



Interim Report

First Quarter 2010

ZhongDe Waste Technology AG

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-> Cover photo: ZhongDe Fujian Fengquan Environmental Protection Holding Co. Ltd., Beijing

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Key Figures

Operational data

Amounts in k€	Q1 2010	Q1 2009	Change %
Order intake ¹⁾	0	61,455	-100.0
Order backlog ²⁾	157,764	134,779	17.1
Revenues	3,714	10,881	-65.9
Gross profit	494	5,844	-91.5
Gross profit margin	13%	54%	-75.2
Cost of sales	(3,220)	(5,037)	-36.1
EBITDA	(1,569)	4,312	< -100
EBITDA margin	-42%	40%	< -100
EBIT	(1,662)	4,220	< -100
EBIT margin	-45 %	39%	< -100
Net profit	(2,020)	2,256	< -100
Net profit margin	-54%	21%	< -100
Earnings per share (in €)	(0.16) ³⁾	0.17 ⁴⁾	< -100

¹⁾ Average exchange rate used for translation.

²⁾ Period-end exchange rate used for translation.

³⁾ Calculated on the basis of 12,690,467 shares.

⁴⁾ Calculated on the basis of 13,000,000 shares.

Cash flow data

Amounts in k€	Q1 2010	Q1 2009	Change %
Cash flow from operating activities	(5,722)	(1,005)	> 100
Cash flow from investing activities	2,961	(278)	< -100
Free cash flow before financing	(2,761)	(1,283)	> 100

Balance sheet data

Amounts in k€	30 Mar. 2010	31 Dec. 2009	Change %
Total assets	145,498	142,178	2.3
Tangible and intangible fixed assets	22,667	17,421	30.1
Net working capital	108,109	108,266	-0.1
Cash and cash equivalents	111,676	111,899	-0.2
Long-term liabilities	867	593	46.2
Shareholders' equity	129,909	125,094	3.8
Headcount	343	375	-8.5

Highlights First Quarter 2010

Revenues

In the first quarter of 2010, revenues fell from € 10.9 million to € 3.7 million, representing a decrease of 65.9% versus the same period in 2009. The revenues were generated solely in the BOT segment. The main reason is that we are currently focusing on large-scale waste-to-energy facilities, because the small- to medium-size incinerators market has not yet recovered in China. Because the large-scale waste-to-energy construction-in-progress projects are located in Northern China, we had to interrupt construction work on large-scale projects during the extremely cold weather conditions in the first quarter of 2010 and the Chinese Spring Festival vacation. Meanwhile, we focused on the marketing and negotiation of potential waste-to-energy project contracts.

Operating Results

In Q1 2010, gross profit dropped from € 5.8 million to € 0.5 million (-91.5%) in Q1 2009, while Earnings before interest and tax (EBIT) decreased by 139.4% to -1.7 million and net profit fell to € -2.0 million (Q1 2009: € 2.3 million). The decrease in profit and profit margin is mainly due to the fall in revenues and the lower margins of waste-to-energy projects.

Order Intake and Order Backlog

There was no order intake in Q1 2010 as the investigation work and negotiations for large-scale projects take more time than for small- and medium-size projects, especially the preparation of international contracts. Currently, we are negotiating some large-scale projects that have entered the approval stage.

Order backlog increased by 17.1% to € 157.8 million compared to the same period in 2009. Because of the application of IFRIC 12 for BOT projects ahead of time the Q1 2009 figures had to be adapted.

Successful Operation of Datong Project

The Datong project, ZhongDe's first large-scale waste-to-energy project, went into operation and was connected with the power grid for the sale of electricity in November 2009. The smooth operation of the Datong project is a strategic milestone and created an excellent image and reputation for ZhongDe in the large-scale waste-to-energy market.

Zhoukou BOT Project

The concrete laying for the blinding layer of the remaining equipment and supporting work for the foundation forms in the gas room have been completed. The installation work for the axis network and glass block screen wall is fully under way. The connection and installation work between the filter and the pipeline has been completed.

Kunming BOT Project

The construction power supply and the pouring work for the foundation part of the fence wall of the Kunming project have been completed. Foundation excavations for the main factory are being carried out smoothly. The foundation checking for the complex building and the pouring for the blinding layer have been completed.

Feicheng BOT Project

Roller door installations for the feeding hall and waste gas treatment workshop have been partly completed. Desulphurization unit installation has also been basically completed. The installation for the furnace wall of the waste boiler, as well as for the water supply system, is fully under way. A travelling crane is waiting for power-on debugging and the incinerator is waiting for furnace drying.

Zhucheng EPC Project

Foundation construction for the waste pool is fully under way. The painting for the indoor wall of the office building has been completed.

Research & Development

ZhongDe collaborated with Fuzhou University to develop software for the analysis of the structure of the bag filter. The catalytic agent research for a dioxin emission reduction technique has been completed. Quality tracking for a new type of shaftless spiral feeding system is being carried out. The design scheme and parameters for a 350 t/d circulating fluidized gas treatment system, as well as for a 350 t/d grate incinerator have been confirmed.

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Share Performance



In the first quarter of 2010, trading was hesitant on the stock exchanges – especially in the first two months. The markets underachieved the analysts' expectations. This was caused by concerns for the condition of public-sector finances in Greece and in other European countries, as well as the debate on the substantial rise in debt levels in nearly all main economies. In March, the stock markets registered slight price increases.

After entering the year at 6,048 points, the DAX slipped back below the 5,500 mark in February 2010. However, in February, investors regained confidence in the prospects of an economic upswing, causing equities to rise. The DAX climbed to 6,153 points as at the end of the quarter. The SDAX, compared with the DAX, proved to be more resilient, advancing by more than 7% in the period under review.

Since mid February 2010, the ZhongDe share price has performed much more strongly compared to the SDAX and the DAX. At the end of March it was listed at € 17.30 – about 43.6% above the year-end price 2009 – which also represented the quarterly high. On 7 May 2010 it closed at € 15.45 (+28.2%).

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Economic and Political Environment

Macroeconomic Environment

In the first quarter of 2010, all government departments and different regions in China effectively implemented the policies and measures set by the State Council and firmly carried out the packages of policies on dealing with the international financial crisis. The momentum of the national economic recovery has gained pace and laid a solid foundation for reaching the targets set for the year as a whole.

According to the preliminary estimation of China's National Bureau of Statistics, the gross domestic product (GDP) of China in the first quarter of this year was RMB 8,057.7 billion, a year-on-year increase of 11.9%. The value added of the primary sector was RMB 513.9 billion, up by 3.8%; that of the secondary sector was RMB 3,907.2 billion, up by 14.5%; and that of the tertiary sector was RMB 3,636.6 billion, up by 10.2%.

Sales on domestic markets enjoyed steady and fast growth. In the first quarter, the total retail sales of consumer goods reached RMB 3,637.4 billion, a year-on-year rise of 17.9%. And the consumer price index (CPI) increased by 2.2% year-on-year. The per capita disposable income of the urban population was RMB 5,308, corresponding to year-on-year growth of 9.8%.

In the first quarter of this year, the country's investment in fixed assets amounted to RMB 3,532 billion, a year-on-year increase of 25.6%. Of this total, investment in urban areas reached RMB 2,979.3 billion, up by 26.4%, while that in rural areas was RMB 552.8 billion, up by 21%.

The total value of imports and exports for the first quarter was US\$ 617.85 billion, up by 44.1% year-on-year and 34.9% higher than in the fourth quarter of 2009. The trade surplus was US\$ 14.49 billion, a drop of US\$ 47.9 billion over the same quarter last year. By the end of March, Chinese foreign exchange reserves amounted to US\$ 2.45 trillion, representing a year-on-year increase of 25.3%.

Business Trend

Premier Wen Jiabao chaired the Executive Meeting of the State Council on January 27, which discussed and passed in principle the Interim Assessment Report on the 11th Five-Year National Plan for Environmental Protection.

The meeting stressed the need to further enhance the responsibility of government and enterprises, sparing no efforts in facilitating pollution treatment and emission reduction, and to ensure the achievement of the environmental protection target during the "11th Five-Year" period:

- Ensure normal operation of pollution treatment facilities in enterprises as the essential task of current emission reduction work.
- Carry out pollution prevention and control in key river basins and regions.
- Actively facilitate comprehensive rural environmental control and prevention and control of soil pollution.
- Put more effort into developing the environmental industry and strengthen capacity building in environmental protection.

Impact on Business Development

The momentum of the national economic recovery continues to gain pace, with GDP reaching RMB 8,057.7 billion in the first quarter of 2010. The Company expects to benefit further from the favourable economic environment for eco-friendly waste disposal as well as from the growing demand for its products both in China and throughout Asia.

The Executive Meeting of the State Council not only confirmed pollution treatment facilities as an essential factor for emission reduction work, but also made a commitment to further develop environmental protection undertakings. This will place ZhongDe in an ideal position to capture the potential growth in this market and continue to drive the business forward.

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Management Report

Results of Operations

Amounts in k€	Q1 2010	Q1 2009	Change %
Sales	3,714	10,881	-65.9
Cost of sales	(3,220)	(5,037)	-36.1
Gross profit	494	5,844	-91.5
Other operating income	25	149	-83.2
Selling and distribution expenses	(241)	(486)	-50.4
Administrative expenses	(457)	(486)	-6.0
Research and development expenses	(53)	(96)	-44.8
Other operating expenses	(1,430)	(705)	> 100
Profit from operations	(1,662)	4,220	< -100
Finance income	480	461	4.1
Finance costs	(312)	(1,353)	-76.9
Profit before income tax	(1,494)	3,328	< -100
Income tax	(526)	(1,072)	-50.9
Net profit for the period	(2,020)	2,256	< -100

In the first quarter of 2010, revenues fell from € 10.9 million to € 3.7 million, representing a decrease of 65.9% versus the same period in 2009. The revenues were generated solely in the BOT segment. The main reason is that we are currently focusing on large-scale waste-to-energy facilities, because the small- to medium-size incinerators market has not yet recovered in China. Because the large-scale waste-to-energy construction-in-progress projects are located in Northern China, we had to interrupt construction work on large-scale projects during the extremely cold weather conditions in the first quarter of 2010 and the Chinese Spring Festival vacation. Meanwhile, we focused on the marketing and negotiation of potential waste-to-energy project contracts.

The gross profit margin dropped from 54% to 13%, a decrease of 41 percentage points compared to the first quarter of 2009, while Earnings before interest and tax (EBIT) decreased by 139.4% to -1.6 million; net profit fell from € 2.3 million in Q1 2009 to € -2.0 million in Q1 2010. The main reason for this decrease was the fall in revenues and the lower margins of waste-to-energy projects.

Selling and distribution expenses decreased by 50.4% to k€ 241 in Q1 2010, compared with k€ 486 for the same period last year. Other operating expenses increased from k€ 705 in Q1 2009 to € 1.4 million in Q1 2010. Compared to Q1 2009, administrative expenses fell from k€ 486 to k€ 457 in Q1 2010 and R&D expenses went down from k€ 96 to k€ 53 in Q1 2010.

The net cash position as at 31 March 2010 has improved, standing at € 111.7 million, compared with € 109.2 million on 31 March 2009. ZhongDe's strong cash position ensures the flexibility of ZhongDe in the fields of investment and finance.

Current Status of Waste-to-Energy Projects

Successful Operation of Datong Project

The Datong project, ZhongDe's first large-scale waste-to-energy project, went into operation and was connected with the power grid for the sale of electricity in November 2009. The smooth operation of the Datong project is a strategic milestone and created an excellent image and reputation for ZhongDe in the large-scale waste-to-energy market. The celebration of successful finish and smooth operation of Datong waste-to-energy plant will be held by the owner at the end of June 2010 and the officials from central government and provincial authorities will attend, some important media will be there too.

Zhoukou BOT Project

The concrete laying for the blinding layer of the remaining equipment and supporting work for the foundation forms in the gas room have been completed. The installation work for the axis network and glass block screen wall is fully under way. The connection and installation work between the filter and the pipeline has been completed.

Kunming BOT Project

The construction power supply and the pouring work for the foundation part of the fence wall of the Kunming project have been completed. Foundation excavations for the main factory are being carried out smoothly. The foundation checking for the complex building and the pouring for the blinding layer have been completed.

Feicheng BOT Project

Roller door installations for the feeding hall and waste gas treatment workshop have been partly completed. Desulphurization unit installation has also been basically completed. The installation for the furnace wall of the waste boiler, as well as for the water supply system, is fully under way. A travelling crane is waiting for power-on debugging and the incinerator is waiting for furnace drying.

Zhucheng EPC Project

Foundation construction for the waste pool is fully underway. The painting for the indoor wall of the office building has been completed. The project is worth approximately € 30 million and is expected to be completed by the end of 2010.

Beijing R&D Centre and manufacture Project

New R&D and production facilities are under construction in Beijing as part of the Company's long-term capacity expansion programme. The installation of equipment and machines will wait for the final results of the cooperation negotiations with several international waste-to-energy companies. The Beijing plant is expected to be put into operation in Q3 2010.

Order Development

There was no order intake in Q1 2010 as the investigation work and negotiations for large-scale projects take more time than for small- and medium-size projects, especially the preparation of international contracts. Currently, we are negotiating some large-scale projects that have already entered the approval stage.

Order backlog increased by 17.1% to € 157.8 million year-on-year.

Business Segments Overview

Amounts in k€	Q1 2010	Q1 2009	Change %
Medical waste incinerators			
Units sold	0	1	-100.0
Revenues	0	542	-100.0
Gross profit	0	393	-100.0
Municipal solid waste incinerators			
Units sold	0	3	-100.0
Revenues	0	7,728	-100.0
Gross profit	0	5,005	-100.0
EPC Project *			
Revenues (POC)	0	1,933	-100.0
Gross profit	0	278	-100.0
BOT Project *			
Zhoukou Project			
Revenues (POC)	2,178	525	> 100
Gross profit	540	130	> 100
Feicheng Project			
Revenues	1,536	153	> 100
Gross profit	(46)	38	< -100
Total Revenues	3,714	10,881	-65.9
Total Gross Profit	494	5,844	-91.6

*PoC: Percentage of Completion method

Incinerators

No incinerators were sold in the first quarter of 2010 because the small- to medium-sized incinerators market has not yet recovered in China. The Company anticipated that the demand for incinerators will be lower in this year and the Management Board is striving to expand the Company's EPC and BOT market share in China and explore the waste-to-energy international market.

Engineering, Procurement and Construction Projects (EPC)

The Datong project, our first large-scale EPC project, has been successfully put into operation. This helped strengthen our confidence and further consolidate our strategy direction. The lack of revenue in Q1 2010 can be attributed to the cold weather conditions in Northern China. We took the opportunity to study and optimize a standardization process for completing new projects in a more efficient way. The Zhucheng and Zhaodong project has begun, which will lead to revenue contribution in the coming quarters. Meanwhile, we focused on marketing and negotiating potential waste-to-energy project contracts in Q1 2010, which will ensure future revenues in the coming quarters.

BOT Projects

BOT projects were the main source of revenue in Q1 2010. The revenues are recognised according to the PoC method. During this reporting period, the Zhoukou and Feicheng projects contributed € 2.2 million and € 1.5 million respectively. ZhongDe has successfully made the first stride in developing BOT projects and we expect that this could have tremendous future potential.

Net Worth

Amounts in k€	31 March 2010	31 December 2009	Change %
Non current assets	22,667	17,421	30.1
Current assets	122,819	124,757	-1.6
Equity	129,909	125,094	3.8
Liabilities	15,577	17,084	-8.8
Balance sheet total	145,486	142,178	2.3

The balance sheet total on 31 March 2010 amounted to € 145.5 million, representing a slight increase of 2.3% compared to year end 2009. The increase in non-current assets to € 22.7 million is primarily due to the increase of the position "receivables from BOT projects". Current assets decreased from € 124.8 million to € 122.8 million, mainly as a result of decreasing inventories in the amount of € 1.9 million. Shareholders' equity increased by € 4.8 million to € 129.9 million as a result of foreign exchange differences. The Company maintains a very strong equity ratio of 89.3%. The Group had no bank debts in Q1 2010, but is currently negotiating bank loans with several banks in connection with the financing of large scale BOT projects.

Financial Position

Amounts in k€	Q1 2010	Q1 2009	Change %
Cash flow from operating activities	(5,722)	(1,005)	> 100
Cash flow from investment activities	2,961	(278)	> 100
Cash flow from financing activities	(1,648)	0	-

In the first quarter of 2010, the ZhongDe Group generated negative net cash flow of € 4.4 million. Due to the change in receivables from BOT projects, inventories and trade receivables, cash flow from operating activities amounted to € -5.7 million. Cash flow from investment activities amounted to € 3.0 million. Cash flow from financing activities amounted to € -1.6 million, as a result of the current share buy-back programme. Because of the foreign exchange differences, nevertheless ZhongDe's cash position improved all in all by 2.3% from € 109.2 million at the end of Q1 2009 to € 111.7 million at the end of Q1 2010.

Research & Development

ZhongDe collaborated with Fuzhou University to develop software for the analysis of the structure of the bag filter. The catalytic agent research for a dioxin emission reduction technique has been completed. Quality tracking for a new type of shaftless spiral feeding system is being carried out. The design scheme and parameters for a 350 t/d circulating fluidized gas treatment system, as well as for a 350 t/d grate incinerator have been confirmed.

Outlook

The international financial crisis and global recession continue to impact the Chinese and international markets in the current financial year 2010. In China, the central government's stimulus package led to an 8% GDP increase in 2009. It also caused a real estate market bubble and very high inflation. In the first quarter of 2010, the central government initiated a tighter credit policy and more severe price controls to cool down the real estate market in China. As a consequence, the income of local authorities from land usage sales has fallen sharply. The economic development of China and the whole world is expected to remain considerably uncertain in the first and coming quarters of 2010.

However, the momentum of the national economic recovery continues to gain pace, with GDP reaching RMB 8,057.7 billion in the first quarter of 2010. The Company expects to benefit further from the favourable economic environment for eco-friendly waste disposal as well as from the growing demand for its waste-to-energy products both in China and throughout Asia.

The Executive Meeting of the State Council of China not only confirmed pollution treatment facilities as an essential factor for emission reduction work, but also made a commitment to further develop environmental protection undertakings. This will place ZhongDe in an ideal position to capture the potential growth in this market and continue to drive the business forward.

Although there was no order intake in Q1 2010, we are confident of signing further EPC and BOT waste-to-energy LOIs and contracts in the coming quarters of 2010. This confidence is based on recent negotiations with local municipal governments. We expect that ZhongDe's existing BOT and EPC projects will generate more revenues and profits during the coming quarters with better weather conditions for construction work. ZhongDe's strong cash position helps it maintain its flexibility in view of the remaining uncertainty of the economic environment.

All in all, the Management Team of ZhongDe remains both cautious and optimistic regarding the Company's performance in the coming quarters of 2010.

06

Financial Statements – ZhongDe Waste Technology AG

06.1 Interim Consolidated Balance Sheet

for the period from 1 January to 31 March 2010

Amounts in k€	31 March 2010	31 December 2009	31 March 2009
Assets			
Non-current assets			
Intangible assets	4,221	3,067	1,833
Land	2,276	2,140	2,351
Equipment	1,428	1,387	1,361
Construction in progress	5,770	5,400	5,012
Receivables from BOT projects	8,755	5,248	2,898
Deferred tax assets	217	179	557
	22,667	17,421	14,012
Current assets			
Inventories	2,132	4,032	3,445
Trade receivables	5,053	5,581	16,915
Other receivables and prepayments	3,951	3,239	4,083
Amounts due from related parties	7	6	7
Cash and cash equivalents	111,676	111,899	109,160
	122,819	124,757	133,610
Total assets	145,486	142,178	147,622
Liabilities and Equity			
Capital and reserves			
Share capital	13,000	13,000	13,000
Capital reserves	69,822	69,822	69,822
Statutory reserves	7,225	7,225	6,348
Own shares	(4,056)	(2,408)	0
Retained earnings	33,550	35,571	34,940
Foreign exchange difference	10,368	1,884	11,682
	129,909	125,094	135,792
Liabilities			
Long-term liabilities			
Deferred tax liabilities	867	593	471
	867	593	471
Short-term liabilities			
Trade payables	8,341	9,398	3,533
Other payables and accruals	4,286	5,456	6,232
Provisions	1,123	1,067	595
Amounts due to related parties	67	37	52
Income tax payable	893	533	947
	14,710	16,491	11,359
Total liabilities	15,577	17,084	11,830
Total liabilities and equity	145,486	142,178	147,622

06.2

Interim Consolidated Statement of Income and Expenses

for the period from 1 January to 31 March 2010

Amounts in k€	Q1 2010	Q1 2009
Sales	3,714	10,881
Cost of sales	(3,220)	(5,037)
Gross profit	494	5,844
Other operating income	25	149
Selling and distribution expenses	(241)	(486)
Administrative expenses	(457)	(486)
Research and development expenses	(53)	(96)
Other operating expenses	(1,430)	(705)
Profit from operations	(1,662)	4,220
Finance income	480	461
Finance costs	(312)	(1,353)
Profit before income tax	(1,494)	3,328
Income tax	(526)	(1,072)
Profit for the period	(2,020)	2,256
Earnings per share (diluted and undiluted) (in EUR)	(0.16)	0.17
Weighted average shares outstanding (diluted and undiluted)	12,690,467	13,000,000

06.3

Interim Consolidated Statement of Comprehensive Income

for the period from 1 January to 31 March 2010

Amounts in k€	Q1 2010	Q1 2009
Profit for the period	(2,020)	2,256
Other comprehensive income		
Foreign exchange differences recognized directly in equity	8,484	5,196
Total changes recognized directly in equity	8,484	5,196
Total recognized income and expense	6,464	7,452

06.4

Interim Consolidated Statement of Cash Flow

for the period from 1 January to 31 March 2010

Amounts in k€	Q1 2010	Q1 2009
Profit before income tax	(1,494)	3,328
Adjustments for:		
Amortization of intangible assets	5	15
Allowance for doubtful trade debts	(23)	24
Provision for warranty	(18)	0
Depreciation of property, plant and equipment and land	100	77
Gains/losses PPE	9	0
Finance income	(480)	(461)
Finance expense	312	1,353
Operating cash flows before working capital changes	(1,589)	4,336
Working capital changes:		
(Increase)/decrease in:		
Inventories	1,900	648
Trade receivables	551	(1,536)
Other receivables and prepayments	(712)	(1,070)
Amounts due from related parties	(1)	4
Receivables from BOT	(3,985)	(678)
Increase/(decrease) in:		
Trade payables	(1,057)	(820)
Other payables, provisions and accruals	(1,093)	(811)
Amounts due to related parties	27	(147)
Cash generated from/(used in) operations	(5,959)	(74)
Interest received/exchange gains	480	461
Interest paid/exchange losses	(312)	(1,353)
Income tax paid	69	(39)
Net cash generated from operating activities	(5,722)	(1,005)
Cash flow from investing activities		
Payments in connection with the short-term financial management of cash investments	0	(3,000)
Receipts in connection with the short-term financial management of cash investments	3,000	3,000
Purchase property, plant, equipment, intangible assets, land use rights	(39)	(278)
Cash flow used in investing activities	2,961	(278)
Cash flow from financing activities		
Dividends paid to shareholders	0	0
Buy back of own shares	(1,648)	0
Cash flow from financing activities	(1,648)	0
Net increase in cash and cash equivalents	(4,409)	(1,283)
Cash at beginning of year	88,563	102,740
Foreign exchange differences	5,784	4,703
Cash fund at end of period	89,938	106,160

06.5

Selected Notes to the Interim Consolidated Financial Statements

for the period ending 31 March 2010

Interim Consolidated Statement of changes in equity for the period from 1 January to 31 March 2010

Changes in equity (k€)	Numbers of shares outstanding	Share capital AG	Capital Reserves	Statutory Reserves	Own shares	Retained earnings	Foreign ex-change differences	Total equity
Balance as at 1 January 2009	13,000,000	13,000	69,822	6,348	0	32,684	6,486	128,340
Total comprehensive income for this period	0	0	0	0	0	2,256	5,196	7,452
Dividend paid for the year 2008	0	0	0	0	0	0	0	0
Balance as at 31 March 2009	13,000,000	13,000	69,822	6,348	0	34,940	11,682	135,792
Balance as at 1 January 2010	12,798,800	13,000	69,822	7,225	(2,408)	35,570	1,884	125,093
Total comprehensive income for this period	0	0	0	0	0	(2,020)	8,484	6,464
Dividend paid for the year 2009	0	0	0	0	0	0	0	0
Buy back of own shares	(142,600)	0	0	0	(1,648)	0	0	(1,648)
Balance as at 31 March 2010	12,656,200	13,000	69,822	7,225	(4,056)	33,550	10,368	129,909

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 IFRS regulations 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, as well as the reporting of assets and liabilities, and income and expenses. Actual amounts may 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 2009. For further details please refer to the consolidated financial statements available on the Company's website: www.zhongde-ag.com.

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

In accordance with the Second Annual Improvements Projects (AIP 2009), the classification regulation of leases of land was extended from 2010. The transition provision stipulates that (new) classification of leasing agreements of land shall be applied retrospectively. For this reason, the "land use right" will no longer be presented as an "intangible asset", but as "land". As a result, the amount of intangible assets decreased from € 4.2 million (31.03.2009), respectively € 5.2 million (31.12.2009) and € 6.5 million (31.03.2010) to € 1.8 million (31.03.2009), respectively € 3.1 million (31.12.2009) and € 4.2 million (31.03.2010). The amount of "land" increased from € 2.4 million (31.03.2009), respectively € 2.1 million (31.12.2009) and € 2.3 million (31.03.2010). The amount of amortization (depreciation) in the profit & loss statement will not be influenced.

According to IFRIC 12 – Service Concession Arrangements, revenue relating to construction services under a service concession arrangement (BOT) is recognised based on the percentage of completion of the work. The revenue relating to operation services is recognised in accordance with IAS 18.

Segment Analysis and Information

-> A. Business Segments

The Group's operating businesses are organized into three business segments: Incinerators which includes municipal waste incinerators and medical waste incinerators, construction contract business (EPC) and BOT projects.

-> 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 2010:

Amounts in k€	Q1 2010	Q1 2009
Revenue		
Incinerators	0	8,270
incinerator special for disposal of medical waste	0	542
incinerator special for disposal of urban household waste	0	7,728
EPC project business	0	1,933
BOT project business	3,714	678
Zhoukou	2,178	525
Feicheng	1,536	153
Total revenue from reportable segments	3,714	10,881
Unallocated revenues	0	0
Total revenues	3,714	10,881
Ergebnis		
Incinerators	0	5,398
incinerator special for disposal of medical waste	0	393
incinerator special for disposal of urban household waste	0	5,005
EPC project business	0	278
BOT project business	493	168
Zhoukou	540	130
Feicheng	(47)	38
Total profit or loss for reportable segments	493	5,844
Unallocated results	(1,987)	(2,516)
Total profit or loss from operations before tax	(1,494)	3,328
Income tax	(526)	(1,072)
Profit for the year	(2,020)	2,256

Functional and Presentation Currency

	31 March 2010	31 March 2010
Exchange rate RMB/€ at the end of the period	9.2006	9.0942
Average exchange rate RMB/€ for Q1	9.4507	8.9037
	31 March 2010	31 March 2010
Exchange rate RMB/€ at the end of the period	10.4653	10.3140
Average exchange rate HKD/€ for Q1	10.7467	10.0984

The functional currency of the consolidated subsidiaries is RMB.

Income Tax

The income taxes shown in the interim consolidated financial statements include mainly income taxes of Fujian FengQuan Environmental Protection Holding Ltd and Zhoukou FengQuan Environmental Protection Electric Power Co. Ltd. Due to the tax status of Fujian FengQuan as a foreign owned entity, the tax rate for 2009, 2010 and 2011 amounts to half of the normal tax rate of 25%. The Group tax rate may differ from the applicable local Chinese income tax rate majorly due to different treatment of exchange gains and exchange losses for consolidated financial statements and tax purposes

Cash Fund

Amounts in k€	Q1 2010	Q1 2009
Cash at end of period	89,938	106,160
Short-term deposits (duration over 3 months)	21,738	3,000
Cash and cash equivalents (balance sheet)	111,676	109,160

Hamburg, 28 May 2010
ZhongDe Waste Technology AG

On behalf of the Management



Zefeng Chen
Chairman of the
Management Board (CEO)



William Jihua Wang
Executive Director of the
Management Board (CFO)

Responsibility Statement by the Management

»To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed 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 condensed 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, 28 May 2010
ZhongDe Waste Technology AG
On behalf of the Management



Zefeng Chen
Chairman of the
Management Board (CEO)



William Jiu-hua Wang
Executive Director 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 such 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 the ZhongDe Group. These assumptions, expectations, and forecasts are no guarantee of future performance and are subject to change at any time, and thus 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 the 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. Should one or more of these risks or uncertainties materialize, 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, unless otherwise required 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 Number ZDWT01, ISIN DE000ZDWT018, ticker symbol ZEF). Correspondingly, with effect from 1 January 2005, the Company is obliged to prepare its consolidated interim reports in compliance with International Accounting Standards, as required by the “EU Regulation adopting certain international accounting standards“, Article 6 (2). This condensed 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.

The 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 large-scale waste-to-energy plants.

Since 1996, the 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-size 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. The ZhongDe Group is one of the leading suppliers of small and mid-sized solid waste mass burn units as well as large-scale waste-to-energy plants in China, supplying state-of-the-art products.

Financial Calendar & Contact

Financial Calendar

Date*	Event
29 June 2010	Annual General Meeting
31 August 2010	Interim report on the first half of 2010
22-24 November 2010	German Equity Forum of Deutsche Börse, Frankfurt/Main
30 November 2010	Interim report on the thirist quarter of 2010

* All dates are provisional and may be subject to change.

Contact

This interim report, recent publications, and additional information are all available on the internet at: www.zhongde-ag.com and www.zhongde-ag.de

ZhongDe Waste Technology AG

William Jiuhua Wang
Executive Director and CFO
Email: william.jw@zhongdetech.com

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

Kirchhoff Consult AG (Investor & Public Relations)

Herrengaben 1
20459 Hamburg
Germany
Tel. +49 40 609186 0
Fax +49 40 609186 60
Email: ir@zhongde-ag.de