



Interim Report

Second Quarter 2008



ZhongDe Waste Technology AG

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Key Figures

Operational data

Amounts in k€	Q2 2008	Q2 2007	Change %	H1 2008	H1 2007	Change %
Order intake	6,480	10,832	-40	43,847	18,945	+131
Order backlog	39,544	8,356	+373	39,544	8,356	+373
Revenues	8,881	7,658	+16	20,092	15,017	+34
Gross profit	6,109	5,261	+16	13,853	10,057	+38
Gross profit margin	69%	69%	-	69%	67%	-
Cost of sales	2,772	2,397	+16	6,239	4,960	+26
EBITDA	4,493	4,643	-3	10,975	8,788	+25
EBITDA margin	51%	61%	-	55%	59%	-
EBIT	4,436	4,631	-4	10,862	8,764	+24
EBIT margin	50%	60%	-	54%	58%	-
Net profit	5,195	4,697	+11	12,222	8,809	+39
Net profit margin	58%	61%	-	61%	59%	-
Earnings per share *	0.40	0.36	+11	0.94	0.68	+38

* based on 13,000,000 shares

Cash flow data

Amounts in k€	Q2 2008	Q2 2007	Change %	H1 2008	H1 2007	Change %
Cash flow from operating activities	8,753	2,726	+221	13,436	3,691	+264
Cash flow from investing activities	3,166	(48)	-	(2,320)	(48)	+4,733
Free cash flow before financing	11,919	2,678	+345	11,116	3,643	+205

Balance sheet data

Amounts in k€	30 June 2008	31 December 2007	Change %
Total assets	124,502	104,536	+19
Property, plant, equipment	3,042	1,036	+194
Net working capital	10,365	11,462	-10
Cash and cash equivalents	94,721	83,827	+13
Debt	0	0	-
Net cash	94,721	83,827	+13
Shareholders equity	110,454	98,628	+12
Headcount	285	260	+60

Highlights Second Quarter 2008

- **Revenues:** Company revenues in the second quarter of 2008 grew by € 1.2 million to € 8.9 million representing an increase of 16% versus the same period in 2007. Growth was driven primarily by a rise in municipal incinerator sales. A successful restructuring of the product mix led to further decline in medical waste incinerator sales versus Q1 of this year. Sales are still in line with the Company's long-term strategy to focus consistently on the municipal incinerator segment.
- **Operating results:** The upward trend in the municipal solid waste incinerator segment continues, leading to a rise in operating results in the second quarter of 2008. In total, three municipal solid waste incinerators were sold in Q2 2008, equalling the number sold in Q2 2007. An increase in the production capacity per unit and the unit selling price improved overall operating results. There was a solid rise in EPS which amounted to € 0.40 in Q2 2008, up from € 0.36 in Q2 2007.
- **Order intake and order backlog:** During the period under review the Company received orders for contracts worth € 6.5 million compared to € 10.8 million in the same period last year. The slowdown was due to the phasing of the order backlog which stands at € 39.5 million at the end of the quarter, compared to € 8.4 million in 2007 for the same period. Furthermore, order intake was affected by delays of government involvement in the negotiating process of new orders in the run up to the Olympic Games. The negotiation process of these projects is expected to resume rapidly following the end of the Olympic Games.
- **Beijing – Second Production Facility:** New production facilities are under construction in Beijing as part of the Company's long-term capacity expansion programme. This programme is being funded primarily by the successful listing on the Frankfurt Stock Exchange in July 2007. As with many companies in Beijing, construction was halted for three months for the 2008 Olympics. Completion is anticipated at the end of Q1 2009. By this time, the Company will have built up sufficient capacity for a further three years of expansion. It will also be in an ideal position to exploit market growth as anticipated within the strategic plan.
- **Datong project:** The Company has completed the design stage for the waste disposal and electricity generation project in Datong, for which the general contracts were signed in Q1. ZhongDe Group has been commissioned to design, manufacture and construct a waste incinerator plant with a maximum capacity of 1,500 tonnes per day with 30 MW electricity generators. The project is expected to end in 2009 and will already contribute to 2008 revenues and earnings on a »percentage of completion« basis. Infrastructure development is now well underway. The total contract amounts to approximately € 30 million.

- **BOT projects:** During the period under review, the Company signed two new project agreements in Xinjiang and Lianshui. The company's improved standing and greater negotiation strength since the IPO resulted directly in better terms and conditions than the original letters of intent. Out of the six BOT projects subject to a letter of intent at the time of the IPO, four have now been confirmed. The remaining two projects are at an advanced stage of negotiation.

- **Partnership with Veolia:** During Q2 2008, the Company embarked on a milestone project to strengthen its industrial partnerships and bolster its marketing power. This already resulted in the signing of a framework agreement with Veolia Environmental Services China Ltd. The agreement enables the ZhongDe Group to play a central role in the international exchange of insights into state-of-the-art technology and BOT management skills, as well as the acquisition, negotiation, management and operation of major waste incineration projects.

- **Postdoctoral research station:** Based on a recommendation submitted by leading Chinese experts, the Chinese Ministry of Human Resources and Social Security carried out a detailed assessment of ZhongDe Group and has bestowed the Company the right to conduct postdoctoral research at Fujian Fengquan Environmental Protection Equipment Co. Ltd., the wholly owned subsidiary of ZhongDe Waste Technology AG in China. In recent years, government recognition has been central to the contribution made by ZhongDe Group to the waste management industry. Postdoctoral research will boost ZhongDe Group's ability to attract graduate expertise, enhancing cooperation with leading universities and research institutions and thus facilitating government funding.

- **Recruiting:** The higher profile and market reputation of the Company continues to attract highly qualified people to ZhongDe Group as an employer. During Q2, the number of employees increased from 273 to 285. Several senior engineers in waste incineration technology development and project management joined the Company to improve its capability in research & development and project construction.

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Share Performance

for the period from 6 July, 2007 to 30 June, 2008



During Q2 2008, there was continued volatility in global stock markets. The ZhongDe share price performed in line with the general capital market in Germany. Shares peaked in June following the release of the strong Q1 results, after which the ZhongDe share price outperformed its peer group in the small cap segment. The share price performance remains relatively strong considering it is a newly listed company. Furthermore, the share price reacted favourably in the first half year of 2008 to increased share transactions, primarily due to the Company's higher profile and greater industry coverage.

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Political Environment and Impact on Business Development

Political Environment

At the beginning of 2008, the Chinese Ministry of Environmental Protection (formerly SEPA) introduced a series of environmental protection policies. These range from:

- »Green Credit« guidelines on investing in ecologically sound activities and cutting lending to less environmentally-friendly projects. These are regulated by an »environmental threshold" in financial sectors.
- measures to ensure funds raised from the capital market are used, as intended, for »green development«
- instruments to raise environmental awareness in industry and foster corporate responsibility.

Vice-Premier Li Keqiang, who is also a member of The Politburo Standing Committee of the CPC Central Committee, made an important public statement on 16 June 2008 that promises to have a strong bearing on the development of environmental protection in China. As part of the high-profile »energy saving week«, Vice-Premier Li stressed that, given the increasing squeeze on resources, it will be increasingly important for China to save energy, reduce emissions, accelerate investment in the construction of efficient technologies and become more environmentally aware as a society.

Impact on Business Development

The Company is receiving an increasing number of project enquiries, fuelled by the Chinese government's promotion of incineration plants. In combination with the push to adhere to international environmental guidelines, this is leading to a growing number of Chinese cities and municipalities requesting government approval of infrastructures that facilitate solid waste incineration with power generation. ZhongDe Group is poised to acquire even more large-scale incineration projects in the medium and long term. The Datong project, the first of its kind in which the Company will install complete sets of incineration plants with electricity generation on a larger scale, is already well underway.

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Management Report

Results of Operations

Amounts in k€	Q2 2008	Q2 2007	Change %	H1 2008	H1 2007	Change %
Sales	8,881	7,658	+16	20,092	15,017	+34
Costs of goods sold	2,772	2,397	+16	6,239	4,960	+26
Gross profit	6,109	5,261	+16	13,853	10,057	+38
Other operating income	25	2	+1,150	29	3	+867
Selling and distribution expenses	(478)	(284)	+68	(955)	(526)	+82
Administrative expenses	(490)	(272)	+80	(955)	(561)	+70
Research and development expenses	(86)	(52)	+65	(169)	(100)	+69
Other operating expenses	(644)	(24)	+2,583	(941)	(109)	+763
Profit from operations	4,436	4,631	-4	10,862	8,764	+24
Finance income	829	13	+6,277	1,341	67	+1,901
Finance costs	(42)	(14)	+200	(42)	(28)	+50
Profit before income tax	5,223	4,630	+13	12,161	8,803	+38
Income tax	(28)	67	-142	61	6	+917
Net profit for the period	5,195	4,697	+11	12,222	8,809	+39

Sales rose by 16% to € 8.9 million in Q2 2008. This increase was mainly due to the larger average order size. During the period under review, three municipal waste incinerators were sold. Although this matches the total number of units sold in the same period last year, during Q2 2008 the Company did not sell any medical waste incinerators, a product sector expected to experience weak long-term growth. This compares to Q2 2007 when the Company sold one medical waste incinerator. The company continues to focus on larger individual orders with only selective promotion of medical waste incinerators. This shift is in line with the Company's long term strategy.

The gross profit margin remained stable at 69%, outperforming expectations as the Company previously anticipated slight margin convergence due to the strategic focus on larger incinerators. Gross profits increased by 16% to € 6.1 million in Q2 2008. The overall half year gross profit rose satisfactorily by 38% versus the first half of 2007.

Selling and distribution expenses increased to k€ 478 in Q2 2008 compared to k€ 284 during the same period in the previous year. This reflects the growth in commission on sales revenues, higher salary costs associated with the recruitment drive in international sales and marketing, and the expected rise in travel and entertainment expenses associated with the increased level of activity.

The increase in other operating expenses from k€ 24 in Q2 2007 to k€ 644 in Q2 2008 was mainly the result of recurring listing expenses incurred by the German head office.

Compared to Q2 2007, administrative expenses rose by 80% from k€ 272 to k€ 490 in Q2 2008. This increase was mainly due to the additional costs associated with ZhongDe Group's status as a listed company. Further, the company has recruited more administrative staff to support the expansion of the Beijing plant and prepare BOT projects.

The Company's net cash position as at 30 June 2008 was € 94.7 million compared to € 83.8 million on 31 December 2007. The Company retained most of the funding from IPO proceeds and is planning to use these funds to establish the Beijing plant and support various BOT projects scheduled to start in the second half of 2008.

In Q2 2008 the net profit increased from € 4.7 million in Q2 2007 to € 5.2 million in Q2 2008, an increase of 11%.

The number of employees increased from 273 in Q1 2008 to 285 in Q2 2008. This reflects the recruitment of several senior engineers in waste incineration technology development as well as project management experts to improve the Company's capability in research & development and project construction. The move also equips the ZhongDe Group to meet growing demand in the municipal waste sector.

Order development

During the period under review, the order intake amounted to € 6.5 million, in Q2 2008 compared to € 10.8 million in the same period last year. The significantly lower order intake is due to the phasing of the order backlog which stands at € 39.5 million at the end of the quarter, compared to € 8.4 million in 2007 for the same period. The Company will focus on current orders and ensuring delivery as agreed within individual contracts. ZhongDe Group's strategy is to continue to negotiate larger orders, improving contributions to fixed costs and facilitating more centralised order management. Furthermore, order intake was affected by delays of government involvement in the negotiating process of new orders in the run up to the Olympic Games. The negotiation process of these projects is expected to resume rapidly following the end of the Olympic Games.

Business Segments Overview

Amounts in k€	Q2 2008	Q2 2007	Change %	H1 2008	H1 2007	Change %
Medical Waste Incinerators						
Units sold	0	5	-100	1	13	-92
Revenues	(3)	1,847	-100	459	5,711	-92
Gross Profit	(2)	1,422	-100	360	4,391	-92
Municipal Solid Waste Incinerators						
Units sold	3	3	0	7	5	+40
Revenues	8,884	5,811	+53	19,633	9,306	+111
Gross Profit	6,111	3,839	+59	13,493	5,667	+138

Medical Waste Incinerators

No medical waste incinerators were sold in Q2 2008. The Company continues to anticipate lower demand for medical waste incinerators, starting in 2008. The focus will remain on generating municipal waste incinerator orders and shifting production to this more promising sector. The unit selling price of medical waste incinerators is low compared to municipal waste incinerators. As a result, the Company will aim to focus exclusively on high margin specialised medical waste incinerators or high margin small incinerators for export.

Municipal Solid Waste Incinerators

In Q2 2008, the Company sold three municipal waste incinerators with a total daily capacity of 550 tons. Revenue in municipal waste incinerator sales increased from € 5.8 million in Q2 2007 to € 8.9 million in Q2 2008. This constitutes a rise of 53%, despite selling the same number of units. Corresponding gross profits rose from € 3.8 million in Q2 2007 to € 6.1 million in Q2 2008, or 59%. Favourable municipal waste incineration policies introduced by the Chinese government have led to more potential orders for the Company to pursue in this sector. ZhongDe Group is proactively targeting its sales and production resources on larger individual orders as a means to fuel long-term profitable growth.

Net Worth

Amounts in k€	30 June 2008	31 December 2007
Non-current assets	5,497	3,446
Current assets	119,005	101,090
Equity	110,454	98,628
Liabilities	14,048	5,908
Balance sheet total	124,502	104,536

The balance sheet total on 30 June 2008 amounted to € 124.5 million. The increase in non-current assets is primarily due to an increase in fixed assets as construction in progress rose by nearly € 1.8 million being mainly attributable to the construction of Beijing plant. Current assets rose by € 18.0 million to € 119.0 million mainly due to an increase in trade and other receivables as well as an increase of nearly € 10.9 million in cash and cash equivalents. The latter amounts to € 94.7 million representing approx. 80% of the current assets. Equity increased by € 11.8 million to € 110.5 million. Thus, the Company has a very strong equity ratio of approx. 89%.

The decrease in working capital of 9.6% mainly results from an increase in other payables in conjunction with a large project. By 30 June 2008, the advances from customers exceed the prepayments and inventories of this project.

Financial Position

Amounts in k€	Q2 2008	Q2 2007	H1 2008	H1 2007
Cash flow				
from operating activities	8,753	2,726	13,436	3,691
from investment activities	3,166	(48)	(2,320)	(48)
from financing activities	(42)	(693)	(42)	(710)

As a result of investment activities and a shift in short term deposits, the second quarter of 2008 saw a positive free cash flow of € 11.9 million. The cash flow from operating activities amounted to € 8.8 million in the second quarter of 2008 (previous year: € 2.7 million). The Company remained strong in financial terms and without debt to the end of the period.

Investments

During the period under review, the only significant Company investments were equipment amounting to k€ 246 and the construction of the Beijing plant.

R&D

Based on a recommendation submitted by leading Chinese experts, the Chinese Ministry of Human Resources and Social Security carried out a detailed assessment of ZhongDe Group and has bestowed the Company the right to conduct postdoctoral research at Fujian Fengquan Environmental Protection Equipment Co. Ltd, the wholly owned subsidiary of ZhongDe Waste Technology AG in China. In recent years, government recognition has been central to the ZhongDe Group contribution to the waste management industry. Postdoctoral research will boost ZhongDe Group's ability to attract graduate expertise, solidifying partnerships with leading universities and research institutions and ultimately facilitating government funding.

The benefits of postdoctoral research to the Company are, in particular:

→ **An attractive employer of science graduates**

The prospect of conducting postdoctoral research at a company actively involved in market developments will attract top calibre graduates from China and other countries, fostering the Company's technical proficiency on a domestic and international level. Insights and innovative thinking provided by postdoctoral researchers will expand the technical foresight of ZhongDe Group, filtering down to development processes and production. The Company also anticipates important image gains in China which will enhance its social and industry standing as an innovator and long-term development pioneer.

→ **Closer cooperation with leading Chinese universities and research institutions**

Under Chinese law, companies are only permitted to conduct postdoctoral research when they can demonstrate actual partnerships with colleges and scientific research institutions with »satellite« postdoctoral centres. Companies conducting postdoctoral research can work closely with these colleges and institutions, helping to attract high calibre candidates to the company. Tapping into the resources offered by postdoctoral research, the ZhongDe Group will investigate how to integrate production, scientific learning and research. The Company will also join forces with renowned Chinese universities and research institutions to groom and retain high-quality talent.

→ **Secured government funding**

Every year, the Chinese government provides companies conducting postdoctoral research with various levels of funding. After founding its corporate postdoctoral research Chair, the ZhongDe Group will be able to apply for government funding.

Partnerships

The company has signed a cooperation agreement with Veolia Environmental Services China Limited. The agreement covers bidding, management and operation of waste incineration projects with electricity generation, with a focus on BOT.

Veolia Environnement is the world leader in environmental services with revenues of € 32.6 billion in 2007 and is ranked 185 out of the world's top 500 companies. This partnership represents a further milestone in the Company's endeavours to put its long term strategy into practice. The strategy involves extending the value chain to generate stable revenues and cash flows and expand the business model to the larger incinerator segment. The venture with Veolia will bolster Company marketing and enable the department to consolidate its international BOT management.

Human Resources

The Company is enjoying a higher profile in the industry and a stronger reputation as an employer of highly skilled workers. During Q2 2008, the number of employees increased from 273 to 285; several senior engineers in waste incineration technology development and project management joined the Company to improve its R&D and project construction capabilities.

Outlook

The Chinese government has been investing an increasing amount of time and money in supporting the environmental protection industry and renewable energy. This is reflected in ongoing policies to favour pollution reduction and enterprises involved in renewable and sustainable energy. As an environmentally friendly method of waste disposal, incineration is receiving a warmer welcome in China day by day. The market continues to be buoyant and the Company is successfully positioning itself as a major player in the Chinese waste incineration market.

During the period under review, as well as successfully consolidating its strong performance in the small and midsize incinerator market, the Company made important progress in the market for large-scale incinerators with power generation. ZhongDe Group continues to consider its human resources strategy as a pivotal factor in expanding business in this huge market.

The establishment of a postdoctoral research Chair within the Company in cooperation with a leading body in environmental protection will serve as an important stepping stone for the road ahead, especially in technology research and development. The Company anticipates a variety of scientific breakthroughs in R&D, which will strengthen its technological advantage.

Growth in the period under review was marginally lower than in previous quarters and the Company is aware that this temporary development reflects the shift in management resources to gain larger individual contracts. It also highlights the Company's push to focus more strongly on larger municipal incinerators and gain economies of scale through centralised order processing. The Company continues to adhere to its initial forecast that revenues for the full financial year 2008 will amount to € 50 million with a net profit margin above 45%.

ZhongDe Group's drive to strengthen its sales and marketing resources in combination with the huge potential offered by the Chinese waste incineration market gives the Company every confidence that shareholders will enjoy pleasing results by the end of 2008. It is the Company's aim to continue the success and growth of ZhongDe Group and reward shareholders through a reasonable and appealing dividend policy. Managers at all levels of the company continue to endeavour to realise this aim with promising returns in the years to come.

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Financial Statements – ZhongDe Waste Technology AG

06.1 Interim consolidated balance sheet

for the period ending 30 June 2008

Amounts in k€	30 June 2008	31 December 2007
ASSETS		
Non-current assets		
Equipment	1,133	887
Construction in progress	1,909	149
Intangible assets	2,035	2,050
Deferred tax assets	420	360
	5,497	3,446
Current assets		
Inventories	2,786	2,613
Trade receivables	17,177	14,160
Other receivables and prepayments	4,308	482
Amounts due from related parties	13	8
Cash and cash equivalents	94,721	83,827
	119,005	101,090
Total assets	124,502	104,536
LIABILITIES AND EQUITY		
Capital and reserves		
Share capital	13,000	13,000
Capital reserves	69,422	69,422
Statutory reserves	3,657	3,657
Retained earnings	26,435	14,213
Foreign exchange difference	(2,060)	(1,664)
	110,454	98,628
Liabilities		
Trade payables	1,269	1,235
Other payables and accruals	12,005	3,903
Provisions	632	655
Amounts due to related parties	102	75
Income tax payable	40	40
	14,048	5,908
Total liabilities and equity	124,502	104,536

06.2

Interim consolidated statement of income and expenses

for the period from 1 January to 30 June 2008

Amounts in k€	Q2 2008	Q2 2007	H1 2008	H1 2007
Sales	8,881	7,658	20,092	15,017
Cost of sales	2,772	2,397	6,239	4,960
Gross profit	6,109	5,261	13,853	10,057
Other operating income	25	2	29	3
Selling and distribution expenses	(478)	(284)	(955)	(526)
Administrative expenses	(490)	(272)	(955)	(561)
Research and development expenses	(86)	(52)	(169)	(100)
Other operating expenses	(644)	(24)	(941)	(109)
Profit from operations	4,436	4,631	10,862	8,764
Finance income	829	13	1,341	67
Finance costs	(42)	(14)	(42)	(28)
Profit before income tax	5,223	4,630	12,161	8,803
Income tax	(28)	67	61	6
Profit for the period	5,195	4,697	12,222	8,809
Earnings per share	0.40	0.36	0.94	0.68

06.3

Interim consolidated statement of changes in equity

for the period from 1 January to 30 June 2008

Amounts in k€	Share capital AG	Capital reserves/ other reserves	Retained earnings	Foreign exchange differences	Total equity
Balance as at 1 January 2008	13,000	73,079	14,213	(1,664)	98,628
Net profit for the period	–	–	12,222	–	12,222
Foreign exchange differences	–	–	–	(396)	(396)
Balance as at 30 June 2008	13,000	73,079	26,435	(2,060)	110,454

06.4 Interim consolidated statement of cash flow

for the period from 1 January to 30 June 2008

Amounts in k€	H1 2008	H1 2007
Profit before income tax	12,161	8,803
Adjustments for:		
Amortization of intangible assets	21	0
Allowance for doubtful trade debts	74	307
Provision for warranty and welfare fund	64	152
Depreciation of property, plant and equipment	92	24
Gains/losses PPE	1	0
Interest income	(1,341)	(67)
Interest expense	42	28
Operating cash flows before working capital changes	11,114	9,247
Working capital changes		
(Increase)/decrease in:		
Inventories	(173)	(699)
Trade receivables	(3,091)	(6,955)
Other receivables and prepayments	(3,826)	(5,772)
Amounts due from related parties	(6)	1,180
Trade payables	35	531
Other payables, provisions and accruals	8,014	6,629
Amounts due to related parties	28	231
Cash generated from/(used in) operations	12,095	4,392
Interest received	1,342	67
Income tax paid	0	(768)
Net cash generated from operating activities	13,436	3,691
Cash flow from investing activities		
Payments relating to the short-term financial management of cash investments	(5,200)	0
Receipts in connection with the short-term financial management of cash investments	5,000	0
Purchase property, plant, equipment, intangible assets, land use rights	(2,120)	(48)
Cash flow used in investing activities	(2,320)	(48)
Cash flow from financing activities		
Short-term bank loans	0	(682)
Interest paid	(42)	(28)
Cash flow from financing activities	(42)	(710)
Net increase in cash and cash equivalents	11,074	2,933
Cash at beginning of year	78,827	9,198
Foreign exchange differences	(380)	(479)
Cash at end of period	89,521	11,652

06.5 Selected notes to the interim consolidated financial statements

for the period ending 30 June 2008

General

The 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., Hong Kong. Fujian FengQuan Environmental Protection Equipment Ltd., Fuzhou, incorporated three subsidiaries to settle three BOT projects. These subsidiaries were consolidated for the first time, which does not have any effect on the interim consolidated financial statements.

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«; German Commercial Law Code (HGB). The interim consolidated financial statements comply with all IFRSs 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 judgements 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 can 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 2007. For further details reference is made to these consolidated financial statements.
(available on the Company's website: www.zhongdetech.com)

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

The interim consolidated financial statements are prepared in euros.

Segment analysis and information

→ A. Business segments

The Group's operating businesses are organised into two business segments: municipal waste incinerators and medical waste incinerators.

→ 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 of 2008:

Amounts in k€	H1 2008
Sales to external customers	
Incinerator special for disposal of medical waste	459
Incinerator special for disposal of urban household waste	19,633
	20,092
Results	
Incinerator special for disposal of medical waste	360
Incinerator special for disposal of urban household waste	13,493
Unallocated income/expenses	(1,692)
Profit from operations before tax	12,161
Income tax	61
Profit for the period	12,222

Functional and Presentation Currency

Amounts in k€	30 June 2008	30 June 2007
Exchange rate RMB/€ at the end of the period	10.8051	10.2816
Average exchange rate RMB/€ for the first quarter	10.8012	10.2589

The functional currency of the Company is RMB.

Income tax

The consolidated financial statements reflect only minor income taxes due to the status of the main operating company (Fujian FengQuan Environmental Protection Equipment Co., Ltd) as a »Foreign owned entity« company. Because of its tax status FengQuan is exempt from income taxes for 2007 and 2008.

Cash fund

Amounts in k€	H1 2008	H1 2007
Cash at end of period	89,521	11,652
Short-term financial management of cash investments	5,200	0
Cash and cash equivalents (balance sheet)	94,721	11,652

Events after Balance Sheet Date

There have been no events since 30 June 2008 that would require an adjustment to the carrying amount of the assets and liabilities, or that would need to be disclosed under this heading.

Hamburg, 29 August 2008
ZhongDe Waste Technology AG

On behalf of the management



Zefeng Chen
Chairman of the
Management Board (CEO)



Na Lin
Member of the
Management Board (CFO)

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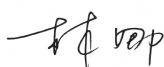
Responsibility Statement by management

»To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the shortened 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 shortened 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, 29 August 2008
On behalf of the management



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Cautionary Note Regarding Forward-Looking Statements

This interim report contains certain forward-looking statements. These statements may be identified by words 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 ZhongDe Group. These assumptions, expectations, and forecasts are no guarantee for future performance and are subject to change at any time, and are therefore 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 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. Should one or more of these risks or uncertainties materialise, 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 as not otherwise provided 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 January 1, 2005, the Company is obliged to prepare its consolidated interim reports in conformity with international accounting standards, as provided by the EU »Regulation adopting certain international accounting standards,« adopted in accordance with the procedure set forth under Article 6 (2) of the aforementioned regulation. This interim report was prepared and published pursuant to IAS34 of the International Financial Reporting Standards (IFRS). The interim report's scope of consolidation comprises three fully consolidated affiliates.

ZhongDe Group designs, manufactures and installs pyrolytic, grate and rotary kiln waste incinerators for the disposal of solid medical, municipal and industrial (including hazardous) waste. Since 1996, ZhongDe Group has installed approximately 180 waste incinerators in about 13 provinces, and more than 120 waste incinerators in the last three financial years alone. Its waste incinerators are principally constructed for operators of medical disposal centres in the hospital and healthcare industry, as well as for small and mid-sized Chinese cities in developed areas of the People's Republic of China. ZhongDe Group is one of the leading suppliers of small and mid-sized solid waste incinerators in China, supplying state-of-the-art products.

Financial Calendar

Date*	Event
10-12 November 2008	German Equity Forum of Deutsche Börse, Frankfurt/Main
28 November 2008	Interim report on the third quarter 2008

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



Contact

This interim report, recent reports, and additional information are available on the internet at:
www.zhongdotech.com and www.zhongdotech.de

ZhongDe Waste Technology AG

Cornelia Dieker
Administration Manager
Stadthausbrücke 1-3
20355 Hamburg
Tel. +49 40 37644 745
Fax +49 40 37644 500
Email: cornelia.dieker@zhongdotech.de

ZhongDe Waste Technology AG

George Lee
Head of IR
Suite 607, Ocean Centre,
No. 5, Canton Road, T.S.T.,
Hong Kong
Tel. +852 2111 5222
Fax +852 2947 7590
Email: george.lee@zhongdotech.de

Citigate Dewe Rogerson (Investor Relations Consultant)

Gabriela Sexton
Goethestrasse 26-28
60313 Frankfurt am Main
Tel. +49 69 90 500 140
Fax +49 69 90 500 102
Email: gabriela.sexton@citigatedr.de