

Declaration on Compliance with the German Corporate Governance Code according to section 161 of the German Stock Corporations Act

The Executive Board and the Supervisory Board herewith declare that the Company has complied and will comply with the recommendations of the German Corporate Governance Code ("Code") in the version dated 7 February 2017, except for the following deviations:

- Contrary to section 3.10 of the Code, the Executive Board and the Supervisory Board did not report on Corporate Governance in 2017, as the annual report in which the declaration on corporate governance containing this report is published will be published delayed in the year 2018. With regard to the financial year 2016, the Company is therefore complying with this recommendation delayed.
- According to section 4.1.3 sentence 2 of the Code the Executive Board shall implement a Compliance Management System whose main features shall be published. Section 4.1.3 sentence 3 of the Code recommends to grant to employees the possibility to notify protectedly infringements of law in the Company. Due to the fact that this recommendation became just recently effective, the Company does not comply with this recommendation yet but will implement respective measures in the future.
- Section 4.2.1 sentence 1 of the Code recommends that the executive board shall be comprised of several persons. Since the former Chief Financial Officer, Mr. William Jihua Wang, resigned from his office on 9 June 2016, the Executive Board is only composed of the chairman Mr. Zefeng Chen. The Supervisory Board is looking for a qualified candidate for the position as CFO since the resignation of Mr. Wang, but has not succeeded so far. One candidate already worked for three month for the Company, but his performance did not meet the expectations of the Company. Thus, the Executive Board is temporarily composed of only one person. Another person, a woman, is specifically envisaged, but has not been appointed yet.
- Sections 4.2.2 and 4.2.3 of the Code contain recommendations on the remuneration of members of the executive board granted by the company. Since Mr. Zefeng Chen has only signed a service agreement with a Chinese subsidiary, but not with the stock corporation itself, and since the service agreement only contains a fixed remuneration, the recommendations set forth in sections 4.2.2 and 4.2.3 of the Code do not apply insofar. The Supervisory Board is of the opinion that Mr. Chen already has a strong interest in a sustainable growth of the Company due to his significant shareholding in the Company, so that there is no need for further monetary incentives.
- From June 2014 until his resignation in June 2016 a service agreement with Mr. William Jihua Wang existed which contained a fixed remuneration and a variable remuneration component in the form of an annual bonus, the granting and amount (up

to a contractually defined cap) of which is in the sole and free discretion of the Supervisory Board. The remuneration of Mr. Wang is generally in line with the recommendations set forth in sections 4.2.2 and 4.2.3 of the Code. The variable remuneration in the form of a discretionary bonus does however, insofar deviate from the recommendations set forth in section 4.2.3 para. 2 sentences 7 and 8 of the Code as the parameters or targets, respectively, are not defined in advance. The Supervisory Board is of the opinion that the variable remuneration in the form of a discretionary bonus was advantageous for the Company as it allowed the Supervisory Board to judge the performance of Mr. Wang holistically from an ex post perspective and further allowed to take into account other developments such as the general standing of the Company.

- Section 5.1.2 para. 2 sentence 3 and section 5.4.1 para. 2 sentence 1 of the Code recommend to determine age limits for the members of the Executive Board and the Supervisory Board. The Company has not determined such age limit and so maintains the option to appoint members of the Executive Board or the Supervisory Board that have already crossed a certain age limit on a case by case basis. The Company believes that the determination of an age limit is not useful as a general rule but rather prefers the qualification and experience of its board members as criteria.
- Section 5.3 of the Code recommends the formation of committees of the Supervisory Board. The Company did not establish any Supervisory Board committees. The Supervisory Board of the Company is only composed of three members. According to the regulations for German Stock Corporations a committee of the Supervisory Board needs to consist of at least three members to constitute a quorum. Therefore, the establishment of committees does at the moment not promise any advantages.
- According to section 5.4.1 para. 2, sentence 1 of the Code, the Supervisory Board shall prepare a profile of skills and expertise for the composition of the entire Supervisory Board. Due to the fact that this recommendation was included in the Code and became valid recently, a competence profile has not yet been prepared, but will be prepared by the Supervisory Board soon.
- According to section 5.4.1 para. 2 of the Code, the supervisory board shall take into account a general time limit for an engagement in the Supervisory Board. Although the Supervisory Board will generally take into account the recommendations of the Code when discussing proposals for engagement of new members or proposals for re-election they are of the opinion that Supervisory Board members should be allowed to continue their work for the group, if this serves best for the progress of ZhongDe and therefore refuses to determine a maximum time period for a membership in the Supervisory Board.

- Section 5.4.1 para. 5 of the Code recommends to attach the CVs of the candidate for Supervisory Board elections to the proposal of the Supervisory Board, which inform about relevant knowledge, skills and experiences and which – complemented by an overview of the main working activities of the Supervisory Board members besides their office in the Company – will be updated every year on the website of the Company. With regard to the coming election of Supervisory Board members at the annual general meeting this year the Company will attach the required CVs to the proposals for the election. In the future the Company will publish the complemented and yearly updated CVs on its website.
- According to section 5.4.6 para. 1 of the Code, the remuneration of the supervisory board members shall take into account the chairmanship and deputy chairmanship in the supervisory board as well as the chairmanship and membership in supervisory board committees. The current regulations on the remuneration of the Supervisory Board members only take into account the chairmanship in the Supervisory Board. In the view of the Company, an increased remuneration for the deputy chairman is not indicated as the tasks are primarily fulfilled by the chairman of the Supervisory Board. Supervisory Board committees have not been established due to the small size of the Supervisory Board so that the membership or chairmanship in committees are not to be considered for the determination of the remuneration.
- According to section 5.4.6 para. 2 of the Code, in case the supervisory board remuneration contains a variable component, such variable component shall be directed towards a sustainable development of the company. The variable remuneration of the Company's Supervisory Board is based on the annual profit per share, which in the view of the Company is generally a reasonable indicator for the Company's – and thus also the Supervisory Board's – performance. However, the variable component is not specifically based on a long-term indicator and thus, the variable remuneration may not meet the recommendation set forth in the revised section 5.4.6. para. 2 of the Code.
- According to section 6.2 of the Code the corporation shall disclose in a "financial calendar" on its website, giving sufficient advance notice, the publication dates of the annual reports and interim financial information as well as the dates of the general meeting. Due to time-consuming discussions with the auditors about the annual financial statement 2016 it was unclear for a long time at which time the annual financial statement would be completed and published, the dates of publication of the annual report 2016 and the interim financial reports based on the 2016 annual financial statements were not published sufficiently in advance. The same applies to the date of the upcoming general meeting. In the future, the Company will again announce such dates on its website giving sufficient advance notice.

- Section 7.1.2 of the Code recommends the annual consolidated financial statement and the group management report to be made available to the public domain within 90 days from the end of the financial year, and to make available the interim financial information within 45 days after the end of the respective reporting period. By now, the Company has missed these timelines. The reason is that due to its international holding structure and higher translation efforts to be made in respect of the preparation of the financial reports, the Company has put and will put more emphasis on accurate financial statements rather than to exactly meet the recommended timelines.

Frankfurt/Main, in May 2018

ZhongDe Waste Technology AG

The Executive Board

The Supervisory Board