
Clean

Technology for the Future



Interim Report

First Quarter 2011

ZhongDe Waste Technology AG

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Key Figures

Operational data

Amounts in k€	Q1 2011	Q1 2010	Change %
Order intake ¹⁾	0	0	0.0
Order backlog ²⁾	149,779	157,764	-5.1
Revenues	2,418	3,714	-34.9
Gross profit	545	494	10.3
Gross profit margin	23%	13%	73.4
Cost of sales	(1,873)	(3,220)	41.8
EBITDA	(1,393)	(1,569)	11.2
EBITDA margin	-58%	-42%	-37.2
EBIT	(1,523)	(1,662)	8.4
EBIT margin	-63%	-45%	-40.0
Net profit	(1,420)	(2,020)	29.7
Net profit margin	-59%	-54%	-8.8
Earnings per share (in €)	(0.11) ³⁾	-0.16 ⁴⁾	29.8

¹⁾ Based on average exchange rate of the period

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

³⁾ Calculated on the basis of 12,635,525 shares

⁴⁾ Calculated on the basis of 12,690,467 shares

Financial Position

Amounts in k€	Q1 2011	Q1 2010	Change %
Cash flow from operating activities	(6,038)	(5,722)	-5.5
Cash flow from investing activities	(6)	2,961	< -100.0
Free cash flow before financing	(6,044)	(2,761)	< -100.0

Balance sheet data

Amounts in k€	31 March 2011	31 December 2010	Change %
Total assets	156,649	168,572	-7.1
Tangible and intangible fixed assets	40,304	40,958	-1.6
Net working capital	97,965	107,400	-8.8
Cash and cash equivalents	94,630	106,476	-11.1
Long-term liabilities	11,555	12,750	-9.4
Shareholders equity	126,714	135,608	-6.6
Headcount	384	405	-5.2

Highlights of the First Quarter 2011

-> Revenues

In the first quarter of 2011, revenues fell from € 3.7 million to € 2.4 million, representing a decrease of 35% versus the same period in 2010. The revenues were generated in the EPC and BOT segments. The main reason is the delay of the construction progress of current large-scale energy-from-waste projects due to the delay of local government approvals. In addition, the interruption of the construction of large-scale projects in Northern China during extremely cold weather conditions in the first quarter of 2011 are seasonal reasons for the decrease.

-> Operating results

The gross profit remained the same at € 0.5 million while revenues decreased. The gross profit margin increased 73.4% respectively 10 basis points from 13% to 22% compared to the first quarter of 2010.

Although selling and distribution expenses increased from € 0.2 million to € 0.6 million and administrative expenses increased from € 0.5 million to € 1.1 million, these increases were offset by the € 1.0 million reduction of the other operating expenses. As the result, the earnings before interest and tax (EBIT) increased by 8.4% from -1.7 million to -1.5 million.

The net profit increased 29.7% from € -2.0 million to € -1.4 million, which was mainly due to the reduction of expenses and income tax.

The Earnings per share increased by 30% from € -0.16 to € -0.11, because of the net profit increase and the buyback of own shares by ZhongDe.

-> Order intake and order backlog

There was no order intake in Q1 2011. However, we are negotiating three large-scale projects that have already entered the approval stage at ZhongDe. ZhongDe will announce these new order intakes by press release when the new contracts are finally signed in the coming quarters.

Order backlog slightly decreased by 5.1% to € 149.8 million year-on-year because of foreign exchange differences and a higher percentage of construction of BOT and EPC projects was completed according to the PoC (Percentage-of-Completion) method.

Feicheng BOO Project

The project is currently at the stage of trial operation and has successfully passed its emission tests. The tests had been carried out during the trial operating period, which had started at the end of 2010. A subsidiary of ZhongDe Group, the Feicheng Fengquan Waste Disposal Co., Ltd, had entrusted United Testing Services (Jiangsu) Co., Ltd to carry out the environmental test on the incineration emissions of the Feicheng project. The test included the determination of dioxin, smoke, hydrogen chloride, sulfur dioxide, carbon monoxide and other chemical compounds within the emitted off-gas of the plant. The dioxin test had been executed by a cooperation partner of United Testing Services, the Eurofins GfA GmbH. The test report shows that all emission indexes are far below the Chinese national standards. The dioxin index even falls significantly short of the European Standard for Pollution Control for waste incineration. The Feicheng plant operates with a maximum disposal capacity of 200 tons of solid municipal and industrial waste per day.

Zhoukou BOT Project

The major structure and masonry construction of the buildings have been completed, as is the underground pipeline. The water pressure test and the installation of the stream turbine and controlling system equipment have also been completed. As of 31 March of 2011, 60% of the project construction has been completed.

Kunming BOT Project

The construction of the major structure of the main plant has been completed, as well as the stream turbine room structure and the foundation beam casting of the stream turbine. The construction of the major structure of the waste pool and the installation of the boiler steel structure has also been completed. As of 31 March of 2011, 18% of the project construction has been completed.

Xianning BOT Project

The construction of the major structure of the main plant has been completed. As of 31 March of 2011, 13% of the project construction has been completed.

Dingzhou EPC Project

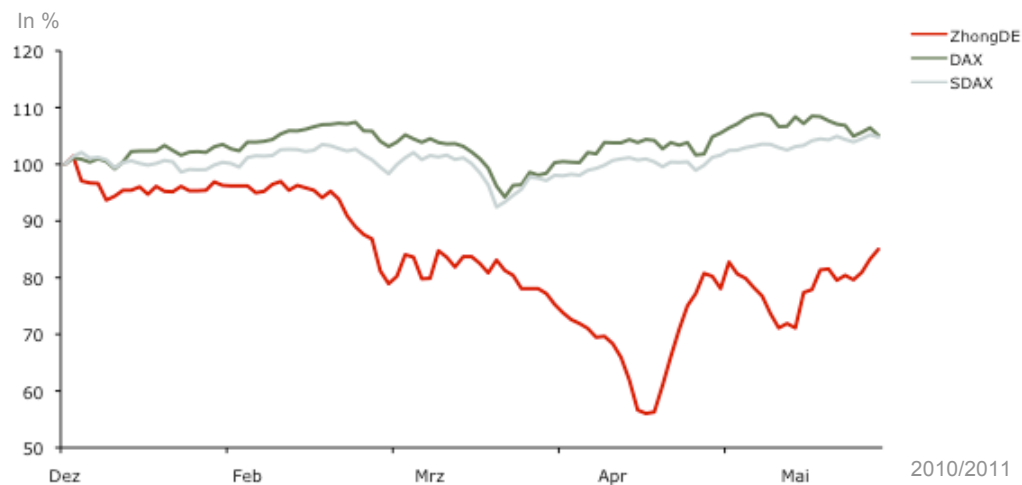
Foundation constructions of the main plant, stream turbine and other buildings have been completed. The main equipment are in the process of manufacturing. As of 31 March of 2011, 12% of the project construction has been completed.

Zhucheng EPC Project

The structure construction of the stream turbine room and main plants has been completed. The construction of the major structure of the waste pool has been completed. The installation of 1# and 2# boiler body has been completed. As of 31 March 2011, 34% of the project construction has been completed.

03

Share Performance



The recent recovery of the international stock markets continued into the first quarter of 2011. While overall expectations regarding the economic situation remained positive, political unrest in Africa and the earthquake in Japan on 11 March 2011 gave rise to a great deal of unease in the capital markets. The earthquake in Japan caused the share price to drop sharply, but this temporary decline was reversed by the end of the first quarter.

The DAX increased only slightly in the reporting period, by 0.7%, to stand at 7,041.31 on 31 March 2011. The SDAX development was virtually identical, and the index stood at 2,930.51 at the end of the quarter (-2.1%). The positive trend continued beyond the end of the quarter. As of 20 May 2011, the DAX stood at 7,266.82 and the SDAX at 3,093.19.

Unfortunately, the ZhongDe share failed to follow the positive trend of the overall market and ran counter to both the DAX and SDAX indices in the first quarter. The share price fell by 31.5% in the first quarter to close at € 8.01 on 31 March 2011. The share price recorded a low of € 6.46 on 8 April 2011. From that point onwards, the downward trend was halted and ZhongDe shares quickly recovered, closing at € 9.80 on 20 May 2011.

Economic and Political Environment

Macroeconomic Environment

In the first quarter of 2011, faced with the complicated and volatile international environment and the new emerging challenges in domestic economic development, the Central Party Committee and the State Council firmly carried out the pro-active fiscal policy and prudent monetary policy, which strengthened and improved macro-economic control. As a result, the national economy remained steady and showed fast growth, and had a very good beginning.

According to the preliminary estimation of the National Bureau of Statistics of China, the gross domestic product (GDP) of China in the first quarter of this year was RMB 9,631.1 billion, a year-on-year increase of 9.7%. The value added by the primary industry was RMB 598.0 billion, up by 3.5%; that of the secondary industry was RMB 4,678.8 billion, up by 11.1%; and that of the tertiary industry was RMB 4,354.3 billion, up by 9.1%.

In the first quarter of this year, the investment in fixed assets (excluding rural households) was RMB 3,946.5 billion, a year-on-year growth of 25.0%. The consumer prices went up by 5.0% year-on-year. The per capita disposable income of urban population was 5,963 RMB, a year-on-year growth of 12.3%.

The total value of imports and exports of the first quarter was US\$ 800.3 billion, up by 29.5% year-on-year. The value of exports was US\$ 399.6 billion, up by 26.5%, and the value of imports was US\$ 400.7 billion, up by 32.6%. The trade deficit was US\$ 1 billion.

Business Trend

On 23 March, 2011, Premier Wen Jiabao presided over the State Council routine conference. The conference decided to further enhance the work for municipal waste treatment and placed municipal waste treatment as the priority for city management and environmental protection. It is estimated that in 2015 municipal waste harmless treatment rate in China will reach more than 80%, and sorting, collection and transportation of the kitchen waste should be realized in 50% of the urban communities. The conference identified the following policies and measures:¹

1. Practically control the generation of municipal waste. ZhongDe should actively promote the development of clean energy to realize the waste reduction from the resources; gradually promote the waste classification and resource-oriented utilization way for household waste, such as waste recycling, waste-to-energy, biomass treatment, etc.

¹ Source: Circular of the State Council on the Approval and Transmission on the Opinions to Further Strengthen Municipal Waste Treatment – GuoFa No. 9 2011

2. Increase the capacity for municipal waste treatment. The Company should improve the waste collection network and promote the integrated construction and network development of waste treatment facilities.
3. Enhance supervision and administration. ZhongDe should improve and perfect the monitoring system of waste treatment facilities construction and operation, as well as regularly carry out the monitoring work for emissions.
4. Strengthen the policy support and promote the charge system for waste treatment. Waste treatment facilities should be installed for both newly developed area construction and downtown renovation. Furthermore, we should intensify the support for scientific research and development of waste treatment technology and facilities.

Strengthening policy support

- Broaden the investment channel. Municipal waste treatment is mainly invested by the local government and supported in the proper way by the central government
- Establish incentive system. Strictly implement and continuously perfect tax preferential policy for municipal waste treatment
- Establish charge system. Promote the charge system for municipal waste treatment
- Ensure the facility construction. Priority construction of municipal waste treatment facility in the new city construction and old city reconstruction. Guarantee the land supply for construction
- Improve the innovation ability. Strengthen the support for technology research of municipal waste treatment, focusing on the breakthrough of key techniques, such as clean incineration, dioxin control, flying ash harmless treatment, landfill gas collection and utilization, leakage treatment, toxic emission control, informal municipal waste stacking place treatment, etc.
- Implement talents plan. Set up related municipal waste treatment majors in colleges and universities. Vigorously develop vocational education

Impact on Business Development

The national economy remained steady and showed fast growth, with the GDP hitting RMB 9,631.1 billion in the first quarter of 2011. The company expects to benefit further from the favorable economic environment for the waste-to-energy industry.

The State Council routine conference decided to further enhance the work for municipal waste treatment. The opinions approved by the State Council placed special emphasis on the comprehensive promotion of waste-to-energy. These do not only reflect the government's firm decision to support a recycling and green economy, but also represent its commitment to further develop environmental production undertakings. ZhongDe, focusing on large energy-from-waste plants, will benefit from the potential growth and will continue to drive the business forward.

Management Report

Results of Operations

Amounts in k€	Q1 2011	Q1 2010	Change %
Sales	2,418	3,714	-34.9
Cost of sales	(1,873)	(3,220)	41.8
Gross profit	545	494	10.3
Other operating income	77	25	> 100.0
Selling and distribution expenses	(596)	(241)	< -100.0
Administrative expenses	(1,136)	(457)	< -100.0
Research and development expenses	(37)	(53)	30.2
Other operating expenses	(376)	(1,430)	73.7
Profit from operations	(1,523)	(1,662)	8.4
Finance income	486	480	1.3
Finance costs	(277)	(312)	11.2
Profit before income tax	(1,314)	(1,494)	12.0
Income tax	(106)	(526)	79.8
Net profit for the period	(1,420)	(2,020)	29.7

In the first quarter of 2011, revenues fell from € 3.7 million to € 2.4 million, representing a decrease of 35% compared to the same period in 2010. The revenues were generated in the EPC and BOT segments. The main reason is the delay of the construction progress of current large-scale energy-from-waste projects which is due to the delay of local government approvals. In addition, the construction of large-scale projects in Northern China was delayed due to extremely cold weather conditions in the first quarter of 2011.

The gross profit remained the same at € 0.5 million while revenues decreased. The gross profit margin increased 73.4% respectively 10 basis points from 13% to 22% compared to the first quarter of 2010.

Although selling and distribution expenses increased from € 0.2 million to € 0.6 million and administrative expenses increased from € 0.5 million to € 1.1 million, these increases were offset by the € 1.0 million reduction of the other operating expenses. As the result, the earnings before interest and tax (EBIT) increased by 8.4% from -1.7 million to -1.5 million.

The net profit increased 29.7% from € -2.0 million to € -1.4 million, which was mainly due to the reduction of expenses and income tax.

The Earnings per share increased by 30% from € -0.16 to € -0.11, because of the net profit increase and the buyback of own shares by ZhongDe.

The net cash position as at 31 March 2011 amounted to € 94.6 million compared to € 106.5 million on year end 2010. ZhongDe's strong cash position ensures the flexibility of ZhongDe in the fields of investment and finance.

Current status of BOT projects and EPC projects

EPC Project

Dingzhou EPC project

Foundation constructions of the main plant, stream turbine and other buildings have been completed. As of 31 March of 2011, almost 12% of the project construction has been completed.

Zhucheng EPC Project

The structure construction of the stream turbine room and main plants has been completed. The construction of the major structure of the waste pool has been completed. The installation of the 1# boiler has been completed, and the installation for the flue gas cleaning system has been completed by 50%. Furthermore, the installation of the 2# boiler has also been completed. As of 31 March of 2011, 34% of the project construction has been completed.

BOT Projects

Feicheng BOO Project

The project is currently at the stage of trial operation and has successfully passed its emission tests. The tests had been carried out by an authorized Chinese testing institution with a European partner during the trial operating period, which had started at the end of 2010. A subsidiary of ZhongDe Group, the Feicheng Fengquan Waste Disposal Co., Ltd, had entrusted United Testing Services (Jiangsu) Co., Ltd to carry out the environmental test on the incineration emissions of the Feicheng project. The test included the determination of dioxin, smoke, hydrogen chloride, sulfur dioxide, carbon monoxide and other chemical compounds within the emitted off-gas of the plant. The dioxin test had been executed by a cooperation partner of United Testing Services, the Eurofins GfA GmbH. The test report shows that all emission indexes are far below the Chinese national standards. The dioxin index even falls significantly short of the European Standard for Pollution Control for waste incineration. The Feicheng plant operates with a maximum disposal capacity of 200 tons of solid municipal and industrial waste per day.

Item	Unit	Numerical Value	Limits	Reference Standard
Dioxin	NgTEQ/m ³	0.0028	1.0	Standard for Pollution Control on the Municipal Solid Waste Incineration GB18485-2001
Smoke	mg/m ³	41.1	80	Standard for Pollution Control on the Municipal Solid Waste Incineration GB18485-2001
Hydrogen chloride	mg/m ³	67.5	75	Standard for Pollution Control on the Municipal Solid Waste Incineration GB18485-2001
Carbon monoxide	mg/m ³	88.8	150	Standard for Pollution Control on the Municipal Solid Waste Incineration GB18485-2001
Nitrogen Oxides	mg/m ³	17.3	400	Standard for Pollution Control on the Municipal Solid Waste Incineration GB18485-2001
Mercury	mg/m ³	0.002L	0.2	Standard for Pollution Control on the Municipal Solid Waste Incineration GB18485-2001
Cadmium	mg/m ³	0.0004	0.1	Standard for Pollution Control on the Municipal Solid Waste Incineration GB18485-2001
Lead	mg/m ³	0.022	1.6	Standard for Pollution Control on the Municipal Solid Waste Incineration GB18485-2001
Sulfur dioxide	mg/m ³	20.2	260	Standard for Pollution Control on the Municipal Solid Waste Incineration GB18485-2001

Zhoukou BOT Project

The major structure and masonry construction of the buildings have been completed, as is underground pipeline. The installation of 1# and 2# boiler has been completed, as well as the water pressure test, stream turbine installation and the electric installation and controlling system equipment installation. As of 31 March of 2011, 60% of the project construction has been completed.

Kunming BOT Project

The plastering work of the frame laying for the complex building has been completed. The construction of the major structure of the main plant has been completed, as well as the stream turbine room structure and foundation beam casting for stream turbine. The construction of the major structure of the waste pool and the installation of the boiler steel structure has also been completed. As of 31 March of 2011, 18% of the project construction has been completed.

Xianning BOT Project

The construction of the major structure of the chimney, the main plant and the complex building has been completed. As of 31 March of 2011, 13% of the project construction has been completed.

Order Development

There was no order intake in Q1 2011. However, we are negotiating three large-scale projects that have already entered the approval stage of ZhongDe. ZhongDe will announce these new order intakes by press release when the new contracts are finally signed in the coming quarters.

Order backlog slightly decreased by 5.1% to € 149.8 million year-on-year because of foreign exchange differences and a higher percentage of construction of BOT and EPC projects was completed according to the PoC (Percentage of Completion) method.

Business Segments Overview

Amounts in k€	Q1 2011	Q1 2010	Change in %
Waste incinerators			
Units sold	0	0	-
Revenues	0	0	-
Gross profit	0	0	-
EPC Projects			
Revenue (POC)	1,058	0	-
Gross profit	227	0	-
BOT Projects			
Revenue (POC)	1,360	3,714	-63.4
Gross profit	319	494	-35.5
Total Revenues	2,418	3,714	-34.9
Total Gross profit	545	494	10.4

Incinerators

Neither medical nor municipal solid waste incinerators were sold in the first quarter of 2011 because the small- to medium-sized incinerators market has not yet recovered in China.

EPC Projects

Zhucheng and Dingzhou contributed € 1.1 million to the consolidated group revenues.

BOT Projects

During this reporting period, the four BOT projects contributed € 1.3 million to the consolidated group revenues.

The Company anticipated that the demand for incinerators will be low in this year and the Management Board is striving to expand the Company's EPC and BOT market share in China and to explore the international energy-from-waste market.

Net Worth

Amounts in k€	31 March 2011	31 December 2010	Change %
Non current assets	40,304	40,958	-1.6
Current assets	116,345	127,614	-8.8
Equity	126,714	135,608	-6.6
Liabilities	29,935	32,964	-9.2
Balance sheet total	156,649	168,572	-7.1

The balance sheet total on 31 March 2011 amounted to € 156.7 million, representing a slight decrease of 7.1% compared to year end 2010. Current assets slightly decreased from € 127.6 million to € 116.3 million, mainly as a result of decreasing cash in the amount of € 11.8 million. Shareholders' equity decreased by € 8.9 million to € 126.7 million as mainly due to foreign exchange differences. The Company maintains a strong equity ratio of 80.9%.

Financial Position

Amounts in k€	Q1 2011	Q1 2010	Change %
Cash flow from operating activities	(6,038)	(5,722)	-5.5
Cash flow from investment activities	(6)	2,961	< -100.0
Cash flow from financing activities	(417)	(1,648)	74.7

Opportunities and Risks

For more information on opportunities and risks, please refer to our Risk Report in the Group Management Report as of December 31, 2010. There were no significant changes in opportunities and risks as of March 31, 2011.

Outlook

In the past few years, the volume of municipal waste has increased sharply due to the rapid development of urbanization in China. The inadequate waste treatment capacity has seriously impacted the urban environment. It is expected that by 2015 the municipal waste harmless treatment rate in China will reach more than 80%. The new stimulating policy of China clearly states to support the energy-from-waste industry in China by ensuring the land supply, accelerating the approval for the construction of energy-from-waste projects, welcoming the investment from private companies, preferential tax, and new waste charge system.

The above new stimulating policy will accelerate the approval of local governments for the current construction of EPC and BOT energy-from-waste projects of ZhongDe. Furthermore, the strong order backlog (€ 149.8 million) and cash position (€ 94.6 million) form the foundation of future revenue and profit growth for ZhongDe. Although we were unable to achieve our sales targets in Q1 2011, we still expect our sales and profits in 2011 and 2012 to be above figures of 2010.

Three new project contracts are currently under the approval procedure of ZhongDe. Each of the three projects has 1000 ton/day as minimum waste disposal capacity.

Mr. Zefeng Chen, the founder and CEO of ZhongDe, comments that "The energy-from-waste industry in China, in which ZhongDe has been engaged, will be expected to gain strong momentum due to this strong stimulating policy of the central government of China. Thanks to these measures, ZhongDe has confidence to complete two projects by the end of 2011 and three further projects in 2012.

Financial Statements – ZhongDe Waste Technology AG

06.1

Interim Consolidated Balance Sheet

as of 31 March 2011

Amounts in k€	31 March 2011	31 December 2010
Assets		
Non-current assets		
Intangible assets	7,783	7,774
Land	2,203	2,336
Property, plant and equipment	1,396	1,584
Construction in progress	6,240	6,577
Receivables from BOT projects	21,921	21,927
Deferred tax assets	761	760
	40,304	40,958
Current assets		
Inventories	1,552	1,442
Trade receivables	8,384	8,744
Other receivables and prepayments	11,743	10,933
Amounts due from related parties	36	19
Cash and cash equivalents	94,630	106,476
	116,345	127,614
Total assets	156,649	168,572
Liabilities and Equity		
Capital and reserves		
Share capital	13,000	13,000
Capital reserves	70,522	70,522
Statutory reserves	7,793	7,793
Own shares	(4,611)	(4,104)
Retained earnings	30,803	32,223
Foreign exchange difference	9,207	16,174
	126,714	135,608
Liabilities		
Long-term liabilities		
Long-term loan	9,297	10,524
Deferred tax liabilities	2,258	2,226
	11,555	12,750
Short-term liabilities		
Short-term loan	715	0
Trade payables	13,835	15,729
Other payables and accruals	2,785	3,385
Provisions	1,035	1,091
Amounts due to related parties	3	2
Income tax payable	7	7
	18,380	20,214
Total liabilities	29,935	32,964
Total liabilities and equity	156,649	168,572

06.2

Interim Consolidated Statement of Income and Expenses

for the period from 1 January to 31 March 2011

Amounts in k€	Q1 2011	Q1 2010
Revenues	2,418	3,714
Cost of sales	(1,873)	(3,220)
Gross profit	545	494
Other operating income	77	25
Selling and distribution expenses	(596)	(241)
Administrative expenses	(1,136)	(457)
Research and development expenses	(37)	(53)
Other operating expenses	(376)	(1,430)
Profit from operations	(1,523)	(1,662)
Finance income	486	480
Finance costs	(277)	(312)
Profit before income tax	(1,314)	(1,494)
Income tax	(106)	(526)
Profit for the period	(1,420)	(2,020)
<hr/>		
Earnings per share (diluted and undiluted) (in €)	(0.11)	(0.16)
Weighted average shares outstanding (diluted and undiluted)	12,635,525	12,690,467

06.3

Interim Statement of Comprehensive Income

for the period from 1 January to 31 March 2011

Amounts in k€	Q1 2011	Q1 2010
Profit for the period	(1,420)	(2,020)
Other comprehensive income		
Foreign exchange differences recognized directly in equity	-6,968	8,484
Total changes recognized directly in equity	-6,968	8,484
Total recognized income and expense	-8,388	6,464

06.4

Interim Consolidated Statement of Cash Flow

for the period from 1 January to 31 March 2011

Amounts in k€	Q1 2011	Q1 2010
Profit before income tax	(1,314)	(1,494)
Adjustments for:		
Amortization of intangible assets	6	5
Allowance for doubtful trade debts	61	(23)
Provision for warranty	0	(18)
Depreciation of property, plant and equipment and land	124	100
Gains/losses PPE	1	9
Finance income	(230)	(480)
Finance expense	278	312
Operating cash flows before working capital changes	(1,074)	(1,589)
Working capital changes:		
(Increase)/decrease in:		
Inventories	(110)	1,900
Trade receivables	299	551
Other receivables and prepayments	(810)	(712)
Amounts due from related parties	(16)	(1)
Receivables from BOT	(1,687)	(3,985)
Increase/(decrease) in:		
Trade payables	(1,893)	(1,057)
Other payables, provisions and accruals	(657)	(1,093)
Amounts due to related parties	1	27
Cash generated from/(used in) operations	(5,947)	(5,959)
Interest received/exchange gains	230	480
Interest paid/exchange losses	(245)	(312)
Income tax paid	(76)	69
Net cash generated from operating activities	(6,038)	(5,722)
Cash flow from investing activities		
Payments in connection with the short-term financial management of cash investments	0	0
Receipts in connection with the short-term financial management of cash investments	0	3,000
Purchase property, plant, equipment, intangible assets, land use rights	(6)	(39)
Cash flow used in investing activities	(6)	2,961
Cash flow from financing activities		
Dividends paid to shareholders	0	0
Cash repayments of Financial Assets (BOT-Projects)	89	0
Cash proceeds from long-term borrowings	0	0
Buy back of own shares	(506)	(1,648)
Cash flow from financing activities	(417)	(1,648)
Net increase in cash and cash equivalents	(6,461)	(4,409)
Cash at beginning of the year	83,805	88,563
Foreign exchange differences	(4,211)	5,784
Cash fund at end of period	73,133	89,938

06.5

Selected Notes to the Interim Consolidated Financial Statements

for the period ending 31 March 2011

Interim Consolidated Statement of Changes in Equity for the period from 1 January to 31 March 2011

Changes in equity (k€)	Numbers of shares out-standing	Share capital AG	Capital Reserves	Statutory Reserves	Own shares	Retained earnings	Foreign exchange differences	Total equity
Balance as at 1 January 2010	12,798,800	13,000	69,822	7,225	(2,408)	35,570	1,884	125,093
Total comprehensive income for this period	0	0	0	0	0	(2,020)	8,484	6,464
Buy back of own shares	(142,600)	0	0	0	(1,648)	0	0	(1,648)
Balance as at 31 March 2010	12,656,200	13,000	69,822	7,225	(4,056)	33,550	10,368	129,909
Balance as at 1 January 2011	12,652,440	13,000	70,522	7,794	(4,104)	32,222	16,174	135,608
Total comprehensive income for this period	0	0	0	0	0	(1,420)	(6,968)	(8,388)
Buy back of own shares	(52,440)	0	0	0	(506)	0	0	(506)
Balance as at 31 March 2011	12,600,000	13,000	70,522	7,794	(4,610)	30,802	9,206	126,714

General

The interim consolidated financial statements for the period 1 January to 31 March comprise all subsidiaries of ZhongDe Waste Technology AG. These subsidiaries are located in the People's Republic of China (PRC) except for the interim holding company Chung Hua Environmental Protection Assets (Holdings) Group Ltd., 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 regulations 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 2010. For further details please refer to the consolidated financial statements available on the Company's website: www.zhongde-ag.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 accurately 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.

According to IFRIC 12 – Service Concession Arrangements, revenue relating to construction services under a service concession arrangement (BOT) is recognized based on the percentage of completion of the work. The revenue relating to operation services is recognized in accordance with IAS 18.

Segment Analysis and Information

-> A. Business Segments

The Group's operating businesses are organized into three business segments: Sale of incinerators which includes municipal waste incinerators and medical waste incinerators, construction contract business (EPC), and BOT/BOOT projects (Build-Operate-Transfer/ Build-Operate-Own-Transfer).

-> B. Geographical Business

The Group's contract partners and customer are all based in the PRC and all of its services to date have been provided in the PRC. In addition, all identifiable assets of the Group are principally located in the PRC. Accordingly, no geographical segment analysis is presented.

-> C. Allocation Basis

Revenue and cost of sales are directly attributable to the segments. Not directly attributable expenses and income are reported separately as unallocated income and expense.

All inter-segment sales take place on arm's length basis and are eliminated on consolidation.

The following table presents revenue and results information regarding the Group's business segments for the first three months of 2011:

	Incinerators		EPC		BOT		Total reportable segments		Unallocated		Consolidation		Group	
	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1
in k€	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenues	0	0	1,058	0	1,360	3,714	2,418	3,714	0	0	0	0	2,418	3,714
Inter-company revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total revenue for reportable segments	0	0	1,058	0	1,360	3,714	2,418	3,714	0	0	0	0	2,418	3,714
Total gross profit from reportable segments	0	0	227	0	319	494	545	494	0	0	0	0	545	494
Order intake	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Order Back-log	1,521	3,116	85,645	73,223	62,612	81,426	149,779	157,764	0	0	0	0	149,779	157,764

Amount in k€	Q1 2011	Q1 2010
Total profit or loss for reportable segments	545	494
Consolidation	0	0
Total profit or loss for the Group	545	494
Unallocated Income and Expenses of the Group	(2,068)	(2,156)
EBIT	(1,523)	(1,662)
Finance income	486	480
Finance expense	277	312
Profit before tax	(1,314)	(1,494)
Income tax	106	526
Profit (+)/Loss (-) for the year	(1,420)	(2,020)

Functional and Presentation Currency

	31 March 2011	31 March 2010
Exchange rate RMB/€ at the end of the period	9.3036	9.2006
Average exchange rate RMB/€ for Q1	9.0028	9.4507

	31 March 2011	31 March 2010
Exchange rate RMB/€ at the end of the period	11,0559	10.4653
Average exchange rate RMB/€ for Q1	10.6535	10.7467

The functional currency of all consolidated companies within the consolidated financial statements is RMB.

Income Tax

The income taxes shown in the interim consolidated financial statements include mainly income taxes of Fujian FengQuan Environmental Protection Holding Ltd and all subsidiaries which are located in the People's Republic of China (PRC). Due to the tax status of Fujian FengQuan as a foreign owned entity, the tax rate for 2009, 2010 and 2011 amounts to half of the normal tax rate of 25%. The Group tax rate may differ from the applicable local Chinese income tax rate majorly due to the different treatment of exchange gains and exchange losses for consolidated financial statements and tax purposes.

Cash Fund

Amounts in k€	Q1 2011	Q1 2010
Cash at end of period	73,133	89,938
Short-term financial management of cash investments	21,497	21,738
Cash and cash equivalents (balance sheet)	94,630	111,676

Hamburg, 31 May 2011

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, 31 May 2011
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. 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.

The 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 waste-to-energy plants.

Since 1996, the ZhongDe Group has installed approximately 200 waste incinerators in about 13 Chinese provinces and more than 80 waste solid mass burn units 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 famous suppliers of small and mid-sized solid waste mass burn units as well as large-scale energy-from-waste plants in China, supplying state-of-the-art products and services.

Financial Calendar & Contact

Financial Calendar

Date*	Event
28 June 2011	Annual General Meeting
31 August 2011	Interim report on the first half of 2011
November 2011	German Equity Forum of Deutsche Börse, Frankfurt/Main
30 November 2011	Interim report on the third quarter of 2011

* 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 and www.zhongde-ag.de

ZhongDe Waste Technology AG

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