
Clean

Technology for the Future



Interim Report

Second Quarter 2011

ZhongDe Waste Technology AG

00

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01

Key Figures

Operational Data

Amount in k€	Q2 2011	Q2 2010	Change %	H1 2011	H1 2010	Change %
Order intake ¹⁾	0	25,449	-100.0	0	25,449	-100.0
Order backlog ²⁾	144,594	191,840	-23.0	144,594	191,840	-23.0
Revenues	4,613	11,256	-59.0	7,031	14,970	-53.0
Gross profit	942	2,555	-63.1	1,487	3,049	-51.2
Gross profit margin	20%	23%	-11.2	21%	20%	5.7
Cost of sales	(3,671)	-8,701	57.8	(5,544)	-11,921	53.5
EBITDA	(841)	1,222	< -100.0	(2,234)	(347)	< -100.0
EBITDA margin	-18%	11%	< -100.0	-32%	-2%	< -100.0
EBIT	(965)	1,090	< -100.0	(2,488)	(572)	< -100.0
EBIT margin	-21%	10%	< -100.0	-35%	-4%	< -100.0
Net profit	(1,797)	308	< -100.0	(3,217)	(1,712)	-87.9
Net profit margin	-39%	3%	< -100.0	-46%	-11%	< -100.0
Earnings per share (in €)	(0.14) ³⁾	0.02 ⁴⁾	< -100.0	(0.25) ⁵⁾	(0.14) ⁶⁾	-82.1

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 12,600,000 shares

⁴⁾ Calculated on the basis of 12,656,200 shares

⁵⁾ Calculated on the basis of 12,617,665 shares

⁶⁾ Calculated on the basis of 12,673,239 shares

Cash Flow Data

Amount in k€	Q2 2011	Q2 2010	Change %	H1 2011	H1 2010	Change %
Cash flow from operating activities	(8,595)	(3,142)	< -100.0	(14,633)	(8,864)	-65.1
Cash flow from investing activities	21,258	(137)	> 100.0	21,252	2,824	> 100.0
Free cash flow before financing	12,663	(3,279)	> 100.0	6,619	(6,040)	> 100.0

Balance sheet data

Amount in k€	30 June 2011	31 December 2010	Change %
Total assets	170,424	168,572	1.1
Tangible and intangible fixed assets	42,584	40,958	4.0
Net working capital	107,564	107,400	0.2
Cash and cash equivalents	99,313	106,476	-6.7
Long-term liabilities	27,629	12,750	> 100.0
Shareholders' equity	122,519	135,608	-9.7
Headcount	362	405	-10.7

02

Highlights of the Second Quarter 2011

Revenues

In Q2 2011 revenues increased by 92% to € 4.6 million, from € 2.4 million in Q1 2011. However, this was still a decrease of 59.0% on the revenues of € 11.3 million in Q2 2010. This was due to hold-ups in the construction of current large-scale energy-from-waste projects due to delays in local government approval processes.

Operating Results

In Q2 2011, gross profit was € 0.9 million, which was a decrease of 63.1% on the € 2.6 million achieved in Q2 2010. Earnings before interest and tax (EBIT) decreased more than 100% to € -1.0 million (Q2 2010: € 1.1 million), while net profit fell by more than 100% to € -1.8 million (Q2 2010: € 0.3 million). The decreased revenues was the main reason for € -1.8 million net loss in Q2 2011.

Order Intake and Order Backlog

Although there were no new orders recorded in Q2 2011, three new project contracts are in the process of being approved by ZhongDe.

The order backlog decreased by 23.0% to € 144.6 million year on year. The main reasons are a percentage of construction of BOT and EPC projects was completed according to the PoC (Percentage-of-Completion) method and foreign exchange differences.

Although there is no order intake in Q2 2011, three new project contracts are under the approval procedure of ZhongDe. All three projects are large-size plants with a minimum waste disposal capacity of 1000 ton/day, each of them will bring more order intake and order backlog in 2011.

EPC Projects

Dingzhou EPC project

The building of the scaffolding for the discharging platform is fully underway. The casting for a cable trench has been completed. And the excavation and construction work for the plant road is proceeding well smoothly. As of the end of June 2011, 12.3% of the construction work for the Dingzhou project had been completed.

Zhucheng EPC Project

Foundation grouting for air compressor room and the foundation construction for the comprehensive water pump room have been completed. The flue gas purification system for boilers #1 and #2 has been finished. The water pressure test for boiler #2 has also been carried out. As of the end of June 2011, 42.1% of the construction work for the Zhucheng project had been completed.

BOT/BOO Projects

Feicheng BOO Project

The Feicheng project has passed the emission tests and is in trial operation. The operation is running smoothly.

Zhoukou BOT Project

The decoration works for the complex building and the waste transfer station, as well as for the wall of the boiler room have been completed. The waterproof construction for the waste pool wall has also been completed. The installation works for #1 and #2 boilers' smoke duct and flue gas de-acidification tower, as well as for the bag filter have been completed. The furnace construction of boiler #2 has been completed. The factory pipeline installation has been 100% completed. As of the end of June 2011, 66.8% construction work for Zhoukou project had been completed.

Kunming BOT Project

Foundation constructions for the flue gas room, as well as for the water cooling tower have been completed. The chimney construction has been fully completed. The construction of the plant road has been started. As of the end of June 2011, 19.6% of the construction work for the Kunming project had been completed.

Xianning BOT Project

The construction works for ground beam concrete of the flue gas treatment room, as well as for the boiler foundation works have been completed. Upper structure construction for the steam turbine room is fully underway. As of the end of June 2011, 14.8% of the construction work for the Xianning project had been completed.

R&D

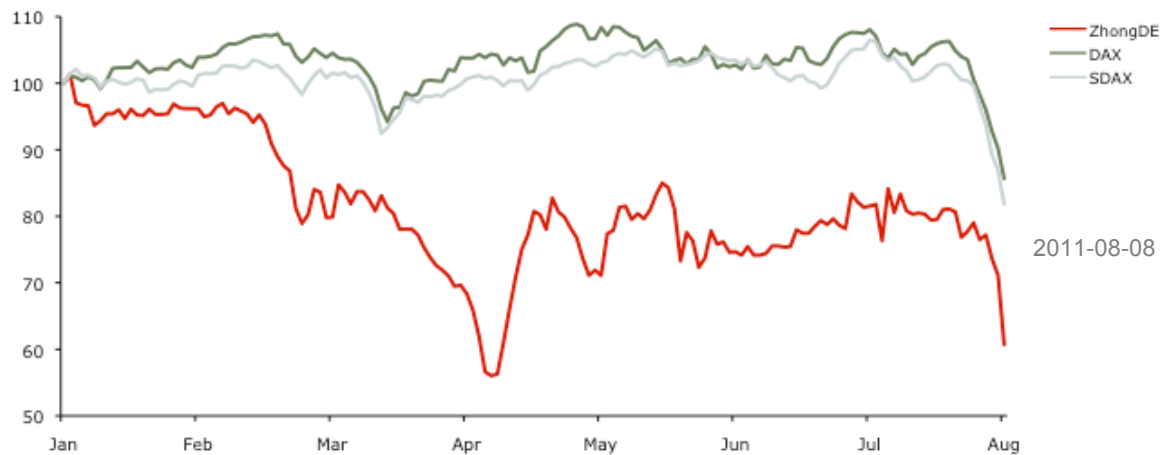
ZhongDe has successfully developed flue gas purification technology for municipal waste incinerators with a daily capacity of 350 tons (circulating fluidized bed semi-dry method). Furthermore, the research and development work for water cooling chute distributors for double-loop pyrolysis furnace incineration systems has been completed. ZhongDe has successfully obtained eight utility model patent certificates, including for a distributing device for municipal waste incinerators, a municipal waste gasification power generation system, etc.

Marketing & Production

ZhongDe has established demonstration projects in Shandong and Guangxi provinces in order to set up offices on-site from where they can develop the market. The manufacturing work for a double-loop pyrolysis gasification incinerator in Dou'an, Guangxi province, has been finished. Meanwhile, the first stage of installation for Guilin project in Guangxi province has also been completed.

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Share Performance



The debt crisis that has been prevalent for some time in several countries, especially in Europe and the US, led to extremely negative sentiment among investors at the end of the second quarter. Also, the signs that economic recovery was slowing down become ever clearer, such as China's stricter monetary policy and the US's loss of its triple A credit rating. The latter brought about great insecurity on the capital markets, which in turn caused massive stock market losses.

On the German stock exchange the DAX remained constant in the period under review, closing with 7,249.14 points at the end of the second quarter. The SDAX's performance was similar to that of the DAX and stood at 2,989.36 points at the end of the quarter. The DAX and the SDAX fell to lows of 5,923.27 and 2,416.60 points respectively at the beginning of August, due to investors' continuing concern about the capital markets.

Running mostly parallel to the overall development of the indices, the ZhongDe Waste Technology AG share performed negatively at the beginning of the second quarter. On 8 April 2011, the share dropped by 44.7% to a low of € 6.46, but in the middle of May it began to pick up again and made a moderate recovery over the following weeks. One of the reasons for the slight recovery was the general positive market development. On 20 May 2011, the share reached a high of € 9.80, but the general insecurity in the markets at the end of July and beginning of August caused the ZhongDe share to fall again, along with the rest of the market, cancelling out the positive start to the second quarter. On 8 August 2011 the share fell to € 7.00, confirming the negative trend.

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Economic and Political Environment

Macroeconomic Environment

In the first half of 2011, faced with the complicated and volatile international environment and the emerging challenges in domestic economic development, the Chinese government firmly carried out their pro-active fiscal policy and prudent monetary policy, the purpose of which is anti-inflation. As a result, the national economy showed a good momentum of development, and kept moving in the expected direction of macro control.

According to preliminary estimates by China's National Bureau of Statistics, the gross domestic product (GDP) of China was RMB 20,445.9 billion for the first half of this year, a year-on-year increase of 9.6% at comparable prices.

In the first half of this year, the total retail sales of consumer goods reached RMB 8,583.3 billion, a year-on-year rise of 16.8%. The consumer price index (CPI) grew by 5.4% during the reporting period. The investment in fixed assets (excluding rural households) was RMB 12,456.7 billion, a year-on-year growth of 25.6%.

The per capita disposable income of the urban population was RMB 11,041, a year-on-year growth of 13.2%, or a real growth of 7.6% after deducting price factors. The per capita cash income of the rural population was RMB 3,706, up by 20.4% year-on-year, or 13.7% growth in real terms.

The net value of Chinese imports and exports in the first half of 2011 amounted to US\$ 1,703.67 billion, representing a 25.8% increase year-on-year. By the end of June 2011, Chinese foreign exchange reserves amounted to US\$ 3,197.5 billion, representing a 30.3% increase year-on-year.

Business Trend

State Council of China strengthens municipal waste treatment industry

On 19 April 2011, the State Council of China issued a circular regarding the approval of the Guiding Opinion on further strengthening municipal waste treatment. It is expected that the rate of hazard-free treated municipal waste in China will reach more than 80% by 2015 and that the resources utilization rate for municipal waste will reach 30%.

The Opinion identified the following measures to strengthen policy support:

- Establish an incentive system. Strictly implement and continuously perfect tax preferential policy for municipal waste treatment.
- Establish a charge system. Promote the charge system for municipal waste treatment.
- Ensure the construction of facilities. Priority construction of municipal waste treatment facilities when building new cities and restructuring old cities.
- Improve innovation. Strengthen the support for technology research for municipal waste treatment, such as clean incineration, dioxin control, flying ash harmless treatment, etc.
- Implement talents plan. Set up related municipal waste treatment majors in colleges and universities and develop vocational education thoroughly.

Impact on Business Development

The national economy showed a good momentum of development, with the GDP hitting RMB 20,445.9 billion in the first half year of 2011. The company expects to benefit further from the favourable economic environment for the energy-from-waste industry, although the policy needs some time to achieve real effect in China. The significant policy drawn up by the Chinese central government to support the energy-from-waste industry, in which ZhongDe is engaged, is expected to gain strength in China.

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Management Report

Results of Operations

Amount in k€	Q2 2011	Q2 2010	Change %	H1 2011	H1 2010	Change %
Sales	4,613	11,256	-59.0	7,031	14,970	-53.0
Cost of sales	(3,671)	(8,701)	57.8	(5,544)	(11,921)	53.5
Gross profit	942	2,555	-63.1	1,487	3,049	-51.2
Other operating income	135	9	> 100.0	212	34	> 100.0
Selling and distribution expenses	(613)	(251)	< -100.0	(1,209)	(492)	< -100.0
Administrative expenses	(804)	(593)	-35.6	(1,940)	(1,050)	-84.8
Research and development expenses	(43)	(12)	< -100.0	(80)	(65)	-23.1
Other operating expenses	(582)	(618)	5.8	(958)	(2,048)	53.2
Profit from operations	(965)	1,090	< -100.0	(2,488)	(572)	< -100.0
Finance income	492	468	5.1	978	948	3.2
Finance costs	(484)	(213)	< -100.0	(761)	(525)	-45.0
Profit before income tax	(957)	1,345	< -100.0	(2,271)	(149)	< -100.0
Income tax	(840)	(1,037)	19.0	(946)	(1,563)	39.5
Net profit for the period	(1,797)	308	< -100.0	(3,217)	(1,712)	-87.9

Although revenues increased by 92% to € 4.6 million in Q2 2011 compared to the revenues of € 2.4 million in Q1 2011, they were still 59.0% down on the revenues of € 11.3 million achieved in Q2 2010. Revenues of € 7.0 million in H1 2011 were 53.0% lower than those for H1 2010 (€ 15.0 million). This was due to hold-ups in the construction of current large-scale energy-from-waste projects due to delays in local government approval processes. This shows that the stimulating policy needs some time to achieve real effect in China.

In Q2 2011, gross profit was € 0.9 million, which was a decrease of 63.1% on the € 2.6 million achieved in Q2 2010. Earnings before interest and tax (EBIT) decreased more than 100% to € -1.0 million (Q2 2010: € 1.1 million), while net profit fell by more than 100% to € -1.8 million (Q2 2010: € 0.3). In H1 2011 gross profit was € 1.5 million, down 51.2% on the figure for H1 2010 (€ 3.0 million). Earnings before interest and tax (EBIT) decreased more than 100% to € -2.5 million (H1 2010: € -0.6 million), while net profit fell by more than 100% to € -3.2 million (H1 2010: € -1.7).

Selling and distribution expenses increased more than 100% to € 0.6 million in Q2 2011, compared with € 0.3 million for the same period last year. The reason for this was increased marketing and public relations expenses. Administrative expenses were up from € 0.6 million to € 0.8 million in Q2 2011.

The earnings per share decreased from € 0.02 in Q2 2010 to € -0.14 in Q2 2011, and in the first half of 2011 the figure saw a year-on-year decrease of 82% (€ -0.14 to € -0.25).

The net cash position as at 30 June 2011 amounted to € 99.3 million compared to € 119.5 million as at 30 June 2010. ZhongDe's strong cash position ensures the flexibility of ZhongDe in the fields of investment and finance.

Current Status of Energy-from-Waste Projects

EPC Projects

Dingzhou EPC project

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Order Development

The order backlog decreased by 23.0% to € 144,6 million year on year. The main reasons are a percentage of construction of BOT and EPC projects was completed according to the PoC (Percentage-of-Completion) method and foreign exchange differences.

Although there is no order intake in Q2 2011, three new project contracts are under the approval procedure of ZhongDe. All three projects are large-size plants with a minimum waste disposal capacity of 1,000 ton/day, each of them will bring more order intake and order backlog in 2011.

Business Segments Overview

Amount in k€	Q2 2011	Q2 2010	Change %	H1 2011	H1 2010	Change %
Waste incinerators						
Units sold	0	0	-	0	0	-
Revenues	0	0	-	0	0	-
Gross profit	0	0	-	0	0	-
EPC Projects						
Revenues (POC)	2,083	4,240	-25.9	3,141	4,240	-25.9
Gross profit	421	878	-26.2	648	878	-26.2
BOT Projects						
Revenues (POC)	2,530	7,016	-44.6	3,890	10,730	-63.7
Gross profit	529	1,677	-49.4	848	3,049	-72.2
Total revenues	4,613	11,256	-37.5	7,031	14,970	-53.0
Total gross profit	942	2,555	-41.8	1,487	3,927	-62.1

Incinerators

No incinerators were sold in Q2 2011 because the small to medium-sized incinerators market has not yet recovered in China.

EPC Projects

Zhucheng and Dingzhou contributed € 2.1 million in Q2 2011 to consolidated group revenues.

BOT Projects

During this reporting period, the four BOT projects contributed € 2.5 million in Q2 2011 to the consolidated group revenues.

The Company anticipated that the demand for incinerators would 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

Amount in k€	30 June 2011	31 December 2010	Change %
Non-current assets	42,584	40,958	4.0
Current assets	127,840	127,614	0.2
Equity	122,519	135,608	-9.7
Liabilities	47,905	32,964	45.3
Balance sheet total	170,424	168,572	1.1

The balance sheet total amounted to € 170.4 million on 30 June 2011. The increase in non-current assets is primarily due to an increase of approximately € 1.8 million in BOT project receivables. Current assets increased by just 0.2% from € 127.6 million to € 127.8 million, while equity was down by € 13.1 million at €122.5 million. Liabilities increased by 45.3% from € 33.0 million to € 47.9 million as two new bank loans were taken on for the Zhoukou and Kunming projects. The Company maintains a strong equity ratio of 71.9%.

Financial Position

Amount in k€	H1 2011	H1 2010	Change %
Cash flow from operating activities	(14,633)	(8,864)	-65.1
Cash flow from investment activities	21,252	2,824	> 100.0
Cash flow from financing activities	13,475	(1,648)	> 100.0

Marketing and Production

ZhongDe is actively developing new markets. It is providing a set of municipal waste incineration grate boilers with 25T/D for a small river dam hydropower station belonging China Datang Corporation. Furthermore, our company has established demonstration projects in Shandong and Guangxi provinces, which helps us to set up offices on-site from where we can develop the market.

The manufacturing work for a double-loop pyrolysis gasification incinerator with a daily capacity of 100 tons in Dou'an, Guangxi province, has been finished. The Dou'an project is currently proceeding well according to the installation plan and schedule. Meanwhile, the first stage of installation for the Guilin project in the Guangxi province has also been completed. Moreover, ZhongDe has finished the reviewing work for implementing the ISO9001 and ISO14001 standards.

R&D

ZhongDe has successfully developed flue gas purification technology for municipal waste incinerators with a daily capacity of 350 tons (circulating fluidized bed semi-dry method). The incineration gas purification system is one of the three largest main machines for waste-to-energy systems. The successful development of this project has not only improved our technical strength, thereby greatly reducing project costs, but has also further expanded our business as the new business for the Fuzhou manufacturing base.

Furthermore, the research and development work for water cooling chute distributors for double-loop pyrolysis furnace incineration systems has been completed, which greatly increased the distributor's life extension and the materials' uniformity and accuracy.

ZhongDe is currently carrying out research and design work for waste leachate treatment technology, as well as for sludge drying technology.

Opportunities and Risks

For more information on opportunities and risks, please refer to our Risk Report in the Group Management Report as of 31 December 2010. There were no significant changes in opportunities and risks as of 30 June 2011.

Outlook

The USA Sovereign Credit Rating from Standard & Poor's decreased from AAA to AA+ in August 2011, because of the US's national debt crisis. This shook international investors' confidence and caused huge losses on the international capital markets. This brings with it the risk of devaluation of the US dollar. The European financial crisis could possibly spread from Greece to other countries. In China, the anti-inflation policy continues and will be the most important policy target in the second half of 2011, due to continuously high inflation pressure.

However, ZhongDe will benefit from the policy promoting the energy-from-waste industry in China in future, although the policy needs some time to achieve real effect in China. Three new project contracts are currently being approved by ZhongDe, and are likely to be announced by the end of 2011. Furthermore, ZhongDe has a strong order backlog (€ 144.6 million) and cash position (€ 99.3 million), which are the foundation for revenues and profit growth in the near future.

The strong order backlog and cash position indicate the Company's potential in the coming quarters. ZhongDe still is confident of catching up with the annual plan of completing one or two projects by the end of 2011, which will bring more annual revenues and profits in 2011 than those in 2010.

06

Financial Statements – ZhongDe Waste Technology AG

06.1 Interim Consolidated Balance Sheet

for the period from 1 January to 30 June 2011

Amount in k€	30 June 2011	31 December 2010
Assets		
Non-current assets		
Intangible assets	8,730	7,774
Land	2,182	2,336
Property, plant and equipment	1,283	1,584
Construction in progress	6,542	6,577
Receivables from BOT projects	23,725	21,927
Deferred tax assets	122	760
	42,584	40,958
Current assets		
Inventories	1,725	1,442
Trade receivables	7,591	8,744
Other receivables and prepayments	18,952	10,933
Amounts due from related parties	259	19
Cash and cash equivalents	99,313	106,476
	127,840	127,614
Total assets	170,424	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	27,116	32,223
Foreign exchange difference	8,699	16,174
	122,519	135,608
Liabilities		
Long-term liabilities		
Long-term loans	25,261	10,524
Deferred tax liabilities	2,368	2,226
	27,629	12,750
Short-term liabilities		
Short-term loan	715	0
Trade payables	11,363	15,729
Notes Payable	1,357	0
Other payables and accruals	5,801	3,385
Provisions	1,033	1,091
Amounts due to related parties	0	2
Income tax payable	7	7
	20,276	20,214
Total liabilities	47,905	32,964
Total liabilities and equity	170,424	168,572

06.2

Interim Consolidated Statement of Income and Expenses

for the period from 1 January to 30 June 2011

Amount in k€	Q2 2011	Q2 2010	H1 2011	H1 2010
Revenues	4,613	11,256	7,031	14,970
Cost of sales	(3,671)	(8,701)	(5,544)	(11,921)
Gross profit	942	2,555	1,487	3,049
Other operating income	135	9	212	34
Selling and distribution expenses	(613)	(251)	(1,209)	(492)
Administrative expenses	(804)	(593)	(1,940)	(1,050)
Research and development expenses	(43)	(12)	(80)	(65)
Other operating expenses	(582)	(618)	(958)	(2,048)
Profit from operations	(965)	1,090	(2,488)	(572)
Finance income	492	468	978	948
Finance costs	(484)	(213)	(761)	(525)
Profit before income tax	(957)	1,345	(2,271)	(149)
Income tax	(840)	(1,037)	(946)	(1,563)
Profit for the period	(1,797)	308	(3,217)	(1,712)
Earnings per share (diluted and undiluted) (in EUR)	(0.14)	0.02	(0.25)	(0.14)
Weighted average shares outstanding (diluted and undiluted)	12,600,000	12,656,200	12,617,665	12,673,239

06.3

Interim Consolidated Statement of Comprehensive Income

for the period from 1 January to 30 June 2011

Amount in k€	Q2 2011	Q2 2010	H1 2011	H1 2010
Profit for the period	(1,797)	308	(3,217)	(1,712)
Other comprehensive income	0	0	0	0
Foreign exchange differences recognized directly in equity	(507)	13,895	(7,476)	22,379
Total changes recognized directly in equity	(507)	13,895	(7,476)	22,379
Total recognized income and expense	(2,304)	14,203	(10,693)	20,667

06.4

Interim Consolidated Statement of Cash Flow

for the period from 1 January to 30 June 2011

Amount in k€	H1 2011	H1 2010
Profit before income tax	(2,272)	(148)
Adjustments for:		
Amortization of intangible assets	11	11
Allowance for doubtful trade debts	61	(10)
Provision for warranty	0	(37)
Depreciation of property, plant and equipment and land	243	214
Gains/losses PPE	21	11
Finance income	(478)	(948)
Finance expense	760	525
Operating cash flows before working capital changes	(1,654)	(382)
Working capital changes:		
(Increase)/decrease in:		
Inventories	(284)	1,954
Trade receivables	1,092	(3,160)
Other receivables and prepayments	(8,020)	(11,126)
Amounts due from related parties	(240)	388
Receivables from BOT	(4,627)	(2)
Increase/(decrease) in:		
Trade payables	(3,009)	4,713
Other payables, provisions and accruals	2,359	(1,004)
Amounts due to related parties	(1)	62
Cash generated from/(used in) operations	(14,384)	(8,557)
Interest received/exchange gains	478	948
Interest paid/exchange losses	(561)	(525)
Income tax paid	(166)	(730)
Net cash generated from operating activities	(14,633)	(8,864)
Cash flow from investing activities		
Payments in connection with the short-term financial management of cash investments	0	(22,590)
Receipts in connection with the short-term financial management of cash investments	21,612	25,590
Purchase property, plant, equipment, intangible assets, land use rights	(360)	(176)
Cash flow used in investing activities	21,252	2,824
Cash flow from financing activities		
Dividends paid to shareholders	(1,890)	0
Cash repayments of Financial Assets (BOT-Projects)	131	0
Cash proceeds from long-term borrowings	15,877	0
Cash repayments of long-term borrowings	(136)	0
Buy back of own shares	(507)	(1,648)
Cash flow from financing activities	13,457	(1,648)
Net increase in cash and cash equivalents	20,094	(7,688)
Cash at the beginning of the year	83,805	88,563
Foreign exchange differences	(4,586)	14,547
Cash and cash equivalents	99,313	95,422

06.5

Selected Notes to the Interim Consolidated Financial Statements

for the period ending 30 June 2011

Interim Consolidated Statement of Changes in Equity
for the period from 1 January to 30 June 2011

Amount in k€	Numbers of shares out-standing	Share capital AG	Capital reserves	Statutory reserves	Own shares	Retained earnings	Foreign ex-change 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	(1,712)	22,379	20,667
Buy back of own shares	(142,600)	0	0	0	(1,648)	0	0	(1,648)
Dividend paid in 2009	0					(1,898)	0	(1,898)
Balance as at 30 June 2010	12,656,200	13,000	69,822	7,225	(4,056)	31,960	24,263	142,214
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	(3,217)	(7,476)	(10,692)
Buy back of own shares	(52,440)	0	0	0	(507)	0	0	(507)
Dividend paid in 2010	0	0	0	0	0	(1,890)	0	(1,890)
Balance as at 30 June 2011	12,600,000	13,000	70,522	7,794	(4,611)	27,115	8,698	122,519

General

The interim consolidated financial statements for the period from 1 January to 30 June combine 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 the 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 para. 1 of the German Commercial 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 judgments which influence the application of accounting policies within the Company, and the reporting of assets and liabilities as well as income and expenses. Actual amounts 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 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 developments or occasional developments, is not cut off accurately 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.

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 activities are divided into three business segments: incinerator sales, which includes municipal waste incinerators and medical waste incinerators, its EPC (engineering, procurement and construction) projects, and its BOT (build – operate – transfer) and BOOT (build – operate – own – transfer) projects.

-> 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 assets attributable to the Group's operating activities are likewise located in the PRC. As such, no geographical segment analysis is necessary.

-> C. Allocation Basis

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

All inter-segment sales take place on an 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 half of 2011:

	Incinerators		EPC		BOT		Total reportable segments		Unallocated		Consolidation		Group	
	H1 2011	H1 2010	H1 2011	H1 2010	H1 2011	H1 2010	H1 2011	H1 2010	H1 2011	H1 2010	H1 2011	H1 2010	H1 2011	H1 2010
in k€	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenues	0	0	3,141	4,240	3,890	10,730	7,031	14,970	0	0	0	0	7,031	14,970
Inter-company revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total revenue for reportable segments	0	0	3,141	4,240	3,890	10,370	7,031	14,970	0	0	0	0	7,031	14,970
Total gross profit from reportable segments	0	0	648	878	848	2,171	1,496	3,049	(9)	0	0	0	1,487	3,049
Order Intake	0	0	0	25,449	0	0	0	25,449	0	0	0	0	0	25,449
Order Back-log	1,515	3,445	83,232	104,069	59,847	84,326	144,594	191,840	0	0	0	0	144,594	191,840

Amount in k€	H1 2011	H1 2010
Total profit or loss for reportable segments	1,487	3,049
Consolidation	0	0
Total profit or loss for the Group	1,487	3,049
Unallocated Income and Expenses of the Group	(3,975)	(3,621)
EBIT	(2,488)	(572)
Finance income	978	948
Finance expense	(761)	(525)
Profit before tax	(2,271)	(149)
Income tax	(946)	(1,563)
Profit (+)/Loss (-) for the year	(3,217)	(1,712)

Functional and Presentation Currency

	30 June 2011	30 June 2010
Exchange rate RMB/€at the end of the period	9.3416	8.3215
Average exchange rate RMB/€for H1	9.1755	9.0678
	30 June 2011	30 June 2010
Exchange rate HKD/€at the end of the period	11.2475	9.5549
Average exchange rate HKD/€for H1	10.9212	10.3233

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 considerably from the applicable local Chinese income tax rate due to the different treatment of exchange gains and exchange losses for consolidated financial statements and tax purposes.

Cash Fund

Amount in k€	H1 2011	H1 2010
Cash at end of period	99,313	112,852
Short-term deposits (duration over 3 months)	0	3,000
Cash and cash equivalents (balance sheet)	99,313	115,852

Frankfurt, 30 August 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.”

Frankfurt, 30 August 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 are thus subject to certain risks and uncertainties. A variety of factors, many of which are beyond the ZhongDe Group’s control, affect its operations, performance, business strategy and results, and could cause the actual results, performance or achievements of the ZhongDe Group to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

For us, particular uncertainties arise, among others, from: changes in general economic and business conditions; changes in the regulatory environment; the introduction of competing products or technologies by other companies; changes in business strategy; our analysis of the potential impact of such matters on our financial statements; as well as various other factors. More detailed information about our risk factors and key factors affecting our results and operations is contained in ZhongDe’s 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. The German version of this interim report is exclusively binding in legal terms.

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 the 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, constructs, finances and operates energy-from-waste incineration plants generating electricity from the disposal of solid municipal and industrial waste. ZhongDe realises either EPC (Engineering, Procurement and Construction) or BOT (Build, Operate and Transfer) projects, focusing on large-scale plants with waste disposal capacities of around 1,000 tons per day. Since 1996, ZhongDe Group has installed approximately 200 waste incinerators in 13 provinces and more than 80 waste incinerators in the last three financial years alone. ZhongDe is one of the leading players in the project development and operation of large-size energy-from-waste plants in China.

Financial Calendar / Contact

Financial Calendar

Date*	Event
21 – 23 November 2011	German Equity Forum of Deutsche Börse, Frankfurt am 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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