for a certain period after that date.

**Subscribed capital** is stated at its nominal value.

**Provisions for taxes** and **other provisions** account for all uncertain liabilities and anticipated losses from pending transactions. They are reported at the repayment amount deemed appropriate according to sound business judgment (i.e. including future cost and price increases).

**Liabilities** are stated at their amounts repayable.

**Foreign-currency assets and liabilities** were generally translated at the mean exchange rate on the balance sheet date. If the remaining term is more than one year, the realization principle (Section 252 (1) No. 4 Sub-clause 2 HGB) and the cost principle (Section 253 (1) Sentence 1 Clause 1 HGB) are taken into account.

## **Notes to the balance sheet**

### **Financial assets**

Financial assets consist primarily of the shares in SRG and shares in another two companies of subordinate significance reported under shares in affiliated companies. There were no indications of a change in valuation in the current financial year.

### **Receivables and other assets**

As in the previous year, all receivables and other assets are due within one year. Receivables from affiliated companies at TEUR 5,797 (previous year: TEUR 7,216) primarily consist of loans granted (TEUR 5,349, previous year: TEUR 5,904) as well as cash pooling and other receivables (TEUR 448, previous year: TEUR 1,312) with companies of the Scholz Group. Other assets include tax receivables to an amount of TEUR 257 (previous year: TEUR 81).

### **Bank balances**

Bank balances include current accounts.

### **Equity**

The **share capital** amounts to EUR 50,000,002.

The **capital reserves** consist of additional payments as defined by section 272 (2) no. 4 HGB.

The **revenue reserves** consist of other revenue reserves as defined by section 272 (3) HGB.

The **net retained loss** includes a loss carried forward of TEUR 312,490 (previous year profit carried forward of TEUR 17,988).

### **Provisions**

Tax provisions have been recognized for expected tax payments in the course of the tax audit (TEUR 290, previous year: TEUR 1,257).

Other provisions were primarily formed for outstanding invoice receipts (TEUR 342, previous year: TEUR 1,498), costs for financial statements (TEUR 80, previous year: TEUR 123) and contingent liabilities (TEUR 31, previous year: TEUR 377).

## Liabilities

The individual residual terms of liabilities are as follows:

Type of liability (in TEUR)	Residual term			Total	
	up to 1 year	more than 1 year	of which more than 5 years	12/31/2018	12/31/2017
1. Trade payables	0	0	0	0	
(previous year)	(91)	0	0		(91)
2. Payables to affiliated companies	17,852	56,598	0	74,450	
(previous year)	(14,168)	(56,598)	0		(70,766)
4. Liabilities to other investees and investors	2	0	0	2	
(previous year)	(21)	0	0		(21)
5. Other liabilities	230	0	0	230	
(previous year)	(169)	0	0		(169)
- of which taxes	0	0	0	0	
(previous year)	(45)	0	0		(45)

Liabilities to affiliated companies mainly relate to liabilities from Group financing (TEUR 64,901, previous year: TEUR 62,148), as well as other financial liabilities (TEUR 9,548, previous year: TEUR 8,618). Payables to affiliated companies include TEUR 63,879 (previous year: TEUR 60,493) to the shareholder.

There are liabilities to other investees and investors to an amount of TEUR 2 (previous year: TEUR 21).

## Notes to the income statement

### Other operating income

Other operating income includes off-period income from the reversal of provisions (TEUR 557, previous year: TEUR 5,010).

In addition, other operating income also consists of insurance compensation (TEUR 551, previous year: TEUR 0), exchange rate gains (TEUR 164, previous year: TEUR 301) and a variety of non-material individual items.

**Depreciation of current assets insofar as this is in excess of the customary level of write-downs for the Company**

Thereof write-downs of TEUR 30 (previous year: TEUR 0) on loan receivables from affiliated companies in excess of the usual amount were incurred.

**Other operating expenses**

Other operating expenses include mainly services from Scholz Management Service GmbH (TEUR 1,041, previous year TEUR 2,327), non-deductible input tax (TEUR 44, previous year TEUR 1,666), legal and advisory costs (TEUR 733, previous year TEUR 2,880) and exchange rate losses (TEUR 155, previous year TEUR 634).

**Other interest and similar income**

Other interest and similar income include income from affiliated companies of TEUR 624 (previous year: TEUR 940).

**Other interest and similar expenses**

Interest and similar expenses include those relating to affiliated companies to an amount of TEUR 3,386 (TEUR 3,494 in the previous year).

**Depreciation of financial assets**

The depreciation reported under no. 7 in the income statement in financial year 2018 refers to non-scheduled depreciation as defined by Section 253 (3) Clause 5 HGB.

**Taxes of income**

The tax income of TEUR 635 (previous year: tax income of TEUR 36) relates entirely to previous financial years.

**Other disclosures****Employees**

The company had an average number of 2 employees during the financial year (previous year: 3).

Since no managing director receives remuneration from the company, disclosure is omitted in accordance with § 286 (4) HGB.

**Contingent liabilities** in TEUR

	<u>2018</u>	<u>2017</u>
From guarantees	27,567	40,579
of which in favor of affiliated companies	(26,544)	(39,053)
From warranty agreements	276,617	287,838
of which in favor of affiliated companies	<u>(275,924)</u>	<u>(287,541)</u>
Total	304,184	328,417
of which in favor of affiliated companies	<u>(302,468)</u>	<u>(326,594)</u>

**Liabilities from guarantees** mainly relate to various banks and leasing companies.

**Liabilities from indemnity agreements** consist of guarantees and comfort letters, relating primarily to various banks and leasing companies.

There were no other contingent liabilities on the balance sheet date that should be disclosed in the notes to the financial statement or accounted for on the balance sheet.

On the basis of a continuing positive going-concern assumption, the risk of **claims arising from the individual contingent liabilities** is currently assessed in such a way that it is expected that the companies will be in a position to meet their contractual obligations.

**Other financial commitments and off-balance-sheet transactions****Rental and leasing contracts**

There are no material rental or leasing agreements at SHG.

**Group affiliation**

The Company is generally obliged under Section 290 (1) to (4) HGB to prepare consolidated financial statements and a group management report and have them audited in accordance with Section 316 et seqq. HGB.

Since the subsidiary/subsidiaries need not be included in the consolidated financial statements pursuant to Section 296 HGB, consolidated financial statements were admissibly not prepared pursuant to Section 290 (5) HGB.

The Company's annual financial statements are included in the consolidated financial statements of Chiho Environmental Group Limited, Grand Cayman, Cayman Island. The consolidated financial statements of CEG are available from the latter's website (<http://chihogroup.com/Home/Relationship/investorFinance>).



Redhill, Surrey, United Kingdom, April 30, 2019

Mark Howard Filer

Alice Amanda Elisabeth Childs

Mike Diamond

Richard Anthony Lynn

Kian Guan Goh



**INDEPENDENT AUDITOR'S REPORT**

To Scholz Holding GmbH, Essingen

*Audit Opinion*

We have audited the annual financial statements of Scholz Holding GmbH, Essingen, which comprise the Balance Sheet as at 31 December 2018, and the Income Statement for the financial year from 1 January to 31 December 2018 and Notes to the Financial Statements, including the presentation of the recognition and measurement policies.

In our opinion, on the basis of the knowledge obtained in the audit, the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2018 and of its financial performance for the financial year from 1 January to 31 December 2018 in compliance with German Legally Required Accounting Principles.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements.

*Basis for the Audit Opinion*

We conducted our audit of the annual financial statements in accordance with § 317 HGB in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the annual financial statements.

*Responsibilities of the Executive Directors for the Annual Financial Statements*

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to

enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

#### *Auditor's Responsibilities for the Audit of the Annual Financial Statements*

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, as well as to issue an auditor's report that includes our audit opinion on the annual financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 annual financial statements.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit 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 controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of this system of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive 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 the auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future

events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

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

Nuremberg, May 29, 2019

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Marco See  
Wirtschaftsprüfer  
(German Public Auditor)

Norbert Heinzelmann  
Wirtschaftsprüfer  
(German Public Auditor)



20000003978740