

Q2

Half-Year Report 2015



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1 KEY FIGURES

Operational Data

in k€	Q2 2015	Q2 2014 ¹⁾	Change	HY1 2015	HY1 2014 ¹⁾	Change
Order intake	0	0	+0%	0	0	+0%
Order backlog ²⁾	222.787	218.257	+2%	222.787	218.257	+2%
Revenues	2.532	3.489	-27%	8.100	4.561	+78%
Gross profit	-1.010	182	<-100%	-1.132	152	<-100%
Gross profit margin	-40%	5%	-45 pp	-14%	3%	-17 pp
Cost of sales	-3.542	-3.307	-7%	-9.232	-4.409	<-100%
EBITDA	-1.410	-1.091	-29%	-1.983	-2.164	+8%
EBITDA margin	-56%	-31%	-24 pp	-24%	-47%	23 pp
EBIT	-1.783	-1.424	-92%	-2.734	-2.792	+2%
EBIT margin	-70%	-41%	-30 pp	-34%	-61%	27 pp
Net result	-2.065	-2.166	+5%	-4.233	-4.425	+4%
Net result margin	-82%	-62%	-19 pp	-52%	-97%	45 pp
Earnings per share (in €) ³⁾	-0,16	-0,17	+0%	-0,34	-0,35	+0%

¹⁾ Reclassified.

²⁾ Based on exchange rate at the end of the period.

³⁾ Calculated on the basis of 12,600,000 shares.

Cash Flow Data

in k€	Q2 2015	Q2 2014	Change	HY1 2015	HY1 2014	Change
Cash flow generated from (+) / used in (-) operating activities	686	-11,380	>100%	-5,337	-18,922	+72%
Cash flow used in (-) / generated from (+) investing activities	-8	-20	+60%	-21	1,173	<-100%
Cash flow used in financing activities	-1,405	-1,016	-38%	-2,946	-2,103	-40%

Balance Sheet Data

in k€	30 Jun. 2015	31 Dec. 2014	Change
Total assets	265,807	249,292	+7%
Non-current assets	127,381	108,647	+17%
Net working capital ¹⁾	63,903	70,379	-9%
Cash and cash equivalents	86,428	87,205	-1%
Long-term liabilities	72,868	66,127	+10%
Shareholders' equity	118,416	112,899	+5%
Headcount (as at 30 June)	368	371	-1%

¹⁾ Current asset less current liabilities

2 SHARE PERFORMANCE



Weak share price performance during the first half-year followed by a recovery trend

All in all, ZhongDe’s share price experienced a significant decrease during the first half of the year 2015. In January, the share price increased strongly and reached a peak of € 3.10 on January 27. Afterwards it declined to a level of around € 2.70 and remained relatively stable between February and mid-March. In April, a strong downward trend followed, reaching an interim year-low of € 1.98. On June 30, the share closed at € 1.70 and therewith 32 % below the year-end price of 2014. This negative trend continued until July 21 with a XETRA closing price of € 1.59 – the lowest level of the year.

Fortunately, the weak development was followed by a recovery trend, which brought up the share price significantly to € 2.38 as of August 8. This reduced the relative decline to only 4.8% compared to the year-end 2014. The market capitalisation amounted to € 31.0 million as of August 8.

Meanwhile ZhongDe share’s benchmark indices DAX and SDAX developed very positively with a performance of +17.2 % and +26.0 % during the course of the year.

Key share indicators January 1 – August 7, 2015

(in €)

Share price	
Jun 30	1.70
High: Jan 27	3.10
Low: Jul 21	1.59
Earnings per share	
	- 0.34
Market capitalisation (as of August 7, 2015)	
	31.0 million

3 INTERIM GROUP MANAGEMENT REPORT

Macroeconomic-Environment

According to the preliminary estimation, the gross domestic product (GDP) of China in the first half of this year was RMB 29,687 billion, a year-on-year increase of 7.0 % (Q1 7%, Q2 7%) at comparable prices. The GDP growth and other major indicators shows that the national economy has been growing steadily although on a lower level compared to 2014.

In the first six months of 2015, the investment in fixed assets (excluding rural households) kept strong and was RMB 23,713.2 billion, a year-on-year growth of 11.4 %. Consumption and trade surplus increased significantly. In the first half of 2015, the total retail sales of consumer goods reached RMB 14,157.7 billion, which is an increase of 10.4 %. The total value of exports was RMB 6,572.2 billion growing by 0.9 %; and that of imports was going down by 15.5 % (RMB 4,959.4 billion as at 30 June 2015). The trade surplus was RMB 1,612.8 billion. The investment, trade surplus and consumption remained as the major engine of the economy growth. The service industry has increased by 8.4 %, compared with H1 2014. The Chinese government continues to stimulate R&D and to upgrade the economic structure of China.

Despite the positive economic development in Q2 2015, in mid-June share prices on China's stock exchanges suddenly ceased their continuous rise, which had prevailed for the prior 12 months, and have continued to fall sharply ever since. Furthermore, in mid-August China's Central Bank devalued the Chinese currency against the USD on three consecutive occasions. This measure is likely to boost China's exports by making them comparably cheaper. The Central Bank also reduced interest rates on 25 August, providing further stimuli for the country's economy.

Meanwhile, however, the GDP growth is accompanied by a clear focus on the environment and combating air pollution. Accordingly the energy conservation and the consumption reduction continuously improved. In the first half year, the energy consumption per unit of GDP decreased by 5.9 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 new environment protection law that took effect as of 1 January 2015 marks a turning point in the country's approach to environmental protection. In the past it was often cheaper for companies to pay the fines that enabled them to continue polluting the environment rather than install anti-pollution measures. By removing the upper limit on fines, imposing stricter penalties, and even making company executives as individual criminally liable for environmental law violations, the new law is expected to provide stronger incentives for conscious behavior in China. More importantly, the law formalizes a system in which local officials are assessed on environmental performance in their respective jurisdictions. It is to be expected that large waste-to-energy projects with their cleaner off-gas emission standard will be one of the preferred measures that local governments will choose to meet these targets.

China seems confident about the efficacy of its new environmental protection law. At the end of June, Beijing made a bold commitment to reduce its greenhouse gas emissions per unit of gross domestic product by 60 – 65% from 2005 levels under a plan submitted to the United Nations ahead of crucial climate changes talks in Paris. Meanwhile, the government is also promoting soft-measures such as the Chinese theme of 2015 World Environment Day is “Live a Green Life”, to raise environmental awareness among Chinese citizens so as to lay a solid social and public foundation for the development of ecological civilization.

Results of Operations

in k€	Q2 2015	Q2 2014 ¹⁾	Change	HY1 2015	HY1 2014 ¹⁾	Change
Revenues	2,532	3,489	-27%	8,100	4,561	+78%
Cost of sales	-3,542	-3,307	+7%	-9,232	-4,409	>100%
Gross profit	-1,010	182	<-100%	-1,132	152	<-100%
Other operating income	690	311	>100%	1,368	497	>100%
Selling and distribution expenses	-58	-101	-43%	-114	-220	-48%
Administrative expenses	-1,104	-1,287	-14%	-2,328	-2,461	-5%
Research and development expenses	-39	-44	-11%	-78	-82	-5%
Other operating expenses	-262	-485	-46%	-450	-678	-34%
Loss from operations	-1,783	-1,424	-25%	-2,734	-2,792	+2%
Finance income	909	766	+19%	2,049	1,515	+35%
Finance costs	-926	-1,353	-32%	-2,047	-2,789	-27%
Loss before income tax	-1,800	-2,011	+10%	-2,732	-4,066	+33%
Income tax expenses	-265	-155	+71%	-1,501	-359	>100%
Loss for the period	-2,065	-2,166	+5%	-4,233	-4,425	+4%

¹⁾ Reclassified.

During the second quarter of 2015, the revenues reached € 2.5 million, representing a decrease of 27.4 % compared to the same period in 2014. Thereof revenues amounting to € 2.5 million were contributed by the progress in the BOT-projects and k€ 34 by EPC projects (during the second quarter of 2014 € 1.6 million were contributed by BOT projects and € 1.9 million by EPC projects). In the first half year, the revenues reached € 8.1 million, representing an increase of 77.6 % compared to the same period in 2014 mainly due to the project progress in Q1 2015.

The gross profit for Q2 2015 amounted to € -1.0 million compared to € 0.2 million for Q2 2014. The decrease was mainly due to the fact that inventories relating to the incinerator segment amounting to € 0.8 million had to be written off during Q2 2015. In the first half year gross profit amounted to € -1.1 million compared to € 0.2 million in the same period in 2014.

Mainly due to the net proceeds from trial runs, the other income increased to € 0.7 million in Q2 2015 compared to € 0.3 million for Q2 2014. In the first half of 2015, the other income increased to € 1.4 million due to the net proceeds from trial runs compared to € 0.5 million for H1 2014.

Accordingly EBITDA decreased to € -1.4 million in Q2 2015 compared to € -1.1 million in Q2 2014. In the first half year 2015 EBITDA went up to € -2.0 million from € -2.2 million in the first half year 2014.

In Q2 2015 EBIT went down to € -1.8 million compared to € -1.4 million in Q2 2014 while EBIT in the first half year 2015 slightly went up to € -2.7 million compared to € -2.8 million in H1 2014.

The increase of BOT receivables and intangible assets, which resulted mainly from the project progress achieved in 2014 and 2015, led to an improvement of the financial result by € 0.6 million in Q2 2015 and by € 1.3 million in H1 2015 respectively. This effect was offset by the increase of income tax expenses from € 0.4 million in H1 2014 to € 1.5 million in H2 2015, mainly due to the increase of taxable profits caused by foreign currency exchange gains. Net loss improved slightly to € -2.1 million compared to € -2.2 million in Q2 2014. In the first half of 2015, net loss improved to € -4.2 million compared to € -4.4 million in H1 2014.

in k€	30 Jun. 2015	31 Dec. 2014	Change
Current liquidity ratio ¹⁾	1.9	2.0	-7%
Equity ratio ²⁾	44.5%	45.3%	-1 pp
Net working capital ³⁾	63,903	70,379	-9%
Cash and cash equivalents	86,428	87,205	-1%
Current assets	138,426	140,645	-2%
Non-current assets	127,381	108,647	+17%
Total assets	265,807	249,292	+7%
Current liabilities	74,523	70,266	+6%
Long-term liabilities	72,868	66,127	+10%
Shareholders' equity	118,416	112,899	+5%

¹⁾ Current asset / current liabilities

²⁾ Equity / total assets

³⁾ Current asset less current liabilities

Despite the negative result of the first half year shareholders' equity increased by 4.9 % to € 118.4 million until 30 June 2015 compared to 31 December 2014 due to foreign currency translation effect. As total assets increased by 6.6 %, compared to 31 December 2014, ZhongDe's equity ratio went down from 45.3% as at 31 December 2014 to 44.5 % as at 30 June 2015.

The cash position as at 30 June 2015 amounted to € 86.4 million, compared to € 87.2 million as at 31 December 2014 (-0.9 %). Regarding the functional currency RMB, there was a cash outflow due to the company's normal operation and repayments of loans.

The management is engaged to secure the cash position of ZhongDe, for example by obtaining more loans.

Current status of energy-from-waste projects

(as of 30 June 2015)

EPC projects under construction	Zhucheng	Dingzhou	Wuhai
Daily capacity (tons/day)	500	600	1,000
PoC as at 30 Jun. 2015	70.2%	48.8%	0.0%
PoC as at 31 Dec. 2014	70.1%	47.0%	0.0%
Estimated time of completion	2015	2015	2017

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 30 Jun. 2015	95.7%	89.4%	85.1%	22.8%	in operation
PoC as at 31 Dec. 2014	95.1%	89.2%	82.1%	18.1%	in operation
Estimated time of completion	2015	2015	2016	2018	in operation

EPC Projects

Zhucheng EPC project

At the end of Q2 2015, the percentage of completion of the project in Zhucheng is 70.2 % (31 March 2015: 70.1 %).

The percentage of completion of the project increased slightly. As part of the acceptance process, the progress of the construction performed by subcontractors needs to be confirmed for the quantity and quality by ZhongDe cost control department. Only after the confirmation from both sides the works are accepted and revenues realized accordingly. As this process is time consuming, the reportable project progress for the Zhucheng project in Q2 2015 is only marginal. After the acceptance the project progress will be recognized as revenue.

The remaining work relates to the following:

- **Civil construction**

The ending improvement for the main factory, boiler room, steam turbine room, gas purification room, the road construction. decoration works for the complex building; greening landscape, civil works for the leachate treatment system, ash treatment system.

- **Installation**

The debugging works for gas treatment system and leachate treatment system, ending works for the steam turbine generator, thermal insulation for boiler and gas system, equipment painting, construction works for leachate treatment system and ash treatment system.

Considering the actual progress in construction works and the current confirmation status with subcontractors, it can be assumed that the Zhucheng project will be ready for acceptance in 2015.

Dingzhou EPC project

At the end of Q2 2015, the percentage of completion of the project in Dingzhou is 48.8 % (31 March 2015: 48.8 %).

Since April 2015 the construction at Dingzhou is on hold. The suspension of construction work was initiated by the customer who needs time for negotiations with local government..

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 weightbridge 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.

Considering the actual progress in construction works and the current confirmation status with subcontractors, it can be assumed that the Dingzhou project will be ready for acceptance in 2015.

Wuhai EPC Projects

At the end of Q2 2015, the percentage of completion of the project in Wuhai is 0.0 % (31 March 2015: 0.0 %).

The start of the construction work in Wuhai is delayed although preparatory works have been finished already. We expect to recognize project progress in the coming second half year of 2015.

The Wuhai project is supposed to enter into normal operation and to be completed in 2017.

BOT Projects

Zhoukou BOT project

At the end of Q2 2015, the percentage of completion of the project in Zhoukou is 89.3 % (31 March 2015: 89.3 %).

Civil construction works have been 100 % completed. The project is in trial operation.

The remaining work relates to the following:

- **Installation**

The acceptance works for environment protection.

The estimated finalization of the Zhoukou project is at the end of 2015.

Kunming BOT project

At the end of Q2 2015, the percentage of completion of the project in Kunming is 85.1 % (31 March 2015: 84.7 %).

The percentage of completion of the project increased slightly.

Ash treatment equipment has been completed and entered into the trial operation.

The remaining work relates to the following:

- **Civil works**

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

- **Installation**

Debugging works for gas equipment system, steam turbine generator unit, installation works for gas on-line monitoring equipment; debugging for leachate treatment system.

The estimated finalization date for the project is in 2016.

Xianning BOT project

At the end of Q2 2015, the percentage of completion of the project in Xianning is 95.7 % (31 March 2015: 95.4 %).

The percentage of completion of the project increased slightly.

The project is in trial operation. As part of the acceptance process, the progress of the construction performed by subcontractors needs to be confirmed for the quantity and quality by ZhongDe cost control department. Only after the confirmation from both sides the works are accepted and revenues realized accordingly.

The remaining work relates to the following:

- **Civil construction**
Ending improvement for decoration of complex building; ending improvement works for fire protection engineering.
- **Installation**
Defect elimination for gas purification system.

The project is supposed to be completed at the end of 2015.

Lanzhou BOT Project

At the end of Q2 2015, the percentage of completion at Lanzhou is 22.8 % (31 March 2015: 21.2 %).

The following works have been completed:

The main loading ramp has been connected. Chimney body constructions have been capped. The structure works for the complex building, dormitory building, office building and dining hall have been capped. Factory entrance door in the frontal zone and fence foundation have been completed.

The next steps of work relate to the following:

- **Civil Construction:**
Waste storage tank; the internal steel stack installation; factory road and pipeline construction; air cooling tower and pipeline network.
- **Installation:**
Steel frame installation for No. 2 waste heat boiler; No.1 waste heat boiler body.

The Lanzhou project is expected to be completed in 2018.

Order Development

in k€	BOT				EPC			Incinerators		Total
	Zhoukou	Xianning	Kunming	Lanzhou	Zhucheng	Dingzhou	Wuhai	Xiangyin	Zhejiang	
Order Backlog as at 1 Jan. 2015	3,415	3,295	7,567	117,584	9,770	17,997	49,662	1,554	1,645	212,489
Order intake in HY1 2015	0	0	0	0	0	0	0	0	0	0
Revenues in HY1 2015	60	195	1,260	5,845	27	666	0	0	0	8,053
Currency translation differences	295	285	653	10,153	844	1,554	4,290	135	142	18,351
Order Backlog as at 30 Jun. 2015	3,650	3,385	6,960	121,892	10,587	18,885	53,952	1,689	1,787	222,787

During the second quarter of 2015 no new order intake was recorded. However order backlog increased by 2.1 % to € 222.8 million in Q2 2015 compared to 31 December 2014 due to the material foreign currency translation differences.

Business Segments Overview

in k€	Q2 2015	Q2 2014 ¹⁾	Change	HY1 2015	HY1 2014 ¹⁾	Change
BOT						
Revenues (thereof as PoC k€ 7,360 in HY1 2015 / k€ 2,147 in HY1 2014)	2,498	1,643	+52%	7,408	2,186	>100%
Gross profit	-224	-148	-51%	-476	-280	-70%
EPC						
Revenues (PoC)	34	1,846	-98%	692	2,375	-71%
Gross profit	6	330	-98%	136	432	-69%
Small and medium sized incinerators						
Revenues	0	0	0%	0	0	0%
Gross profit	-792	0	<-100%	-792	0	<-100%
Total Revenues	2,532	3,489	-27%	8,100	4,561	+78%
Total Gross Profit	-1,010	182	<-100%	-1,132	152	<-100%

¹⁾ Reclassified.

BOT projects

In Q2 2015, the current four BOT projects contributed with € 2.5 million to consolidated revenues (€ 1.6 million in Q2 2014).

EPC projects

Two EPC projects contributed with k€ 34 to consolidated revenues in Q2 2015 (€ 1.8 million in Q2 2014).

Incinerators

In Q2 2015 as well as Q2 2014, no small and medium sized incinerators were sold, because within its strategy the Group is focussed on large-size energy-from-waste projects. As this segment is expected to contribute revenues to the Group in the next years, it is still disclosed in the table above. In Q2 2015 inventories relating to incinerators amounting to € 0,8 million (Q1 2015 nil) were written off.

Net Worth

in k€	30 Jun. 2015	31 Dec. 2014	Change
Non-current assets	127,381	108,647	+17%
Current assets	138,426	140,645	-2%
Equity	118,416	112,899	+5%
Liabilities	147,391	136,393	+8%
Balance sheet total	265,807	249,292	+7%

The balance sheet total amounted to € 265.8 million as of 30 June 2015 increasing by 6.6 % compared to 31 December 2014, while equity went up by € 5.5 million or 4.9% to € 118.4 million. Consequently the Company's equity ratio decreased to 44.5 % as at 30 June 2015 from 45.3 % as at 31 December 2014.

Cash Flow

in k€	Q2 2015	Q2 2014	Change	HY1 2015	HY1 2014	Change
Cash flow generated from (+) / used in (-) operating activities	686	-11,380	>100%	-5,337	-18,922	+72%
Cash flow used in (-) / generated from (+) investing activities	-8	-20	+60%	-21	1,173	<-100%
Cash flow used in financing activities	-1,405	-1,016	-38%	-2,946	-2,103	-40%

The cash flow from operating activities turned to be positive in Q2 2015, due to payments by the customer of the BOT project in Lanzhou during Q2 2015. In the first half year the cash flow from operating activities amounted to € -5,3 million compared to € -18.9 million in the first half year 2014.

Cash Position

Cash and cash equivalents amounted to € 86.4 million as at 30 June 2015, a decrease of 0.9 % compared to € 87.2 million as at 31 December 2014. Disregarding the change of the EUR/RMB exchange rate at 30 June 2015, cash and cash equivalents decreased by € 8.3 million compared to year end 2014.

The company's cash represents an amount of € 6.7 (Q2 2014: € 6.8) cash per share and € 0.7 (Q2 2014: € 1.5) net cash per share (total cash amount minus the loan amount as at 30 June 2015 divided by the amount of shares). The existing funds are planned to be invested in budgeted projects such as the BOT project in Lanzhou, and EPC projects in Zhucheng, 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 2015, the company's total loans amounted to € 76.8 million compared to € 73.6 million as at 31 December 2014. The increase of € 3.2 million is due to the decrease of the exchange rate between Euro and the RMB from 7.5358 at 31 December 2014 to 6.9366 at 30 June 2015 leading to the appreciation of the Chinese currency and an increase of € 6.4 million, which is offset by the repayments of current loans amounting to € 3.2 million in accordance with the Company's repayment plan. Two loans granted by the Huarong Financial Leasing Ltd have been fully repaid in Q1 2015.

Project	Financial Institution	Total loan amount	Total loan amount	Effective interest rate	Term	Balance as at 30 Jun. 2015	Balance as at 30 Jun. 2015
		in EUR	in RMB			in EUR	in RMB
Lanzhou	Bank of China	28,832,569	200,000,000	8.30%	2	28,832,569	200,000,000
Kunming	China Merchants Bank	25,949,312	180,000,000	7.33%	7	24,709,512	171,400,000
Xianning	Bank of China	17,011,216	118,000,000	7.57%	7	13,983,796	97,000,000
Zhoukou	China Merchants Bank	14,416,285	100,000,000	7.06%	5	9,235,539	64,063,240
						76,761,416	532,463,240

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 2014. There were no significant changes in opportunities and risks compared to 31 December 2014. Please note that these expectations are subject to uncertainty even if currently we do not have any information as to any other developments. At present, due to the slow progress of the projects the management board is evaluating the risks and opportunities from the current projects and analysing the strategic options.

Outlook

In H1 2015, Zhongde's revenue and net profit improved while the cash position remained on almost the same level compared to H1 2014.

ZhongDe AG has decided to convert its EUR 50.1 million shareholder loan for Chung Hua Environmental Protection Assets (Holdings) Group Ltd., Hongkong (Chung Hua), into its equity in Chung Hua, at the end of June 2015. Chung Hua achieved a capital increase by allotment and issuance of 1,000,000 ordinary shares to ZhongDe, at an issue price of EUR 50.1 (or HKD 434.57) per Loan Capitalisation Share. The capital increase was registered at the Hong Kong authorities as at 30 July 2015. The capital increase has no impact on the consolidated financial statements of ZhongDe Waste Technology AG.

Looking ahead to the coming second half of 2015, 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 new Government of China continuously strives to reduce the pollution and to protect the environment in China. The new Clean Air Law has been passed in first half of 2015. This will help to improve the construction and operation conditions for the waste-to-energy plants (projects) with advanced technology and cleaner off-gas emission standard. Meanwhile, the waste-to-energy plants with lower off-gas emission standard will become the M&A targets in near future in China, which will be supported by the public and governments. It may create new orders for ZhongDe to help these plants by improving its off-gas emission technologies.

For the upcoming second half 2015 we expect that the construction progress of the EPC projects (Dingzhou, Zhucheng and Wuhai), the construction progress of the BOT projects (Lanzhou etc.) and the trial run of the BOT projects (Zhoukou, Xianning and Kunming) will continue to contribute to ZhongDe's revenues.

After the end of the trial runs the projects will receive the final approval from the referring customers, which marks the finalization of the projects. This is expected to take place in 2015 (Zhoukou and Xianning) and 2016 (Kunming). The EPC-projects in Zhucheng and Dingzhou are still expected to be finalized in 2015, although the percentage of completion is slow in the first half of the year. The construction progress of these two EPC projects is been planned to improved in the second half year.

In summary, we expect that the coming second half of 2015 will still be a transition period, however, the revenues and other operating income will improve compared to the referring quarters in 2014. For 2015, the improvement of the operating result is to be expected. We will try our best to improve ZhongDe Group's profitability in 2015 and to balance the cash position of the Group.

Regarding the future development of the company the management board evaluates all strategic opportunities on a regular basis.

4 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2015

4.1 Condensed Six-Month Consolidated Statement of Comprehensive Income

in k€	Q2 2015	Q2 2014 ¹⁾	HY1 2015	HY1 2014 ¹⁾
Revenues	2,532	3,489	8,100	4,561
Cost of sales	-3,542	-3,307	-9,232	-4,409
Gross profit	-1,010	182	-1,132	152
Other operating income	690	311	1,368	497
Selling and distribution expenses	-58	-101	-114	-220
Administrative expenses	-1,104	-1,287	-2,328	-2,461
Research and development expenses	-39	-44	-78	-82
Other operating expenses	-262	-485	-450	-678
Loss from operations	-1,783	-1,424	-2,734	-2,792
Finance income	909	766	2,049	1,515
Finance costs	-926	-1,353	-2,047	-2,789
Loss before income tax	-1,800	-2,011	-2,732	-4,066
Income tax expenses	-265	-155	-1,501	-359
Loss for the period	-2,065	-2,166	-4,233	-4,425
Items that may be reclassified subsequently to profit or loss:				
Foreign exchange differences	-405	-200	387	-114
Items that will not be reclassified subsequently to profit or loss:				
Foreign exchange differences	-4,367	1,253	9,363	-1,489
Other comprehensive income	-4,772	1,053	9,750	-1,603
Total comprehensive income	-6,837	-1,113	5,517	-6,028
Loss attributable to owners of the parent	-2,065	-2,166	-4,233	-4,425
Total comprehensive income attributable to owners of the parent	-6,837	-1,113	5,517	-6,028
Earnings per share (in €) (diluted and undiluted)	-0.16	-0.17	-0.34	-0.35
Weighted average shares outstanding (diluted and undiluted)	12,600,000	12,600,000	12,600,000	12,600,000

¹⁾ Restated.

4.2 Condensed Six-Month Consolidated Statement of Financial Position

as at 30 June 2015

in k€	30 Jun. 2015	31 Dec. 2014	30 Jun. 2014
Assets			
Non-current assets			
Intangible assets	28,213	23,219	6,644
Property, plant and equipment	428	442	466
Receivables from BOT	97,687	84,103	61,709
Deferred tax assets	1,053	883	0
	127,381	108,647	68,819
Current assets			
Inventories	3,306	3,474	3,954
Trade receivables	1,821	1,747	1,873
Other receivables and prepayments	46,686	42,746	43,134
Amounts due from related parties and companies	15	14	12
Other financial assets	170	5,459	4,485
Cash and cash equivalents	86,428	87,205	88,549
	138,426	140,645	142,007
Total Assets	265,807	249,292	210,826
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	8,062
Retained earnings	-4,344	-111	-3,188
Foreign currency translation reserve	42,995	33,245	20,746
Total Equity	118,416	112,899	96,926
Liabilities			
Long-term liabilities			
Long-term loans	71,053	64,695	61,244
Deferred tax liabilities	1,815	1,432	956
	72,868	66,127	62,200
Current liabilities			
Trade payables	38,031	31,774	11,005
Other payables and prepayments	25,644	25,192	27,399
Provisions	4,028	3,709	3,122
Amounts due to related parties and companies	8	8	7
Tax liabilities	1,103	662	36
Other financial liabilities	5,709	8,921	10,131
	74,523	70,266	51,700
Total Liabilities	147,391	136,393	113,900
Total Liabilities and Equity	265,807	249,292	210,826

4.3 Condensed Six-Month Consolidated Statement of Cash Flows

for the period from 1 January to 30 June 2015

in k€	HY1 2015	HY1 2014
Loss before income tax	-2.732	-4.066
Adjustments for:		
Amortization of intangible assets	678	555
Allowance for doubtful trade debts	0	-147
Depreciation of property, plant and equipment	73	73
Write-off of inventories	792	0
Interest income / exchange gains	-2.049	-1.515
Interest expense / exchange losses	2.047	2.789
Operating cash flows before working capital changes	-1.191	-2.311
Working capital changes:		
<i>(-) Increase) / (+) decrease in:</i>		
Inventories	-324	-403
Trade receivables	77	-1.019
Other receivables and prepayments	5.960	-2.479
Amounts due from related parties	0	7
PoC receivables from BOT projects	-7.407	-2.178
<i>(+) Increase) / (-) decrease in:</i>		
Trade payables	3.512	-8.286
Other payables, provisions and accruals	-2.219	745
Amounts due to related parties	0	6
Cash used in operations	-1.592	-15.918
Interest received	242	252
Interest paid	-3.079	-3.068
Income tax paid	-908	-188
Net cash used in operating activities	-5.337	-18.922
Cash flow from investing activities		
Proceeds from disposal of consolidated companies	0	1.183
Proceeds from disposal of intangible assets	0	20
Purchase of property, plant, equipment and intangible assets	-21	-30
Cash flow used in (-) / generated from (+) investing activities	-21	1.173
Cash flow from financing activities		
Repayments of loans	-3.212	-2.937
Cash repayments of financial assets (BOT projects)	266	834
Cash flow used in financing activities	-2.946	-2.103
Net decrease before income tax	-8.304	-19.852
Cash and cash equivalents at beginning of period	87.205	110.076
Foreign exchange differences	7.527	-1.675
Cash and cash equivalents at end of period	86.428	88.549

4.4 Condensed Six-Month Consolidated Statement of Changes in Equity

for the period from 1 January to 30 June 2015

	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 Jan. 2014	12,600,000	13,000	-4,608	62,914	8,062	1,237	22,349	102,954
Total comprehensive income for the period	0	0	0	0	0	-4,425	-1,603	-6,028
Balance as at 30 Jun. 2014	12,600,000	13,000	-4,608	62,914	8,062	-3,188	20,746	96,926
Total comprehensive income for the period	0	0	0	0	0	3,474	12,499	15,973
Appropriation of current year's income	0	0	0	0	397	-397	0	0
Balance as at 1 Jan. 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	-4,233	9,750	5,517
Balance as at 30 Jun. 2015	12,600,000	13,000	-4,608	62,914	8,459	-4,344	42,995	118,416

4.5 Selected Notes to the Condensed Six-Month 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..

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 six-month consolidated financial statements of the ZhongDe Group are prepared for the period ended 30 June 2015 with comparative financial statements as at 31 December 2014 and 30 June 2014.

The condensed six-month 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 six-month consolidated financial statements have been reviewed. In the opinion of ZhongDe Waste Technology AG’s Management Board, the condensed half year consolidated financial statements for the period ended 30 June 2015 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 2015 are not necessarily indicative for future results.

The condensed six-month consolidated financial statements for the six month period from 1 January to 30 June 2015 are drawn up in Euro. Amounts are stated in thousands of Euros (k€) except where otherwise indicated. Due to the change of the EUR/RMB relation from 7.5358 as at 31 December 2014 to 6.9366 as at 30 June 2015 the financial statements as at 30 June 2015 are materially affected by foreign currency translation effects.

The financial statements of the individual consolidated companies are prepared as of the closing date for the Group financial statements. The condensed six-months consolidated financial statements of ZhongDe AG and subsidiaries for the period from 1 January to 30 June 2015 were authorised for issue in accordance with a resolution of the Management Board on 27 August, 2015.

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 2014. For further details, please refer to the consolidated financial statements available on the Company’s website: www.zhongde-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. Revenue relating to operation services is recognised in accordance with IAS 18.

According to the general practice, in H1 2014 income from trial runs was accounted in cost of sales. However after the IFRS-IC has put this issue on its agenda, the current technical discussion tends to prefer an accounting of trial runs in income insofar trial run revenues exceed trial run costs. As this accounting method results in more relevant information on the entity's performance, the former method of accounting for trial runs was changed and net income from trial runs has been disclosed under other operating income since Q4 2014. Prior year's figures were reclassified accordingly. The change of the accounting method did not have any impact on the comprehensive income.

	Before restatement HY1 2014		Reclassification	Restated HY1 2014	
	in k€	in %		in k€	in %
Revenues	4,561	100	0	4,561	100
Cost of sales	-4,298	-94	-111	-4,409	-97
Gross profit	263	6	-111	152	3
Other operating income	386	8	111	497	11
Selling and distribution expenses	-220	-5	0	-220	-5
Administrative expenses	-2,461	-54	0	-2,461	-54
Research and development expenses	-82	-2	0	-82	-2
Other operating expenses	-678	-15	0	-678	-15
Loss from operations	-2,792	-61	0	-2,792	-61
Finance income	1,515	33	0	1,515	33
Finance costs	-2,789	-61	0	-2,789	-61
Loss before income tax	-4,066	-89	0	-4,066	-89
Income tax expenses	-359	-8	0	-359	-8
Loss for the period	-4,425	-97	0	-4,425	-97

	Before restatement Q2 2014		Reclassification	Restated Q2 2014	
	in k€	in %		in k€	in %
Revenues	3,489	100	0	3,489	100
Cost of sales	-3,382	-97	75	-3,307	-95
Gross profit	107	3	75	182	5
Other operating income	386	11	-75	311	9
Selling and distribution expenses	-101	-3	0	-101	-3
Administrative expenses	-1,287	-37	0	-1,287	-37
Research and development expenses	-44	-1	0	-44	-1
Other operating expenses	-485	-14	0	-485	-14
Loss from operations	-1,424	-41	0	-1,424	-41
Finance income	766	22	0	766	22
Finance costs	-1,353	-39	0	-1,353	-39
Loss before income tax	-2,011	-58	0	-2,011	-58
Income tax expenses	-155	-4	0	-155	-4
Loss for the period	-2,166	-62	0	-2,166	-62

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:

- Amendments to IAS 19 – Employee Contributions
- Annual Improvements to IFRSs 2010 – 2012 Cycle

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 half-year of 2015, and were therefore not applied by the ZhongDe Group:

- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41: Bearer Plants
- IFRS 9 – Financial Instruments
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- Annual Improvements to IFRSs 2012 – 2014 Cycle
- Amendments to IAS 1: Disclosure Initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception

Aside from additional or modified disclosure requirements ZhongDe Group currently expects from the first-time application of these standards, interpretations and amendments only marginal effect on the consolidated financial statements. The potential impact of the first-time application of IFRS 15 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 2015 only the BOT projects and the EPC projects contributed to gross profit and the recovery of the small and medium sized incinerator market is not in sight.

B. Business by region

The Group is principally engaged in the design and manufacture of various incinerators, 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 six months of 2015:

in k€	BOT projects		EPC projects		Incinerators		Group	
	HY1 2015	HY1 2014 ¹⁾	HY1 2015	HY1 2014 ¹⁾	HY1 2015	HY1 2014 ¹⁾	HY1 2015	HY1 2014 ¹⁾
Revenues	7,408	2,186	692	2,375	0	0	8,100	4,561
Intercompany revenues	0	0	0	0	0	0	0	0
Total revenue for reportable segments	7,408	2,186	692	2,375	0	0	8,100	4,561
Total gross profit from reportable segments	-476	-280	136	432	-792	0	-1,132	152
Order intake	0	0	0	0	0	0	0	0
Order backlog	135,887	137,941	83,424	76,259	3,476	4,057	222,787	218,257

¹⁾ Restated.

Functional and presentation currency

Development of exchange rates (€ / foreign currency rate)	ISO code	Average rate		Ending rate		
		HY1 2015	HY1 2014	30 Jun. 2015	31 Dec. 2014	30 Jun. 2014
Chinese Yuan	CNY	6.9408	8.4500	6.9366	7.5358	8.4722
Hong Kong Dollar	HKD	8.6517	10.6292	8.6740	9.4170	10.5858

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 30 June 2015:

in k€	HY1 2015	HY1 2014
Related parties		
Rental, water and electricity fee	85	64

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€	30 Jun. 2015	30 Jun. 2014
Due from related parties		
Other receivables	15	12
	15	12
Allowance for doubtful trade debts	0	0
	15	12
Due to related parties		
Trade payables	8	7
	8	7

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/Main, 27 August 2015
ZhongDe Waste Technology AG



Zefeng Chen
Chairman of the
Management Board (CEO)



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

5 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 interim statement of comprehensive income, the condensed interim statement of cash flows, the condensed interim statement of changes in equity and selected notes – and the interim group management report of ZhongDe Waste Technology AG, Frankfurt/Main, for the period from 1 January 2015 to 30 June 2015 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, 28 August 2015

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

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

6 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 2015 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, 27. August 2015

ZhongDe Waste Technology AG
Management Board

Zefeng Chen
Chairman of the
Management Board (CEO)

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

7 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 2014, 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.

8 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/Main, Germany. The Chinese headquarter is located in Beijing, China. ZhongDe's production facility is in Fuzhou, China.

9 FINANCIAL CALENDAR AND CONTACT INFORMATION

Financial calendar 2015

Date*	Event
28 August	Interim report on the 1st half of 2015
23 November	German Equity Forum, Frankfurt/Main
27 November	Interim report on the 3rd quarter of 2015

* 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.

ZhongDe Waste Technology AG

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