

ZhongDe Waste Technology AG

2nd Quartely Report 2014

A red silhouette of a city skyline is positioned in the lower half of the page. It includes various building shapes, a prominent tower with a sphere (resembling the Oriental Pearl Tower), and a satellite dish. The skyline is set against a white background and sits atop a solid red horizontal bar.

modern waste management

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Key Figures

Operational Data

Amount in k€	Q2 2014	Q2 2013	Change%	HY1 2014	HY1 2013	Change%
Order intake	0	42,039	-100.0	0	42,039	-100.0
Order backlog ¹⁾	218,257	248,690	-12.2	218,257	248,690	-12.2
Revenues	3,489	1,306	>100	4,561	2,551	78.8
Gross profit	107	19	>100	263	177	48.6
Gross profit margin	3%	1%	2 pp	6%	7%	-1 pp
Cost of sales	(3,382)	(1,287)	>100	(4,298)	(2,374)	81.0
EBITDA	(1,091)	(1,453)	24.9	(2,164)	(2,427)	10.8
EBITDA margin	-31%	-111%	80 pp	-47%	-95%	48 pp
EBIT	(1,424)	(1,574)	9.5	(2,792)	(2,838)	1.6
EBIT margin	-41%	-121%	80 pp	-61%	-111%	50 pp
Net result	(2,166)	(1,742)	-24.3	(4,425)	(3,259)	-35.8
Net result margin	-62%	-133%	71 pp	-97%	-128%	31 pp
Earnings per share (in €) ²⁾	(0.17)	(0.14)	-21.4	(0.35)	(0.26)	-34.6

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€	Q2 2014	Q2 2013	Change%	HY1 2014	HY1 2013	Change%
Net cash used in operating activities	(11,380)	(3,160)	<-100	(18,922)	(8,325)	<-100
Cash flow used in / from investing activities	(20)	(31)	35.5	1,173	(135)	>100
Cash flow used in / from financing activities	(1,016)	(947)	-7.3	(2,103)	838	<-100

Balance Sheet Data

Amount in k€	30 June 2014	31 December 2013	Change%
Total assets	210,826	228,754	-7.8
Non-current assets	68,819	67,529	1.9
Net working capital ¹⁾	90,307	102,367	-11.8
Cash and cash equivalents	88,549	110,076	-19.6
Long-term liabilities	62,200	66,942	-7.1
Shareholders' equity	96,926	102,954	-5.9
Number of employees	369	372	-0.8

¹⁾ Current asset less current liabilities.

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Highlights of the Second Quarter 2014

Revenues

During the second quarter of 2014, revenues of € 3.5 million were generated, representing an increase of more than 100% compared to the same period in 2013.

Operating Results

In Q2 2014, gross profit amounted to k€ 107, representing an increase of more than 100% compared to Q2 2013. EBITDA increased to € -1.0 million (Q2 2013: € -1.5 million), while EBIT went up to € -1.4 million (Q2 2013: € -1.6 million). Net result decreased to € -2.2 million in Q2 2014 (Q2 2013: € -1.7 million) due to the increase of finance costs to 1.4 million in Q2 2014 (Q2 2013: € 0.8 million).

Selling and distribution expenses decreased by k€ 2 compared to Q2 2013. Administrative expenses went up by 28.8% to € 1.3 million (Q2 2013: € 1.0 million).

Order Intake and Order Backlog

During the second quarter of 2014 no new order intake was recorded.

Order backlog decreased by 12.2% to € 218.3 million in Q2 2014 compared to prior years' second quarter. In the second quarter of 2014 the project progress and foreign currency translation differences influenced the reduction of the order backlog.

Cash Position

The cash position as at 30 June 2014 amounted to € 88.5 million, compared to € 110.1 million as at 31 December 2013 (-19.6%). Besides the regular cash outflow due to the company's normal operation, the reduction was also caused by repayments of loans. The management is engaged to secure the cash position of ZhongDe for example by selling projects as the site in Beijing Miyun in 2013. ZhongDe's strong cash position currently ensures the flexibility of ZhongDe in the fields of BOT investment and project finance.

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Share Performance



Share price is getting back to a higher level despite deterioration of stock market sentiment

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 developed very volatile in January and February. This was followed by a significant downward trend, reaching a year-low of € 2.57 on 7 May. This trend did not reverse until 19 May. In the following two trading days the share price went up strongly to € 3.50 as of 21 May – unfortunately just a short-term movement. As at 12 June ZhongDe share closed at € 2.60. But from this date on a stable upward trend was recorded. Shortly before the publication of the half-year report, as at 8 August, a price level of € 3.40 was reached corresponding to a market capitalization of € 44.2 million. Even though this also results in a 24.4% loss compared to the yearend 2013, the share price seems to get back on a more stable level.

DAX and SDAX weakened especially in July and August, recording a loss of 5.7% and 0.6% in the period under review. The deterioration of the general stock market sentiment mainly stemmed from the critical situation between Russia and the European Union arising from the conflict in Ukraine. Import bans directly influence trade relationship between Russia and the EU, dampening the future economic outlook for both. The worsening political crisis in Iraq further dimmed the prospects of the equity market.

Management Board and Investor Relations team provide investors with transparent information

We would like our investor relations activities to increase awareness of the ZhongDe Group within the financial community and communicate a transparent picture of business development to investors and interested parties. We are therefore actively seeking to engage in dialogue with analysts and investors. This year, we will once again participate in the German Equity Forum in Frankfurt in November.

We will also carry out regular one-on-one talks and conference calls regarding our business figures. You can find additional information relevant to the capital market at www.zhongde-ag.de.

Basic data	
ISIN	DE000ZDWT018
WKN (German securities identification number)	ZDWT01
Trading symbol	ZEF
Sector	Industry
Stock category	Individual non-par value nominal shares

Key share indicators 1 Jan – 08 Aug 2014 (in EUR)	
Period-end price (30 Jun)	3.10
High (8 Jan)	4.97
Low (7 May)	2.57
Earnings per share	(0.17)
Market capitalisation (8 Aug)	44.2 million

04

Interim Group Management Report

Economic and Political Environment

Macroeconomic-Environment

According to the preliminary estimation, the gross domestic product (GDP) of China was 26,904.4 billion yuan in 2014, a year-on-year increase of 7.4 percent at comparable prices. Specifically, the year-on-year growth of the first quarter was 7.4 percent and 7.5 percent for the second quarter. The value added of the primary industry was 1,981.2 billion yuan, up by 3.9 percent; the secondary industry 12,387.1 billion yuan, up by 7.4 percent; and the tertiary industry 12,536.1 billion yuan, up by 8.0 percent. The gross domestic product of the second quarter of 2014 went up by 2.0 percent.

Investment in fixed assets slowed down at a high level. Sales on domestic markets enjoyed a steady growth. The total retail sales of consumer goods reached 12,419.9 billion yuan, a nominal annual rise of 12.1 percent.

The total value of imports and exports in the first half year was 12,391.9 billion yuan or 2,020.9 billion US dollars, an increase of 1.2 percent. The total value of exports was 6,511.3 billion yuan, or 1,061.9 billion dollars, up by 0.9 percent; the total value of imports was 5,880.7 billion yuan, or 959.0 billion dollars, an increase of 1.5 percent. The trade balance was 630.6 billion yuan or 102.9 billion dollars.

In the first six months, the consumer price went up by 2.3 percent year-on-year, maintaining the same level as that in the first quarter. The per capita cash income of rural residents was 5,396 yuan, up by 12.0 percent nominally. The per capita disposable income of urban households was 14,959 yuan, a nominal growth of 9.6 percent.

The industrial structure continued to be optimized. In the first half year, the value of the tertiary industry accounted for 46.6 percent of GDP. Energy conservation and consumption reduction continued to make new achievements. In the first half year, the energy consumption per 10,000 yuan of GDP decreased by 4.2 percent.

Sector Trend

The energy-from-waste industry still benefits from the stimulating environmental protection policies and the efforts to improve environment protection in China.

The Ministry of Environmental Protection promulgated new emission standards of air pollutants from boiler (GB 13271-2014) and municipal solid waste incineration (GB 18485-2014) on May 30, 2014.

The updated “Emission standard of air pollutants for boiler” has added the mission limits for nitrogen oxides, as well as mercury and mercury compounds from coal-fired boilers, set particular emission limits of air pollutants, deleted articles about setting varied emission limits for different functional zones while considering boiler capacity, as well as about the concentration limits for initial emission of soot from coal-fired boilers, raised the bar for control of all pollutants, and in the meantime, specified that the environmental impact statement, once approved, shall apply, even if its environmental requirements are tougher than national or local emission standards. The new standards will help reduce particulate matters by 660,000 ton and sulfur dioxide by 3.14 million ton.

The updated standards for municipal waste incineration have extended the application scope, identified carbon monoxide as an indicator for operating conditions as well as an indicator for pollution control, defined the online monitoring requirements for soot emission as well as the emission requirements for start-up and halting of incineration kilns and for emergencies, and set tougher requirements for pollution control. Among others, the emission limit for dioxins is set at 0.1ngTEQ/m³, the toughest in the world. The new standards will help reduce the nitrogen oxides from solid waste incineration by 25%, the sulfur dioxide by 62%, and the dioxins by 90%.

The enforcement of those standards may help substantially cut down PM, NO_x and SO₂ pollution, promote industrial technological advances and improvement of ambient air quality, and effectively prevent and control environmental risks caused by municipal solid waste incineration. Because ZhongDe designed its projects according to higher standards, it will benefit from the enforcement.

Results of Operations

Amount in k€	Q2 2014	Q2 2013	Change%	HY1 2014	HY1 2013	Change%
Revenue	3,489	1,306	>100	4,561	2,551	78.8
Cost of sales	(3,382)	(1,287)	>100	(4,298)	(2,374)	81.0
Gross profit	107	19	>100	263	177	48.6
Other operating income	386	36	>100	386	62	>100
Selling and distribution expenses	(101)	(103)	-1.9	(220)	(181)	21.5
Administrative expenses	(1,287)	(1,001)	28.6	(2,461)	(1,742)	41.3
Research and development expenses	(44)	(43)	2.3	(82)	(82)	0.0
Other operating expenses	(485)	(482)	0.6	(678)	(1,072)	-36.8
Loss from operations	(1,424)	(1,574)	9.5	(2,792)	(2,838)	1.6
Finance income	766	714	7.3	1,515	1,311	15.6
Finance costs	(1,353)	(846)	59.9	(2,789)	(1,664)	67.6
Loss before income tax	(2,011)	(1,706)	-17.9	(4,066)	(3,191)	-27.4
Income tax expense	(155)	(36)	>100	(359)	(68)	>100
Net loss for the period	(2,166)	(1,742)	-24.3	(4,425)	(3,259)	-35.8

During the second quarter of 2014, revenues of € 3.5 million were generated, representing an increase of more than 100% compared to the same period in 2013.

In Q2 2014, gross profit amounted to k€ 107, representing an increase of more than 100% compared to Q2 2013. Selling and distribution expenses were decreased by k€ 2 compared to Q2 2013. Administrative expenses went up by 28.6% to € 1.3 million (Q2 2013: € 1.0 million). The result from operations (EBIT) went up to € -1.4 million (Q2 2013: € -1.6 million) by 9.5%. Net result for the period went down to € -2.2 million in Q2 2014 (Q2 2013: € -1.7 million) basically due to increased finance costs.

Until 30 June 2014, shareholders' equity decreased by 5.9% to € 96.9 million compared to 31 December 2013 mainly due to foreign currency translation and the negative result for the first half year. As total assets decreased by 7.8% compared to 31 December 2013, ZhongDe's equity ratio went up from 45.0% as at 31 December 2013 to 46.0% as at 30 June 2014.

The cash position as at 30 June 2014 amounted to € 88.5 million, compared to € 110.1 million as at 31 December 2013 (-19.6%). Besides the regular cash outflow due to the company's normal operation, the reduction was also caused by repayments of loans. The management is engaged to secure the cash position of ZhongDe for example by selling projects as the site in Beijing Miyun in 2013. ZhongDe's strong cash position currently ensures the flexibility of ZhongDe in the fields of BOT investment and project finance.

Current status of energy-from-waste projects

(as of 30 June 2014)

EPC Projects under Construction	EPC		
	Zhucheng	Dingzhou	Wuhai
Daily capacity (tons/day)	500	600	1,000
PoC as at 30 June 2014	68.3%	24.3%	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 at 30 June 2014	89.5%	74.7%	93.0%	1.0%
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 Q2 2014, the percentage of completion of the project in Zhucheng is 68.3% (31 March 2014: 64.3%).

The floor corrosion prevention for the waste discharging hall, the net rack for the waste pool, the clearing works for the factory roach have been completed. The installation works for the steam turbine generator unit, flue production construction, and single debugging works for the gas purification equipment have been completed. Cable bridge construction, high-low pressure plate cable installation and connection, quality inspection for reverse power transmission have been completed.

The remaining work relates to the following:

1) Civil construction

The ending works for the main factory, boiler, steam turbine room, gas purification room, the corrosion prevention works for the waste pool, decoration works for the main controlling room, glass curtain wall for the outer wall, the main factory painting and fire protection engineering works.

2) Installation

Circulating pump and pipeline construction and the whole factory pipeline. The boiler ending works are completed and the induced draft fan is installed.

The Zhucheng project is expected to be completed in 2015.

Dingzhou EPC project

At the end of Q2 2014, the percentage of completion of the project in Dingzhou is 24.3% (31 March 2014: 21.7%). The major structure works for the circulating water pump room, oil pump room and weigh bridge room have been completed. The construction works for the clean water basin have been completed. The installation work for the cooling tower has been completed.

The remaining work relates to the following:

1) Civil construction

The wall construction works for waste pool and discharging hall, as well as for the flue gas room, the construction for the net rack and outer casing of waste pool, waste haulage gantry, the wall construction for the boiler room is 50% uncompleted.

2) Installation

Grate furnace and #2 boiler body, gas purification system, boiler and steam turbine auxiliary pipeline.

The Dingzhou project is expected to be completed in 2015.

Wuhai EPC Projects

The EPC project in Wuhai is still in preparation stage. Currently the first round of project design is completed. We expect to start the work at the end of 2014.

Wuhai project is expected to be completed in 2017.

BOT Projects

Zhoukou BOT project

At the end of Q2 2014, the percentage of completion of the project in Zhoukou is 89.5% (31 March 2014: 89.1%). Engineering construction works for the main and auxiliary buildings have been fully completed. Boilers, steam turbine generator units and accessory equipments have been put into the normal operation. And the flying ash solidification equipment has been put into the production. The project is currently in trial operation.

Zhoukou project is expected to be completed in 2014.

Kunming BOT project

At the end of Q2 2014, the percentage of completion of the project in Kunming is 74.7% (31 March 2014: 73.2%). Hydraulic pressure retests for boilers have been completed. The gas purification system has been installed. Chemical water, air compressor, waste discharging door, waste hang debugging, as well as for the debugging works for various kinds of pumps and air fans, oil depot and fire grate for #2 boiler have been completed. The quality inspections before reverse power transmission have been completed.

The remaining work relates to the following:

1) Civil works

The factory road, fire protection engineering, complex building decoration and greening landscape engineering works, the ending works for the decoration and civil constructions of the main factory, the factory pipeline, the ending works for the outer casing of the main factory.

2) Installation

The steam turbine generator unit, flue thermal insulation works, the main steam pipeline construction, electric thermal control.

Kunming project is expected to be completed in 2015.

Xianning BOT project

At the end of Q2 2014, the percentage of completion of the project in Xianning is 93% (31 March 2014: 91.9%).

The plumbing pipeline constructions for the complex office building have been completed. Steam turbine generator unit has been put into the operation and production. Xianning project has entered into trial operation.

The remaining work relates to the following:

1) Civil construction

The pipeline for the flying ash solidification conveying equipment, the ending work of factory greening and the civil construction, and the ending works for the fire protection engineering. The decoration scheme for the building complex has already been confirmed, but the construction work has not yet begun.

2) Installation

Commissioning for the whole factory equipment.

The Xianning project is expected to be completed in 2014.

Lanzhou BOT Project

At the end of Q2 2014, the percentage of completion at Lanzhou is 1.0% (31 March 2014: 0.2%).

The progress of the project comes from civil work.

By signing the contract for a large Build-Operate-Transfer (BOT) project in October 2012 with the Lanzhou Qinwangchuan Integrative Development Management Committee, ZhongDe successfully concluded a very important business deal. With a total investment of approximately EUR 125 million, ZhongDe will build the largest energy-from-waste plant in China. The project construction is divided into two phases. Within the first phase a daily waste disposal capacity of 2,000 tons will be achieved. The second phase will increase the daily capacity up to 3,000 tons.

Lanzhou project is expected to be completed in 2018.

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 H1	0	0	0	0	0	0	0	0	0	0	0
Revenues in 2014 H1	140	502	696	810	1,151	1,224	0	0	0	0	4,523
Currency translation differences	-45	-58	-145	-1,813	-148	-352	-652	-17	-20	-21	-3,271
Order Backlog as at 30 June 2014	2,970	3,530	9,281	122,160	9,165	22,921	44,173	1,211	1,383	1,463	218,257

During the second quarter of 2014, there is no order intake.

Order backlog decreased by 12.2% to € 218.3 million compared to 30 June 2013 mainly due to currency translation differences and corrections which were partly compensated by an order intake in 2013. In the second quarter of 2014 the project progress and foreign currency translation differences influenced the reduction of the order backlog.

Business Segments Overview

Amount in k€	Q2 2014	Q2 2013	Change%	HY1 2014	HY1 2013	Change%
Waste incinerators						
Units sold	0	0	0.0	0	0	0.0
Revenues	0	0	0.0	0	0	0.0
Gross profit	0	0	0.0	0	0	0.0
EPC Project						
Revenues (PoC)	1,846	0	>100	2,375	0	>100
Gross profit	330	0	>100	432	0	>100
BOT Project						
Revenues (thereof PoC in HY1 2014: k€ 2,147; in HY1 2013: k€ 1,917)	1,643	1,306	25.8	2,186	2,551	-14.3
Gross profit	(223)	19	<-100	(169)	117	<-100
Total Revenues	3,489	1,306	>100	4,561	2,551	78.8
Total Gross Profit	107	19	>100	263	117	>100

Incinerators

In Q2 2014 as well as Q2 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 € 1.8 million to consolidated revenues in Q2 2014.

BOT projects

In Q2 2014, the current four BOT projects contributed with € 1.6 million to consolidated revenues.

Net Worth

Amount in k€	30 June 2014	31 December 2013	Change%
Non-current assets	68,819	67,529	1.9
Current assets	142,007	161,225	-11.9
Equity	96,926	102,954	-5.9
Liabilities	113,900	125,800	-9.5
Balance sheet total	210,826	228,754	-7.8

The balance sheet total amounted to € 210.8 million as of 30 June 2014 decreasing by 7.8% compared to 31 December 2013, while equity went down by € 6.0 million or 5.9% to € 96.9 million. Consequently the Company's equity ratio increased to 46.0% as at 30 June 2014 from 45% as at 31 December 2013.

Cash Flow

Amount in k€	Q2 2014	Q2 2013	Change%	HY1 2014	HY1 2013	Change%
Net cash used in operating activities	(11,380)	(3,160)	<-100	(18,922)	(8,325)	<-100
Cash flow used in / from investing activities	(20)	(31)	35.5	1,173	(135)	>100
Cash flow used in / from financing activities	(1,016)	(947)	-7.3	(2,103)	838	<-100

Cash Position

Cash and cash equivalents amounted to € 88.5 million as at 30 June 2014, a decrease of 19.6% compared to € 110.1 million as at 31 December 2013. Besides the regular cash outflow for BOT construction and company's operation, the reduction was also caused by € 3.0 million of the principal repayment of the two loans from Huarong Leasing.

The company's cash represents an amount of € 6.8 cash per share and € 1.5 net cash per share (total cash amount minus the loan amount as at 30 June 2014 divided by the amount of shares). The existing funds are planned to be invested in budgeted projects such as the BOT projects in Kunming and Lanzhou, and EPC projects in Zhucheng and Dingzhou and Wuhai. 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 30 June 2014, the company's total loans amounted to €69.0 million compared to €73.0 million as at 31 December 2013. The decrease of €4.0 million relates to repayments of current loans according to the Company's repayment plan amounting to €2.9 million and the Euro exchange rate increase from 8.3491 at 31 December 2013 to 8.4722 at 30 June 2014 (effect: €1.1 million).

Project	Financial Institution	Total loan amount	Total loan amount	Effective interest rate	Term	Balance as of	Balance as of
		in EUR	in RMB	in%		in years	30 June 2014
						in EUR	in RMB
Zhoukou	Bank of China	11,803,310	100,000,000	7.45%	8	8,535,356	72,313,240
Kunming	China Merchants Bank	21,245,957	180,000,000	8.07%	10	21,245,957	180,000,000
Kunming	Huarong Leasing	14,163,972	120,000,000	11.58%	2	1,411,234	11,956,257
Xianning	China Merchants Bank	13,927,905	118,000,000	8.20%	9	12,983,641	110,000,000
Xianning	Huarong Leasing	10,622,979	90,000,000	11.95%	3	1,231,543	10,433,881
Lanzhou	Bank of China	23,606,619	200,000,000	8.30%	3	23,606,619	200,000,000
						69,014,350	

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. Due to the slow progress of the projects the management board is currently evaluating the risks and opportunities from the current projects and analyses the strategic options. There were no significant changes in opportunities and risks as at 31 March 2013.

Outlook

In 2014, the new government of China continuously strives to anti-corruption in state-own companies and government officers, reduce the pollution and protect the environment due to the huge pollution challenges faced by China's society and its government. It has chosen energy-from-waste as the most important method of municipal and industrial solid waste disposal. The GDP growth kept stable and reached 7.5% in China. In consequence, the energy-from-waste industry shows a huge market potential and a more fair and bright future in China.

As expected, the Q2 2014 and the first half year of 2014 the results of the period were negative and ZhongDe was still in a transition period. Compared to prior period figures the results were even lower.

However, revenue, gross profit, EBITDA, EBIT and the margins in Q2 and the first half year in 2014 improved, compared with those in Q2 2013 and the first half year in 2013.

Looking ahead to the coming second half year 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 rapid and steady economic growth in China and the increasing demand for energy-from-waste-plants favors ZhongDe's operative business environment.

Currently the management board evaluates all strategic opportunities on a regular basis, which refers to the acquisition of new BOT or EPC contracts as well as to the potential sale of existing several, or all BOT projects.

The current Zhoukou and Xianning BOT projects are in their trial operation. Kunming BOT is planned to be completed in 2015 and will also entered into trial operation before the end of 2014. After the end of the trial runs the projects will have to receive the final approval of the referring customers. The BOT-projects will then start to generate cash-inflows from guaranteed payments. As these cash-inflows mainly cover the PoC-receivables, revenues will be generated as soon as the projects generate cash-inflows from by-products such as electricity. In addition, further revenues will be derived in the course of the construction of the Lanzhou BOT project and EPC-projects in Dingzhou, Zhucheng.

Furthermore based on our experience in the course of completing these projects, we are actively working on the improvement of our risk management.

In summary, we are expecting that 2014 will still be transition period, during which we are planning to finalize the two BOT projects Zhoukou and Xianning, plan to enter into trial operation of the Kunming project and make progress of the existing Zhucheng and Dingzhou EPC project. As the project progresses we will generate revenues from our Lanzhou BOT project. For 2014, an improvement of the operating result, although still leading to a loss before taxes, is to be expected. We will try our best to improve the ZhongDe Group's profitability in 2014 and to balance the cash position of the Group. There have been no changes to the outlook, risk and chances report as per 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 30 June 2014

05.1

Condensed Six-Month Consolidated Statement of Comprehensive Income for the period from 1 January to 30 June 2014

Amount in k€	Q2 2014	Q2 2013	HY1 2014	HY1 2013
Revenue	3,489	1,306	4,561	2,551
Cost of sales	(3,382)	(1,287)	(4,298)	(2,374)
Gross profit	107	19	263	177
Other operating income	386	36	386	62
Selling and distribution expenses	(101)	(103)	(220)	(181)
Administrative expenses	(1,287)	(1,001)	(2,461)	(1,742)
Research and development expenses	(44)	(43)	(82)	(82)
Other operating expenses	(485)	(482)	(678)	(1,072)
Result from operations	(1,424)	(1,574)	(2,792)	(2,838)
Finance income	766	714	1,515	1,311
Finance costs	(1,353)	(846)	(2,789)	(1,664)
Profit before income tax	(2,011)	(1,706)	(4,066)	(3,191)
Income tax expenses	(155)	(36)	(359)	(68)
Loss for the period	(2,166)	(1,742)	(4,425)	(3,259)
Items that may be reclassified subsequently to profit or loss				
- Foreign exchange differences	1,053	(976)	(1,603)	2,665
Other comprehensive income	1,053	(976)	(1,603)	2,665
Total comprehensive income	(1,113)	(2,718)	(6,028)	(594)
Loss attributable to owners of the parent	(2,166)	(1,742)	(4,425)	(3,259)
Total comprehensive income attributable to owners of the parent	(1,113)	(2,718)	(6,028)	(594)
Earnings per share (diluted and undiluted)(in EUR)	(0.17)	(0.14)	(0.35)	(0.26)
Weighted average shares outstanding (diluted and undiluted)	12,600,000	12,600,000	12,600,000	12,600,000

05.2

Condensed Six-Month Consolidated Statement of Financial Position

as at 30 June 2014

Amount in k€	30 June 2014	31 December 2013	30 June 2013
Assets			
<i>Non-current assets</i>			
Intangible assets	6,644	6,353	17,599
Prepayments for land use rights	0	0	3,533
Property, plant and equipment	466	517	686
Construction in progress	0	0	54
Receivables from BOT projects	61,709	60,659	50,723
Deferred tax assets	0	0	256
	68,819	67,529	72,851
<i>Current assets</i>			
Inventories	3,954	3,605	2,982
Trade receivables	1,873	720	227
Other receivables and prepayments	43,134	35,546	26,420
Amounts due from related parties	12	20	13
Others financial assets	4,485	11,258	0
Cash and cash equivalents	88,549	110,076	94,995
Assets held for sale	0	0	7,621
	142,007	161,225	132,258
Total Assets	210,826	228,754	205,109
Liabilities and Equity			
<i>Capital and reserves</i>			
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	8,062	8,062	7,972
Retained earnings	(3,188)	1,237	6,328
Foreign exchange difference	20,746	22,349	26,559
Total Equity	96,926	102,954	112,165
<i>Long-term liabilities</i>			
Long-term loans	61,244	66,109	48,631
Deferred tax liabilities	956	833	1,794
	62,200	66,942	50,425
<i>Short-term liabilities</i>			
Trade payables	11,005	19,554	16,209
Other payables and prepayments	27,399	27,623	15,660
Provisions	3,122	3,168	2,791
Amounts due to related parties	7	1	114
Tax liabilities	36	0	361
Other financial liabilities	10,131	8,512	6,081
Liabilities associated with assets held for sale	0	0	1,303
	51,700	58,858	42,519
Total liabilities	113,900	125,800	92,944
Total liabilities and equity	210,826	228,754	205,109

05.3

Condensed Six-Month Consolidated Statement of Cash Flows

for the period from 1 January to 30 June 2014

Amount in k€	HY1 2014	HY1 2013
Profit before income tax	(4,066)	(3,191)
Adjustments for:		
Amortization of intangible assets	555	232
Expensing of land use rights	0	34
Allowance for doubtful trade debts	(147)	(4)
Depreciation of property, plant and equipment and land	73	145
Interest income / exchange gains	(1,515)	(1,311)
Interest expense / exchange losses	2,789	1,664
Operating cash flows before working capital changes	(2,311)	(2,431)
Working capital changes:		
(-) Increase/ (+) decrease in:		
Inventories	(403)	(530)
Trade receivables	(1,019)	(221)
Other receivables and prepayments	(2,479)	(3,025)
Amounts due from related parties	7	35
PoC receivables from BOT projects	(2,178)	(1,932)
(+) Increase/ (-) decrease in:		
Trade payables	(8,286)	48
Other payables, provisions and accruals	745	2,015
Amounts due to related parties	6	(105)
Cash used in operations	(15,918)	(6,146)
Interest received	252	201
Interest paid	(3,068)	(2,352)
Income tax paid	(188)	(28)
Net cash used in operating activities	(18,922)	(8,325)
Cash flow from investing activities		
Proceeds from disposal of consolidated companies	1,183	0
Proceeds from disposal of intangible assets	20	0
Purchase property, plant, equipment and intangible assets, land use rights	(30)	(135)
Cash flow generated from (used in) investing activities	1,173	(135)
Cash flow from financing activities		
Borrowings	0	2,768
Repayments of loans	(2,937)	(2,243)
Cash repayments of financial assets (BOT-Projects)	834	313
Cash flow used in (generated from) financing activities	(2,103)	838
Net increase (+) / decrease (-) in cash and cash equivalents	(19,852)	(7,622)
Cash at beginning of year	110,076	100,313
Foreign exchange differences	(1,675)	2,313
Cash fund at end of period	88,549	95,004
of which: included in assets held for sale	0	(9)
Cash and cash equivalents	88,549	94,995

05.4

Condensed Six-Month Consolidated Statement of Changes in Equity

for the period from 1 January to 30 June 2014

Amount in k€	Number of shares outstanding	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	0	0	0	0	0	(3,259)	2,665	(594)
Balance as at 30 June 2013	12,600,000	13,000	(4,608)	62,914	7,972	6,328	26,559	112,165
Total comprehensive income for this period	0	0	0	0	0	(5,001)	(4,210)	(9,211)
Appropriation of current year's income	0	0	90	0	0	(90)	0	0
Balance as at 1 January 2014	12,600,000	13,000	(4,608)	62,914	8,062	1,237	22,349	102,954
Total comprehensive income for this period	0	0	0	0	0	(4,425)	(1,603)	(6,028)
Balance as at 30 June 2014	12,600,000	13,000	(4,608)	62,914	8,062	(3,188)	20,746	96,926

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. In second quarter, problems with obtaining government approvals and miscellaneous project management problems slowed down the project progress.

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 30 June 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 six months period ended 30 June 2014 with comparative financial statements as at 31 December 2013 and 30 June 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 second 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 half-year 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 30 June 2014 are not necessarily indicative for future results.

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

The second quarter financial statements of the individual consolidated companies are prepared as of the closing date for the Group second quarter financial statements. The condensed half-year consolidated financial statements of ZhongDe AG and subsidiaries for the period from 1 January to 30 June 2014 were authorised for issue in accordance with a resolution of the Management Board on 26 August 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 second 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 16 / IAS 41 (Amendments) - Bearer Plants
- 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
- IFRS 15 Revenue from Contracts with Customers
- IFRIC 21 - Levies
- IAS 27 (Amendments) - Equity Method in Separate Financial Statements
- Annual Improvements to IFRSs 2010 – 2012 Cycle
- Annual Improvements to IFRSs 2011 – 2013 Cycle

Management generally does not expect the standards to have a material effect on the Group's financial statements. The potential impact of the application of IFRS 15 'Revenue from Contracts with Customers' is currently analysed.

Segment analysis and information

A. Business segments

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

In the second quarter of 2014 only the BOT projects and the EPC projects contributed to gross profit and the recovery of the small-size incinerator market is not in sight.

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 regarding the Group's business segments for the first six months of 2014:

Amount in k€	Incinerators		EPC		BOT		Group	
	HY1 2014	HY1 2013	HY1 2014	HY1 2013	HY1 2014	HY1 2013	HY1 2014	HY1 2013
Revenues	0	0	2,375	0	2,186	2,551	4,561	2,551
Intercompany revenues	0	0	0	0	0	0	0	0
Total revenue for reportable segments	0	0	2,375	0	2,186	2,551	4,561	2,551
Total gross profit from reportable segments	0	0	432	0	(169)	177	263	177
Order intake	0	0	0	42,039	0	0	0	42,039
Order Backlog	4,057	4,280	76,259	79,434	137,941	164,976	218,257	248,690

Functional and presentation currency

	30 June 2014	30 June 2013
Exchange rate RMB/€ at the end of the period	8.4722	8.0280
Average exchange rate RMB/€ for HY1	8.4500	8.1285
	30 June 2014	30 June 2013
Exchange rate HKD/€ at the end of the period	10.5858	10.1477
Average exchange rate HKD/€ for HY1	10.6292	10.1901

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 30 June 2014:

Amount in k€	HY1 2014	HY1 2013
Related parties		
Rental, water and electricity fee	64	35

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:

Amount in k€	HY1 2014	HY1 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	114
	7	114

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, 26 August 2014

ZhongDe Waste Technology AG



Zefeng Chen
Chairman of the
Management Board (CEO)



William Jiu-hua Wang
Executive Director of the
Management Board (CFO)

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements from 1 January to 30 June 2014 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group. The interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Frankfurt, 26 August 2014

ZhongDe Waste Technology AG Management Board

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 30 June 2014 which form part of the half-year 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 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 August 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
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

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