

ZhongDe Waste Technology AG

1st Quarterly Report

A solid red silhouette of a city skyline is positioned in the lower half of the page. It features various building shapes, including a prominent tower on the left and several skyscrapers of varying heights and widths.

modern waste management

00

Table of Contents

01	Key Figures	3
02	Highlights of the First Quarter of 2014	4
03	Share Performance	5
04	Interim Group Management Report	6
05	Condensed Consolidated Financial Statements for the period from 1 January to 31 March 2014	15
05.1	Condensed Three-Month Consolidated Statement of Comprehensive Income	15
05.2	Condensed Three-Month Consolidated Statement of Financial Position	16
05.3	Condensed Three-Month Consolidated Statement of Cash Flows	17
05.4	Condensed Three-Month Consolidated Statement of Changes in Equity	18
05.5	Selected Notes to the Condensed Interim Consolidated Financial Statements	19
06	Review Report	24
07	Cautionary Note Regarding Forward-looking Statements	26
08	Financial Calendar and Contact Information	27

01

Key Figures

Operational Data

Amount in k€	Q1 2014	Q1 2013	Change %
Order intake	0	0	0.0
Order backlog ¹⁾	219,060	264,529	-17.2
Revenues	1,072	1,245	-13.9
Gross profit	156	158	-1.3
Gross profit margin	15%	13%	2 PP
Cost of sales	916	1,087	-15.7
EBITDA	(1,073)	(911)	-17.8
EBITDA margin	-100%	-73%	-27 PP
EBIT	(1,368)	(1,264)	-8.2
EBIT margin	-128%	-102%	-26 PP
Net result	(2,259)	(1,517)	-48.9
Net result margin	-211%	-122%	-89 PP
Earnings per share (in €) ²⁾	(0.18)	(0.12)	-50.0

¹⁾ Based on exchange rate at the end of the period

²⁾ Calculated on the basis of 12,600,000 shares

Cash Flow Data

Amount in k€	Q1 2014	Q1 2013	Change %
Net Cash used in operating activities	(7,542)	(5,165)	-46.0
Cash flow from/used in investing activities	1,193	(104)	>100
Cash flow used in/from financing activities	(1,087)	1,785	<-100,0

Balance Sheet Data

Amount in k€	31 March 2014	31 December 2013	Change %
Total assets	214,665	228,754	-6.2
Non-current assets	66,384	67,529	-1.7
Net working capital ¹⁾	95,690	102,367	-6.5
Cash and cash equivalents	99,927	110,076	-9.2
Long-term liabilities	64,035	66,942	-4.3
Shareholders' equity	98,039	102,954	-4.8
Number of employees	365	372	-1.9

¹⁾ Current assets less current liabilities

02

Highlights of the First Quarter 2014

Revenues

During the first quarter of 2014, revenues of € 1.1 million were generated, representing a decrease of 13.9% compared to the same period in 2013. The revenue decrease was affected by the zero-profit accounting method, which is applied since Q2 2013.

Operating Results

In Q1 2014, gross profit amounted to k€ 156, representing a decrease of 1.3% compared to Q1 2013. EBITDA decreased to € -1.1 million (Q1 2013: € -0.9 million), while EBIT went down to € -1.4 million (Q1 2013: € -1.3 million). Net result amounted to € -2.3 million in Q1 2014 (Q1 2013: € -1,5 million). The decrease of the net result is mainly due to increased finance costs and also affected by the zero-profit accounting method, which is applied since Q2 2013.

Selling and distribution expenses were increased by k€ 41 compared to Q1 2013 because of additions to the bad debt reserve. Administrative expenses went up by 58.4% to € 1.2 million (Q1 2013: € 0.7 million) mainly due to the increase of impairment charges relating to the Xianning project.

Order Intake and Order Backlog

During the first quarter of 2014, there was no order intake.

Order backlog decreased by 17.2% to € 219.1 million year-on-year due to the construction progress of our projects, currency translation differences and corrections which were partly compensated by an order intake after Q1 2013. In the first quarter of 2014 only the project progress and foreign currency translation differences influenced the reduction of the order backlog.

Cash Position

The cash position as at 31 March 2014 amounted to € 99.9 million, compared to € 110.1 million as at 31 December 2013 (-9.2%). ZhongDe's strong cash position generally ensures the flexibility of ZhongDe in the fields of BOT investment and project finance.

03

Share Performance



High price level at the beginning of the year unfortunately could not be maintained

ZhongDe's share price fell significantly in the first four and a half months of 2014. Starting from a high price of € 4.50 at the end of 2013, the share price was volatile in January and February but remained very strong, ending February at a relatively high level of € 4.45. This was followed by a significant downward trend, reaching a low for the year of € 2.57 on 7 May. Publication of the Company's results on 29 April unfortunately did not break the downward trend, in spite of a positive one-time effect recorded due to the successful sale of a production plant. Positive movement did not begin until 20 May, when the share price closed at € 2.95, 34.4% below the year-end price for 2013. The Company's current market capitalisation is € 38.4 million.

The DAX and SDAX benchmark indices moved slightly upwards during the same period, recording performance of +0.9% and +4.9%, respectively.

Key share price figures for 1 Jan. – 20 May 2014 (in EUR)

Price	
Price on 31 March	3.70
High on 8 January	4.97
Low on 7 May	2.57
Earnings per share	(0.17)
Market capitalisation (as at 20 May 2014)	38.4 million

04

Interim Group Management Report

Economic and Political Environment

Macroeconomic-Environment

As BOT projects require stable governmental income and sufficient urbanization within those cities, where energy-from-waste plants are to be built and operated, an increase in GDP indicates a positive signal for ZhongDe's business.

The economic development in the first quarter of 2014 had a stable and sound start in the PRC. According to the preliminary estimation from the National Bureau of Statistics of China, the gross domestic product (GDP) in the first quarter of this year was 12,821.3 billion yuan, a year-on-year increase of 7.4%. The total value of imports and exports in the first quarter of 2014 was 5,902.2 billion yuan, or 965.9 billion US dollars, a year-on-year decrease of 1.0%. The total value of exports was 3,002.5 billion yuan, or 491.3 billion US dollars, down by 3.4%; and that of imports was 2,899.7 billion yuan, or 474.6 billion US dollars, up by 1.6%. The trade surplus was 102.8 billion yuan or 16.74 billion US dollars.

As a whole, the national economy in the first quarter of 2014 still kept strong growth. This strongly supported the urbanization and also infrastructure investment, which stimulates the demand for energy-from-waste plants.

Sector Trend

The Chinese government made clear that it regards energy-from-waste to be one of the key industries for environmental protection and actively pushed the development of clean production and resource recycling. The energy-from-waste industry continuously benefits from stimulating environmental protection policies and more effort into environment protection in China.

Results of Operations

Amount in k€	Q1 2014	Q1 2013	Change %
Revenue	1,072	1,245	-13.9
Cost of sales	(916)	(1,087)	-15.7
Gross profit	156	158	-1.3
Other operating income	0	26	100.0
Selling and distribution expenses	(119)	(78)	52.6
Administrative expenses	(1,174)	(741)	58.4
Research and development expenses	(38)	(39)	-2.6
Other operating expenses	(193)	(590)	-67.3
Loss from operations	(1,368)	(1,264)	-8.2
Finance income	749	597	25.5
Finance costs	(1,436)	(818)	75.6
Loss before income tax	(2,055)	(1,485)	-38.4
Income tax expense	(204)	(32)	<100.0
Net loss for the period	(2,259)	(1,517)	-48.9

During the first quarter of 2014, revenues of € 1.1 million were generated, representing a decrease of 13.9% compared to the same period in 2013. The revenues are realised according to the project progress. The decrease of revenues was affected by the zero-profit accounting method, which is applied since Q2 2013. Due to this method € 0.1 million have not been accounted as revenues in the first quarter of 2014.

Gross profit amounted to k€ 156, representing a decrease of 1.3% compared to Q1 2013. EBITDA decreased to € -1.1 million (Q1 2013: € -0.9 million) and EBIT to € -1.4 million (Q1 2013: € -1.3 million). Selling and distribution expenses increased by k€ 41 compared to Q1 2013. Administrative expenses went up by 58.4% to € 1.2 million (Q1 2013: € 0.7 million). Accordingly the net loss for the period amounted to € -2.3 million in Q1 2014, an increase of € 0.7 million compared to Q1 2013. The increase of the net loss was mainly affected by finance costs which increased by € 0.6 million or 75.6% and also the zero-profit accounting method by € 0.1 million, which is applied since Q2- 2013.

Current status of energy-from-waste projects

(as of 31 March 2014)

EPC Projects under construction	EPC		
	Zhucheng	Dingzhou	Wuhai
Daily capacity (tons/day)	500	600	1.000
PoC as of 31 Mar 2014	64.3%	21.7%	0.0%
PoC as of 31 Dec 2013	63.8%	20.3%	0.0%
Estimated time of completion	2015	2015	2017

BOT Projects under construction	BOT			
	Zhoukou	Kunming	Xianning	Lanzhou
Daily capacity (tons/day)	500	700	600	2.000
Average annual power generation capacity (MWh)	> 50	> 70	> 60	> 200
PoC as of 31 Mar 2014	89.1%	73.2%	91.9%	0.2%
PoC as of 31 Dec 2013	88.9%	72.6% ¹⁾	91.2%	0.2%
Estimated time of completion	2014	2015	2014	2018

¹⁾ The amount for Kunming was corrected retrospectively due to a print error in 2013

EPC Projects

Zhucheng EPC project

At the end of Q1 2014, the percentage of completion of the EPC project in Zhucheng went up to 64.3% (63.8% 31 December 2013).

The construction progress of main factory, the complex pumping house, oil pump house and weighbridge room, boiler and gas purification room, have been achieved and improve the percentage of completion in Q1 2014 as above stated. The remaining works for are in progress.

Remaining works consist of: Boiler auxiliary installation works, flue production, steam pipeline construction, steam turbine and generator rotor the installation for auxiliary equipment for the steam generator, the cable bridge construction, and the plate cabinet installations.

Dingzhou EPC project

At the end of Q1 2014, the percentage of completion of the project in Dingzhou progressed to 21.7% (20.3% 31 December 2013).

The net rack construction for the waste pool has been completed. The construction for the net rack of waste discharging room and boiler room are in progress. The construction for the foundation of once and secondary air fan, as well as for air pre-heater are underway. Beam steel binding for steam turbine platform is in progress, with 50% completed.

The installation for template is underway, with 50% completed. The major structure for the complex pumping house is fully underway. Scaffolding of the cooling tower has been removed. The grate furnace for #1 boiler is under construction, as well as for the heating surface of #2 boiler. The accessories for #1 and #2 reaction tower is being installed. Steel frame for lime mortar is ready for combination. Waste hang and accessories are being combined for installation.

BOT Projects

Zhoukou BOT project

At the end of Q1 2014, the percentage of completion of Zhoukou was 89.1% (88.9% as of 31 December 2013). The Zhoukou project has entered into trial runs.

1) Civil construction

The construction for the main and auxiliary building have been fully completed. The decoration works for the complex building have been finished.

2) Installation

Boiler, steam generator unit and accessory equipment have been put into normal operation. The installation works for the flying ash curing process equipment have been completed, as well as for the central air conditioning.

The remaining outstanding works relate only to decoration works and smaller equipment installations. The Zhoukou project is expected to be completed in 2014.

Kunming BOT project

At the end of Q1 2014, the percentage of completion at Kunming is 73.2% (72.6% as of 31 December 2013).

1) Civil construction

The decoration works for the cooling tower and complex water pump house have been completed, as well as for booster station and weigh-bridge room. The construction for enclosure of the main entrance, waste trestle, complex pipe network, net rack, foundation layer for factory road have been completed. The installation for the fire protection equipment has been completed. The decoration for the main factory and the factory greening engineering work are fully underway.

2) Installation

The remaining construction works for the boiler equipment have been completed. The installation works for the steam generator unit and cable bridge have been completed. Cable laying has been finished. High and low voltage cabinet and cable experiment have been completed. The installation for electric thermal control is underway. Temporary power supply laying has been finished. Chemical water, air compressor, waste discharging door and waste hang are ready for the debugging.

The Kunming project is expected to be completed in 2015.

Xianning BOT project

At the end of Q1 2014, the percentage of completion at Xianning is 91.9% (91.2%, as of 31 December 2013)

1) Civil construction

The construction for factory greening is fully underway. The remaining work for civil construction has been improved. The construction for fire protection engineering is fully underway, as well as for water pipeline construction for the complex building. The Xianning project has entered into trial runs.

And the decoration has not yet been started.

2) Installation

The steam generator unit has been connected to the power grid. Flying ash curing process equipment has been put into operation. The equipment defect elimination and remaining works treatment are fully underway.

The Xianning project is expected to be completed in 2014.

Order Development

Amount in k€	BOT				EPC			Incinerators			Total
	Zhoukou	Xianning	Kunming	Lanzhou	Zhucheng	Dingzhou	Wuhai	Qixian	Xiangyin	Zhejiang	
Order Backlog as at 1 January 2014	3,155	4,090	10,122	124,783	10,464	24,497	44,825	1,228	1,403	1,484	226,051
Order intake in 2014	0	0	0	0	0	0	0	0	0	0	0
Revenues in 2014	56	206	207	54	114	415	0	0	0	0	1,052
Currency translation differences	(82)	(103)	(262)	(3,293)	(273)	(636)	(1,182)	(32)	(37)	(39)	(5,939)
Order Backlog as at 31 March 2014	3,017	3,781	9,653	121,436	10,077	23,446	43,643	1,196	1,366	1,445	219,060

During the first quarter of 2014, there was no order intake.

The order backlog decreased by 17.2% to € 219.1 million year-on-year because of the progress of the projects construction, the currency translation difference as well as last years' corrections of the order backlog and an order intake in 2013. In the first quarter order backlog was reduced by 3.1% due to the projects' progress and foreign currency effects.

Business Segments Overview

Amount in k€	Q1 2014	Q1 2013	Change %
Waste incinerators			
Revenues	0	0	0.0
Gross profit	0	0	0.0
EPC Project			
Revenues (POC)	529	0	>100.0
Gross profit	102	0	>100.0
BOT Project			
Revenues (thereof POC k€ 524)	543	1,245	-56.4
Gross profit	54	158	-65.8
Total Revenues	1,072	1,245	-13.9
Total Gross Profit	156	158	-1.3

Incinerators

In Q1 2014 as well as Q1 2013, no small-size incinerators were sold, because within its strategy the Group is focussed on large-size energy-from-waste projects. As this segment will contribute revenues to the Group in the next years, it is still disclosed in the table above.

EPC projects

The two EPC projects contributed with k€ 529 million to consolidated revenues in Q1 2014.

BOT projects

In Q1 2014, the current five BOT projects contributed with k€ 543 to consolidated revenues. The slow progress in the first quarter of the year is mainly due to the long Chinese Spring Festival and the cold weather in the north of China, which delayed projects' construction.

Net Worth

Amount in k€	31 March 2014	31 December 2013	Change %
Non current assets	66,384	67,529	-1.7
Current assets	148,281	161,225	-8.0
Equity	98,039	102,954	-4.8
Liabilities	116,626	125,800	-7.3
Balance sheet total	214,665	228,754	-6.2

In Q1 2014, shareholders' equity decreased by 4.8% to € 98.0 million compared to 31 December 2013 mainly due to foreign currency translation and the result of the first quarter. Total assets decreased by 6.2% compared to 31 December 2013 mainly due to payments of trade payables in Q1 2014 and due to foreign exchange differences. Thus ZhongDe's equity ratio went slightly up from 45.0% as at 31 December 2013 to 45.7% as at 31 March 2014.

Cash Flow

Amount in k€	Q1 2014	Q1 2013	Change %
Net Cash used in operating activities	(7,542)	(5,165)	-46.0
Cash flow from/used in investing activities	1,193	(104)	>100
Cash flow used in/from financing activities	(1,087)	1,785	<-100.0

Cash Position

Cash and cash equivalents amounted to €99.9 million as at 31 March 2014, a decrease of 9.2% compared to €110.1 million as at 31 December 2013. The cash decrease was mainly due to payments to BOT subcontractors, loan repayments, operating expenses and foreign currency differences.

Cash and cash equivalents represent an amount of €7.7 cash per share and €2.3 net cash per share (total cash minus total loans as at 31 March 2014 divided by the number of shares).

The existing funds are planned to be invested in budgeted projects such as the BOT projects in Zhoukou, Kunming, Xianning and Lanzhou, and EPC projects in Zhucheng and Dingzhou. In addition, they are expected to serve to finance further business activities.

Financing

As at 31 March 2014, the Company's total loans amounted to €69.7 million compared to €73.0 million as at 31 December 2013. The decrease of €3.3 million came from repayments of current loans according to the Company's repayment plan amounting to €1.5 million and the Euro exchange rate increased from 8.3491 at 31 December 2013 to 8.5754 at 31 March 2014 (effect: €1.8 million).

The loans are granted by various financial institutions in China and are used to finance the BOT projects in China. Please refer to the detailed presentation below:

Project	Financial Institution	Total loan amount	Total loan amount	Effective interest rate	Term in years	Received as of 31 Mar 2014	Received as of 31 Mar 2014
		in EUR	in RMB	in %		in EUR	in RMB
Zhoukou	Bank of China	11,661,264	100,000,000	7.45%	8	8,665,863	74,313,240
Kunming	China Merchants Bank	20,990,275	180,000,000	8.07%	10	20,990,275	180,000,000
Kunming	Huarong Leasing	13,993,516	120,000,000	11.58%	2	1,923,393	16,493,865
Xianning	China Merchants Bank	13,760,291	118,000,000	8.20%	9	13,118,922	112,500,000
Xianning	Huarong Leasing	10,495,137	90,000,000	11.95%	3	1,632,712	14,001,156
Lanzhou	Bank of China	23,322,527	200,000,000	8.30%	3	23,322,527	200,000,000
						69,653,691	

Opportunities and Risks

For the information on opportunities and risks, please refer to our Risk Report in the Group Management Report as at 31 December 2013. There were no significant changes in opportunities and risks as at 31 March 2014 compared to 31 December 2013.

Outlook

In 2014, the government of China continuously strives to reduce the pollution and protect the environment due to the huge pollution challenges faced by Chinas' society and its government. It has chosen the energy-from-waste as the most important way of municipal and industry solid waste disposal. In consequence, the energy-from-waste industry shows a huge market potential and a bright future in China.

As expected, the Q1 2014 result was negative and ZhongDe was still in a transition period.

Looking ahead to the remaining quarters in 2014, we expect to further benefit from the favorable political and economic environment for eco-friendly waste disposal, as well as from the growing demand for our energy-from-waste-plants, both in China and throughout Asia.

The two of ZhongDe's BOT projects, one located in Zhoukou and one in Xianning, which entered into trial operation in 2013 are expected to be completed in 2014. Management plans to complete the construction of Kunming project and to begin its trial operation in 2015. All these projects will then start to generate cash-inflows from guaranteed payments. In addition ZhongDe Group expects to finalize the completion of the EPC-projects in Dingzhou und Zhucheng in 2015.

Building on our experience in the course of completing these projects, we continue to improve our project controlling by implementing new software to transfer our knowledge to the production at the facility in Lanzhou. We finished the preparation stage of the Lanzhou project in Q4 2013 and make progress of the Lanzhou project construction in the coming quarters.

In summary, we expect that the coming quarters in 2014 will be still a transition period, during which ZhongDe finalizes existing projects, commences its operations and starts the project in Lanzhou. For 2014, an improvement of the operating result, although still leading to a loss before taxes, is to be expected, while the Group's cash position is stabilizing. As the construction in Lanzhou starts to progress further revenues will be realizable in the upcoming years with improvements in the Group's profitability. There have been no changes to the outlook presented in the combined management report of the Group and ZhongDe Waste Technology AG for the period ended 31 December 2013.

Please note that these expectations are subject to uncertainty even if currently we do not have any information as to any other developments.

05

Condensed Consolidated Financial Statements for the period from 1 January to 31 March 2014

05.1

Condensed Three-Month Consolidated Statement of Comprehensive Income

for the period from 1 January to 31 March 2014

Amount in k€	Q1 2014	Q1 2013
Revenue	1,072	1,245
Cost of sales	(916)	(1,087)
Gross profit	156	158
Other operating income	0	26
Selling and distribution expenses	(119)	(78)
Administrative expenses	(1,174)	(741)
Research and development expenses	(38)	(39)
Other operating expenses	(193)	(590)
Loss from operations	(1,368)	(1,264)
Finance income	749	597
Finance costs	(1,436)	(818)
Loss before income tax	(2,055)	(1,485)
Income tax	(204)	(32)
Loss for the period	(2,259)	(1,517)
Items that maybe reclassified subsequently to profit or loss:		
-Foreign exchange differences	(2,656)	3,641
Other comprehensive income	(2,656)	3,641
Total comprehensive income	(4,915)	2,124
Loss attributable to owners of the parent	(2,259)	(1,517)
Total comprehensive income attributable to owners of the parent	(4,915)	2,124
Earnings per share (diluted and undiluted)(in EUR)	(0.18)	(0.12)
Weighted average shares outstanding (diluted and undiluted)	12,600,000	12,600,000

05.2

Condensed Three–Month Consolidated Statement of Financial Position

as at 31 March 2014

Amount in k€	31 March 2014	31 December 2013	31 March 2013
Assets			
<i>Non-current assets</i>			
Intangible assets	6,198	6,353	17,406
Prepayments for land use rights	0	0	3,581
Property, plant and equipment	470	517	758
Construction in progress	0	0	25
Receivables from BOT projects	59,716	60,659	49,753
Deferred tax assets	0	0	236
	66,384	67,529	71,759
<i>Current assets</i>			
Inventories	3,802	3,605	2,674
Trade receivables	1,069	720	275
Other receivables and prepayments	40,206	35,546	25,114
Amounts due from related parties	12	20	13
Other financial assets	3,265	11,258	0
Cash and cash equivalents	99,927	110,076	99,992
Assets held for sale	0	0	7,562
	148,281	161,225	135,630
Total Assets	214,665	228,754	207,389
Liabilities and Equity			
Capital and reserves			
Issued capital	13,000	13,000	13,000
Capital reserves	62,914	62,914	62,914
Chinese statutory reserves	8,062	8,062	7,972
Own shares	(4,608)	(4,608)	(4,608)
Retained earnings	(1,022)	1,237	8,070
Foreign exchange difference	19,693	22,349	27,535
Total Equity	98,039	102,954	114,883
<i>Long-term Liabilities</i>			
Long-term loans	63,171	66,109	51,584
Deferred tax liabilities	864	833	1,856
	64,035	66,942	53,440
<i>Short-term liabilities</i>			
Trade payables	10,344	19,554	15,897
Other payables and prepayments	28,244	27,623	13,794
Provisions	3,084	3,168	2,814
Amounts due to related parties	7	1	233
Tax liabilities	56	0	290
Other financial liabilities	10,856	8,512	4,762
Liabilities associated with assets held for sale	0	0	1,276
	52,591	58,858	39,066
Total Liabilities	116,626	125,800	92,506
Total Liabilities and Equity	214,665	228,754	207,389

05.3 Condensed Three-Month Consolidated Statement of Cash Flows

for the period from 1 January to 31 March 2014

Amount in k€	Q1 2014	Q1 2013
Loss before income tax	(2,055)	(1,485)
Adjustments for:		
Amortization of intangible assets	258	178
Expensing of land use rights	0	17
Allowance for doubtful trade debts	44	(4)
Depreciation of property, plant and equipment and land	37	78
Interest income / exchange gains	(749)	(597)
Interest expense / exchange losses	1,436	818
Operating cash flows before working capital changes	(1,029)	(995)
Working capital changes:		
(-) Increase/(+) decrease in:		
Inventories	(300)	(201)
Trade receivables	(422)	(150)
PoC receivables from BOT projects	(544)	(946)
Other receivables and prepayments	1,006	(1,565)
Amounts due from related parties	8	34
(+) Increase/(-) decrease in:		
Trade payables	(8,920)	(392)
Other payables, provisions and accruals	4,210	122
Amounts due to related parties	6	11
Cash used in operations	(5,985)	(4,082)
Interest received	110	110
Interest paid	(1,573)	(1,165)
Income tax paid	(94)	(28)
Net cash used in operating activities	(7,542)	(5,165)
Cash flow from investing activities		
Proceeds from disposal of consolidated companies	1,197	0
Purchase property, plant, equipment, intangible assets, land use rights	(4)	(104)
Cash flow generated from (used in) investing activities	1,193	(104)
Cash flow from financing activities		
Borrowings	0	2,737
Repayments of loans	(1,461)	(1,089)
Cash repayments of financial Assets (BOT-Projects)	374	137
Cash flow from (used in) financing activities	(1,087)	1,785
Net increase in cash and cash equivalents	(7,436)	(3,484)
Cash at beginning of year	110,076	100,313
Foreign exchange differences	(2,713)	3,168
Cash fund at end of period	99,927	99,997
of which: included in assets held for sale	0	(5)
Cash and cash equivalents	99,927	99,992

05.4

Condensed Three-Month Consolidated Statement of Changes in Equity

for the period from 1 January to 31 March 2014

Amonut in k€	Numbers of shares out-standing	Share capital AG	Own shares	Capital Reserves	Chinese Statutory Reserves	Retained earnings	Currency translation reserve (other comprehensive income)	Total equity
Balance as at 1 January 2013	12,600,000	13,000	(4,608)	62,914	7,972	9,587	23,894	112,759
Total comprehensive income for this period						(1,517)	3,641	2,124
Balance as at 31 March 2013	12,600,000	13,000	(4,608)	62,914	7,972	8,070	27,535	114,883
Total comprehensive income for this period						(6,743)	(5,186)	(11,929)
Appropriation of current year's income					90	(90)		0
Balance as at 1 January 2014	12,600,000	13,000	(4,608)	62,914	8,062	0	1,237	102,954
Total comprehensive income for this period						(2,259)	(2,656)	(4,915)
Balance as at 31 March 2014	12,600,000	13,000	(4,608)	62,914	8,062	0	(1,022)	98,039

05.5

Selected Notes to the Condensed Interim Consolidated Financial Statements

Business of the ZhongDe Group

The ZhongDe Group designs, manufactures and installs incinerators for the disposal of solid medical, municipal (mixed household refuse) and industrial (including hazardous) waste. This involves a variety of incineration techniques: grate, pyrolytic and rotary kiln incineration as well as fluidized bed combustion. The ZhongDe Group waste incinerators are designed primarily for dedicated operators responsible for the disposal of medical waste produced by hospitals and the health industry, and also for small and medium-sized municipalities in developed areas of the People's Republic. Furthermore, as a general contractor of EPC projects, the ZhongDe Group is responsible for the design, engineering, procurement, construction and installation of waste incinerators with a power generation with the above mentioned techniques (energy-from-waste). In addition to the above EPC-role, the ZhongDe Group also produces and operates the energy-from-waste plants as an investor in BOT projects. The work and services required in connection with EPC and BOT projects are not carried out by the ZhongDe Group itself but by Chinese subcontractors. Generally, in the first quarter of the year, business activities are seasonally slow mainly due the Chinese Spring Festival when all workers are off for holidays.

General

ZhongDe Waste Technology AG ("the Company" or "ZhongDe AG") is the parent Company of the ZhongDe Group. The condensed interim consolidated financial statements for the period 1 January to 31 March 2014 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., which is located in Hong Kong.

Basis of preparation

The condensed interim consolidated financial statements of the ZhongDe Group are prepared for the three months period ended 31 March 2014 with comparative financial statements as at 31 December 2013 and 31 March 2013.

The condensed interim consolidated financial statements were prepared in accordance with Section 37w German Securities Trading Act (WpHG), the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), its interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC) for condensed interim financial information effective within the European Union and the additional requirements of German commercial law pursuant to sec. 315a (1) of the German Commercial Code (HGB). Accordingly, these condensed first quarter consolidated financial statements do not include all of the information required in annual consolidated financial statements by IFRS.

With regard to the preparation of the condensed 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 may differ from these estimates. The condensed interim consolidated financial statements have been reviewed. In the opinion of ZhongDe Waste Technology AG's Management Board, the condensed first quarter consolidated financial statements include all adjustments of a normal and recurring nature considered necessary for a fair presentation of results for interim periods.

Results of the period ended 31 March 2014 are not necessarily indicative for future results.

The condensed interim consolidated financial statements for the first quarter of 2014 are drawn up in Euro. Amounts are stated in thousands of Euros (k€) except where otherwise indicated.

The first quarter financial statements of the individual consolidated companies are prepared as of the closing date for the Group first quarter financial statements. The condensed first quarter consolidated financial statements of ZhongDe AG and subsidiaries for the period from 1 January to 31 March 2014 were authorised for issue in accordance with a resolution of the Management Board on 27 May 2014.

Significant accounting policies

The accounting policies applied by the Group in the condensed 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 2013. For further details, please refer to the consolidated financial statements available on the Company's website: www.zhongdetech-ag.com.

Non-recurring expenses that are incurred during the reporting period have been allocated as they would be at year-end.

In accordance with 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 currently under the zero profit method. Revenue relating to operation services is recognised in accordance with IAS 18.

Standards, amendments and interpretations to existing standards applied for the first time in the reporting period

The Group had to apply the following new standards, amendments to existing standards or new interpretations for the first time:

- IAS 27 (Amendments) – Separate Financial Statements
- IAS 28 (Amendments) – Investments in Associates and Joint Ventures
- IAS 32 (Amendments) – Financial Instruments – Presentation (Offsetting a Financial Asset and a Financial Liability)
- IAS 36 (Amendments) – Impairment of Assets (Recoverable Amount Disclosures for Non-Financial Liabilities)
- IAS 39 (Amendments) – Financial Instruments: Recognition and Measurement (Novation of Derivatives and Continuation of Hedge Accounting)
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 - Disclosure of Interests in Other Entities
- IFRS 10, IFRS 11, IFRS 12 (Amendments) – Transition Guidance
- IFRS 10, IFRS 12, IAS 27 (Amendments) – Investment Entities

The first-time application of these standards and interpretations did not have a significant impact on the net-assets, financial position and results of operations of the Group.

Published but not yet applied standards, amendments and interpretations

At the time of the preparation of the group condensed interim consolidated financial statements, the following standards and interpretations of the IASB as well as their changes and revisions had either not been endorsed by the European Union or were not compulsorily applicable in the first quarter 2014, and were therefore not applied by the ZhongDe Group.

- IAS 16 / IAS 38 (Amendments) – Clarification of Acceptable Methods of Depreciation and Amortisation
- IAS 19 (Amendments) –Employee Contributions
- IFRS 9 – Financial Instruments
- IFRS 7 and IFRS 9 (Amendments) – Financial Instruments (Mandatory Effective Date and Transition Disclosures)
- IFRS 9, IFRS 7, IAS 39 (Amendments) – Financial Instruments (Hedge Accounting)
- IFRS 11 (Amendments) – Accounting for Acquisitions of Interests in Joint Operations
- IFRS 14 - Regulatory Deferral Accounts
- IFRIC 21 - Levies
- Annual Improvements to IFRSs 2010 – 2012 Cycle
- Annual Improvements to IFRSs 2011 – 2013 Cycle

Management does not expect the standards to have a material effect on the Group's financial statements.

Segment analysis and information

A. Business segments

The Group's operating activities are divided into three business segments: incinerators, which includes municipal waste incinerators and medical waste incinerators, EPC (engineering, procurement and construction) projects, and BOT (build – operate – transfer) projects.

In the first quarter of 2014 only the BOT and EPC projects contributed to gross profit.

B. Business by region

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 assets attributable to the Group's operating activities are likewise located in the PRC. As such, no geographical segment analysis is necessary.

C. Allocation basis

Revenues and the cost of sales of the services rendered in generating revenues are directly attributable to the business segments. Income and expenses which are not directly attributable to a business segment are recognised separately as unallocated income and expenses.

Inter-segmental revenues are eliminated on consolidation.

The following table presents revenues and results information regarding the Group's business segments for the first three months of 2014:

Amount in k€	Incinerators		EPC		BOT		Group	
	Q1 2014	Q1 2013	Q1 2014	Q1 2013	Q1 2014	Q1 2013	Q1 2014	Q1 2013
Revenues	0	0	529	0	543	1,245	1,072	1,245
Intercompany revenues	0	0	0	0	0	0	0	0
Total revenue for reportable segments	0	0	529	0	543	1,245	1,072	1,245
Total gross profit from reportable segments	0	0	102	0	54	158	156	158
Order intake	0	0	0	0	0	0	0	0
Order Backlog	4,007	4,317	77,165	93,133	137,888	167,079	219,060	264,529

Functional and presentation currency

	31 March 2014	31 March 2013
Exchange rate RMB/€ at the end of the period	8.5754	7.9600
Average exchange rate RMB/€ for Q1	8.3576	8.2209
	31 March 2014	31 March 2013
Exchange rate HKD/€ at the end of the period	10.6973	9.9420
Average exchange rate HKD/€ for Q1	10.6287	10.2428

The functional currency of the consolidated subsidiaries and ZhongDe Waste Technology AG is the RMB.

Related Party Information

The following transactions took place between the Group and the above-listed related parties during the three-month period from 1 January to 31 March 2014:

Amount in k€	Q1 2014	Q1 2013
Related parties		
Rental, water and electricity fee	33	35

The transactions with related parties were based on market prices.

Receivables from and liabilities to related companies are disclosed in the table below:

Amount in k€	Q1 2014	Q1 2013
Due from related parties		
Other receivables	12	13
	12	13
Allowance for doubtful trade debts	0	0
	12	13
Due to related parties		
Trade	7	233
	7	233

Subsequent Events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization of the condensed consolidated financial statements.

Frankfurt, 27 May 2014

ZhongDe Waste Technology AG



Zefeng Chen
Chairman of the
Management Board (CEO)



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

Review Report

To ZhongDe Waste Technology AG, Frankfurt/Main

We have reviewed the condensed interim consolidated financial statements –comprising the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and selected notes – and the interim Group management report of ZhongDe Waste Technology AG, Frankfurt/Main, for the period from 1 January 2014 to 31 March 2014 which form part of the quarterly financial reporting in accordance with section 37x paragraph 3 in conjunction with section 37w paragraph 2 German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim Group management report in accordance with the requirements of the German Securities Trading Act applicable to interim Group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim Group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and the interim Group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material aspects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim Group management report has not been prepared, in material aspects, in accordance with the regulations of the German Securities Trading Act applicable to interim Group management reports. A review is limited primarily to inquiries of Company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to believe that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim Group management report has not been prepared, in material respects, in accordance with the regulations of the German Securities Trading Act applicable to interim Group management reports.

Hamburg, 27 May 2014

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Clemens	von Oertzen
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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 are thus subject to certain risks and uncertainties. A variety of factors, many of which are beyond the 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 Group Management Report 2013, 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. The German version of this interim report is binding for legal purposes.

Financial Calendar and Contact Information

Financial calendar

Date	Event
26 June 2014	AGM 2014
28 August 2014	Interim report on the first half of 2014
24–26 November 2014	German Equity Forum, Frankfurt/Main
28 November 2014	Interim report on the third quarter of 2014

Contact Information

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

Ying Sun
 Investor Relations
 Messeturm 25th Floor
 Friedrich-Ebert-Anlage 49
 60308 Frankfurt am Main
 Germany
 Tel.: +49 69 50 95 65 655
 Fax: +49 69 50 95 65 567
 Email: ying.sun@zhongde-ag.de

Kirchhoff Consult AG (Investor & Public Relations)

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