

Q1

1st Quarterly Report 2016



ZhongDe Waste Technology AG



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1 KEY FIGURES

Operational Data

in k€	Q1 2016	Q1 2015	Change
Order intake	0	0	0.0%
Order backlog ¹⁾	104,121	234,199	-55.5%
Revenues	26,636	5,568	>+100.0%
Gross result	-243	-122	-99.2%
Gross result margin	-1%	-2%	+1 pp
Cost of sales	-26,879	-5,690	<-100.0%
EBITDA	-733	-573	-27.9%
EBITDA margin	-3%	-10%	+8 pp
EBIT	-1,057	-951	-11.1%
EBIT margin	-4%	-17%	+13 pp
Loss for the period	-1,668	-2,168	+23.1%
Net income margin	-6%	-39%	+33 pp
Earnings per share (in €) ²⁾	-0.13	-0.17	+23.2%

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

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

Cash Flow Data

in k€	Q1 2016	Q1 2015	Change
Cash flow used in operating activities	-17,753	-6,023	<-100.0%
Cash flow used in investing activities	-2	-13	+84.6%
Cash flow generated from (+) / used in (-) financing activities	16,330	-1,541	>+100.0%

Balance Sheet Data

in k€	31 Mar. 2016	31 Dec. 2015	Change
Total assets	293,215	285,667	+2.6%
Non-current assets	163,542	142,043	+15.1%
Net working capital ¹⁾	30,405	44,788	-32.1%
Cash and cash equivalents	71,451	75,842	-5.8%
Long-term liabilities	95,163	82,277	+15.7%
Shareholders' equity	98,784	104,554	-5.5%
Headcount (as at 31 March)	357	370	-3.5%

¹⁾ Current asset less current liabilities

2 INTERIM GROUP MANAGEMENT REPORT

Macroeconomic Environment

According to the preliminary estimation, the gross domestic product (GDP) of China in the first quarter of this year was 15,852.6 billion yuan, a year-on-year increase of 6.7% at comparable prices. Although China's GDP growth slowed down in 2016 (7.0% Q1 2015), China kept its position as the engine of the world economy with its huge GDP amount and the relative fast growth. China realized the stabilization of its currency exchange rate in Q1 2016.

In the first quarter of 2016, the consumer price went up by 2.1% year-on-year. The per capita disposable income of urban households was 9,255 yuan, a nominal growth of 8.0%. The per capita disposable income of rural residents was 3,578 yuan, up by 9.1% nominally. The total value of exports amounted to 3,012.3 billion yuan, down by 4.2%; and the total value of imports was 2,202.1 billion yuan, down by 8.2%. The trade surplus was 810.2 billion yuan.

Accordingly the Chinese government has significant financial resources to continuously invest in the environmental protection industry in China. The energy conservation and consumption reduction continued to make new achievements. In the first quarter of 2016, the energy consumption per unit of GDP decreased by 5.3% year-on-year.

Sector Trend

The overall development of the sector will mostly be driven by the newly revised Environmental Protection Law and the goals and objectives outlined in China's 13th Five Year Plan for the years 2016-2020. The Chinese government is expected to introduce caps on energy consumption and emissions. A national emissions trading system is planned for the year 2017. By implementing these measures, Beijing is seeking to reduce the reliance on coal mines in favor of greener sources of energy such as wind, solar, biomass, water, geothermal and nuclear energy.

According to official statistics, China is planning to invest up to US \$6.6 trillion in the coming decade on low carbon technology, renewable energy and emission reduction projects, creating huge business opportunities in the process. A document published on 15 April 2016 by the Ministry of Environment Protection of the People's Republic of China illustrates that in such areas as urban sewage treatment, municipal waste treatment, hazardous waste treatment, flue gas desulfurization and denitration, the government is actively seeking to encourage the development of EPC and BOT projects, as these allow for a combined and comprehensive management of investment financing, system design, equipment, engineering construction, debugging, operation and maintenance.

Results of Operations

in k€	Q1 2016	Q1 2015 ¹⁾	Change
Revenues	26,636	5,568	>+100.0%
Cost of sales	-26,879	-5,690	>+100.0%
Gross result	-243	-122	-99.2%
Other operating income	780	678	+15.0%
Selling and distribution expenses	-189	-56	>+100.0%
Administrative expenses	-984	-894	+10.1%
Research and development expenses	-14	-39	-64.1%
Other operating expenses	-407	-518	-21.4%
Loss from operations	-1,057	-951	-11.1%
Finance income	1,028	1,140	-9.8%
Finance costs	-1,670	-1,121	+49.0%
Loss before income tax	-1,699	-932	-82.3%
Income tax expenses	31	-1,236	<-100.0%
Loss for the period	-1,668	-2,168	+23.1%

¹⁾ Restated.

During the first quarter of 2016, revenues of € 26.6 million were generated, representing an increase of more than 100% compared to the same period in 2015. Thereof € 26.5 million were contributed by the BOT project in Lanzhou. The rapid growth relates to acceptance of two incinerators in the facility installed by subcontractors which within the scope of the zero-profit-method led to revenues amounting to € 17.2 million. Additionally construction works amounting to € 9.0 million have been finished during first quarter of 2016. (During the first quarter of 2015 € 3.7 million were contributed by the BOT project in Lanzhou).

The gross profit for the three month period ended March 2016 amounted to € -243 thousand compared to € -122 thousand for the three month period ended March 2015. The decrease was mainly due to the slow progress of the EPC projects which only contributed € 9 thousand to the revenues of the first quarter 2016 compared to € 0.7 million in the same period of 2015. In contrast to the BOT projects the percentage-of-completion method is still applied for the EPC projects. Because the zero-profit-method is still applied to BOT projects, the increased stage of completion of the BOT project in Lanzhou has no influence on the gross profit margin.

Other operating income relates to net proceeds from trial runs.

In the three month period ended 31 March 2016 selling and distribution expenses increased by € 0.1 million to € 0.2 million compared to the three month period ended March 2015 due to an increase of bad debt allowances by € 0.1 million.

In the three month period ended 31 March 2016 EBITDA decreased to € -0.7 million compared to € -0.6 million for the three month period ended March 2015. In the same period EBIT decreased to € -1,1

million compared to € -1,0 million for the three month period ended March 2015.

The financial result for Q1 2016 amounted to € -0.6 million compared to € 0.0 million in Q1 2015 mainly due to increased interest expenses relating to the new bank loans granted to ZhongDe in the second half of 2015. This effect was offset by the decrease of income tax expenses from € 1.2 million in three month 2015 to € 0.0 million in three month 2016. The reasons for the tax expenses in the three month period ended March 2015 were profits mainly caused by foreign exchange gains which are locally taxable.

Accordingly net loss went down to € -1.7 million compared to € -2.2 million for the three month period ended March 2015.

in k€	31 Mar. 2016	31 Dec. 2015	Change
Current liquidity ratio ¹⁾	1.3	1.5	0.0%
Equity ratio ²⁾	33.7%	36.6%	-3 pp
Net working capital ³⁾	30,405	44,788	-32.1%
Cash and cash equivalents	71,451	75,842	-5.8%
Current assets	129,673	143,624	-9.7%
Non-current assets	163,542	142,043	+15.1%
Total assets	293,215	285,667	+2.6%
Current liabilities	99,268	98,836	+0.4%
Long-term liabilities	95,163	82,277	+15.7%
Shareholders' equity	98,784	104,554	-5.5%

¹⁾ Current asset / current liabilities

²⁾ Equity / total assets

³⁾ Current asset less current liabilities

Until 31 March 2016, shareholders' equity decreased by 5.5% to € 98.8 million compared to 31 December 2015 due to the negative result for the first quarter 2016 and foreign currency translation effects. Total assets increased by 2.6% compared to 31 December 2015. Accordingly ZhongDe's equity ratio went down from 36.6% as at 31 December 2015 to 33.7% as at 31 March 2016.

The cash position as at 31 March 2016 amounted to € 71.5 million, compared to € 75.8 million as at 31 December 2015 (-5.8%). The regular cash outflows due to the company's normal operation were partly compensated by cash inflows due to an additional borrowing amounting to € 16.5 million as well as by foreign exchange changes.

The management is engaged to secure the cash position of ZhongDe, for example by obtaining more loans to finance the construction of the Lanzhou waste-to-energy project and the other projects.

Current status of energy-from-waste projects

(as of 31 March 2016)

EPC projects under construction	Zhucheng	Dingzhou
Daily capacity (tons/day)	500	600
PoC as at 31 March 2016	89.3%	48.8%
PoC as at 31 December 2015	89.3%	48.8%
Estimated time of completion	2016	unknown ¹⁾

¹⁾ To be determined after restart.

BOT projects under construction	Xianning	Zhoukou	Kunming	Lanzhou	Feicheng
Daily capacity (tons/day)	600	500	700	2,000	200
Average annual power generation capacity (MW-h)	> 60	> 50	> 70	>200	none
PoC as at 31 March 2016	94.9%	94.4%	85.5%	60.7%	in operation
PoC as at 31 December 2015	94.7%	94.4%	85.5%	39.2%	in operation
Estimated time of completion	2016	2016	2017	2018	in operation

EPC Projects

Zhucheng EPC project

At the end of Q1 2016, the percentage of completion of the project in Zhucheng is 89.3% (31 December 2015: 89.3%).

As part of the acceptance process, the progress of the construction performed by subcontractors needs to be confirmed for the quantity and quality by the cost control department of ZhongDe. Only after the confirmation from both sides the works are accepted and revenues realized accordingly. This process is time consuming and delayed. Accordingly the percentage of completion of the project did not increase in Q1.

The remaining work relates to the following:

The ending works for the complex building decoration; the green landscape engineering; ending works for the main factory; Ash handling system; environmental acceptance work; installation for signboard in the whole factory.

The Zhucheng project is expected to be completed in 2016.

Dingzhou EPC project

At the end of Q1 2016, the percentage of completion of the project in Dingzhou remains at 48.8% (31 December 2015: 48.8%). Since April 2015 the construction at Dingzhou is on hold.

The remaining work relates to the following:

- **Civil Construction**

The rendering works for the main factory, road construction, decoration works for the complex building, pumping house, oil pump room and weight bridge room; the construction works for ash treatment system, outer casing for main factory; construction works for leachate treatment system.

- **Installation**

Outdoor pipeline construction; installation works for ignition oil pipeline, dosing system, sampling system; oil circulation for steam turbine generator; auxiliary equipment installation for boiler, steam turbine generator; gas purification system installation; complex water pumping room and oil pumping room equipment installation; instrument points and lighting installations for boiler body; plate cabinet installations for electronic equipment room; installation works for leachate and ash treatment equipment.

The project in Dingzhou is stopped by the customer, since infrastructural works performed by governmental authorities are required first. Based on information rendered by the customer, management assumes that the work will be resumed in the 3rd quarter of 2016.

BOT Projects

Zhoukou BOT project

At the end of Q1 2016, the percentage of completion of the project in Zhoukou remains at 94.4% (31 December 2015: 94.4%).

Civil construction works have been 100% completed. Boiler, steam turbine generator unit and auxiliary equipment have been put into the normal operation. The project is in trial run operation.

The remaining work relates to the following:

The acceptance works for environment protection.

The estimated time of the finalization of the project in Zhoukou is the end of 2016.

Kunming BOT project

At the end of Q1 2016, the percentage of completion of the project in Kunming is 85.5% (31 December 2015: 85.5%).

As part of the acceptance process, the progress of the construction performed by subcontractors needs to be confirmed for the quantity and quality by the cost control department of ZhongDe. Only after the

confirmation from both sides the works are accepted and revenues realized accordingly. This process is time consuming and delayed. Accordingly the percentage of completion of the project did not increase in Q1.

Steam turbine generator has been successfully connected to the power grid and the operation run on smoothly. The Kunming project is in the trial operation since the end of 2014 and generates electricity since Q1 2016.

The remaining work relates to the following:

- **Civil Construction**

The construction works for factory road; ending works for civil construction of main factory; decoration works for building complex and main factory; greening landscape; construction works for fire protection engineering.

The estimated time of finalization date for the project in Kunming is 2017.

Xianning BOT project

At the end of Q1 2016, the percentage of completion of the project in Xianning is 94.9% (31 December 2015: 94.7%).

The percentage of completion of the project increased slightly. The project is in trial operation. As part of the acceptance process, Zhongde is working on adjustments and defect elimination according to the requirements from government.

The remaining work relates to the following:

The acceptance works for environment protection.

The project in Xianning is supposed to be completed at the end of 2016.

Lanzhou BOT Project

At the end of Q1 2016 the percentage of completion at Lanzhou is 60.7% (31 December 2015: 39.2%).

The following works have been completed:

The installation of two of the incinerators has been accepted; the masonry works for the auxiliary building; fence wall construction; the construction for the oil pumping house; foundation construction for boiler and steam turbine auxiliary; foundation construction for air compressor equipment; Furnace building and insulation for 1# boiler; the installation for air blower, induced draft fan for 1#, 2# and 3# boiler.

The remaining work relates to the following:

- **Civil Construction**

The wall rendering for waste pool; outerwall construction for main controlling building and steam engine room; road construction for the whole factory; decoration works for office building, dining room and lodging house; construction works for the leachate treatment station; green landscape construction for the factory; furnace building and insulation for 2# boiler; decoration for the main factory; net rack construction for the whole factory; anticorrosion works for the waste pool.

- **Installation**

Ending works for the equipment installation for 1# boiler; equipment installation for 2# boiler with 80% completed; equipment installation for 3# boiler with 70% completed; ending works treatment for 1# gas purification system; construction for 2# and 3# gas purification system; construction for mechanical cooling tower, as well as for chemical water equipment; construction for air cooling island and electric instrument for 1# boiler; construction for 1# and 2# steam turbine generator and accessory equipment and pipeline; installation for air compressor equipment.

Management plans to complete the Lanzhou project and enter into normal operation in 2018.

Order Development

in k€	BOT	EPC	Incinerator	Total
Order backlog as at 1 January 2016	110,342	23,582	1,659	135,583
Order intake in Q1 2016	0	0	0	0
Revenues in Q1 2016	26,605	9	0	26,614
Currency translation differences	-3,850	-932	-66	-4,848
Order backlog as at 31 March 2016	79,887	22,641	1,593	104,121

During the first quarter of 2016 no new order intake was recorded. Order backlog decreased by 23.2% to € 104.1 million in Q1 2016 compared to 31 December 2015 due to the project progress mainly in Lanzhou and foreign currency translation differences.

Business Segments Overview

in k€	Q1 2016	Q1 2015	Change
BOT			
Revenues (thereof as PoC k€ 26,605 in Q1 2016 / k€ 4,886 in Q1 2015)	26,627	4,910	>+100.0%
Gross profit	-181	-252	+28.2%
EPC			
Revenues (PoC)	9	658	-98.6%
Gross profit	3	130	-97.7%
Other (incinerators)			
Revenues	0	0	0.0%
Gross profit	-65	0	<-100.0%
Total revenues	26,636	5,568	>+100.0%
Total gross profit	-243	-122	-99.2%

BOT projects

In Q1 2016, the current four BOT projects contributed with € 26.6 million to consolidated revenues (€ 4.9 million in Q1 2015).

EPC projects

One of the two EPC projects contributed with € 9 thousand to consolidated revenues in Q1 2016 (€ 0.7 million in Q1 2015).

Others (Incinerators)

In Q1 2016 inventories relating to the incinerators amounting to € 0.1 million (Q1 2015: nil) were written off.

Net Worth

in k€	31 Mar. 2016	31 Dec. 2015	Change
Non-current assets	163,542	142,043	+15.1%
Current assets	129,673	143,624	-9.7%
Equity	98,784	104,554	-5.5%
Liabilities	194,431	181,113	+7.4%
Balance sheet total	293,215	285,667	+2.6%

The balance sheet total amounted to € 293.2 million as of 31 March 2016 increasing by 2.6% compared to 31 December 2015, while equity went down by € 5.7 million or 5.5% to € 98.8 million. Consequently the Company's equity ratio decreased to 33.7% as at 31 March 2016 from 36.6% as at 31 December 2015.

Cash Flow

in k€	Q1 2016	Q1 2015	Change
Cash flow used in operating activities	-17,753	-6,023	<-100.0%
Cash flow used in investing activities	-2	-13	+84.6%
Cash flow generated from (+) / used in (-) financing activities	16,330	-1,541	>+100.0%

Due to a significantly higher project progress compared to Q1 2015 the cash flow used in operating activities increased by € 11.7 million. The cash flow from financing activities turned into positive in Q1 2016 due to an additional borrowing amounting to € 16.5 million granted by the China Construction Bank.

Cash Position

Cash and cash equivalents amounted to € 71.5 million as at 31 March 2016, a decrease of 5.8% compared to € 75.8 million as at 31 December 2015.

The company's cash represents an amount of € 5.5 (Q1 2015: € 7.0) cash per share and € -5.1 (Q1 2015: € 0.7) net cash per share (total cash amount minus the loan amount as at 31 March 2016 divided by the amount of shares). The existing funds are planned to be primarily invested in budgeted projects such as the BOT project in Lanzhou, and the EPC projects in Zhucheng and at some time later in Dingzhou. In addition, they are expected to serve to finance further business activities. Generally cash transfers from China are restricted as they require a formal approval from the State Administration of Foreign Exchange ("SAFE").

Financing

As at 31 March 2016, the company's total loans amounted to € 137.4 million compared to € 126.5 million as at 31 December 2015. The increase of € 10.9 million is due to a payment relating to a loan granted by the China Construction Bank amounting to € 16.2 million in total, which is offset by the repayments of current loans amounting to € 0.3 million according to the Company's repayment plan. Additionally the increase of the exchange rate between Euro and the RMB from 7.0608 at 31 December 2015 to 7.3514 as at 31 March 2016 leads to a downturn of the Chinese currency and accordingly company's total loans decreased by € 5.0 million.

Project	Financial Institution	Total loan amount	Total loan amount	Effective interest rate	Term in years	Carrying amount as at 31 Mar. 2016	Carrying amount as at 31 Mar. 2016
		in EUR	in RMB	in %		in EUR	in RMB
Zhoukou	China Merchants Bank	13,602,851	100,000,000	6.90%	5	7,796,235	57,313,240
Kunming	China Merchants Bank	24,485,132	180,000,000	7.04%	7	22,390,293	164,600,000
Xianning	Bank of China	16,051,364	118,000,000	7.34%	6	12,106,538	89,000,000
Lanzhou	Bank of China	27,205,702	200,000,000	8.30%	1	27,205,702	200,000,000
Lanzhou	Bank of Lanzhou	10,882,281	80,000,000	7.92%	1	10,882,281	80,000,000
Lanzhou	China Construction Bank	91,139,103	670,000,000	5.15%	12	56,974,182	418,840,000
						137,355,230	1,009,753,240

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 2015. Please note that these expectations are subject to uncertainty even if currently we do not have any information as to any other developments. There were no significant changes in opportunities and risks compared to 31 December 2015. At present, due to the slow progress of the projects except the project in Lanzhou, the management board is evaluating the risks and opportunities from the current projects and analyses the strategic options.

Outlook

In the three month period ended 31 March 2016, ZhongDe's revenue and other operating income significantly increased compared to the same period in 2015, mainly due to the construction progress of the BOT project in Lanzhou. Although EBIT and EBITDA remained at prior years level, net result improved in Q1 2016, compared to the same period in 2015.

Looking ahead to the coming quarters in 2016, we expect that the construction progress of the EPC project in Zhucheng and mainly the BOT project in Lanzhou will continue to contribute to ZhongDe's revenues. The trial run of the BOT projects in Zhoukou, Xianning and Kunming will additionally contribute to income.

After the end of the trial runs, the projects will receive the final approval of the referring customers, which marks the finalization of the projects. The Management Board is confident to complete the BOT projects in Zhoukou and Xianning within 2016, the BOT project in Kunming in 2017 and the EPC-project Zhucheng in 2016.

Based on the results from the first quarter, the management is convinced that it will be able to meet the targets for the financial year 2016 outlined in the Annual Report for the financial year ended 31. December 2015.

After the completion of the current BOT and EPC projects, ZhongDe Group plans to further strengthen its focus on EPC projects since revenues and profits can be recognized earlier compared to BOT projects. The management is in strong negotiations concerning new EPC projects and is confident that more EPC contracts will be closed in 2016 and coming years. Nevertheless the final closing of new contracts always depends on conditions, which are not within the sole decision of the management and therefore cannot be forecasted without any uncertainty.

Moreover, the Group plans to offer waste transportation in near future. To this purpose, ZhongDe established Zhoukou Fulin Environmental Engineering Construction Co., Ltd. However, as of the end of the first quarter of 2016, the new company has not yet commenced its business activities.

Regarding the future development of the company the management board currently evaluates all strategic opportunities on a regular basis, which refers to the acquisition of new EPC contracts as well as to the potential sale of existing BOT projects.

3 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2016

3.1 Condensed Three-Month Consolidated Statement of Profit or Loss and Comprehensive Income

in k€	Q1 2016	Q1 2015 ¹⁾
Revenues	26,636	5,568
Cost of sales	-26,879	-5,690
Gross result	-243	-122
Other operating income	780	678
Selling and distribution expenses	-189	-56
Administrative expenses	-984	-894
Research and development expenses	-14	-39
Other operating expenses	-407	-518
Loss from operations	-1,057	-951
Finance income	1,028	1,140
Finance costs	-1,670	-1,121
Loss before income tax	-1,699	-932
Income tax expenses	31	-1,236
Loss for the period	-1,668	-2,168
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange differences	299	792
Items that will not be reclassified subsequently to profit or loss:		
Foreign exchange differences	-4,401	13,730
Other comprehensive income	-4,102	14,522
Total comprehensive income	-5,770	12,354
Loss attributable to owners of the parent	-1,668	-2,168
Total comprehensive income attributable to owners of the parent	-5,770	12,354
Earnings per share (in €) (diluted and undiluted)	-0.13	-0.17
Weighted average shares outstanding (diluted and undiluted)	12,600,000	12,600,000

¹⁾ Restated.

3.2 Condensed Interim Consolidated Statement of Financial Position

as at 31 March 2016

in k€	31 Mar. 2016	31 Dec. 2015	31 Mar. 2015
Assets			
Non-current assets			
Intangible assets	44,450	35,340	28,149
Property, plant and equipment	371	412	473
Receivables from BOT	118,721	106,291	99,244
Deferred tax assets	0	0	963
	163,542	142,043	128,829
Current assets			
Inventories	430	437	4,140
Trade receivables	6,512	6,923	1,649
Other receivables and prepayments	51,051	60,192	54,728
Amounts due from related parties and companies	14	15	16
Other financial assets	215	215	6
Cash and cash equivalents	71,451	75,842	90,531
	129,673	143,624	151,070
Total assets	293,215	285,667	279,899
Liabilities and equity			
Capital and Reserves			
Issued capital	13,000	13,000	13,000
Own shares	-4,608	-4,608	-4,608
Capital reserves	62,914	62,914	62,914
Chinese statutory reserves	8,459	8,459	8,459
Retained earnings	-17,920	-16,252	-2,279
Foreign currency translation reserve	36,939	41,041	47,767
Total equity	98,784	104,554	125,253
Liabilities			
Long-term liabilities			
Long-term loans	93,602	80,623	75,988
Deferred tax liabilities	1,561	1,654	1,599
	95,163	82,277	77,587
Current liabilities			
Trade payables	29,475	25,719	39,474
Other payables and prepayments	21,834	22,668	26,639
Provisions	4,117	4,286	4,190
Amounts due to related parties and companies	8	122	8
Tax liabilities	81	168	1,337
Other financial liabilities	43,753	45,873	5,411
	99,268	98,836	77,059
Total liabilities	194,431	181,113	154,646
Total liabilities and equity	293,215	285,667	279,899

3.3 Condensed Three-Month Consolidated Statement of Cash Flows

for the period from 1 January to 31 March 2016

in k€	Q1 2016	Q1 2015
Loss before income tax	-1,699	-932
Adjustments for:		
Appreciation of intangible assets	8	0
Amortization of intangible assets	290	339
Write-off of inventories	65	0
Allowance for doubtful trade and other receivables	156	0
Depreciation of property, plant and equipment	26	39
Interest income / exchange gains	-1,028	-1,140
Interest expense / exchange losses	1,670	1,121
Operating cash flows before working capital changes	-512	-573
Working capital changes		
<i>(-) Increase) / (+) decrease in:</i>		
Inventories	-76	-204
Trade receivables	-17	308
PoC receivables from BOT projects	-26,499	-4,910
Other receivables and prepayments	6,870	-100
<i>(+) Increase) / (-) decrease in:</i>		
Trade payables	4,866	3,403
Other payables, provisions and accruals	83	-1,946
Amounts due to related parties	-112	0
Cash used in operations	-15,397	-4,022
Interest received	70	247
Interest paid	-2,342	-1,638
Income tax paid	-84	-610
Net cash used in operating activities	-17,753	-6,023
Cash flow from investing activities		
Purchase of property, plant, equipment and intangible assets	-2	-13
Cash flow used in investing activities	-2	-13
Cash flow from financing activities		
Increase in borrowings	16,482	0
Repayments of loans	-312	-1,673
Cash repayments of financial assets (BOT projects)	160	132
Cash flow generated from (+) / used in (-) financing activities	16,330	-1,541
Net decrease before income tax	-1,425	-7,577
Cash and cash equivalents at beginning of period	75,842	87,205
Foreign exchange differences	-2,966	10,903
Cash and cash equivalents at end of period	71,451	90,531

3.4 Condensed Three-Month Consolidated Statement of Changes in Equity

for the period from 1 January to 31 March 2016

	Number of shares outstanding	Share capital AG	Own shares	Capital reserves	Chinese statutory reserves	Retained earnings	Foreign currency translation reserve (other comprehensive income)	Total equity
in k€								
Balance as at 1 January 2015	12,600,000	13,000	-4,608	62,914	8,459	-111	33,245	112,899
Total comprehensive income for the period	0	0	0	0	0	-2,168	14,522	12,354
Balance as at 31 March 2015	12,600,000	13,000	-4,608	62,914	8,459	-2,279	47,767	125,253
Total comprehensive income for the period	0	0	0	0	0	-13,973	-6,726	-20,699
Balance as at 1 January 2016	12,600,000	13,000	-4,608	62,914	8,459	-16,252	41,041	104,554
Total comprehensive income for the period	0	0	0	0	0	-1,668	-4,102	-5,770
Balance as at 31 March 2016	12,600,000	13,000	-4,608	62,914	8,459	-17,920	36,939	98,784

3.5 Selected Notes to the Condensed Interim Consolidated Financial Statements

Business of the ZhongDe Group

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-activities, 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.

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 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 three-month consolidated financial statements of the ZhongDe Group are prepared for the period ended 31 March 2016 with comparative financial statements as at 31 December 2015 and 31 March 2015.

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 for the period ended 31 March 2016 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 2016 are not necessarily indicative for future results.

The condensed three-month consolidated financial statements for the period from 1 January to 31 March 2016 are drawn up in Euro. Amounts are stated in thousands of Euros (k€) except where otherwise indicated.

The financial statements of the individual consolidated companies are prepared as of the closing date for the Group financial statements. The condensed three months consolidated financial statements of ZhongDe AG and subsidiaries for the period from 1 January to 31 March 2016 were authorised for issue in accordance with a resolution of the Management Board on 25 May, 2016.

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 2015. For further details, please refer to the consolidated financial statements available on the Company's website: www.zhongdetech-ag.com.

Due to minor importance of the segment incinerators has been eliminated from the segment reporting of ZhongDe since 1 January 2016. The remaining business segments consist of BOT projects and EPC projects.

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. Revenue relating to operation services is recognised in accordance with IAS 18.

The group performed impairment tests for intangible assets from service concession rights not yet available for use as at 31 December 2014 as well as at 31 December 2015. Consequently the additional costs incurred for the projects have been directly impaired. These impairments have been accounted in administrative expenses during the first quarter of 2015. By the end of 2015 ZhongDe decided to account these expenses in other operating expenses. Prior year's figures were reclassified accordingly. The change of the accounting method did not have any impact on the comprehensive income.

	Before restatement Q1 2015		Reclassi- fication	Restated Q1 2015	
	in k€	in %		in k€	in %
Revenues	5,568	100.0	0	5,568	100.0
Cost of sales	-5,690	-102.1	0	-5,690	-102.1
Gross result	-122	-2.1	0	-122	-2.1
Other operating income	678	12.1	0	678	12.2
Selling and distribution expenses	-56	-1.0	0	-56	-1.0
Administrative expenses	-1,224	-22.0	330	-894	-16.1
Research and development expenses	-39	-0.7	0	-39	-0.7
Other operating expenses	-188	-3.4	-330	-518	-9.3
Loss from operations	-951	-17.1	0	-951	-17.0
Finance income	1,140	20.5	0	1,140	20.5
Finance costs	-1,121	-20.1	0	-1,121	-20.1
Loss before income tax	-932	-16.7	0	-932	-16.6
Income tax expenses	-1,236	-22.2	0	-1,236	-22.2
Loss for the period	-2,168	-38.9	0	-2,168	-38.8

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:

Title	Content	Material effect on ZhongDe AG
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	The amendments provide additional guidance on acceptable methods of depreciation or amortisation of property, plant and equipment and intangible assets.	none
Amendments to IAS 16 and IAS 41: Bearer Plants	The amendments bring bearer plants into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment.	none
Amendments to IAS 27: Equity Method in Separate Financial Statements	The amendments again allow the application of equity method for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.	none
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	The amendments clarify the accounting for acquisitions of an interest in a joint operation in cases where the operation constitutes a business.	none
Annual Improvements to IFRSs 2010-2012 Cycle	A collection of amendments to IFRSs, introducing changes to IFRS 2: Share-based Payment, IFRS 3: Business Combinations, IFRS 8: Operating Segments, IFRS 13: Fair Value Measurement, IAS 16: Property, Plant and Equipment, IAS 24: Related Party Disclosures, and IAS 38: Intangible Assets.	none
Annual Improvements to IFRSs 2012-2014 Cycle	A collection of amendments to IFRSs, introducing changes to IFRS 5: Non-current Assets Held for Sale and Discontinued Operations, IFRS 7: Financial Instruments: Disclosures, IAS 19: Employee Benefits and IAS 34: Interim Financial Reporting.	none
Amendments to IAS 1: Disclosure Initiative	The amendments clarify IAS 1 with regard to perceived impediments to preparers exercising their judgement in presenting their financial reports.	none
Amendments to IAS 19: Employee Contributions	The amendments clarify the requirements for attributing contributions from employees or third parties that are linked to service to periods of service.	none

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 2016, and were therefore not applied by the ZhongDe Group.

Title	IASB Effective Date	Endorsed by the EU on	EU Effective Date	Expected material effect on ZhongDe AG
IFRS 9: Financial Instruments	January 1, 2018	(expected in Q4 2016)	(to be determined)	none
Amendments to IAS 28 and IFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	(to be determined)	(to be determined)	(to be determined)	none
IFRS 14: Regulatory Deferral Accounts	January 1, 2016	(not endorsed by the EU)	(not applicable)	none
IFRS 15: Revenue from Contracts with Customers	January 1, 2018	(expected in Q3 2016)	(to be determined)	see explanation
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities - Applying the Consolidation Exception	January 1, 2016	(expected in Q3 2016)	(to be determined)	none
IFRS 16: Leases	January 1, 2019	(expected in 2017)	(to be determined)	see explanation
Amendments to IAS 7: Disclosure Initiative	January 1, 2017	(expected in Q4 2016)	(to be determined)	none
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017	(expected in Q4 2016)	(to be determined)	none
Clarifications to IFRS 15: Revenue from Contracts with Customers	January 1, 2018	(expected in Q1 2017)	(to be determined)	see explanation

The aforementioned standards and interpretations are to be applied in the Consolidated Financial Statements of the ZhongDe Group from the 2017 financial year or later. ZhongDe generally does not early adopt new standards but applies them from the compulsory application date onwards.

ZhongDe expects that the first time application of IFRS 15 will in general lead to similar accounting results as under the current rules of IAS 11 and IAS 18. Service concession arrangements will continue to be accounted for under the rules of IFRIC 12. Service and construction services will also under IFRS 15 be a separable element of a contract. The basic nature of the percentage of completion method applicable for the contracts will presumably not change.

IFRS 16 specifies the recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The application of IFRS 16 will require that ZhongDe as lessee for a couple of leasing contracts will have to capitalise the leased assets formerly treated as operating lease under IAS 17, when the lease term is longer than 12 months. As a result, the fixed assets and financial liabilities will increase, other operating expense will decrease while depreciation and interest expense will increase as well.

Aside from additional or modified disclosure requirements ZhongDe Group currently expects only marginal effect on the consolidated financial statements from the first-time application of the other standards, interpretations and amendments.

Segment analysis and information

A. Business segments

The Group's operating activities are divided into two business segments: EPC (engineering, procurement and construction) projects and BOT (build – operate – transfer) projects.

In the first quarter of 2016 mainly the BOT projects contributed to gross profit.

B. Business by region

The Group is principally engaged in BOT- and EPC-projects 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 regarding the Group's business segments for the first three months of 2016:

in k€	BOT projects		EPC projects		Other (Incinerators)		Group	
	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015
Total revenue for reportable segments	26,627	4,910	9	658	0	0	26,636	5,568
Total gross profit from reportable segments	-181	-252	3	130	-65	0	-243	-122
Order intake	0	0	0	0	0	0	0	0
Order backlog	79,887	143,810	22,641	86,775	1,593	3,614	104,121	234,199

Functional and presentation currency

Development of exchange rates (€ / foreign currency rate)	ISO code	Average rate		Ending rate		
		Q1 2016	Q1 2015	31 Mar. 2016	31 Dec. 2015	31 Mar. 2015
Chinese Yuan	CNY	7.2101	7.0231	7.3514	7.0608	6.6710
Hong Kong Dollar	HKD	8.5683	8.7339	8.8282	8.4376	8.3422

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 related parties during the three-month period from 1 January to 31 March 2016:

in k€	Q1 2016	Q1 2015
Related parties		
Rental, water and electricity fee	38	0

The transactions with related parties were based on market prices.

Receivables from and liabilities to related companies as a result of related party transactions are disclosed in the table below:

in k€	31 Mar. 2016	31 Mar. 2015
Due from related parties		
Other receivables	14	16
	14	16
Allowance for doubtful trade debts	0	0
	14	16
Due to related parties		
Trade payables	8	8
	8	8

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, 25 May 2016

ZhongDe Waste Technology AG



Zefeng Chen
Chairman of the
Management Board (CEO)



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

4 REVIEW REPORT

“To ZhongDe Waste Technology AG, Frankfurt/Main

We have reviewed the condensed interim consolidated financial statements – comprising the condensed statement of financial position, the condensed statement of profit or loss and other comprehensive income for the period, the condensed statement of changes in equity, the condensed statement of cash flows and selected explanatory notes – and the interim group management report of ZhongDe Waste Technology AG, Frankfurt/Main, for the period from 1 January 2016 to 31 March 2016 which form part of the quarterly financial reporting in accordance with section § § 37w 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 of ZhongDe Waste Technology AG, Frankfurt/Main, 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, 26 May 2016

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

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

5 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 2015, 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.

6 ABOUT ZHONGDE WASTE TECHNOLOGY AG



ZhongDe Waste Technology AG is listed on the Frankfurt Stock Exchange (German securities identification number ZDWT01, ISIN DE000ZDWT018, ticker symbol ZEF).

ZhongDe Waste Technology is a waste-to-energy company that designs, invests in, constructs and operates waste-to-energy plants, which generate electricity through the disposal of solid municipal, industrial (including hazardous) and medical waste. Since 1996, ZhongDe Group has completed approximately 200 waste disposal projects in about 13 provinces in China. ZhongDe is one of the most well-known players in the field of energy-from-waste EPC and BOT projects in China. As a general contractor of EPC projects, ZhongDe is responsible for the design, procurement, construction and installation of energy-from-waste plants applying different technologies, such as grate, fluidized bed, pyrolytic or rotary kiln. As an investor in BOT projects, ZhongDe also operates energy-from-waste plants.

The registered office of ZhongDe Waste Technology AG is located in Frankfurt, Germany. The Chinese headquarter is located in Beijing, China. ZhongDe's production facility is in Fuzhou, China.

7 FINANCIAL CALENDAR AND CONTACT INFORMATION

Financial Calendar 2016

Date*	Event
28 June	Annual General Meeting
29 August	Interim report on the 1st half of 2016
28 November	Interim report on the 1st nine months / 3rd quarter of 2016

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

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.

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