



## Interim Report

Second Quarter 2009

ZhongDe Waste Technology AG

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-> About the cover: Beijing ZhongDe Fengquan Environmental Protection Technology Co. Ltd

## Key Figures

### Operational data

Amounts in k€	Q2 2009	Q2 2008	Change %	H1 2009	H1 2008	Change %
Order intake *)	1,062	6,480	-84	24,819	43,847	-43
Order backlog	38,619	39,544	-2	38,619	39,544	-2
Revenues	8,237	8,881	-7	18,440	20,092	-8
Gross profit	2,226	6,109	-64	7,902	13,853	-43
Gross profit margin	27%	69%	-	43%	69%	-
Cost of sales	6,011	2,772	117	10,538	6,239	69
EBITDA	396	4,493	-91	4,540	10,975	-59
EBITDA margin	5%	51%	-	25%	55%	-
EBIT	306	4,436	-93	4,358	10,862	-60
EBIT margin	4%	50%	-	24%	54%	-
Net profit	34	5,195	-99	2,158	12,222	-82
Net profit margin	0%	58%	-	12%	61%	-
Earnings per share **)	0.00	0.40	-100	0.17	0.94	-82

\*) Based on exchange rate at the end of the period

\*\*) Calculated on the basis of 13,000,000 shares

### Cash flow data

Amounts in k€	Q2 2009	Q2 2008	Change %	H1 2009	H1 2008	Change %
Cash flow from operating activities	14,704	8,753	68	14,209	13,394	6
Cash flow from investing activities	-1,651	3,166	-152	-2,439	-2,320	5
Free cash flow before financing	13,053	11,919	10	11,770	11,074	6

### Balance sheet data

Amounts in k€	30 June 2009	31 December 2008	Change %
Total assets	149,210	140,068	7
Tangible and intangible fixed assets	12,994	11,149	17
Net working capital	114,551	115,987	-1
Cash and cash equivalents	115,852	105,740	10
Debt	21,274	12,273	73
Net cash	115,852	105,740	10
Shareholders equity	127,704	127,606	0
Headcount	393	389	1

## Highlights Second Quarter 2009

### -> Revenues:

In the second quarter of 2009 revenues decreased slightly by 7%, taking them from € 8.9 million in Q2 2008 to € 8.2 million in Q2 2009. The decrease was caused primarily by the number of units sold. Several municipal authorities in China postponed their plans for small-size incinerators as the international financial crisis reduced local tax incomes. The Company sold two municipal waste incinerators. No medical waste incinerators were sold during the period under review. In line with changing market demand in China, the Company was able to shift its focus to large EPC projects, such as the Datong and Zhaodong projects. Revenue from the Datong project accounted for 59.5% of total revenue in the second quarter. In Q2 2009 ZhongDe signed two large BOT projects in Xianning and Kunming city. These projects will provide stable revenues from electricity sales and waste disposal fees in the future.

### -> Operating results:

Gross profit dropped to € 2.2 million and net profit decreased to € 0.03 million in Q2 2009. The fall in profit and margin was mainly due to the characteristics of large-size projects. In general, an EPC (Engineering, Procurement and Construction) project has much higher revenues, higher cost of sales and a lower margin contribution. Thanks to the high efficiency and stable profits of large-size incineration plants with electricity generation, these "waste-to-energy" projects are supported not only by the municipal authorities, but also by the central government. Under the circumstance of the global economic recession, the demand for large-size "waste-to-energy" projects is increasing, because of the economy-stimulating policies of the Chinese government. The Company has reacted on the market change by shifting its strategic focus to the market division of large-size EPC projects, such as the projects in Datong, Zhaodong and Zhucheng. Although the margin percentage of EPC projects is lower than that of incinerators, its much higher revenue will generate an attractive profit amount in the coming quarters.

### -> Order intake and order backlog:

During the period under review the Company received orders for contracts worth € 1.1 million. The order backlog decreased slightly by 2% in Q2 2009 to € 38.6 million, compared with € 39.5 million in Q2 2008, mainly because the Datong and Zhucheng projects were fully under way.

### -> Zhucheng EPC Project:

The Zhucheng project is a further large-scale EPC project, following the Datong project. The project contract is worth approximately € 30 million. The review process for the general layout has recently been completed and construction work for the building complex is fully under way. The project is expected to be completed by the end of 2010.

### -> Kunming & Xianning BOT projects:

The Xianning and Kunming projects comprise the construction and operation of large-scale municipal waste incineration plants with electricity generation. The Kunming project has recently obtained government approval with regard to its Environmental Impact Assessment. The registration process for the Xianning project has been completed. Both projects are expected to start operating in 2011.

### -> Letter of Intent with Jilin Provincial Government:

ZhongDe and Genesis Energy Holdings Limited ("Genesis") have entered into a non-legally binding Letter of Intent with the Jilin Provincial Government on possible investments in building and operating waste incineration and biomass renewable energy projects for electricity generation in Jilin Province.

### -> Research & Development:

Thanks to the joint efforts of our senior engineers and technicians in waste incineration technology, the Company's capability in research and development has been greatly improved. ZhongDe has completed laboratory analysis for dioxin emission reduction technology and catalyst production for the medium-sized experiment.

### -> International Technology Cooperation:

In the second quarter of 2009 ZhongDe negotiated with several international incineration companies, such as ThyssenKrupp Xervon Energy GmbH, regarding possible technology cooperation. This will help ZhongDe to strengthen its capabilities in large-scale "Waste-to-Energy" projects and on the international market.

### -> Chinese Headquarter in Beijing:

The Company's new strategy for long-term development includes relocating its Chinese headquarters from Fuzhou, the capital city of Fujian Province, to Beijing, the capital of China. It will strengthen ZhongDe's abilities in the field of HR, R&D, Sales & Marketing and Financing and will help the Company to develop competitive strengths in the market of large-size "waste-to-energy" projects. It is now much easier for ZhongDe to recruit and train skilled, experienced managers and staff, to establish partnerships and R&D collaborations with other leading international incineration companies, and to cooperate with the Export and Import Bank of China and other domestic financial institutions for large-scale projects. The relocation will help the company sharpen its competitive edge in the market for large-scale waste-to-energy projects in China and other countries.

## Share Performance



In the second quarter of 2009, the international stock markets showed great improvement, albeit with a higher level of volatility. Indices were stimulated primarily by improvements in various leading economic indicators, raising hopes of an early economic revival. However, regular corrections of the market outlook by the FED, the ECB and the International Monetary Fund caused continuing uncertainty among market participants.

After being outperformed by the overall market in the first quarter of the current year, the ZhongDe share once again lagged behind the DAX and SDAX indices in Q2 2009. Over the first six months, the ZhongDe share price fell by 7%, while the DAX more or less regained its year-opening level and the SDAX grew by 3.7%. In the second quarter alone, the ZhongDe share was up almost 12%. This positive trend also continued in the third quarter of the current calendar year.

## Economic and Political Environment

### Macroeconomic Environment

The financial crisis has deepened and become a truly global recession. Economic activity in the United States, Europe, and Japan has declined at an alarming rate, as well as in emerging countries in East Asia. Global trade has plummeted as a result of the current economic downturn.

Influenced by the global recession, the total value of Chinese imports and exports amounted to \$ 946.1 billion in the reporting period, a decrease of 23.5% year-on-year, while during the first half of 2009, the consumer price index (CPI) decreased by 1.1%.

China's National Bureau of Statistics reported that the country's gross domestic product (GDP) hit RMB 13.99 trillion in the first half of 2009, an increase of 7.1% year-on-year. During the first half of 2009, total retail sales of consumer goods increased by 15.0% year-on-year. Urban per capita disposable income amounted to RMB 8,856, an increase of 9.8% year-on-year. By the end of June, Chinese foreign exchange reserves amounted to \$ 2.13 trillion, an increase of 17.84% year-on-year.

### Political Environment

The Measures for Accelerating the Policy Reform of Environmental Taxes and Fees proposed by the Department of Policy & Regulation was accepted in principle at the routine meeting of the Ministry of Environmental Protection. These measures mainly include

- actively participating in the implementation of the preferential policy for environmental income tax.
- continuing to participate in developing a fund system for resource-conserving sustainable development.
- continuing efforts to develop an independent environmental tax system and intensifying the fundamental work for an environmental and economic policy.

It was agreed that the acceleration of the policy reform for environmental taxes and fees is not only important to effectively cope with the current economic situation and maintain steady yet swift economic and social development, but also encourages companies to launch energy-saving and emission-reducing activities aimed at optimizing environmental protection and economic growth.

### Expenditure on Environmental Protection Increased in 2009

According to the report handed to the Second Session of the 11th National People's Congress by the National Development & Reform Commission and the Ministry of Finance, environmental protection expenditure in 2009 will be 123.662 billion RMB and account for 2.8% of the total Central budget. That means 19.632 billion RMB more than in 2008, an increase of 18.9%. The central government increased its spending on energy saving and emission reduction with an allocation of funds worth 49.5 billion RMB for the year 2009.



## Sino-German Environment Forum calls for green economy and planning of environmental protection industry

Under the heading Environmental Technology and Industrial Development, the Forum focused on four topics:

- Water and air
- Waste management and circular economy
- Sustainable energy and sustainable transport
- Finance for sustainable development.

The Forum aims to facilitate communication and cooperation between the governments, academics and enterprises of the two countries and to promote the development, application and transfer of environment technology.

In a statement made at the third Sino-German Environment Forum on June 18, 2009, China's Deputy Minister of Environmental Protection (MEP) Wu Xiaoqing said that the task of energy-saving and emission reduction during the eleventh five-year plan period had set a high threshold and provided huge market demand for the development of the environmental protection industry. In a later stage of the eleventh five-year plan period, the state will implement eight key projects for environmental protection – including hazardous waste and medical waste disposal, urban sewage and garbage treatment, coal-fired power plant desulfurization etc. – with a total investment of 333.6 billion Yuan. This will provide an impetus for China's environmental protection industry to maintain annual growth of 12%-15%. By the end of the eleventh five-year plan period, the overall production value of the environmental protection industry will reach around 1.1 trillion Yuan.

## Impact on Business Development

The Company expects to benefit further from the favorable economic environment for eco-friendly waste disposal as well as the growing demand for its products both in China and throughout Asia. The Sino-German Environment Forum not only promotes the development, application and transfer of environment technology, but also provides information for the exploration of environmental protection investment and financing channels. This places the company in an ideal position to capture the potential growth in this market and continue to drive the business forward. The environmental tax policy system should be supportive for the development of environmental protection undertakings, which also represents a tremendous opportunity for ZhongDe.

The international financial crisis has hit China's exporting and real estate industries and led to reduced tax income for municipal governments. As a result, a lot of financial support for small incinerators has been postponed by local government.

At the same time, however, large-scale "waste-to-energy" plants are attracting much more attention and financial support from central government and municipal authorities in China, thanks to their high efficiency and electricity-generating function.



# Management Report

## Results of Operations

Amounts in k€	Q2 2009	Q2 2008	Change %	H1 2009	H1 2008	Change %
Sales	8,237	8,881	-7	18,440	20,092	-8
Cost of sales	6,011	2,772	117	10,538	6,239	69
<b>Gross profit</b>	<b>2,226</b>	<b>6,109</b>	<b>-64</b>	<b>7,902</b>	<b>13,853</b>	<b>-43</b>
Other operating income	13	25	-48	162	29	459
Selling and distribution expenses	527	478	10	1,013	955	6
Administrative expenses	245	490	-50	731	955	-23
Research and development expenses	163	86	90	259	169	53
Other operating expenses	998	644	55	1,703	941	81
<b>Profit from operations</b>	<b>306</b>	<b>4,436</b>	<b>-93</b>	<b>4,358</b>	<b>10,862</b>	<b>-60</b>
Finance income	318	829	-62	779	1,341	-42
Finance costs	399	42	850	1,752	42	4,071
<b>Profit before income tax</b>	<b>225</b>	<b>5,223</b>	<b>-96</b>	<b>3,385</b>	<b>12,161</b>	<b>-72</b>
Income tax	191	28	582	1,227	-61	-2,111
<b>Net profit for the period</b>	<b>34</b>	<b>5,195</b>	<b>-99</b>	<b>2,158</b>	<b>12,222</b>	<b>-82</b>

In the second quarter of 2009 sales decreased slightly by 7%, taking them from € 8.9 million in Q2 2008 to € 8.2 million in Q2 2009. This decrease was mainly due to the number of units sold, as several municipal authorities postponed their plans for investment in small and medium-size incinerators. During the period under review, the company sold two municipal waste incinerators, compared with three units sold in the same period last year. No medical waste incinerators were sold. In line with changing market demand in China, the Company was able to shift its focus to large EPC projects, such as the Datong and Zhaodong projects. Revenue from the Datong project accounted for 59.5% of total revenue in the second quarter, and thus exceeded municipal solid waste incinerators (40.5%).

Gross profit dropped to € 2.2 million and net profit decreased to € 0.03 million in Q2 2009. The fall in profit and margin was mainly due to the characteristics of large-size projects. In general, an EPC (Engineering, Procurement and Construction) project has much higher revenues, higher cost of sales and a lower margin contribution. ZhongDe Group aims to focus on manufacturing larger-scale incinerators and EPC projects in future in order to maximize marketing and production efficiency and enhance revenues and profit.

Selling and distribution expenses increased to k€ 527 in Q2 2009, compared with k€ 478 for the same period last year. Other operating expenses increased from k€ 644 in Q2 2008 to k€ 998 in Q2 2009. Compared to Q2 2008, administrative expenses went down by 50% from k€ 490 in Q2 2008 to k€ 245 in Q2 2009.

Overall, the fall in profit reflects the fact that the global economic downturn has begun to negatively impact our business operation results. However, the influence from external economic factors is expected to have only a temporary effect and will not bring about any fundamental change in our core business value. The business outlook for our Chinese operations remains positive.

The net cash position as at 30 June 2009 was improved, namely € 115.8 million, compared with € 105.7 million on 31 December 2008. In times of global economic crisis, cash positions are critical for all companies. This healthy cash position provides the necessary flexibility for ZhongDe with regard to investment and finance.

## Current status of Beijing plant, BOT projects, and EPC projects

### Beijing R&D Center and Production Plant

New R&D and production facilities are under construction in Beijing as part of the Company's long-term capacity expansion program. Basic construction work has been successfully completed on schedule. The increase in R&D and production capacity and greater geographical coverage will enable ZhongDe to fully benefit from China's growing waste market and generate further outstanding growth. Construction work on the technology building, scientific research building and dining facility is currently in full progress. Due to the change in strategy and positioning of the Company, it will inevitably take some time for the Beijing plant to make certain necessary changes. ZhongDe therefore expects the R&D Center and production plant to be completed and fully operational by the end of the fourth quarter of 2009 – a postponement of 3 months compared to the date stated in our Q1 report.

### Feicheng BOT Project

The daily waste disposal capacity of the Feicheng project is 160 tons and the concession period has been extended indefinitely. That means it has become a BOO (Build, Operate, Own) project. Construction work for the building complex, main factory, water pump house, and chimney have almost been completed. Equipment installation work is under way. ZhongDe expects to put it into operation at the end of 2009.

### Xianning & Kunming BOT Project

The Xianning and Kunming projects comprise the construction and operation of large-scale municipal waste incinerators with electric power generation. Both the Kunming and Xianning projects guarantee stable cash flows from electricity tariffs and waste disposal fees. The Kunming project has recently obtained government approval with regard to its Environmental Impact Assessment. With registration work completed, the groundbreaking ceremony has already been held for the Xianning project. The application and approval processes for the preliminary report and the bidding works are in full swing. Both projects are expected to start operations in 2011.

### Xihua BOT Project

Infrastructure development in Xihua is proceeding swiftly according to plan. The construction work for the main factory and subsidiary facilities are fully under way. The incinerators and preboilers are currently at the installation stage. The project is expected to enter the commissioning stage and connect with the power grid to sell electricity at the end of 2009.

### Datong EPC Project

85% of civil work has been completed. 70% of installation work and 98% of procurement work has also been completed. The first generator unit is expected to be put into the commissioning stage on 30 August 2009 with trial firing at the end of Q3 2009 and connection to the power grid for the sale of electricity in Q4 2009. ZhongDe expects the Datong project to be finished before the end of the third quarter of 2009. The total contract amounts to approximately € 32 million.

### Zhucheng EPC Project

The Zhucheng project is a further large-scale engineering, procurement and construction project (EPC project), following the Datong project. The project volume is approximately € 30 million. The review process for the general layout has recently been completed and construction work for the building complex is fully under way. The project is expected to be completed by the end of 2010. The "percentage of completion" method is being used for this

major contract, which means that the Zhucheng project will contribute to the revenues and earnings of 2009 and 2010.

## Letter of Intent with Jilin Government

ZhongDe and Genesis Energy Holdings Limited ("Genesis") have entered into a non-legally binding Letter of Intent with the Jilin Provincial Government on possible investments in constructing and operating waste incineration and biomass renewable energy projects for electricity generation in Jilin.

The Letter of Intent has established a platform for long-term and sustainable future collaboration between ZhongDe and the Jilin Provincial Government. It is expected that the initial four waste incineration power plants will be built in the following four cities: Liaoyuan, Songyuan, Tonghua and Baishan.

## Order development

Order intake amounted to € 1.1 million in Q2 2009, compared with € 6.5 million in the same period last year. The significantly lower order intake is due firstly to the economic recession, which has led to postpone investment in small-scale facilities. Secondly, the Company has shifted its focus from small orders to large EPC and BOT projects. In Q2 2009, ZhongDe signed two large BOT projects in Xianning and Kunming city. The order backlog for the first half-year was virtually stable at € 38.6 million at the end of Q2 2009.

## Business Segments Overview

Amounts in k€	Q2 2009	Q2 2008	Change %	H1 2009	H1 2008	Change %
<b>Medical waste incinerators</b>						
Units sold	-	-	-	1	1	-
Revenues	-12	-3	300	530	459	15
Gross profit	-10	-2	400	383	360	6
<b>Municipal solid waste incinerators</b>						
Units sold	2	3	-33	5	7	-29
Revenues	3,344	8,884	-62	11,072	19,633	-44
Gross profit	2,124	6,111	-65	7,129	13,493	-47
<b>EPC Projekt *</b>						
PoC Datong project	4,905	-	-	6,838	-	-
PoC Datong gross profit	112	-	-	390	-	-
Total Revenues	8,237	8,881	-7	18,440	20,092	-8
Total Gross Profit	2,226	6,109	-64	7,902	13,853	-43

\*PoC: Percentage of Completion

### Medical Waste Incinerators

No medical waste incinerators were sold in the second quarter of 2009 because of the changing demand in China. The company continues to anticipate lower demand for medical waste incinerators. The focus will remain on generating orders for municipal waste incinerators and large-scale projects. The company has decided to shift production to the more promising sector of medium and large-scale municipal waste incinerators.

### Municipal Solid Waste Incinerators

In the second quarter of 2009, the Company sold two municipal waste incinerators with a total daily capacity of 200 tons (100 tons each). Revenue from municipal waste incinerator sales decreased from € 8.9 million in Q2 2008 to € 3.3 million in Q2 2009.

### Engineering, Procurement and Construction Projects (EPC)

The Datong Project is expected to be completed in Q3 2009. The "percentage of completion" method is being used for this contract, which means that the Datong project will continue to contribute to revenues and earnings in future periods. In the second quarter of 2009, the company recognized an additional 16% of revenue for the Datong Project. Recognition was based on the percentage of the cost the Company incurred while installing the project. The company is preparing for the second EPC project in Zhucheng, which will start in 2009.

## Net Worth

Amounts in k€	30 June 2009	31 December 2008	Change %
Non current assets	13,385	11,808	13
Current assets	135,825	128,260	6
Equity	127,704	127,606	0
Liabilities	21,506	12,462	73
Balance sheet total	149,210	140,068	7

The balance sheet total on 30 June 2009 amounted to € 149.2 million. The increase in non-current assets is primarily due to an increase in fixed assets as construction in progress rose by more than € 1.8 million as a result of the Beijing site construction. Current assets rose from € 128.3 million to € 135.8 million, mainly as a result of an increase of € 10 million in cash and cash equivalents. Equity increased by k€ 98 to € 127.7 million and as a result the Company maintained a very strong equity ratio of 85.6% with no bank debts. The working capital decreased slightly by 1 % to k€ 114,551.

## Financial Position

Amounts in k€	Q2 2009	Q2 2008	Change %	H1 2009	H1 2008	Change %
Cash flow from operating activities	14,704	8,711	69	14,209	13,394	6
Cash flow from investment activities	-1,651	3,166	-152	-2,439	-2,320	5
Cash flow from financing activities	0	0	-	0	0	-

The second quarter of 2009 saw a positive free cash flow of € 13.1 million. The cash flow from operating activities amounted to € 14.7 million in the second quarter of 2009, compared with € 8.8 million in the same period last year.

## Human Resources

The HR Department developed several recruitment channels and hired 66 new employees. As of 30 June 2009, the total number of employees reached 393. In the first half of 2009, the HR Department continued to strengthen training of key personnel. Moreover, HR actively communicates with key personnel to develop solutions for expected challenges in the field of human resources.

## Production

In order to meet manufacturing demand, the Production Department has purchased additional equipment and developed an optimized production line layout. The production site has now reached optimum usage. Manufacturing control has been strengthened and various measures have been taken to reduce manufacturing costs.

## Patents

The patent applications for a double-loop and double-pyrolysis incinerator, together with the respective application methods for hazardous-free waste disposal, as well as for a municipal waste gasification generation system progressed smoothly and most of the work has now been completed. The State Intellectual Property Office has processed the patent application for a backfire waste pyrolysis gasification incinerator, as well as for a double-grate waste incinerator.

## Research & Development

The Company places great emphasis on new product research, project design and product innovation. ZhongDe has completed its laboratory analysis of dioxin emission reduction technology and catalyst production for a medium-sized experiment. The catalyst manufacturing technique and process route for the medium-sized experiment have been identified and the preliminary design for the mating equipment has been completed. Research work on a water-cooled distributor has now also been completed.

## Developments After the End of the Reporting Period

ZhongDe Waste Technology AG signed a letter of intent with ThyssenKrupp Xervon Energy GmbH on 30 July 2009 in order to absorb advanced incineration technologies. The technical cooperation will enable ZhongDe to enhance its technical and engineering capability with regard to conducting large-scale waste-to-energy projects in potential domestic and international markets.

## Outlook

Entering into the second quarter, the government's stimulus package is beginning to show signs of initial success. The Chinese economy has started to display positive changes and a recovery is steadily gathering pace. Gross domestic product (GDP) hit RMB 13.99 trillion in the first half-year of 2009, an increase of 7.1% year-on-year.

On the other side, the market environment is still very uncertain and there has been great volatility in key business performance indicators. Therefore ZhongDe Group refrains to forecast the revenues and earnings development for the current financial year.

Screening for advanced technologies, ZhongDe will negotiate with more international well-established companies out of the “waste-to-energy” industry. It will broaden ZhongDe’s capacity in conducting large-scale “waste-to-energy” projects and will enhance its competitiveness in the international market.

The Company’s new long-term strategy for the business development includes international marketing, relocating its Chinese headquarters from Fuzhou, the capital city of Fujian Province, to Beijing, the capital city of China. It will strengthen ZhongDe’s abilities in the field of HR, R&D, Sales & Marketing and Financing to help the company develop competitive strengths in the market of large-size “waste-to-energy” projects.

ZhongDe Group’s business is successfully progressing through its long-term growth strategy. Although the Company’s performance has been affected temporarily by the global financial crisis, the large-size “waste-to-energy” market is still booming in China, because of the policy from the Chinese central government that stimulates the internal demand step by step. The Company is confident that it can continue taking advantage of the huge market potential in the Chinese “waste-to-energy” sector.

## 06

# Financial Statements - ZhongDe Waste Technology AG

## 06.1

## Interim Consolidated Balance Sheet

for the period from 1 January to 30 June 2009

Amounts in k€	30 June 2009	31 December 2008
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	2,310	2,314
Equipment	1,322	1,298
Construction in progress	9,362	7,537
Deferred tax assets	391	659
	<b>13,385</b>	<b>11,808</b>
<b>Current assets</b>		
Inventories	2,158	4,094
Trade receivables	11,151	15,403
Other receivables and prepayments	6,332	3,013
Amounts due from related parties	332	10
Cash and cash equivalents	115,852	105,740
	<b>135,825</b>	<b>128,260</b>
<b>Total assets</b>	<b>149,210</b>	<b>140,068</b>
<b>Liabilities and Equity</b>		
<b>Capital and reserves</b>		
Share capital	13,000	13,000
Capital reserves	69,822	69,822
Statutory reserves	6,348	6,348
Retained earnings	34,160	32,002
Foreign exchange difference	4,374	6,434
	<b>127,704</b>	<b>127,606</b>
<b>Liabilities</b>		
<b>Long-term liabilities</b>		
Deferred tax liabilities	232	189
	<b>232</b>	<b>189</b>
<b>Short-term liabilities</b>		
Trade payables	4,101	4,353
Other payables and accruals	16,163	6,809
Provisions	872	830
Amounts due to related parties	22	199
Income tax payable	116	82
	<b>21,274</b>	<b>12,273</b>
<b>Total liabilities and equity</b>	<b>149,210</b>	<b>140,068</b>



## 06.2

### Interim Consolidated Statement of Income and Expenses

for the period from 1 January to 30 June 2009

Amounts in k€	Q2 2009	Q2 2008	H1 2009	H1 2008
Sales	8,237	8,881	18,440	20,092
Cost of sales	6,011	2,772	10,538	6,239
<b>Gross profit</b>	<b>2,226</b>	<b>6,109</b>	<b>7,902</b>	<b>13,853</b>
Other operating income	13	25	162	29
Selling and distribution expenses	(527)	(478)	(1,013)	(955)
Administrative expenses	(245)	(490)	(731)	(955)
Research and development expenses	(163)	(86)	(259)	(169)
Other operating expenses	(998)	(644)	(1,703)	(941)
<b>Profit from operations</b>	<b>306</b>	<b>4,436</b>	<b>4,358</b>	<b>10,862</b>
Finance income	318	829	779	1,341
Finance costs	(399)	(42)	(1,752)	(42)
<b>Profit before income tax</b>	<b>225</b>	<b>5,223</b>	<b>3,385</b>	<b>12,161</b>
Income tax	(191)	(28)	(1,227)	61
<b>Profit for the period</b>	<b>34</b>	<b>5,195</b>	<b>2,158</b>	<b>12,222</b>
<b>Earnings per share</b>	<b>0.00</b>	<b>0.40</b>	<b>0.17</b>	<b>0.94</b>

## 06.3

### Statement of Recognized Income and Expenses

For the period from 1 January to 30 June 2009

Amounts in k€	Q2 2009	Q2 2008	H1 2009	H1 2008
Foreign exchange differences recognized directly in equity	-7,226	1,284	-2,060	-396
<b>Total changes recognized directly in equity</b>	<b>-7,226</b>	<b>1,284</b>	<b>-2,060</b>	<b>-396</b>
Net income	34	5,195	2,158	12,222
<b>Total recognized income and expense</b>	<b>-7,192</b>	<b>6,479</b>	<b>98</b>	<b>11,826</b>

## 06.4

### Interim Consolidated Statement of Cash Flow

for the period from 1 January to 30 June 2009

Amounts in k€	H1 2009	H1 2008
<b>Profit before income tax</b>	<b>3,385</b>	<b>12,161</b>
<b>Adjustments for:</b>		
Amortization of intangible assets	29	21
Allowance for doubtful trade debts	-162	74
Provision for warranty	0	64
Depreciation of property, plant and equipment	153	92
Gains/losses PPE	8	1
Finance income	-779	-1,341
Finance expense	1,752	42
<b>Operating cash flows before working capital changes</b>	<b>4,386</b>	<b>11,114</b>
<b>Working capital changes:</b>		
<b>(Increase)/decrease in:</b>		
Inventories	1,936	-173
Trade receivables	4,415	-3,091
Other receivables and prepayments	-3,319	-3,826
Amounts due from related parties	-322	-6
<b>Increase/(decrease) in:</b>		
Trade payables	-251	35
Other payables, provisions and accruals	9,396	8,014
Amounts due to related parties	-178	28
<b>Cash generated from/(used in) operations</b>	<b>16,063</b>	<b>12,095</b>
Interest received/exchange gains	779	1,341
Interest paid/exchange losses	-1,752	-42
Income tax paid	-881	0
<b>Net cash generated from operating activities</b>	<b>14,209</b>	<b>13,394</b>
<b>Cash flow from investing activities</b>		
Payments in connection with the short-term financial management of cash investments	-3,000	-5,200
Receipts in connection with the short-term financial management of cash investments	3,000	5,000
Purchase property, plant, equipment, intangible assets, land use rights	-2,439	-2,120
<b>Cash flow used in investing activities</b>	<b>-2,439</b>	<b>-2,320</b>
<b>Cash flow from financing activities</b>		
Capital injection	0	0
Proceeds from IPO, gross	0	0
IPO-costs (charged to equity)	0	0
Short-term bank loans	0	0
Loans from related parties	0	0
Loans given to related parties	0	0
Interest paid	0	0
Dividends paid to shareholders	0	0
<b>Cash flow from financing activities</b>	<b>0</b>	<b>0</b>
<b>Net increase in cash and cash equivalents</b>	<b>11,770</b>	<b>11,074</b>
Cash at beginning of year	102,740	78,827
Foreign exchange differences	-1,658	-380
<b>Cash fund at end of period</b>	<b>112,852</b>	<b>89,521</b>

## 06.5

### Selected Notes to the Interim Consolidated Financial Statements

for the period ending 30 June 2009

#### Interim Consolidated Statement of changes in equity for the period from 1 January to 30 June 2009

Changes in equity (k€)	Share capital AG	Capital reserves / other reserves	Retained earnings	Foreign exchange differences	Total equity
<b>Balance as at 1 January 2008</b>	<b>13,000</b>	<b>73,079</b>	<b>14,213</b>	<b>-1,664</b>	<b>98,628</b>
Net profit for the period	0	0	12,222	0	12,222
Foreign exchange differences	0	0	0	-396	-396
<b>Balance as at 30 June 2008</b>	<b>13,000</b>	<b>73,079</b>	<b>26,435</b>	<b>-2,060</b>	<b>110,454</b>
<b>Balance as at 1 January 2009</b>	<b>13,000</b>	<b>76,170</b>	<b>32,002</b>	<b>6,434</b>	<b>127,606</b>
Net profit for the period	0	0	2,158	0	2,158
Foreign exchange differences	0	0	0	-2,060	-2,060
<b>Balance as at 30 June 2009</b>	<b>13,000</b>	<b>76,170</b>	<b>34,160</b>	<b>4,374</b>	<b>127,704</b>

#### General

The interim consolidated financial statements for the period 1 January to 30 June 2009 comprise all subsidiaries of ZhongDe Waste Technology AG. These subsidiaries are located in the People's Republic of China (PRC) except for the interim holding company Chung Hua Environmental Protection Assets (Holdings) Group Ltd., Hong Kong.

#### Basis of preparation

The interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU at the balance sheet date, and the additional requirements of German commercial law pursuant to sec. 315a (1) »Handelsgesetzbuch«; the German Commercial Code (HGB). The interim consolidated financial statements comply with all IFRS that had to be adopted by the balance sheet date.

With regard to the preparation of the interim consolidated financial statements, in accordance with IAS 34 »Interim Financial Reporting«, the Management Board is required to make estimates and judgments which influence the application of accounting policies within the Company, as well as the reporting of assets and liabilities, and income and expenses. Actual amounts may differ from these estimates.

#### Significant accounting policies

The accounting policies applied by the Group in the interim consolidated financial statements generally correspond to the methods applied by ZhongDe Waste Technology AG in its consolidated financial statements for the year ending 31 December 2008. For further details please refer to the consolidated financial statements available on the company's website: [www.zhongdetech.com](http://www.zhongdetech.com).

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

Construction contracts were reported using the percentage-of-completion-method (POC method). The stage of completion is determined by the ratio of costs incurred compared to the expected total cost (cost-to-cost-method). The contracts are disclosed under »receivables from POC«, or in the case of anticipated losses under »payables from POC«. If payments exceed the cumulative contract output, the construction contract is disclosed under payables.

Sales of k€ 18,440 include order income of k€ 6,838 from ongoing production orders identified using the POC method. The accumulated costs from ongoing production orders amount to k€ 13,939, the accumulated gross profit is k€ 1,798. Since the payments (k€ 27,892) exceed the »receivables from POC« (k€ 18,570), the resulting amount of k€ 9,322 is disclosed under other payables and accruals.

## Segment analysis and Information

### -> A. Business segments

The Group's operating businesses are organized into three business segments: municipal waste incinerators, medical waste incinerators and construction contract business (complete sets of incineration plants with electricity generation).

### -> B. Geographical business

The Group is principally engaged in the design and manufacture of various incinerators in the PRC, where all of its customers are based. In addition, all identifiable assets of the Group are principally located in the PRC. Therefore no geographical segment analysis is presented.

### -> C. Allocation basis

Revenue and cost of sales are directly attributable to the segments. Operating expenses and income are allocated to the segments on a reasonable basis.

Inter-segment sales are eliminated on consolidation.

The following table presents revenue and results information regarding the Group's business segments for the first half-year of 2009:

Amounts in k€	Q2 2009	Q2 2008	H1 2009	H1 2008
<b>Sales to external customers</b>				
Incinerator special for disposal of medical waste	-12	-3	530	459
Incinerator special for disposal of urban household waste	3,344	8,884	11,072	19,633
Sale of construction contract	4,905	0	6,838	0
	<b>8,237</b>	<b>8,881</b>	<b>18,440</b>	<b>20,092</b>
<b>Results</b>				
Incinerator special for disposal of medical waste	-10	-3	383	360
Incinerator special for disposal of urban household waste	2,124	6,112	7,129	13,493
Sale of construction contract	112	0	390	0
Unallocated income/expenses	-2,001	-886	-4,517	-1,692
<b>Profit from operations before tax</b>	<b>225</b>	<b>5,223</b>	<b>3,385</b>	<b>12,161</b>
Income tax expenses	-191	-28	-1,227	61
<b>Profit for the year</b>	<b>34</b>	<b>5,195</b>	<b>2,158</b>	<b>12,222</b>

## Functional and presentation currency

	30 June 2009	30 June 2008
Exchange rate RMB/€ at the end of the period	9.6545	10.8051
Average exchange rate RMB/€ for H1	9.1028	10.8012

The functional currency of the mainland Chinese subsidiaries is RMB.

## Income tax

The income taxes, shown in the interim consolidated financial statements, include mainly income taxes of Fujian FengQuan Environmental Protection Holding Co., Ltd. Due to its tax status as a »Foreign owned entity«, the tax rate 2009 amounts to half of the normal tax rate of 25%. FengQuan has been exempted from income taxes for 2007 and 2008. Due to the different treatment of exchange gains and losses in connection with net investments for consolidated financial statements and tax purposes the group tax rate may differ from the applicable local Chinese income tax rate.

## Cash fund

Amounts in k€	H1 2009	H1 2008
Cash at end of period	112,852	89,521
Short-term financial management of cash investments	3,000	5,200
<b>Cash and cash equivalents (balance sheet)</b>	<b>115,852</b>	<b>94,721</b>

## Events after the balance sheet date

ZhongDe Waste Technology AG signed a letter of intent with ThyssenKrupp Xervon Energy GmbH on 30 July 2009 in order to absorb advanced incineration technologies. The technical cooperation will enable ZhongDe to enhance its technical and engineering capability with regard to conducting large-scale waste-to-energy projects in potential domestic and international markets.

Hamburg, 30 August 2009  
ZhongDe Waste Technology AG

On behalf of the management



**Zefeng Chen**  
Chairman of the  
Management Board (CEO)



**William Jiuhua Wang**  
Executive Director of the  
Management Board (CFO)

## Responsibility Statement by the Management

»To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group, and the condensed interim management report of the Group includes a fair view of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.«

Hamburg, 30 August 2009  
ZhongDe Waste Technology AG  
On behalf of the management



**Zefeng Chen**  
Chairman of the  
Management Board (CEO)



**William Jiuhua Wang**  
Executive Director of the  
Management Board (CFO)

## Cautionary Note Regarding Forward-Looking Statements

This interim report contains certain forward-looking statements. These statements may be identified by words such as »expects«, »looks forward to«, »anticipates«, »intends«, »plans«, »believes«, »seeks«, »estimates«, »will«, or words of similar meaning. Such statements are based on current assumptions, expectations, and forecasts on future sector trends, on future legal and commercial developments, and on the future development of the ZhongDe Group. These assumptions, expectations, and forecasts are no guarantee of future performance and are subject to change at any time, and thus subject to certain risks and uncertainties. A variety of factors, many of which are beyond ZhongDe Group's control, affect its operations, performance, business strategy and results, and could cause the actual results, performance or achievements of the ZhongDe Group to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

For us, particular uncertainties arise, among others, from: changes in general economic and business conditions; changes in the regulatory environment; the introduction of competing products or technologies by other companies; changes in business strategy; our analysis of the potential impact of such matters on our financial statements; as well as various other factors. More detailed information about our risk factors and key factors affecting our results and operations is contained in ZhongDe's Securities Prospectus, which is available on the ZhongDe Website, [www.zhongdetech.com](http://www.zhongdetech.com). Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the relevant forward-looking statement as expected, anticipated, intended, planned, believed, sought, estimated or projected. ZhongDe does not intend, or assume any obligation, to update or revise these forward-looking statements in the light of developments which differ from those anticipated, unless otherwise required by law.

The English translation of this interim report is for convenience purposes only. Exclusively binding in legal terms is the German Version of this interim report.



## About ZhongDe Waste Technology AG



ZhongDe Waste Technology AG is listed on the German Stock Exchange (German Securities Identification Number ZDWT01, ISIN DE000ZDWT018, ticker symbol ZEF). Correspondingly, with effect from 1 January 2005, the Company is obliged to prepare its consolidated interim reports in compliance with International Accounting Standards, as required by the "EU Regulation adopting certain international accounting standards", Article 6 (2). This condensed interim report was prepared and published pursuant to IAS 34 of the International Financial Reporting Standards (IFRS). The interim report's scope of consolidation comprises eight fully consolidated affiliates.

ZhongDe Group designs, manufactures and installs pyrolytic, grate and rotary kiln waste incinerators for the disposal of solid municipal, industrial (including hazardous) and medical waste, as well as complete large-scale incineration plants with electricity generation.

Since 1996, the ZhongDe Group has installed approximately 200 waste incinerators in about 13 provinces and more than 80 waste incinerators in the last three financial years alone. Its waste incinerators are principally constructed for small and mid-size Chinese cities in developed areas of the People's Republic of China, as well as for operators of medical disposal centers in the hospital and healthcare industry. The ZhongDe Group is one of the leading suppliers of small and mid-size solid waste incinerators in China, supplying state-of-the-art products.

# Financial Calendar & Contact

## Financial Calendar

Date*	Event
November 2009	German Equity Forum of Deutsche Börse, Frankfurt / Main
30 November 2009	Interim report on the third quarter 2009

\* all dates are provisional and may be subject to change.

## Contact

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

### **ZhongDe Waste Technology AG**

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