



## 2nd Quarterly Report 2016



ZhongDe Waste Technology AG



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# 1 KEY FIGURES

## Operational Data

in k€	Q2 2016	Q2 2015 <sup>1)</sup>	Change	HY1 2016	HY1 2015 <sup>1)</sup>	Change
Order intake	0	0	0.0%	0	0	0.0%
Order backlog <sup>2)</sup>	92,682	222,787	-58.4%	92,682	222,787	-58.4%
Revenues	10,925	2,532	>+100.0%	37,561	8,100	>+100.0%
Gross result	-294	-1,010	+70.9%	-537	-1,132	+52.6%
Gross result margin	-3%	-40%	+37 pp	-1%	-14%	+13 pp
Cost of sales	-11,219	-3,542	>+100.0%	-38,098	-9,232	>+100.0%
EBITDA	-4,524	-1,410	<-100.0%	-5,257	-1,983	<-100.0%
EBITDA margin	-41%	-56%	+14 pp	-14%	-24%	+10 pp
EBIT	-4,728	-1,783	<-100.0%	-5,785	-2,734	<-100.0%
EBIT margin	-43%	-70%	+27 pp	-15%	-34%	+18 pp
Net result	-4,609	-2,065	<-100.0%	-6,277	-4,233	-48.3%
Net result margin	-42%	-82%	+39 pp	-17%	-52%	+36 pp
Earnings per share (in €) <sup>3)</sup>	-0.37	-0.16	<-100.0%	-0.50	-0.34	-47.6%

<sup>1)</sup> Reclassified.

<sup>2)</sup> Based on exchange rate at the end of the period.

<sup>3)</sup> Calculated on the basis of 12,600,000 shares.

## Cash Flow Data

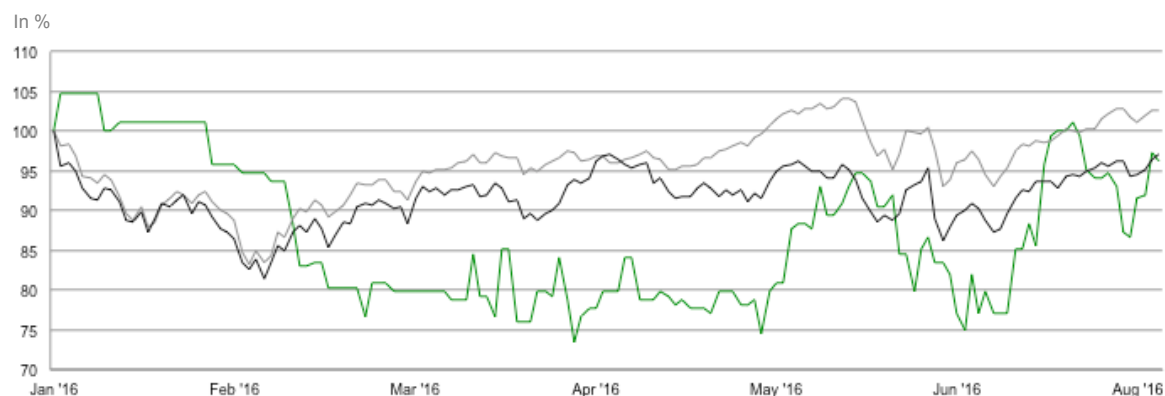
in k€	Q2 2016	Q2 2015	Change	HY1 2016	HY1 2015	Change
Cash flow used in (-) / generated from (+) operating activities	-13,720	686	<-100.0%	-31,473	-5,337	<-100.0%
Cash flow used in investing activities	-14	-8	-75.0%	-16	-21	+23.8%
Cash flow generated from (+) / used in (-) financing activities	17,977	-1,405	>+100.0%	34,307	-2,946	>+100.0%

## Balance Sheet Data

in k€	30 Jun. 2016	31 Dec. 2015	Change
Total assets	302,298	285,667	+5.8%
Non-current assets	173,966	142,043	+22.5%
Net working capital <sup>1)</sup>	26,838	44,788	-40.1%
Cash and cash equivalents	75,395	75,842	-0.6%
Long-term liabilities	106,921	82,277	+30.0%
Shareholders' equity	93,883	104,554	-10.2%
Headcount (as at 30 June)	375	370	+1.4%

<sup>1)</sup> Current assets less current liabilities

## 2 SHARE PERFORMANCE



SDAX  
DAX  
ZhongDe share

XETRA closing prices as at August 8, 2016

### ZhongDe share price after volatile performance in the first half of the year with a positive trend

In the first six months economic concerns in China, cautious economic data from the US and the drop in the oil price characterized the international stock markets. This was also reflected on the German capital market. The DAX started with 10,743 points (XETRA closing price as at year-end 2015) into the stock market year 2016. After some turbulences on the equity markets, especially affected by the Brexit vote and the unstable political situation in Turkey, the DAX recovered and quoted at 10,432 points as at August 8 – a decline of about 3% since the beginning of the year. The SDAX developed largely parallel and closed at 9,343 points as at August 8. Therefore the SDAX grew by 2.7%.

The share price of ZhongDe went down in the first half of the year 2016. On June 30 the share closed at 1.42 EUR and therefore 24.5% under the year-end price 2015. In the following however the share could compensate some of the losses and closed on August 8 at only 4% under year-end price 2015.

The share reached its hither high for the year on January 4 with EUR 1.97. On April 14 the share recorded a low of EUR 1.38. The volatile development of the share continued until the end of May. After the publication of the quarterly results on May 27 the share price increased significantly and at the beginning of June 2016 stood at EUR 1.78. On June 9 ZhongDe announced that the CFO William Jiuhua Wang resigns his position with immediate effect. Afterwards the share price decreased until June 30 to another low of EUR 1.41. After a significant recovery of the share price in recent months, the ZhongDe share closed at EUR 1.81 on August 8.

**Basic data**

ISIN	DE000ZDWT018
WKN	ZDWT01
Symbol	ZEF
Sector	Industrial
Share class	No-par values bearer shares
Share capital	13,000,000 shares
Stock market segment	Prime Standard, Frankfurt Stock Exchange

**Key share indicators H1 2016**  
**in EUR**

<b>Share price</b>	
Share price at half-year-end (Jun 30)	1.41
High	1.97
Low	1.38
Earnings per share	-0.50
Dividend per share (proposed)	0.00
Market capitalisation (as at August 8, 2016)	23.5 million

### 3 INTERIM GROUP MANAGEMENT REPORT

#### Macroeconomic Environment

According to the preliminary estimation, the gross domestic product (GDP) of China was RMB 34,063.7 billion in the first half year of 2016, a year-on-year increase of 6.7 percent. The GDP of the second quarter of 2016 went up by 1.8 percent on a quarter-on-quarter base.

In the first half year of 2016, the per capita disposable income of the urban residents was RMB 16,957, a nominal growth of 8.0 percent. The per capita disposable income of the rural residents was RMB 6,050, up by 8.9 percent nominally. The total value of exports was RMB 6,402.7 billion, down by 2.1 percent; the total value of imports was RMB 4,730.7 billion, a decrease of 4.7 percent. The trade balance was RMB 1,672.0 billion in surplus.

In the first half year, the value added of the tertiary industry accounted for 54.1 percent of GDP. Energy conservation and consumption reduction continued to make progress. In the first half year, the energy consumption per unit of GDP decreased by 5.2 percent year-on-year.

With the reform and innovation taking effect, the national economy has achieved moderate but steady and sound development, which has laid down a solid foundation for advancing the development of environmental protection industry.

#### Sector Trend

On 26 May 2016, Ministry of Environmental Protection released “Guiding Opinions on Facilitating Structural Reform of Supply Side through the Role of Environmental Protection.” The Opinions propose:

- to strengthen the hard restraint of environment and speed up the elimination of outdated capacities and surplus capacities;
- to set tough standards for environmental access and improve the quality of incremented production capacities;
- to carry out environmental governance tasks and promote the development of environmental industries;
- to advance innovation as a driving force and improve the support policies.

The Opinions propose further to promote public-private-partnership (PPP), to give incentives to the development of environmental service industry, to spread the use of advanced and applicable technologies, and to facilitate the ecologization of pollution control projects, which we believe will create attractive markets and development opportunities for ZhongDe in the future.

## Results of Operations

in k€	Q2 2016	Q2 2015 <sup>1)</sup>	Change	HY1 2016	HY1 2015 <sup>1)</sup>	Change
Revenues	10,925	2,532	>+100.0%	37,561	8,100	>+100.0%
Cost of sales	-11,219	-3,542	>+100.0%	-38,098	-9,232	>+100.0%
<b>Gross result</b>	<b>-294</b>	<b>-1,010</b>	<b>+70.9%</b>	<b>-537</b>	<b>-1,132</b>	<b>+52.6%</b>
Other operating income	1,012	690	+46.7%	1,792	1,368	+31.0%
Selling and distribution expenses	-4,063	-58	>+100.0%	-4,252	-114	>+100.0%
Administrative expenses	-866	-774	+11.9%	-1,850	-1,668	+10.9%
Research and development expenses	-8	-39	-79.5%	-22	-78	-71.8%
Other operating expenses	-509	-592	-14.0%	-916	-1,110	-17.5%
<b>Loss from operations</b>	<b>-4,728</b>	<b>-1,783</b>	<b>&lt;-100.0%</b>	<b>-5,785</b>	<b>-2,734</b>	<b>&lt;-100.0%</b>
Finance income	1,899	909	>+100.0%	2,927	2,049	+42.9%
Finance costs	-1,632	-926	+76.2%	-3,302	-2,047	+61.3%
<b>Loss before income tax</b>	<b>-4,461</b>	<b>-1,800</b>	<b>&lt;-100.0%</b>	<b>-6,160</b>	<b>-2,732</b>	<b>&lt;-100.0%</b>
Income tax expenses	-148	-265	-44.2%	-117	-1,501	-92.2%
<b>Loss for the period</b>	<b>-4,609</b>	<b>-2,065</b>	<b>&lt;-100.0%</b>	<b>-6,277</b>	<b>-4,233</b>	<b>-48.3%</b>

<sup>1)</sup> Reclassified.

During the second quarter of 2016, revenues of € 10.9 million were generated, representing an increase of more than 100% compared to the same period in 2015. These revenues were almost exclusively contributed by the BOT project in Lanzhou. The rapid growth relates to the fast progress of civil working by subcontractors which within the scope of the zero-profit-method led to revenues amounting to € 10.9 million (during the second quarter of 2015 € 2.5 million were contributed by BOT projects thereof € 2.1 million by the BOT project in Lanzhou). In the first half year, the revenues reached € 37.6 million, representing an increase of more than 100% compared to the same period in 2015 mainly due the project progress in Lanzhou. Thereof € 37.6 million were contributed by BOT projects and only € 14 thousand by EPC projects (during the first half of 2015 € 7.4 million were contributed by BOT projects and € 0.7 million by EPC projects).

The gross result for the Q2 2016 amounted to € -0.3 million compared to € -1.0 million for Q2 2015. The increase was mainly due to the fact that inventories relating to the incinerator segment amounting to € 0.8 million had to be written off during Q2 2015 (during Q2 2016: € 0.1 million). In the first half year gross result amounted to € -0.5 million compared to € -1.1 million in the same period in 2015. The negative gross result is caused by the slow progress of the EPC projects which only contributed € 5 thousand to the gross result of the first half year 2016 compared to € 136 thousand in the same period of 2015. In contrast to the BOT projects the percentage-of-completion method is still applied for the EPC projects. Because the zero-profit-method is still applied to BOT projects, the increased stage of completion of the BOT project in Lanzhou has no influence on the gross result margin.

Other operating income mainly relates to net proceeds from trial runs. Compared to the same periods in 2015 the quantities of waste disposal treated and of kWh supplied went up which led to increased waste disposal revenues and income from electricity respectively.

In Q2 2016 selling and distribution expenses increased by € 4.0 million to € 4.1 million compared to Q2 2015 due to an increase of bad debt allowances by € 4.0 million. In 2014 ZhongDe made advance payments to a subcontractor amounting to RMB 58.6 million (€ 8.3 million) for construction works at the BOT project in Lanzhou. As the subcontractor proved to be unable to perform the work, ZhongDe engaged another subcontractor to perform the construction work in 2015 and reclaimed the advance payments. As the repayment was overdue at the yearend 2015, the company decided to write off 50% of the prepaid amount according to the accounting rules. As the subcontractor did not repay the prepaid amount until the preparation of the half year report, ZhongDe wrote off the remaining 50% in Q2 2016 (€ 4.0 million).

Accordingly EBITDA decreased to € -4.5 million in Q2 2016 compared to € -1.4 million for the same period of 2015. In the first half year 2016 EBITDA decreased to € -5.3 million from € -2.0 million in the first half year 2015.

The EBITDA presents earnings before interests, depreciation and amortization without effects from impairments or appreciations. The reconciliation from EBITDA to EBIT is presented below:

in k€	Q2 2016	Q2 2015	Change	HY1 2016	HY1 2015	Change
<b>EBITDA</b>	<b>-4,524</b>	<b>-1,410</b>	<b>&lt;-100.0%</b>	<b>-5,257</b>	<b>-1,983</b>	<b>&lt;-100.0%</b>
Depreciation	26	34	-23.5%	52	73	-28.8%
Amortization	9	9	0.0%	17	18	-5.6%
Impairment	169	330	-48.8%	459	660	-30.5%
<b>EBIT</b>	<b>-4,728</b>	<b>-1,783</b>	<b>&lt;-100.0%</b>	<b>-5,785</b>	<b>-2,734</b>	<b>&lt;-100.0%</b>

In Q2 2016 EBIT went down to € -4.7 million compared to € -1.8 million in Q2 2015. In the first half year 2016 EBIT went down to € -5.8 million compared to € -2.7 million in the first half year 2015.

Finance income and finance costs (net) Q2 2016 amounted to € 0.3 million compared to € 0.0 million in Q2 2015. This was mainly due to interest income amounting to € 0.9 million relating to a loan granted to the customer of the BOT project in Lanzhou. The loan including interest was fully repaid in Q2 2016. Finance income and finance costs (net) for the first half year 2016 amounted to € -0.4 million compared to € 0.0 million in the first half year 2015 mainly due to increased interest expenses relating to the new bank loans granted to ZhongDe in the second half of 2015. This effect was offset by the decrease of income tax expenses from € 1.5 million in the first half year 2015 to € 0.1 million in the first half year 2016. The reasons for the tax expenses in the first half year 2015 were mainly profits caused by foreign exchange gains which are locally taxable.

Accordingly net loss increased to € -4.6 million compared to € -2.1 million for the three-month period ended June 2016 compared to the same period in 2015. In the first half year 2016 net loss went down to € -6.3 million compared to € -4.2 million in the first half year 2015.



in k€	30 Jun. 2016	31 Dec. 2015	Change
Current liquidity ratio <sup>1)</sup>	1.3	1.5	-13.0%
Equity ratio <sup>2)</sup>	31.1%	36.6%	-6 pp
Net working capital <sup>3)</sup>	26,838	44,788	-40.1%
Cash and cash equivalents	75,395	75,842	-0.6%
Current assets	128,332	143,624	-10.6%
Non-current assets	173,966	142,043	+22.5%
Total assets	302,298	285,667	+5.8%
Current liabilities	101,494	98,836	+2.7%
Long-term liabilities	106,921	82,277	+30.0%
Shareholders' equity	93,883	104,554	-10.2%

<sup>1)</sup> Current assets / current liabilities

<sup>2)</sup> Equity / total assets

<sup>3)</sup> Current assets less current liabilities

Until 30 June 2016, shareholders' equity decreased by 10.2% to € 93.9 million compared to 31 December 2015 due to the negative result for the first half year of 2016 and foreign currency translation effects. Total assets increased by 5.8% compared to 31 December 2015. Accordingly ZhongDe's equity ratio went down from 36.6% as at 31 December 2015 to 31.1% as at 30 June 2016.

The cash position as at 30 June 2016 amounted to € 75.4 million, compared to € 75.8 million as at 31 December 2015 (-0.6%). The regular cash outflows due to the company's normal operation were partly compensated by cash inflows mainly due to an additional borrowing amounting to € 33.4 million as well as by foreign exchange changes.

The management is engaged to secure the cash position of ZhongDe, for example by obtaining more loans to finance the construction of the Lanzhou waste-to-energy project and the other projects.

## Current status of energy-from-waste projects

(as of 30 June 2016)

EPC projects under construction	Zhucheng	Dingzhou
Daily capacity (tons/day)	500	600
PoC as at 30 Jun. 2016	89.3%	48.8%
PoC as at 31 Dec. 2015	89.3%	48.8%
Estimated time of completion	2016	unknown <sup>1)</sup>

<sup>1)</sup> To be determined after restart.

BOT projects under construction	Xianning	Zhoukou	Kunming	Lanzhou	Feicheng
Daily capacity (tons/day)	600	500	700	2,000	200
Average annual power generation capacity (MW·h)	> 60	> 50	> 70	>200	none
PoC as at 30 Jun. 2016	94.9%	94.4%	85.5%	62.8%	in operation
PoC as at 31 Dec. 2015	94.7%	94.4%	85.5%	39.2%	in operation
Estimated time of completion	2016	2016	2017	2018	in operation

## EPC Projects

### Zhucheng EPC project

At the end of Q2 2016, the percentage of completion of the project in Zhucheng is 89.3% (31 December 2015: 89.3%).

As part of the acceptance process, the progress of the construction performed by subcontractors needs to be confirmed for the quantity and quality by the cost control department of ZhongDe. Only after the confirmation from both sides the works are accepted and revenues realized accordingly. This process is time consuming and delayed. Accordingly the percentage of completion of the project did not increase in Q2.

#### The remaining work relates to the following:

The ending works for the complex building decoration, the green landscape engineering, ending works for the main factory, Ash handling system, environmental acceptance work, installation for signboard in the whole factory.

The Zhucheng project is expected to be completed in 2016.

### Dingzhou EPC project

At the end of Q2 2016, the percentage of completion of the project in Dingzhou remains at 48.8% (31 December 2015: 48.8%). Since April 2015 the construction at Dingzhou is on hold.

#### **The remaining work relates to the following:**

- **Civil Construction**

The rendering works for the main factory, road construction, decoration works for the complex building, pumping house, oil pump room and weight bridge room, the construction works for ash treatment system, outer casing for main factory, construction works for leachate treatment system.

- **Installation**

Outdoor pipeline construction, installation works for ignition oil pipeline, dosing system, sampling system, oil circulation for steam turbine generator, auxiliary equipment installation for boiler, steam turbine generator, gas purification system installation, complex water pumping room and oil pumping room equipment installation, instrument points and lighting installations for boiler body, plate cabinet installations for electronic equipment room, installation works for leachate and ash treatment equipment.

The project in Dingzhou is stopped by the customer, since infrastructural works performed by governmental authorities are required first. Based on information rendered by the customer, management assumes that the work will be resumed in the third quarter of 2016.

### **BOT Projects**

#### Zhoukou BOT project

At the end of Q2 2016, the percentage of completion of the project in Zhoukou remains at 94.4% (31 December 2015: 94.4%).

Civil construction works have been 100% completed. Boiler, steam turbine generator unit and auxiliary equipment have been put into the normal operation. The project is in trial run operation.

#### **The remaining work relates to the following:**

The acceptance works for environment protection.

The estimated time of the finalization of the project in Zhoukou is the end of 2016.

#### Kunming BOT project

At the end of Q2 2016, the percentage of completion of the project in Kunming is 85.5% (31 December 2015: 85.5%).

As part of the acceptance process, the progress of the construction performed by subcontractors needs to be confirmed for the quantity and quality by the cost control department of ZhongDe. Only after the confirmation from both sides the works are accepted and revenues realized accordingly. This process is time consuming and delayed. Accordingly the percentage of completion of the project did not increase in Q2 2016.

Steam turbine generator has been successfully connected to the power grid and the operation run on smoothly. The Kunming project is in the trial operation since the end of 2014.

**The remaining work relates to the following:**

- **Civil Construction**

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

The estimated time of finalization date for the project in Kunming is 2017.

Xianning BOT project

At the end of Q2 2016, the percentage of completion of the project in Xianning is 94.9% (31 December 2015: 94.7%).

The percentage of completion of the project increased slightly. The project is in trial run. As part of the acceptance process, ZhongDe is working on adjustments and defect elimination according to the requirements from government.

**The remaining work relates to the following:**

The acceptance works for environment protection.

The project in Xianning is supposed to be completed at the end of 2016.

Lanzhou BOT Project

At the end of Q2 2016 the percentage of completion at Lanzhou is 62.8% (31 December 2015: 39.2%).

**The following works have been completed:**

The anticorrosion works for waste pool, outer wall construction for main controlling building and steam engine room, road construction for the whole factory, decoration works for office building, dining room, construction works for the leachate treatment station, gas purification system and auxiliary engine installation for 1#, 2# and 3# boiler, construction for mechanical cooling tower, equipment installation for air compressor, debugging works for chemical water equipment.

**The remaining work relates to the following:**

- **Civil Construction**

Decoration works for lodging house, green landscape construction for the factory, decoration for the main factory, net rack construction for the whole factory.

- **Installation**

Construction for air cooling island and electric instrument for boiler, construction for 1# and 2# steam turbine generator and accessory equipment and pipeline.

Management plans to complete the Lanzhou project and enter into normal operation in 2018.

**Order Development**

in k€	BOT	EPC	Incinerator	Total
<b>Order Backlog as at 1 Jan. 2016</b>	<b>110,342</b>	<b>23,582</b>	<b>1,659</b>	<b>135,583</b>
Order intake in HY1 2016	0	0	0	0
Revenues in HY1 2016	37,502	14	0	37,516
Currency translation differences	-4,307	-1,007	-71	-5,385
<b>Order Backlog as at 30 Jun. 2016</b>	<b>68,533</b>	<b>22,561</b>	<b>1,588</b>	<b>92,682</b>

During the first half year of 2016 no new order intake was recorded. Order backlog decreased by 31.6% to € 92.7 million in first half year of 2016 compared to 31 December 2015 due to the project progress mainly in Lanzhou and foreign currency translation differences.

## Business Segments Overview

in k€	Q2 2016	Q2 2015	Change	HY1 2016	HY1 2015	Change
<b>BOT</b>						
Revenues (thereof as PoC k€ 37,502 in HY1 2016 / k€ 7,360 in HY1 2015)	10.920	2.498	>+100.0%	37.547	7.408	>+100.0%
Gross result	-242	-224	-8,0%	-423	-476	+11,1%
<b>EPC</b>						
Revenues (PoC)	5	34	-85,3%	14	692	-98,0%
Gross result	2	6	-66,7%	5	136	-96,3%
<b>Other (incinerators)</b>						
Revenues	0	0	0,0%	0	0	0,0%
Gross result	-54	-792	+93,2%	-119	-792	+85,0%
<b>Total Revenues</b>	<b>10.925</b>	<b>2.532</b>	<b>&gt;+100.0%</b>	<b>37.561</b>	<b>8.100</b>	<b>&gt;+100.0%</b>
<b>Total Gross Result</b>	<b>-294</b>	<b>-1.010</b>	<b>+70,9%</b>	<b>-537</b>	<b>-1.132</b>	<b>+52,6%</b>

### BOT projects

In Q2 2016, the BOT segment contributed with € 10.9 million to consolidated revenues (€ 1.6 million in Q2 2015).

### EPC projects

One of the two EPC projects contributed with € 5 thousand to consolidated revenues in Q2 2016 (€ 1.8 million in Q2 2015).

### Others (Incinerators)

In Q2 2016 inventories relating to the incinerators amounting to € 54 thousand (Q2 2015: € 0.8 million) were written off.

## Net Worth

in k€	30 Jun. 2016	31 Dec. 2015	Change
Non-current assets	173,966	142,043	+22.5%
Current assets	128,332	143,624	-10.6%
Equity	93,883	104,554	-10.2%
Liabilities	208,415	181,113	+15.1%
Balance sheet total	302,298	285,667	+5.8%

The balance sheet total amounted to € 302.3 million as of 30 June 2016 increasing by 5.8% compared to 31 December 2015, while equity went down by € 10.7 million or 10.2% to € 93.9 million. Consequently the Company's equity ratio decreased to 31.1% as at 30 June 2016 from 36.6% as at 31 December 2015.

## Cash Flow

in k€	Q2 2016	Q2 2015	Change	HY1 2016	HY1 2015	Change
Cash flow used in (-) / generated from (+) operating activities	-13,720	686	<-100.0%	-31,473	-5,337	<-100.0%
Cash flow used in investing activities	-14	-8	-75.0%	-16	-21	+23.8%
Cash flow generated from (+) / used in (-) financing activities	17,977	-1,405	>+100.0%	34,307	-2,946	>+100.0%

Due to a significantly higher project progress compared to Q2 2015 the cash flow used in operating activities increased by € 14.4 million. Due to an additional loan amounting to € 16.9 million which was granted by the China Construction Bank the cash flow from financing activities turned into positive in Q2 2016.

## Cash Position

Cash and cash equivalents amounted to € 75.4 million as at 30 June 2016, a decrease of 0.6% compared to € 75.8 million as at 31 December 2015.

The company's cash represents an amount of € 5.80 (Q2 2015: € 6.65) cash per share and € -6.00 (Q2 2015: € 0.74) net cash per share (total cash amount minus the loan amount as at 30 June 2016 divided by the amount of shares).

in k€	30 Jun. 2016	30 Jun. 2015	Change
<b>Cash and cash equivalents</b>	<b>75,395</b>	<b>86,428</b>	<b>-12.8%</b>
Long-term loans	105,444	71,053	+48.4%
Other financial liabilities	47,926	5,709	>+100.0%
<b>Loans</b>	<b>153,370</b>	<b>76,762</b>	<b>+99.8%</b>
<b>Net cash and cash equivalents</b>	<b>-77,975</b>	<b>9,666</b>	<b>&lt;-100.0%</b>
<b>Shares</b>	<b>13,000,000</b>	<b>13,000,000</b>	<b>0.0%</b>
<b>Cash and cash equivalents per share</b>	<b>5.80</b>	<b>6.65</b>	<b>-12.8%</b>
<b>Net cash and cash equivalents per share</b>	<b>-6.00</b>	<b>0.74</b>	<b>&lt;-100.0%</b>

The existing funds are planned to be primarily invested in budgeted projects such as the BOT project in Lanzhou, and the EPC projects in Zhucheng and at some time later in Dingzhou. In addition, they are expected to serve to finance further business activities. Generally cash transfers from China are restricted as they require a formal approval from the State Administration of Foreign Exchange ("SAFE").

## Financing

As at 30 June 2016, the company's total loans amounted to € 153.4 million compared to € 126.5 million as at 31 December 2015. The increase of € 26.9 million is due to a payment relating to a loan granted by the China Construction Bank amounting to € 33.4 million in total, which is offset by the repayments of current loans amounting to € 0.8 million according to the Company's repayment plan. Additionally the increase of the exchange rate between Euro and the RMB from 7.0608 at 31 December 2015 to 7.3755 as at 30 June 2016 leads to a downturn of the Chinese currency and accordingly company's total loans decreased by € 5.7 million.

Project	Financial Institution	Total loan amount	Total loan amount	Effective interest rate	Term in years	Balance as at 30 Jun. 2016	Balance as at 30 Jun. 2016
		in EUR	in RMB	in %		in EUR	in RMB
Zhoukou	China Merchants Bank	13,558,403	100,000,000	6.90%	4	7,628,338	56,262,806
Kunming	China Merchants Bank	24,405,125	180,000,000	7.11%	7	22,157,728	163,424,322
Xianning	Bank of China	15,998,915	118,000,000	7.36%	6	11,931,394	88,000,000
Lanzhou	Bank of China	27,116,806	200,000,000	8.30%	1	27,116,806	200,000,000
Lanzhou	Bank of Lanzhou	10,846,722	80,000,000	7.92%	1	10,846,722	80,000,000
Lanzhou	China Construction Bank	90,841,299	670,000,000	5.15%	11	73,688,563	543,490,000
						<b>153,369,552</b>	<b>1,131,177,128</b>

## Opportunities and Risks

For the information on opportunities and risks, please refer to our Risk Report in the Group Management Report as at 31 December 2015. Please note that these expectations are subject to uncertainty even if currently we do not have any information as to any other developments. There were no significant changes in opportunities and risks compared to 31 December 2015. Due to the slow progress of the projects except the project in Lanzhou, the management board is still evaluating the risks and opportunities from the current projects and analyses the strategic options.

## Outlook

In the six month period ended 30 June 2016, ZhongDe's revenue and other operating income significantly increased compared to the same period in 2015, mainly due to the construction progress of the BOT project in Lanzhou. Due to the additional allowance for doubtful prepayments to subcontractors amounting to € 4.0 million EBIT and EBITDA declined by € 3.1 million and € 3.3 million respectively, compared to the same period in 2015.



Looking ahead to the coming second half of 2016, we expect that the construction progress of the EPC project in Zhucheng and mainly the BOT project in Lanzhou will continue to contribute to ZhongDe's revenues. The trial run of the BOT projects in Zhoukou, Xianning and Kunming will additionally contribute to income.

After the end of the trial runs, the projects will receive the final approval of the referring customers, which marks the finalization of the projects. The Management Board is confident to complete the BOT projects in Zhoukou and Xianning and the EPC- project Zhucheng in 2016.

Based on the results from the first half year, management is convinced that it will be able to meet the targets for the financial year 2016 outlined in the Annual Report for the financial year ended 31 December 2015.

The management is in negotiations concerning new EPC projects and is confident that more EPC contracts will be closed in 2016 and coming years. Nevertheless the final closing of new contracts always depends on conditions, which are not within the sole decision of management and therefore cannot be forecasted without any uncertainty.

Moreover, the Group plans to offer waste transportation in near future. To this purpose, ZhongDe established Zhoukou Fulin Environmental Engineering Construction Co., Ltd. However, as of the end of the first half year of 2016, the new company has not yet commenced its business activities.

Regarding the future development of the company the management board currently evaluates all strategic opportunities on a regular basis, which refers to the acquisition of new EPC contracts as well as to the potential sale of existing BOT projects.

## 4 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2016

### 4.1 Condensed Six-Month Consolidated Statement of Profit or Loss and Comprehensive Income

in k€	Q2 2016	Q2 2015 <sup>1)</sup>	HY1 2016	HY1 2015 <sup>1)</sup>
Revenues	10,925	2,532	37,561	8,100
Cost of sales	-11,219	-3,542	-38,098	-9,232
<b>Gross result</b>	<b>-294</b>	<b>-1,010</b>	<b>-537</b>	<b>-1,132</b>
Other operating income	1,012	690	1,792	1,368
Selling and distribution expenses	-4,063	-58	-4,252	-114
Administrative expenses	-866	-774	-1,850	-1,668
Research and development expenses	-8	-39	-22	-78
Other operating expenses	-509	-592	-916	-1,110
<b>Loss from operations</b>	<b>-4,728</b>	<b>-1,783</b>	<b>-5,785</b>	<b>-2,734</b>
Finance income	1,899	909	2,927	2,049
Finance costs	-1,632	-926	-3,302	-2,047
<b>Loss before income tax</b>	<b>-4,461</b>	<b>-1,800</b>	<b>-6,160</b>	<b>-2,732</b>
Income tax expenses	-148	-265	-117	-1,501
<b>Loss for the period</b>	<b>-4,609</b>	<b>-2,065</b>	<b>-6,277</b>	<b>-4,233</b>
Items that may be reclassified subsequently to profit or loss:				
Foreign exchange differences	55	-405	354	387
Items that will not be reclassified subsequently to profit or loss:				
Foreign exchange differences	-347	-4,367	-4,748	9,363
<b>Other comprehensive income</b>	<b>-292</b>	<b>-4,772</b>	<b>-4,394</b>	<b>9,750</b>
<b>Total comprehensive income</b>	<b>-4,901</b>	<b>-6,837</b>	<b>-10,671</b>	<b>5,517</b>
<b>Loss attributable to owners of the parent</b>	<b>-4,609</b>	<b>-2,065</b>	<b>-6,277</b>	<b>-4,233</b>
<b>Total comprehensive income attributable to owners of the parent</b>	<b>-4,901</b>	<b>-6,837</b>	<b>-10,671</b>	<b>5,517</b>
Earnings per share (in €) (diluted and undiluted)	-0.37	-0.16	-0.50	-0.34
Weighted average shares outstanding (diluted and undiluted)	12,600,000	12,600,000	12,600,000	12,600,000

<sup>1)</sup> Restated.

## 4.2 Condensed Interim Consolidated Statement of Financial Position

as at 30 June 2016

in k€	30 Jun. 2016	31 Dec. 2015	30 Jun. 2015
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	48,158	35,340	28,213
Property, plant and equipment	358	412	428
Receivables from BOT	125,450	106,291	97,687
Deferred tax assets	0	0	1,053
	<b>173,966</b>	<b>142,043</b>	<b>127,381</b>
<b>Current assets</b>			
Inventories	434	437	3,306
Trade receivables	6,969	6,923	1,821
Other receivables and prepayments	45,520	60,192	46,686
Amounts due from related parties and companies	14	15	15
Other financial assets	0	215	170
Cash and cash equivalents	75,395	75,842	86,428
	<b>128,332</b>	<b>143,624</b>	<b>138,426</b>
<b>Total Assets</b>	<b>302,298</b>	<b>285,667</b>	<b>265,807</b>
<b>Liabilities and Equity</b>			
<b>Capital and Reserves</b>			
Issued capital	13,000	13,000	13,000
Own shares	-4,608	-4,608	-4,608
Capital reserves	62,914	62,914	62,914
Chinese statutory reserves	8,459	8,459	8,459
Retained earnings	-22,529	-16,252	-4,344
Foreign currency translation reserve	36,647	41,041	42,995
<b>Total Equity</b>	<b>93,883</b>	<b>104,554</b>	<b>118,416</b>
<b>Liabilities</b>			
<b>Long-term liabilities</b>			
Long-term loans	105,444	80,623	71,053
Deferred tax liabilities	1,477	1,654	1,815
	<b>106,921</b>	<b>82,277</b>	<b>72,868</b>
<b>Current liabilities</b>			
Trade payables	26,720	25,719	38,031
Other payables and prepayments	22,524	22,668	25,644
Provisions	4,103	4,286	4,028
Amounts due to related parties and companies	8	122	8
Tax liabilities	213	168	1,103
Other financial liabilities	47,926	45,873	5,709
	<b>101,494</b>	<b>98,836</b>	<b>74,523</b>
<b>Total Liabilities</b>	<b>208,415</b>	<b>181,113</b>	<b>147,391</b>
<b>Total Liabilities and Equity</b>	<b>302,298</b>	<b>285,667</b>	<b>265,807</b>

### 4.3 Condensed Six-Month Consolidated Statement of Cash Flows

for the period from 1 January to 30 June 2016

in k€	HY1 2016	HY1 2015
<b>Loss before income tax</b>	-6.160	-2.732
<b>Adjustments for:</b>		
Amortization of intangible assets	476	678
Allowance for doubtful trade and other receivables	4.071	0
Depreciation of property, plant and equipment	52	73
Write-off of inventories	116	792
Interest income / exchange gains	-2.927	-2.049
Interest expense / exchange losses	3.303	2.047
<b>Operating cash flows before working capital changes</b>	<b>-1.069</b>	<b>-1.191</b>
<b>Working capital changes:</b>		
<i>(-) Increase) / (+) decrease in:</i>		
Inventories	-132	-324
Trade receivables	-401	77
Other receivables and prepayments	8.489	5.960
PoC receivables from BOT projects	-37.421	-7.407
<i>(+) Increase) / (-) decrease in:</i>		
Trade payables	2.121	3.512
Other payables, provisions and accruals	776	-2.219
Amounts due to related parties	-110	0
<b>Cash used in operations</b>	<b>-27.747</b>	<b>-1.592</b>
Interest received	1.030	242
Interest paid	-4.580	-3.079
Income tax paid	-176	-908
<b>Net cash used in operating activities</b>	<b>-31.473</b>	<b>-5.337</b>
<b>Cash flow from investing activities:</b>		
Purchase of property, plant, equipment and intangible assets	-16	-21
<b>Cash flow used in investing activities</b>	<b>-16</b>	<b>-21</b>
<b>Cash flow from financing activities:</b>		
Increase in borrowings	33.371	0
Repayments of loans	-751	-3.212
Cash repayments of financial assets (BOT projects)	1.687	266
<b>Cash flow generated from (+) / used in (-) financing activities</b>	<b>34.307</b>	<b>-2.946</b>
<b>Net increase (+) / decrease (-) before income tax</b>	<b>2.818</b>	<b>-8.304</b>
Cash and cash equivalents at beginning of period	75.842	87.205
Foreign exchange differences	-3.265	7.527
<b>Cash and cash equivalents at end of period</b>	<b>75.395</b>	<b>86.428</b>

#### 4.4 Condensed Six-Month Consolidated Statement of Changes in Equity

for the period from 1 January to 30 June 2016

in k€	Number of shares outstanding	Share capital AG	Own shares	Capital reserves	Chinese statutory reserves	Retained earnings	Foreign currency translation reserve (other compre- hensive income)	Total equity
<b>Balance as at 1 Jan. 2015</b>	<b>12,600,000</b>	<b>13,000</b>	<b>-4,608</b>	<b>62,914</b>	<b>8,459</b>	<b>-111</b>	<b>33,245</b>	<b>112,899</b>
Total compre- hensive income for the period	0	0	0	0	0	-4,233	9,750	5,517
<b>Balance as at 30 Jun. 2015</b>	<b>12,600,000</b>	<b>13,000</b>	<b>-4,608</b>	<b>62,914</b>	<b>8,459</b>	<b>-4,344</b>	<b>42,995</b>	<b>118,416</b>
Total compre- hensive income for the period	0	0	0	0	0	-11,908	-1,954	-13,862
<b>Balance as at 1 Jan. 2016</b>	<b>12,600,000</b>	<b>13,000</b>	<b>-4,608</b>	<b>62,914</b>	<b>8,459</b>	<b>-16,252</b>	<b>41,041</b>	<b>104,554</b>
Total compre- hensive income for the period	0	0	0	0	0	-6,277	-4,394	-10,671
<b>Balance as at 30 Jun. 2016</b>	<b>12,600,000</b>	<b>13,000</b>	<b>-4,608</b>	<b>62,914</b>	<b>8,459</b>	<b>-22,529</b>	<b>36,647</b>	<b>93,883</b>

## **4.5 Selected Notes to the Condensed Interim Consolidated Financial Statements**

### **Business of the ZhongDe Group**

As a general contractor of EPC projects, the ZhongDe Group is responsible for the design, engineering, procurement, construction and installation of waste incinerators with a power generation with the above mentioned techniques (energy-from-waste). In addition to the above EPC-activities, the ZhongDe Group also produces and operates the energy-from-waste plants as an investor in BOT projects. The work and services required in connection with EPC and BOT projects are not carried out by the ZhongDe Group itself but by Chinese subcontractors.

### **General**

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

### **Basis of preparation**

The condensed six-month consolidated financial statements of the ZhongDe Group are prepared for the period ended 30 June 2016 with comparative financial statements as at 31 December 2015 and 30 June 2015.

The condensed interim consolidated financial statements were prepared in accordance with section 37w German Securities Trading Act (WpHG), the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), its interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC) for condensed interim financial information effective within the European Union and the additional requirements of German commercial law pursuant to section 315a (1) of the German Commercial Code (HGB). Accordingly, these condensed six-month consolidated financial statements do not include all of the information required in annual consolidated financial statements by IFRS.

With regard to the preparation of the condensed interim consolidated financial statements, in accordance with IAS 34 "Interim Financial Reporting", the Management Board is required to make estimates and judgments which influence the application of accounting policies within the Company and the reporting of assets and liabilities as well as income and expenses. Actual amounts may differ from these estimates. The condensed interim consolidated financial statements have been reviewed. In the opinion of ZhongDe Waste Technology AG's Management Board, the condensed six-month consolidated financial statements for the period ended 30 June 2016 include all adjustments of a normal and recurring nature considered necessary for a fair presentation of results for interim periods.

Results of the period ended 30 June 2016 are not necessarily indicative for future results.

The condensed six-month consolidated financial statements for the period from 1 January to 30 June 2016 are drawn up in Euro. Amounts are stated in thousands of Euros (k€) except where otherwise indicated.

The financial statements of the individual consolidated companies are prepared as of the closing date for the Group financial statements. The condensed six months consolidated financial statements of ZhongDe AG and subsidiaries for the period from 1 January to 30 June 2016 were authorised for issue in accordance with a resolution of the Management Board on 26 August, 2016.

### **Significant accounting policies**

The accounting policies applied by the Group in the condensed interim consolidated financial statements generally correspond to the methods applied by ZhongDe Waste Technology AG in its consolidated financial statements for the year ending 31 December 2015. For further details, please refer to the consolidated financial statements available on the Company's website: [www.zhongde-ag.com](http://www.zhongde-ag.com).

Due to minor importance, the segment incinerators has been eliminated from the segment reporting of ZhongDe since 1 January 2016. The remaining business segments consist of BOT projects and EPC projects.

Non-recurring expenses that are incurred during the reporting period have been allocated as they would be at year-end.

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

The group performed impairment tests for intangible assets from service concession rights not yet available for use as at 31 December 2015. Consequently, additional costs incurred in 2016 for those projects being impaired have been directly written off. These impairments and write-offs have been accounted in administrative expenses during the first half year of 2015. By the end of 2015 ZhongDe decided to account these expenses in other operating expenses. Prior year's figures were reclassified accordingly. The change of the accounting method did not have any impact on the comprehensive income. The effect is presented below:

	Before restatement HY1 2015		Reclassi- fication	Restated HY1 2015	
	in k€	in %		in k€	in %
Revenues	8,100	100.0	0	8,100	100.0
Cost of sales	-9,232	-113.9	0	-9,232	-113.9
<b>Gross result</b>	<b>-1,132</b>	<b>-13.9</b>	<b>0</b>	<b>-1,132</b>	<b>-13.9</b>
Other operating income	1,368	16.8	0	1,368	16.9
Selling and distribution expenses	-114	-1.4	0	-114	-1.4
Administrative expenses	-2,328	-28.7	660	-1,668	-20.6
Research and development expenses	-78	-1.0	0	-78	-1.0
Other operating expenses	-450	-5.6	-660	-1,110	-13.7
<b>Loss from operations</b>	<b>-2,734</b>	<b>-33.8</b>	<b>0</b>	<b>-2,734</b>	<b>-33.7</b>
Finance income	2,049	25.3	0	2,049	25.3
Finance costs	-2,047	-25.3	0	-2,047	-25.3
<b>Loss before income tax</b>	<b>-2,732</b>	<b>-33.8</b>	<b>0</b>	<b>-2,732</b>	<b>-33.7</b>
Income tax expenses	-1,501	-18.5	0	-1,501	-18.5
<b>Loss for the period</b>	<b>-4,233</b>	<b>-52.3</b>	<b>0</b>	<b>-4,233</b>	<b>-52.2</b>

	Before restatement Q2 2015		Reclassi- fication	Restated Q2 2015	
	in k€	in %		in k€	in %
Revenues	2,532	100.0	0	2,532	100.0
Cost of sales	-3,542	-139.8	0	-3,542	-139.8
<b>Gross result</b>	<b>-1,010</b>	<b>-39.8</b>	<b>0</b>	<b>-1,010</b>	<b>-39.8</b>
Other operating income	690	27.2	0	690	27.3
Selling and distribution expenses	-58	-2.3	0	-58	-2.3
Administrative expenses	-1,104	-43.6	330	-774	-30.6
Research and development expenses	-39	-1.5	0	-39	-1.5
Other operating expenses	-262	-10.3	-330	-592	-23.4
<b>Loss from operations</b>	<b>-1,783</b>	<b>-70.3</b>	<b>0</b>	<b>-1,783</b>	<b>-70.3</b>
Finance income	909	35.9	0	909	35.9
Finance costs	-926	-36.6	0	-926	-36.6
<b>Loss before income tax</b>	<b>-1,800</b>	<b>-71.0</b>	<b>0</b>	<b>-1,800</b>	<b>-71.0</b>
Income tax expenses	-265	-10.5	0	-265	-10.5
<b>Loss for the period</b>	<b>-2,065</b>	<b>-81.5</b>	<b>0</b>	<b>-2,065</b>	<b>-81.5</b>



## Standards, amendments and interpretations to existing standards applied for the first time in the reporting period

The Group had to apply the following new standards, amendments to existing standards or new interpretations for the first time:

Title	Content	Material effect on ZhongDe AG
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	The amendments provide additional guidance on acceptable methods of depreciation or amortisation of property, plant and equipment and intangible assets.	none
Amendments to IAS 16 and IAS 41: Bearer Plants	The amendments bring bearer plants into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment.	none
Amendments to IAS 27: Equity Method in Separate Financial Statements	The amendments again allow the application of equity method for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.	none
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	The amendments clarify the accounting for acquisitions of an interest in a joint operation in cases where the operation constitutes a business.	none
Annual Improvements to IFRSs 2010-2012 Cycle	A collection of amendments to IFRSs, introducing changes to IFRS 2: Share-based Payment, IFRS 3: Business Combinations, IFRS 8: Operating Segments, IFRS 13: Fair Value Measurement, IAS 16: Property, Plant and Equipment, IAS 24: Related Party Disclosures, and IAS 38: Intangible Assets.	none
Annual Improvements to IFRSs 2012-2014 Cycle	A collection of amendments to IFRSs, introducing changes to IFRS 5: Non-current Assets Held for Sale and Discontinued Operations, IFRS 7: Financial Instruments: Disclosures, IAS 19: Employee Benefits and IAS 34: Interim Financial Reporting.	none
Amendments to IAS 1: Disclosure Initiative	The amendments clarify IAS 1 with regard to perceived impediments to preparers exercising their judgement in presenting their financial reports.	none
Amendments to IAS 19: Employee Contributions	The amendments clarify the requirements for attributing contributions from employees or third parties that are linked to service to periods of service.	none

The first-time application of these standards and interpretations did not have a significant impact on the net-assets, financial position and results of operations of the Group.

## Published but not yet applied standards, amendments and interpretations

At the time of the preparation of the group condensed interim consolidated financial statements, the following standards and interpretations of the IASB as well as their changes and revisions had either not been endorsed by the European Union or were not compulsorily applicable in the first six months of 2016, and were therefore not applied by the ZhongDe Group.

Title	IASB Effective Date	Endorsed by the EU on	EU Effective Date	Expected material effect on ZhongDe AG
IFRS 9: Financial Instruments	January 1, 2018	(expected in Q4 2016)	(to be determined)	none
Amendments to IAS 28 and IFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	(to be determined)	(to be determined)	(to be determined)	none
IFRS 14: Regulatory Deferral Accounts	January 1, 2016	(not endorsed by the EU)	(not applicable)	none
IFRS 15: Revenue from Contracts with Customers	January 1, 2018	(expected in Q3 2016)	(to be determined)	see explanation
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities - Applying the Consolidation Exception	January 1, 2016	(expected in Q3 2016)	(to be determined)	none
IFRS 16: Leases	January 1, 2019	(expected in 2017)	(to be determined)	see explanation
Amendments to IAS 7: Disclosure Initiative	January 1, 2017	(expected in Q4 2016)	(to be determined)	none
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017	(expected in Q4 2016)	(to be determined)	none
Clarifications to IFRS 15: Revenue from Contracts with Customers	January 1, 2018	(expected in Q1 2017)	(to be determined)	see explanation
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	January 1, 2018	(expected in HY2 2017)	(to be determined)	none

The aforementioned standards and interpretations are to be applied in the Consolidated Financial Statements of the ZhongDe Group from the 2017 financial year or later. ZhongDe generally does not early adopt new standards but applies them from the compulsory application date onwards.

ZhongDe expects that the first time application of IFRS 15 will in general lead to similar accounting results as under the current rules of IAS 11 and IAS 18. Service concession arrangements will continue to be accounted for under the rules of IFRIC 12. Service and construction services will also under IFRS 15 be a separable element of a contract. The basic nature of the percentage of completion method applicable for the contracts will presumably not change.

IFRS 16 specifies the recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The application of IFRS 16 will require that ZhongDe as lessee for a couple of leasing contracts will have to capitalise the leased assets formerly treated as operating lease under IAS 17, when the lease term is longer than 12 months. As a result, the fixed assets and financial liabilities will increase, other operating expense will decrease while depreciation and interest expense will increase as well.

Aside from additional or modified disclosure requirements ZhongDe Group currently expects only marginal effects on the consolidated financial statements from the first-time application of the other standards, interpretations and amendments.

## Segment analysis and information

### A. Business segments

The Group's operating activities are divided into two business segments: EPC (engineering, procurement and construction) projects and BOT (build – operate – transfer) projects.

In the first quarter of 2016 mainly the BOT projects contributed to gross result.

### B. Business by region

The Group is principally engaged in BOT- and EPC-projects in the PRC, where all of its customers are based. In addition, all assets attributable to the Group's operating activities are likewise located in the PRC. As such, no geographical segment analysis is necessary.

### C. Allocation basis

Revenues and the cost of sales of the services rendered in generating revenues are directly attributable to the business segments. Income and expenses which are not directly attributable to a business segment are recognised separately as unallocated income and expenses. Inter-segmental revenues are eliminated on consolidation.

The following table presents revenues and results regarding the Group's business segments for the first six months of 2016:

in k€	BOT projects		EPC projects		Other (Incinerators)		Group	
	HY1 2016	HY1 2015	HY1 2016	HY1 2015	HY1 2016	HY1 2015	HY1 2016	HY1 2015
Total revenue for reportable segments	37.547	7.408	14	692	0	0	37.561	8.100
Total gross result from reportable segments	-423	-476	5	136	-119	-792	-537	-1.132
Order intake	0	0	0	0	0	0	0	0
Order backlog	68.533	135.887	22.561	83.424	1.588	3.476	92.682	222.787

## Functional and presentation currency

Development of exchange rates (€ / foreign currency rate)	ISO code	Average rate		Ending rate		
		HY1 2016	HY1 2015	30 Jun. 2016	31 Dec. 2015	30 Jun. 2015
Chinese Yuan	CNY	7.2965	6.9408	7.3755	7.0608	6.9366
Hong Kong Dollar	HKD	8.6684	8.6517	8.6135	8.4376	8.6740

The functional currency of the consolidated subsidiaries and ZhongDe Waste Technology AG is the RMB.

## Related Party Information

The following transactions took place between the Group and the related parties during the six-month period from 1 January to 30 June 2016:

in k€	HY1 2016	HY1 2015
<b>Related parties</b>		
Rental, water and electricity fee	76	85

The transactions with related parties were based on market prices.

Receivables from and liabilities to related companies as a result of related party transactions are disclosed in the table below:

in k€	30 Jun. 2016	30 Jun. 2015
<b>Due from related parties</b>		
Other receivables	14	15
	<b>14</b>	<b>15</b>
<b>Due to related parties</b>		
Trade payables	8	8
	<b>8</b>	<b>8</b>

## Subsequent Events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization of the condensed interim consolidated financial statements.

Frankfurt/Main, 26 August 2016  
ZhongDe Waste Technology AG

A handwritten signature in black ink, appearing to be 'Zefeng Chen', written in a cursive style.

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

## 5 REVIEW REPORT

### To ZhongDe Waste Technology AG, Frankfurt/Main

We have reviewed the condensed interim consolidated financial statements – comprising the condensed statement of financial position, the condensed statement of profit or loss and other comprehensive income for the period, the condensed statement of changes in equity, the condensed statement of cash flows and selected explanatory notes – and the interim group management report of ZhongDe Waste Technology AG for the period from 1 January to 30 June 2016 which form part of the half-year financial reporting in accordance with section 37w German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the German Securities Trading Act applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

Except for the matter outlined in the following paragraph we conducted our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). This standard requires that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material aspects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material aspects, in accordance with the regulations of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

The Management Board of the company was requested by the Supervisory Board of ZhongDe Waste Technology AG to get specific investigations regarding cash and cash equivalents disclosed by subsidiaries of the Group domiciled in the People's Republic of China. Accordingly an increased risk regarding the existence and the valuation of cash and cash equivalents as presented in the half-year financial statements of ZhongDe Waste Technology AG was considered for the review which we could not assess solely based on inquiries and analytical procedures. The Management Board did not engage the Chinese component auditor to perform those additional procedures beyond the regular scope of a review which were not executed as a result. Therefore it was not possible to determine whether cash and cash equivalents amounting to EUR 75.4 million should have been recorded or valued differently.

Except for the possible impact described above, based on our review no matters have come to our attention that cause us to believe that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial

reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the regulations of the German Securities Trading Act applicable to interim group management reports.

Hamburg, 26 August 2016

Warth & Klein Grant Thornton AG  
Wirtschaftsprüfungsgesellschaft

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

## 6 RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements from 1 January to 30 June 2016 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group. The interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Frankfurt/Main, 26 August 2016

**ZhongDe Waste Technology AG**  
**Management Board**

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



## 7 CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

For us, particular uncertainties arise, among others, from: changes in general economic and business conditions, changes in the regulatory environment, the introduction of competing products or technologies by other companies, changes in business strategy, our analysis of the potential impact of such matters on our financial statements, as well as various other factors. More detailed information about our risk factors and key factors affecting our results and operations is contained in ZhongDe's Group Management Report 2015, which is available on the ZhongDe website: [www.zhongde-ag.com](http://www.zhongde-ag.com). Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the relevant forward-looking statement as expected, anticipated, intended, planned, believed, sought, estimated or projected. ZhongDe does not intend or assume any obligation to update or revise these forward-looking statements in the light of developments which differ from those anticipated, unless otherwise required by law.

The English translation of this interim report is for convenience purposes only. The German version of this interim report is binding for legal purposes.

## 8 ABOUT ZHONGDE WASTE TECHNOLOGY AG



ZhongDe Waste Technology AG is listed on the Frankfurt Stock Exchange (German securities identification number ZDWT01, ISIN DE000ZDWT018, ticker symbol ZEF).

ZhongDe Waste Technology is a waste-to-energy company that designs, invests in, constructs and operates waste-to-energy plants, which generate electricity through the disposal of solid municipal, industrial (including hazardous) and medical waste. Since 1996, ZhongDe Group has completed approximately 200 waste disposal projects in about 13 provinces in China. ZhongDe is one of the most well-known players in the field of energy-from-waste EPC and BOT projects in China. As a general contractor of EPC projects, ZhongDe is responsible for the design, procurement, construction and installation of energy-from-waste plants applying different technologies, such as grate, fluidized bed, pyrolytic or rotary kiln. As an investor in BOT projects, ZhongDe also operates energy-from-waste plants.

The registered office of ZhongDe Waste Technology AG is located in Frankfurt, Germany. The Chinese headquarter is located in Beijing, China. ZhongDe's production facility is in Fuzhou, China.

## 9 FINANCIAL CALENDAR AND CONTACT INFORMATION

### Financial Calendar 2016

Date*	Event
29 August	Interim report on the 1st half of 2016
28 November	Interim report on the 1st nine months / 3rd quarter of 2016

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

### Contact Information

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

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