



## Interim Report

First Quarter 2009

ZhongDe Waste Technology AG

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## Table of Contents

01	Key Figures	3
02	Highlights First Quarter 2009	4
03	Share Performance	5
04	Political Environment and Impact on Business Development	6
05	Management Report	7
06	Financial Statements - ZhongDe Waste Technology AG	13
06.1	Interim consolidated balance sheet	13
06.2	Interim consolidated statement of income and expenses	14
06.3	Statement of recognized income and expenses	14
06.4	Interim consolidated statement of cash flow	15
06.5	Selected notes to the interim consolidated financial statements	16
07	Responsibility Statement by management	19
08	Cautionary Note Regarding Forward-Looking Statements	20
09	About ZhongDe Waste Technology AG	21
10	Financial Calendar / Contact	22

# 01

## Key Figures

### Operational data

Amounts in k€	Q1 2009	Q1 2008	Change %
Order intake	25,220	43,992	-43
Order backlog	48,336	54,142	-11
Revenues	10,203	11,211	-9
Gross profit	5,676	7,744	-27
Gross profit margin	56%	69%	-
Cost of sales	4,527	3,467	31
EBITDA	4,144	6,482	-36
EBITDA margin	41%	58%	-
EBIT	4,052	6,426	-37
EBIT margin	40%	57%	-
Net profit	2,125	7,027	-70
Net profit margin	21%	63%	-
Earnings per share	0.16	0.54	-70

### Cash flow data

Amounts in k€	Q1 2009	Q1 2008	Change %
Cash flow from operating activities	-495	4,683	-111
Cash flow from investing activities	-788	-5,486	-86
Free cash flow before financing	-1,283	-803	60

### Balance sheet data

Amounts in k€	Q1 2009	31.12.2008	Change %
Total assets	146,475	140,068	5
Tangible and intangible fixed assets	12,308	11,149	10
Net working capital	122,251	115,987	5
Cash and cash equivalents	109,160	105,740	3
Debt	11,359	12,273	-7
Shareholders equity	134,897	127,606	6
Headcount	388	360	8

## Highlights First Quarter 2009

### -> Revenues:

In the first quarter of 2009 company revenues declined by € 1 million (from € 11.2 million to € 10.2 million), representing a decrease of 9% versus the same period in 2008. The reduction was driven primarily by a decrease in municipal incinerator sales. Moreover, only 6% project completion was recognized for the large-scale Datong EPC (Engineering, Procurement and Construction) project in this quarter. The proportion of medical waste incinerator sales continued to decline, in line with expectations, following the successful restructuring of the product mix. The development of sales remains in line with the Company's long-term strategy of focusing on the municipal incinerator segment and EPC projects.

### -> Operating results:

Gross profit decreased by 27% in comparison with the first quarter of 2008 and net profit dropped by € 4.9 million to € 2.1 million. The fall in profit was mainly due to an increase in both finance costs and income tax for the first quarter of 2009. At the same time, the gross margin decreased by 13 percentage points as a result of the gradual recognition of profits from the Datong EPC project and lower margins due to an increase in order sizes. The ZhongDe Group aims to focus on manufacturing larger scale incinerators and EPC projects to maximize production efficiency and future growth.

### -> Order intake and order backlog:

During the period under review the Company received orders for contracts worth € 25.2 million. The order backlog amounts to € 48.3 million, 93% of which comes from EPC projects.

### -> Cooperation with Genesis Energy:

In the course of Q1 2009, ZhongDe opened further doors for generating new project business by signing a strategic cooperation agreement with Genesis Energy Holdings Ltd. As an investor and operator, Genesis Energy Holdings Limited is in charge of investment and finance for waste-to-energy projects. ZhongDe, as the general contractor, is responsible for the design, procurement, installation and construction of these projects. Both parties will work together and use their resources in an optimum way to acquire and realize projects during their strategic cooperation.

### -> Zhucheng Project:

The Zhucheng project is another large-scale engineering, procurement and construction project (EPC project) after the Datong project. The project volume is approximately € 30 million. At present, bidding for civil work has been completed and ZhongDe has selected the project supervisory organization. The construction license has been obtained after full geological exploration. The project is expected to be completed by the end of 2010. The "percentage of completion" method is being used for this major contract, which means that the Zhucheng project will contribute to the revenues and earnings of 2009 and 2010.

### -> Research & Development:

The company places great emphasis on new product research, project design and product innovation. The complex information platform for project management (PIP&P3E/C system) has been established and fully put into operation. The company collaborated with Nankai University, Tianjin, China on SCR dioxin emission technology, as well as on technology development. The research subjects for the post-doctoral scientific research station have been identified.

# 03

## Share Performance



The first quarter of 2009 was dominated by great uncertainty and nervousness on stock markets worldwide. In a market environment continuously affected by the financial and economic crisis, the indices DAX 30 and SDAX fell by 18% and 16% respectively. ZhongDe's shares were unable to escape this trend: At the end of March it was listed with € 11.35 about 20% under year-end price of 2008.

The macroeconomic conditions in the major economies did not show any significant improvement during the first three months of the current year. In addition, studies by economic research institutes forecasting a deterioration of the financial and economic crisis impacted Germany's stock markets.

# Economic and Political Environment and Impact on Business Development

## Macroeconomic Environment

During the first quarter of 2009, the Chinese economy maintained rapid and steady growth. China's National Bureau of Statistics reported that the country's gross domestic product (GDP) hit € 722.4 billion\* in Q1 2009, an increase of 6.1% year-on-year.

Preliminary estimates indicate that value-added in primary industry increased by 3.5%, in second industry by 5.3% and in tertiary industry by 7.4%. During Q1 2009 total retail sales of consumer goods increased by 15.0% year-on-year and the consumer price index (CPI) decreased by 0.6%. Urban per capita disposable income amounted to € 532\* with an increase of 10.2% year-on year. Capital investment hit € 307.9 billion\*, up 28.8% year-on-year, and even higher than the growth in GDP and the CPI.

The net value of Chinese imports and exports amounted to € 322.1 billion\* in the reporting period, a decrease of 24.9% year-on-year. By the end of March, Chinese foreign exchange reserves amounted to € 1.47 trillion\*, increased by € 5.8 billion\* comparing to the end of 2008.

## Political Environment

On 7 January 2009, the Ministry of Environmental Protection (MEP) made a public statement aimed at improving environmental impact assessment to promote steady and fast economic development. The MEP has not only improved project approval efficiency, but also tightened control for projects. This has boosted industrial restructuring and the phase-out of outdated capacity. The progress made in environmental impact assessment was attributed to the following measures adopted by the MEP:

- The document processing period was shortened to improve efficiency. Acceptance of construction projects was shortened from previously five days to two days and project review meetings are now held twice a month instead of once a month.
- Procedures were simplified by means of separate assessment. While still guaranteeing assessment quality, the MEP categorizes projects according to their impact on the environment. It conducts assessments, reviews and sets the time frame for the different categories.
- Projects are reviewed according to levels in order to reduce procedures. Different review procedures are applied to different kinds of projects.

## Impact on Business Development

The Chinese government has reaffirmed its commitment to environmental protection and intends to establish a growth structure for Chinese industry that is both energy and resource efficient. Environmental impact assessment opens a greenway for construction projects supported by the central policies. The commitment made by the MEP regarding environmental impact assessment is likely to accelerate the process of building new waste-to-power plants in China, representing a tremendous opportunity for ZhongDe.

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\* Translation at EUR with the exchange rate of 31 March 2009 (RMB/EUR 9.0942, USD/EUR 1.3308)

## Management Report

### Results of Operations

Amounts in k€	Q1 2009	Q1 2008	Change %
Sales	10.203	11.211	-9
Cost of sales	-4.527	-3.467	-31
<b>Gross profit</b>	<b>5.676</b>	<b>7.744</b>	<b>-27</b>
Other operating income	149	4	>100
Selling and distribution expenses	-486	-477	-2
Administrative expenses	-486	-465	-5
Research and development expenses	-96	-83	-16
Other operating expenses	-705	-297	-137
<b>Profit from operations</b>	<b>4.052</b>	<b>6.426</b>	<b>-37</b>
Finance income	461	512	-10
Finance costs	-1.353	0	-
<b>Profit before income tax</b>	<b>3.160</b>	<b>6.938</b>	<b>-54</b>
Income tax	-1.035	89	-
<b>Net profit for the period</b>	<b>2.125</b>	<b>7.027</b>	<b>-70</b>

For the three-month period ending 31 March 2009, sales fell slightly by 9% compared with the same period in 2008, taking them from € 11.2 million in Q1 2008 to € 10.2 million in Q1 2009. This was reflected in the number of units sold. During the period under review, the Company sold three municipal waste incinerators, which is lower than the four units sold in the same period last year. Only one medical waste incinerator was sold. The Company expected that the medical waste incinerator sector would experience weak growth or even long-term decline. As a result, there was a sharp fall in sales of medical waste incinerators compared to the previous year's results. The Company managed to shift its focus to the municipal waste incinerator sector, with an emphasis on large orders. It also shifted its focus to large EPC projects, like the Datong project, in order to retain satisfactory total sales revenue.

The gross profit margin dropped from 69% to 56%, compared with the first quarter of last year. This marked decrease was mainly due to the development of large orders, such as the Datong project. In general, an EPC (Engineering, Procurement and Construction) project has a lower contribution margin, e.g. only 14.4% in the current period. Gross profit also fell by around 27%, from € 7.7 million in Q1 2008 to € 5.7 million in Q1 2009. The main reason for this decrease was the fall in sales of municipal waste incinerators.

Selling and distribution expenses, R&D expenses and administration expenses did not change very much compared to Q1 2008. Other operating expenses increased from K€ 297 in Q1 2008 to K€ 705 in Q1 2009. As a result, profit from operations was down 37% compared with the same period of 2008.

The double effect of an increase in finance costs (translation losses only) and income taxes led to a fall in net profit from € 7 million in Q1 2008 to € 2.1 million for the period ending 31 March 2009. During the same period in 2008, the Company did not experience any significant negative effects caused by the dramatic fluctuation in foreign exchange rates, nor did it pay any income tax due to a tax holiday granted for its Chinese business operation of Fujian Fengquan Environmental Protection Holding Co., Ltd. The tax holiday period ended at the beginning of 2009. The Company commenced paying income tax at a rate of 12.5% (though this represented only half as much of the normal income tax rate in China), causing income tax payments to rise from K€ -89 in Q1 2008 to € 1 million

for Q1 2009.

Overall, the profit for the period decreased significantly in Q1 2009. This reflects the fact that the global economic downturn in 2008 has begun to have a negative impact on our normal business operation results. Nonetheless, the influence from the external economic environment is expected to have only a temporary effect and will not bring about any fundamental change in our core business value. The business outlook for our Chinese operations remains positive.

Total assets of the Company increased by 4.6% from € 140 million at year end 2008 to € 146.5 million at Q1 2009, among which current assets raised by 4.2% while non-current assets position up by 9% in comparison of the Q1 2009 to year end results. The construction in progress, trade receivables, and other receivables and repayment rose by 12.6%, 9.8% and 35.5% respectively; but deferred tax assets, inventories on the other hand, decreased by 15.5% and 15.9% respectively for the same comparison period.

The cash position at 31 March 2009 up by 3.2% from € 105.7 million as at 31 December 2008 to € 109.2 million at the end of Q1 2009, despite of the overall negative cash flow of € -1.28 million.

Total liabilities of the Company decreased by 7.1% from € 12.5 million at year end 2008 to € 11.6 million at Q1 2009. Among which total current liabilities dropped € 1 million or 7.4% in percentage wise, while non-current liabilities position up by only K€ 30 in comparison of the Q1 2009 to the year end results. Trade payables, other payables and accruals, provisions, and amounts due to related parties decreased by 18.8%, 8.5%, 28.3% and 73.9% respectively; but income tax payable raised by K€ 865 from K€ 82 to K€ 947 for the same comparison period.

For the period under review, the overall equity position of the Company increased by € 7.3 million or 5.7% in terms of percentage in comparison to the year end results of 2008, this was partly caused by the foreign exchange difference.

## Current status of Beijing plant, BOT projects, and EPC projects:

### Beijing Plant

New production facilities are under construction in Beijing as part of the company's long-term capacity expansion program. The basic construction work has been successfully completed as expected. ZhongDe expects the production plant to be completed and fully operational at the end of the third quarter of 2009. The increase in production capacity and higher geographical coverage will enable ZhongDe to fully benefit from China's growing waste market and continue to generate outstanding growth.

### Feicheng BOT Project

The Feicheng project is one of the BOT projects in which ZhongDe invested. The daily waste disposal capacity is 160 tons and the concession period has been extended indefinitely (BOO project). Construction work for the Feicheng project is fully under way. The main factory is currently at the construction stage. Construction is expected to be completed and operation started by the end of 2009.

### Xianning & Kunming BOT Project

The Xianning and Kunming projects comprise the construction and operation of a large-scale municipal waste incinerator with electric power generation. Both the Kunming and Xianning projects guarantee stable cash flows from electricity sales. The preliminary designs for both projects have been completed and the bidding works for major equipment and project construction went smoothly. The project site in Kunming has also reached the stage of "three availables and one accessible" (electricity, water supply and paved roads are available, and leveled ground is accessible). Both projects are expected to start operations in 2011.

## Xihua BOT Project

Infrastructure development in Xihua is proceeding swiftly according to plan. The construction work for the building complex and the main factory are fully under way. Utilities and lighting equipment for the complex is at the installation stage. The project is expected to start operation by the year 2009.

## Datong EPC Project

Infrastructure development in Datong is proceeding swiftly according to plan. The main structures for the factory, coal belt conveyor gallery and closed coal site have been capped. Infrastructure constructions for the complex water pump and elevated approach bridge have been completed. ZhongDe expects the Datong project to be finished before the end of the third quarter of 2009. The total contract amounts to approximately € 32 million.

## Zhucheng EPC Project

The Zhucheng project is another large engineering, procurement and construction project (EPC project) after the Datong project. The waste incinerator plant with electricity generation in Zhucheng has a daily capacity of 500 tons. The total contract volume amounts to approximately € 30 million. At present, the bidding for civil work has been completed and ZhongDe has selected the project supervision organization. The construction license has been obtained after the full geological exploration. The project is expected to be completed by the end of 2010. The "percentage of completion" method is being used for this major contract, which means that the Zhucheng project will contribute to the revenues and earnings of 2009 and 2010.

## Order development

Order intake amounted to € 25.2 million in Q1 2009, compared with € 44 million in the same period last year; this corresponds to a decrease of 43%. The significantly lower order intake is due to the economic recession, which has led to less order of small and mid-size incinerator. While the order backlog for the first three months decreased by 11% from € 54.1 million in Q1 2008 to € 48.3 million in 2009, 93% of the order backlog comes from EPC facilities.

## Business Segments Overview

Amounts in k€	Q1 2009	Q1 2008	Change %
<b>Medical waste incinerators</b>			
Units sold	1	1	-
Revenues	542	462	17
<b>Gross profit</b>	<b>393</b>	<b>362</b>	<b>9</b>
<b>Municipal solid waste incinerators</b>			
Units sold	3	4	-25
Revenues	7,728	10,749	-28
<b>Gross profit</b>	<b>5,005</b>	<b>7,382</b>	<b>-32</b>
<b>EPC Projekt</b>			
PoC Datong project	1,933	-	-
<b>PoC Datong gross profit</b>	<b>278</b>	<b>-</b>	<b>-</b>
<b>Total Revenues</b>	<b>10,203</b>	<b>11,211</b>	<b>-9</b>
<b>Total Gross Profit</b>	<b>5,676</b>	<b>7,744</b>	<b>-27</b>

\*PoC: Percentage of Completion

### Medical Waste Incinerators

One medical waste incinerator was sold in Q1 2009. The Company continues to anticipate lower demand for medical waste incinerators. The focus will remain on generating municipal waste incinerators and large-size facility orders and shifting production to this more promising sector. As the unit selling price of medical waste incinerators is low compared to municipal waste incinerators, the Company aims to focus its R&D and marketing on medium and large-scale incinerators.

### Municipal Solid Waste Incinerators

Municipal solid waste incinerators – a main product of the company – have been significantly affected by the economic recession. The company sold three municipal waste incinerators in the first quarter of 2009. Two incinerators with a 200-ton capacity and one with a 100-tons capacity were sold. Revenue from municipal waste incinerator sales decreased from € 10.7 million in Q1 2008 to € 7.7 million in Q1 2009, a decrease of 28%. Gross profit was down by 32% in the first quarter, from € 7.4 million in Q1 2008 to € 5 million in Q1 2009.

### Engineering, Procurement and Construction Projects (EPC)

The Datong Project was signed in 2008 and is expected to be completed in Q3 2009. The “percentage of completion” method is being used for this contract, which means that the Datong project will continue to contribute to revenues and earnings. In the first quarter of 2009, the Company recognized an additional 6% of revenue for the Datong Project. Recognition was based on the percentage of the costs the Company incurred while installing the project. The company is preparing for the second EPC project in Zhucheng, which will start in 2009.

## Net Worth

Amounts in k€	31 March 2009	31 December 2008	Change %
Non current assets	12,865	11,808	9
Current assets	133,610	128,260	4
Equity	134,897	127,606	6
Liabilities	11,578	12,462	-7
Balance sheet total	146,475	140,068	5

The balance sheet total on 31 March 2009 amounted to € 146.5 million. The increase in non-current assets is primarily due to an increase in fixed assets as construction in progress rose by nearly € 1.0 million, due mainly to the construction of the Beijing plant. Current assets rose from € 128.3 million to € 133.6 million, mainly as a result of an increase in trade and other receivables as well as an increase of € 3.4 million in cash and cash equivalents. Equity increased by € 7.3 million to € 134.9 million and as a result the Company maintained a very strong equity ratio with no bank debts. The increase in working capital of 28% is mainly due to the rise in trade receivables from larger scale projects.

## Financial Position

Amounts in k€	Q1 2009	Q1 2008	Change %
Cash flow from operating activities	-495	4,683	-111
Cash flow from investment activities	-788	-5,486	-86
Cash flow from financing activities	0	0	-

Free cash flow during the period amounted to € -1.3 million. This is due in particular to capital expenditure for the Beijing plant, decreasing working capital due to lower prepayments.

## Human Resources

The increased profile and market reputation of the company continues to attract qualified people to the ZhongDe group. As of 31 March of 2009, the total number of employees reached 388 compared to 273 as of 31 March 2008.

The company developed a reasonable annual recruitment plan in order to meet the development of various departments. Different recruitment channels have been adopted in order to collect information on all types of talents and enable the company to build a complete talent database for its future development. In order to meet the demands of business development, the Company also revised its job descriptions by adding more detailed information so as to further improve HR management.

## Production

Manufacturing techniques, manufacturing control, and workflow were all consistently improved in 2009 in order to maximize productivity and react flexibly to a changing market.

Manufacturing techniques for cylinders, bag filters and tube plate holes have been further improved to save raw materials and control production costs. The revised division of work and specialization of production helped improve product quality and lower overhead costs. The Company has standardized the monitoring of material consumption and implemented cost controls on inventory and production. In addition, on-site quality control and supervision has been further enhanced.

## Patents

The patent application for the vertical incinerator-discharge distributor and the municipal waste gasification power generation system has been published and entered into the substantive examination and validation phase.

Patent applications for the following new products have been submitted to the authorities: Waste heat utilization equipment for high-temperature fuel gas, a reaction combustion boiler, a cyclone dust collector with electricity, a waste incinerator with step and rotary grate.

## Research & Development

The company places great emphasis on new product research, project design and product innovation. The complex information platform for project management (PIP&P3E/C system) has been established and put fully into operation.

The company collaborated with Nankai University, Tianjin, China on SCR dioxin emission technology, as well as on technology development. Following discussions, the design for a medium-sized experiment was adopted. With dioxin-like or dioxin as the gas component, the catalyst treatment effect on the actual project has been tested and evaluated

The research subjects for the post-doctoral scientific research station have been identified as follows: mechanical grate furnace optimum design research for waste incineration with electricity generation, dioxin emission research for waste incineration, waste hazard-free treatment and comprehensive utilization research.

## Outlook

In the period under review, ZhongDe made important progress in the market for large-scale incinerators with power generation. With the strong support of the Chinese government, and the company's growing prestige and technology ability in the waste incineration market, ZhongDe expects that more major orders will be secured in the future.

After the Datong project, ZhongDe signed another large engineering, procurement and construction project (EPC project) in Zhucheng at the beginning of 2009. This is a milestone in the development of ZhongDe's technology and products.

ZhongDe also signed a cooperation agreement with Genesis Energy that covers the management and operation of incineration projects with electricity generation. The agreement opens further doors for generating new projects.

With the joint efforts of our senior engineers and technicians in waste incineration technology, our capability in research & development has been greatly improved. The research subject identification for our post-doctoral scientific research station will serve as an important stepping stone to further enhance our technological capabilities.

ZhongDe Group's business is successfully progressing through its long-term growth strategy. Although the company's performance has been affected by the global financial crisis temporarily, the large size "waste to energy" Project market is still booming in China with Chinese government's policy to stimulate internal demand being launched step by step. The company is confident that it can continue to take advantage of the huge potential offered by the Chinese waste incineration market and create superior values.

## 06

# Financial Statements - ZhongDe Waste Technology AG

## 06.1

## Interim consolidated balance sheet

for the period from 1 January to 31 March 2009

Amounts in k€	31. March 2009	31. December 2008
<b>Assets</b>		
<b>Non-current assets</b>		
Equipment	1,361	1,298
Construction in progress	8,489	7,537
Intangible assets	2,458	2,314
Deferred tax assets	557	659
	<b>12,865</b>	<b>11,808</b>
<b>Current assets</b>		
Inventories	3,445	4,094
Trade receivables	16,915	15,403
Other receivables and prepayments	4,083	3,013
Amounts due from related parties	7	10
Cash and cash equivalents	109,160	105,740
	<b>133,610</b>	<b>128,260</b>
<b>Total assets</b>	<b>146,475</b>	<b>140,068</b>
<b>Liabilities and Equity</b>		
<b>Capital and reserves</b>		
Share capital	13,000	13,000
Capital reserves	69,822	69,822
Statutory reserves	6,348	6,348
Retained earnings	34,127	32,002
Foreign exchange difference	11,600	6,434
	<b>134,897</b>	<b>127,606</b>
<b>Liabilities</b>		
<b>Long-term liabilities</b>		
Deferred tax liabilities	219	189
	<b>219</b>	<b>189</b>
<b>Short-term liabilities</b>		
Trade payables	3,533	4,353
Other payables and accruals	6,232	6,809
Provisions	595	830
Amounts due to related parties	52	199
Income tax payable	947	82
	<b>11,359</b>	<b>12,273</b>
<b>Total liabilities</b>	<b>11,578</b>	<b>12,462</b>
<b>Total liabilities and equity</b>	<b>146,475</b>	<b>140,068</b>

## 06.2

### Interim consolidated statement of income and expenses

for the period from 1 January to 31 March 2009

Amounts in k€	Q1 2009	Q1 2008
Sales	10,203	11,211
Cost of sales	-4,527	-3,467
<b>Gross profit</b>	<b>5,676</b>	<b>7,744</b>
Other operating income	149	4
Selling and distribution expenses	-486	-477
Administrative expenses	-486	-465
Research and development expenses	-96	-83
Other operating expenses	-705	-297
<b>Profit from operations</b>	<b>4,052</b>	<b>6,426</b>
Finance income	461	512
Finance costs	-1,353	0
<b>Profit before income tax</b>	<b>3,160</b>	<b>6,938</b>
Income tax	-1,035	89
<b>Profit for the period</b>	<b>2,125</b>	<b>7,027</b>
<b>Earnings per share</b>	<b>0.16</b>	<b>0.54</b>

## 06.3

### Statement of recognized income and expenses

for the period from 1 January to 31 March 2009

Amounts in k€	Q1 2009	Q1 2008
Foreign exchange differences recognized directly in equity	5,166	-1,680
<b>Total changes recognized directly in equity</b>	<b>5,166</b>	<b>-1,680</b>
Net income	2,125	7,027
<b>Total recognized income and expense</b>	<b>7,291</b>	<b>5,347</b>

## 06.4

### Interim consolidated statement of cash flow

for the period from 1 January to 31 March 2009

Amounts in k€	Q1 2009	Q1 2008
<b>Profit before income tax</b>	<b>3,160</b>	<b>6,938</b>
<b>Adjustments for:</b>		
Amortization of intangible assets	15	11
Allowance for doubtful trade debts	24	68
Provision for warranty	0	46
Depreciation of property, plant and equipment	77	45
Gains/losses PPE	0	0
Interest income	-461	-512
Interest expense/exchange losses	1,353	0
<b>Operating cash flows before working capital changes</b>	<b>4,168</b>	<b>6,596</b>
<b>Working capital changes:</b>		
<b>(Increase)/decrease in:</b>		
Inventories	648	-505
Trade receivables	-1,536	-990
Other receivables and prepayments	-1,070	-1,806
Amounts due from related parties	4	-5
Increase/(decrease) in:		
Trade payables	-820	220
Other payables, provisions and accruals	-811	632
Amounts due to related parties	-147	25
<b>Cash generated from/(used in) operations</b>	<b>436</b>	<b>4,167</b>
Interest received	461	512
Interest paid/exchange losses	-1,353	0
Income tax paid	-39	4
<b>Net cash generated from operating activities</b>	<b>-495</b>	<b>4,683</b>
<b>Cash flow from investing activities</b>		
Payments in connection with the short-term financial management of cash investments	-3,000	-5,200
Receipts in connection with the short-term financial management of cash investments	3,000	0
Purchase property, plant, equipment, intangible assets, land use rights	-788	-286
<b>Cash flow used in investing activities</b>	<b>-788</b>	<b>-5,486</b>
<b>Cash flow from financing activities</b>		
<b>Cash flow from financing activities</b>	<b>0</b>	<b>0</b>
<b>Net increase in cash and cash equivalents</b>	<b>-1,283</b>	<b>-803</b>
Cash at beginning of year	102,740	78,827
Foreign exchange differences	4,703	-1,580
<b>Cash fund at end of period</b>	<b>106,160</b>	<b>76,444</b>

## 06.5

### Selected notes to the interim consolidated financial statements

for the period ending 31 March 2009

#### Interim Consolidated Statement of changes in equity for the period from 1 January to 31 March 2009

Amounts in k€	Share capital AG	Capital reserves / other reserves	Retained earnings	Foreign exchange differences	Total equity
<b>Balance as at 1 January 2008</b>	<b>13,000</b>	<b>73,079</b>	<b>14,214</b>	<b>-1,664</b>	<b>98,629</b>
Net profit for the period	0	0	7,027	0	7,027
Foreign exchange differences	0	0	0	-1,680	-1,680
<b>Balance as at 31 March 2008</b>	<b>13,000</b>	<b>73,079</b>	<b>21,241</b>	<b>-3,344</b>	<b>103,976</b>
<b>Balance as at 1 January 2009</b>	<b>13,000</b>	<b>76,170</b>	<b>32,002</b>	<b>6,434</b>	<b>127,606</b>
Net profit for the period	0	0	2,125	0	2,125
Foreign exchange differences	0	0	0	5,166	5,166
<b>Balance as at 31 March 2009</b>	<b>13,000</b>	<b>76,170</b>	<b>34,127</b>	<b>11,600</b>	<b>134,897</b>

#### General

The interim consolidated financial statements for the period 1 January to 31 March comprise all subsidiaries of ZhongDe Waste Technology AG. These subsidiaries are located in the People's Republic of China (PRC) except for the interim holding Company Chung Hua Environmental Protection Assets (Holdings) Group Ltd., Hong Kong.

#### Basis of preparation

The interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU at the balance sheet date, and the additional requirements of German commercial law pursuant to sec. 315a (1) »Handelsgesetzbuch«; the German Commercial Code (HGB). The interim consolidated financial statements comply with all IFRSs that had to be adopted by the balance sheet date.

With regard to the preparation of the interim consolidated financial Statements, in accordance with IAS 34 »Interim Financial Reporting«, the Management Board is required to make estimates and judgments which influence the application of accounting policies within the Company, and the reporting of assets and liabilities as well as income and expenses. Actual amounts can differ from these estimates.

#### Significant accounting policies

The accounting policies applied by the Group in the interim consolidated financial statements generally correspond to the methods applied by ZhongDe Waste Technology AG in its consolidated financial statements for the year ending 31 December 2008. For further details please refer to the consolidated financial statements available on the company's website: [www.zhongde-ag.com](http://www.zhongde-ag.com).

Income that may have been recorded during the reporting period for seasonal reasons, whether due to cyclical developments or occasional developments, if not cut off in the interim consolidated financial statements. Expenses that are incurred irregularly during the reporting period have been cut off in those cases where they would also be cut off at year-end.

Construction contracts were reported using the percentage-of-completion-method (POC method). The stage of completion is determined by the ratio of costs incurred compared to the expected total cost (cost-to-cost-method). The contracts are disclosed under »receivables from POC« or in the case of anticipated losses under »payables from POC«. If payments exceed the cumulative contract output, the construction contract is disclosed under payables. Sales of K€ 10,203 include an order income of K€ 1,933 from ongoing production orders identified with the

POC method. The accumulated costs of sales for these orders are K€ 9,314, the accumulated gross profit is K€ 1,713. Receivables from POC (K€ 232) are disclosed under trade receivables.

## Segment analysis and Information

### -> A. Business segments

The Group's operating business is organized into three business segments: municipal waste incinerators, medical waste incinerators and EPC construction contract business (complete sets of incineration plants with electricity generation).

### -> B. Geographical business

The Group is principally engaged in the design and manufacture of various incinerators in the PRC, where all of its customers are based. In addition, all identifiable assets of the Group are principally located in the PRC. Therefore no geographical segment analysis is presented.

### -> C. Allocation basis

Revenue and cost of sales are directly attributable to the segments. Operating expenses and income are allocated to the segments on a reasonable basis.

Inter-segment sales are eliminated on consolidation.

The following table presents revenue and results information regarding the Group's business segments for the first three months of 2009:

Amounts in k€	Q1 2009	Q1 2008
<b>Sales to external customers</b>		
Incinerator special for disposal of medical waste	542	462
Incinerator special for disposal of urban household waste	7,728	10,749
Sale of construction contract	1,933	0
	<b>10,203</b>	<b>11,211</b>
<b>Results</b>		
Incinerator special for disposal of medical waste	393	363
Incinerator special for disposal of urban household waste	5,005	7,381
Sale of construction contract	278	0
Unallocated income/expenses	-2,516	-806
<b>Profit from operations before tax</b>	<b>3,160</b>	<b>6,938</b>
Income tax expenses	-1,035	89
<b>Profit for the year</b>	<b>2,125</b>	<b>7,027</b>

## Functional and Presentation Currency

	31 March 2009	31 March 2008
Exchange rate RMB/€ at the end of the period	9.0942	11.0874
Average exchange rate RMB/€ for Q1	8.9037	10.7361

The functional currency of the mainland Chinese subsidiaries is RMB.

## Income tax

The interim Consolidated financial Statements of the main operating subsidiary Fujian FengQuan Environmental Protection Holding Co., Ltd., reflect 12.5 % income taxes due to the status as a »Foreign owned entity« Company. Because of its tax status the tax rate for 2009 amounts to half of the normal tax rate of 25.0 % and Fengquan is exempt from income taxes for 2007 and 2008.

## Cash fund

amounts in k€	Q1 2009	Q1 2008
Cash at end of period	106,160	76,444
Short-term financial management of cash investments	3,000	10,200
<b>Cash and cash equivalents (balance sheet)</b>	<b>109,160</b>	<b>86,644</b>

## Events after Balance Sheet Date

There have been no events since 31 March 2009 that would require an adjustment to the carrying amount of the assets and liabilities, or that would need to be disclosed under this heading.

Hamburg, 27 May 2009  
ZhongDe Waste Technology AG  
On behalf of the management



**Zefeng Chen**  
Chairman of the  
Management Board (CEO)



**Na Lin**  
Member of the  
Management Board (CFO)

## Responsibility Statement by management

»To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the shortened interim Consolidated financial Statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group, and the shortened interim management report of the Group includes a fair view of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.«

Hamburg, 27 May 2009  
ZhongDe Waste Technology AG  
On behalf of the management



**Zefeng Chen**  
Chairman of the  
Management Board (CEO)



**Na Lin**  
Member of the  
Management Board (CFO)

## Cautionary Note Regarding Forward-Looking Statements

This interim report contains certain forward-looking Statements. These Statements may be identified by words as »expects,« »looks forward to,« »anticipates,« »intends,« »plans,« »believes,« »seeks,« »estimates,« »will,« or words of similar meaning. Such Statements are based on current assumptions, expectations, and forecasts on future sector trends, on future legal and commercial developments, and on the future development of ZhongDe Group. These assumptions, expectations, and forecasts are no guarantee for future performance and are subject to change at any time, and are therefore subject to certain risks and uncertainties. A variety of factors, many of which are beyond ZhongDe Group's control, affect its operations, performance, business strategy and results, and could cause the actual results, performance or achievements of ZhongDe Group to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

For us, particular uncertainties arise, among others, from: changes in general economic and business conditions; changes in the regulatory environment; the introduction of competing products or technologies by other companies; changes in business strategy; our analysis of the Potential impact of such matters on our financial statements; as well as various other factors. More detailed Information about our risk factors and key factors affecting our results and operations is contained in ZhongDe's Securities Prospectus, which is available on the ZhongDe Website, [www.zhongdetech.com](http://www.zhongdetech.com). Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the relevant forward-looking Statement as expected, anticipated, intended, planned, believed, sought, estimated or projected. ZhongDe does not intend, or assume any obligation, to update or revise these forward-looking statements in the light of developments which differ from those anticipated as not otherwise provided by law.

The English translation of this interim report is for convenience purposes only. Exclusively binding in legal terms is the German Version of this interim report.

## About ZhongDe Waste Technology AG



ZhongDe Waste Technology AG is listed on the German Stock Exchange (German Securities Identification Nummer ZDWT01, ISIN DE000ZDWT018, ticker symbol ZEF). Correspondingly, with effect from 1 January 2005, the Company is obliged to prepare its Consolidated interim reports in conformity with International Accounting Standards, as provided by the EU »Regulation adopting certain International Accounting Standards«, adopted in accordance with the procedure set forth under Article 6 (2) of the aforementioned regulation. This interim report was prepared and published pursuant to IAS 34 of the International Financial Reporting Standards (IFRS). The interim report's scope of consolidation comprises eight fully consolidated affiliates.

ZhongDe Group designs, manufactures and installs pyrolytic, grate and rotary kiln waste incinerators for the disposal of solid municipal, industrial (including hazardous) and medical waste, as well as complete sets of incineration plants with electricity generation.

Since 1996, ZhongDe Group has installed approximately 200 waste incinerators in about 13 provinces and more than 80 waste incinerators in the last three financial years alone. Its waste incinerators are principally constructed for small and mid-sized Chinese cities in developed areas of the People's Republic of China, as well as for operators of medical disposal centres in the hospital and healthcare industry. ZhongDe Group is one of the leading suppliers of small and mid-sized solid waste incinerators in China, supplying state-of-the-art products.

## Financial Calendar

Date*	Event
29 June 2009	Annual General Meeting
31 August 2009	Interim report on the first half of 2009
November 2009	German Equity Forum of Deutsche Börse, Frankfurt / Main
30 November 2009	Interim report on the third quarter 2009

\* all dates are provisional and may be subject to change.

## Contact

This interim report, recent reports, and additional Information are available on the internet at: [www.zhongde-ag.com](http://www.zhongde-ag.com) and [www.zhongde-ag.de](http://www.zhongde-ag.de)

**ZhongDe Waste Technology AG**

Linda Zhong  
Investor Relations Manager  
Stadthausbrücke 1-3  
20355 Hamburg  
Tel. +49 40 37644 756  
Fax +49 40 37644 500  
Email: [li.zhong@zhongde-ag.de](mailto:li.zhong@zhongde-ag.de)

**Kirchhoff Consult AG (Investor & Public Relations)**

Herrengaben 1  
20459 Hamburg  
Tel. +49 40 609186 0  
Fax +49 40 609186 60  
Email: [ir@zhongde-ag.de](mailto:ir@zhongde-ag.de)