

Clean Technology for the Future



Annual Report 2014

ZhongDe Waste Technology AG



Overview Financial Highlights

in k€	2014	2013	Change
Operational data			
Order intake ¹⁾	0	45,838	-100%
Order backlog ²⁾	212,489	226,051	-6%
Revenues	34,973	12,310	>100%
Gross profit	477	-882	>100%
Gross profit margin	1%	-7%	+9 pp
Cost of sales	-34,496	-13,192	<-100%
EBITDA adjusted	-2,181	-6,026	64%
EBITDA adjusted margin	-6%	-49%	+43 pp
EBITDA	-2,181	4,276	<-100%
EBITDA margin	-6%	35%	-41 pp
EBIT	2,995	-7,437	>100%
EBIT margin	9%	-60%	+69 pp
Net income	-951	-8,260	88%
Net income margin	-3%	-67%	+64 pp
Loss per share (in €)	-0.08	-0.66	88%
Cash flow data			
Cash flow used in operating activities	-27,875	-17,406	-60%
Cash flow from investing activities	1,216	4,750	-74%
Cash flow used in/from financing activities	-5,207	24,209	<-100%
Balance sheet data			
Total Assets	249,292	228,754	9%
Property, plant and equipment	442	517	-15%
Net working capital ³⁾	70,379	102,367	-31%
Cash and cash equivalents	87,205	110,076	-21%
Long-term liabilities	66,127	66,942	-1%
Shareholder's Equity	112,899	102,954	10%
Headcount (as at 31 December)	371	372	0%

¹⁾ Average exchange rate 2014 used for translation

²⁾ Exchange rate as of 31 Dec 2014 used for translation

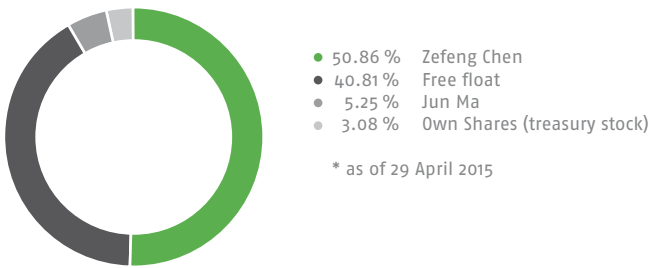
³⁾ Current Asset – Current Liabilities

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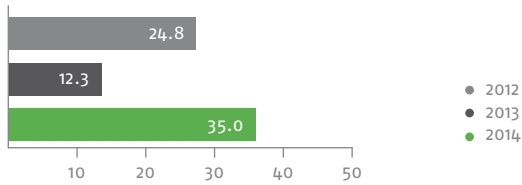
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ZhongDe at a Glance

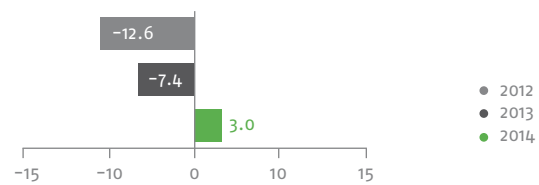
Shareholder Structure*



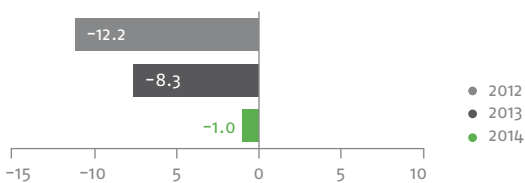
Revenues in € million



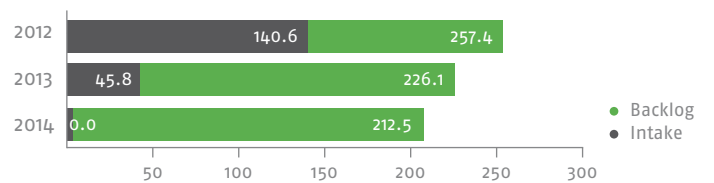
EBIT in € million



Net Income in € million

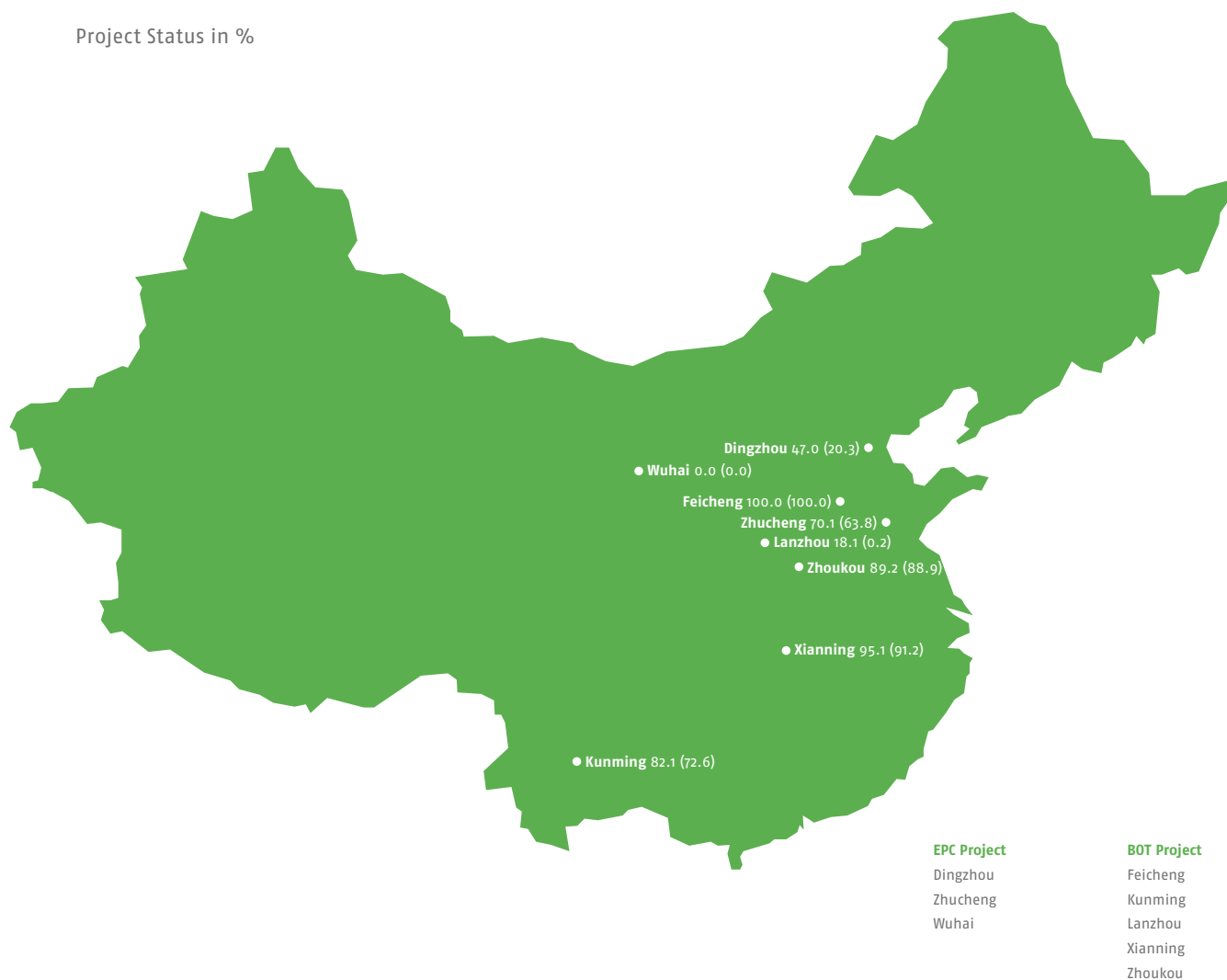


Orders in € million



Project Status

Project Status in %



Company profile

As a general contractor of EPC projects, we are responsible for design, procurement, construction, and installation of circulating fluidized bed.

As an investor in BOT projects, we also operate the Energy-from-Waste plants, which dispose of solid municipal, industrial (including hazardous), and medical waste.



above: BOT project Lanzhou as at the beginning of 2015
below: EPC project Dingzhou as at the beginning of 2015

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To our Shareholders

Letter to our Shareholders

Dear Shareholders,

In 2014, ZhongDe Group made remarkable progress in its current projects. As forecasted overall financial performance of ZhongDe has improved compared to 2013: As a result compared by annual figures, revenue increased by 184% from € 12.3 million in 2013 to € 35.0 million in 2014. The gross profit improved from prior year's loss amounting to € 0.9 million to a profit of € 0.5 million. EBIT improved by € 10.4 million to € 3.0 million.

Three BOT projects, Zhoukou, Xianning and Kunming have entered into their testing phase and generated revenues from trial run operation. The construction of the BOT project in Lanzhou progressed according to plan and with two EPC projects our Group realised revenue and gross profit. Besides this the Wuhai EPC project has completed the preparatory stage, so that construction can start.

However, 2014 was still a challenging transition period for the ZhongDe Group. Compared to the consolidated loss in 2013, ZhongDe however managed to reduce net loss to € -1.0 million (2013: € -8.3 million). It is our honor and pleasure to present our annual report to you, which will give you a detailed insight into the business development of our company.

Favorable conditions for the waste-to-energy industry while China's economy achieved 7.4% growth

According to International Monetary Fund (IMF), by application of purchase power price method, the economy of China has historically surpassed the USA and become the largest one in the world in 2014. The gross domestic product (GDP) of China was RMB 63,646 billion (or EUR 9,499 billion) in 2014. China kept its position as the engine of the world economy with its huge GDP and the fast growth of 7.4% p.a.

Furthermore, considering the huge 1.3 billion population, the limited land and energy resources, Chinese government decides to shift to waste-to-energy solutions. It identified waste-to-energy to be one of the key areas for the environmental protection industry. The total investment in waste-to-energy technologies is expected to be around RMB 26 trillion, ranking number three in all of the 34 low-carbon technologies that have been included in the directory by the Government.

It is expected that there will be more than 300 waste-to-energy facilities with all kinds of production and construction and with a daily capacity of 300,000 tons as at the end of 2015. The waste-to-energy industry in China is conservatively estimated to have more than RMB 200 trillion market prospect.



Zefeng Chen, Chairman of the Management Board (CEO)



William Jiu Hua Wang, Executive Director of the
Management Board (CFO)

ZhongDe is facing increased competition

Due to the growing importance of the waste-to-energy technology for the development of China in the future, more and more municipal governments shift from the landfill system to waste-to-energy plants. However, the Chinese Government is favouring the state-own companies, which have a long-standing relationship with the Government bodies. These state-own companies have the advantage of being granted the concession agreements of waste-to-energy projects and various other supports. As the number of state-owned companies in this sector is increasing, ZhongDe is facing an increased competition.

To counteract, the Management Board continues maintaining already strong ties with Chinese Government bodies. The Management Board attends waste-to-energy summit meetings, conducts various meetings within the network of this industry and intensifies marketing and sales activities to improve the market presence, the related influence and the image of ZhongDe Group in China.

Although the focus in 2014 lied on the progress of the current projects, the Management Board also entered into negotiations with customers on new projects in 2014 and is optimistic that new customer orders can be signed in 2015. Nevertheless, the final closing of new contracts always depends on conditions, which are not within the sole decision of the management and therefore cannot be forecasted without any uncertainty. However, there is a remaining € 212.5 million order backlog at the end of 2014 to generate revenue and profit in the future and thereby maintain a strong position in the Chinese waste-to-energy market.

Outlook

Looking ahead to 2015 and 2016, we expect to further benefit from the favourable political and economic environment for eco-friendly waste disposal, as well as from the growing demand for our energy-from-waste-plants, both in China and throughout Asia. The new Government of China has set the target of a “Beautiful China” and continuously strives to reduce the pollution and to protect the environment in China. The new Clean Air Law has been passed in 2015.

The increasing demand for waste-to-energy-plants favours ZhongDe's business environment. The Management Board is confident that more EPC contracts can be signed in 2015 and during the coming years. It expects to complete the BOT projects in Zhoukou and Xianning within 2015, the BOT project in Kunming in 2016. The EPC projects in Dingzhou and Zhucheng are also scheduled for completion in 2015. After the completion of the current BOT and EPC projects, ZhongDe Group plans to further strengthen its focus on EPC projects since revenues and profits can be recognized earlier compared to BOT projects.

All in all, ZhongDe's Management Board expects that 2015 will remain a transition period, during which ZhongDe will finalize existing projects, commence its operations and accelerate progress of the project construction in Lanzhou. The Management Board expects to continue the rapid growth in revenues and gross profit within 2015. Accordingly EBIT and the net result for the period will follow that trend and turn to positive. The outcome of the actual figures will be strongly dependent on the project development. Due to the uncertainty relating to delays caused by governmental requirements, the availability of suppliers and the foreign exchange fluctuation of the EUR/RMB exchange rate, all forecasts contain some uncertainty.

Acknowledgements

We would like to express our hearty gratitude to all our dedicated staff and wish to extend sincere gratitude to all our clients, shareholders and business partners. We look forward to our continued partnership with all of you.

Frankfurt/Main, April 26, 2015



Zefeng Chen
Chairman of the
Management Board (CEO)



William Jiu Hua Wang
Executive Director of the
Management Board (CFO)

Supervisory Board Report

Dear Shareholders,

In the fiscal year 2014, ZhongDe Waste Technology AG and its affiliated entities (the "ZhongDe Group"), made significant progress in the construction of various BOT and EPC projects. Especially the Lanzhou project, which is quite important for ZhongDe Group, has developed positively. However, from an overall perspective it has to be admitted that – as in previous years – the fiscal year 2014 was affected by significant delays for various projects when compared to the original schedule. The further significant delays – which partially resulted from external factors but to some extent also from suboptimal project management – in the end also had a major impact on the financial results of the last fiscal year.

Against this background, the Supervisory Board – as in the previous fiscal year – laid a particular focus of its work on the enhancement of ZhongDe Group's accounting, risk and project management as well as its controlling systems during the reporting period. The measures recommended and implemented in this respect primarily aim at enhancing the internal systems. In this regard, the Supervisory Board, in collaboration with external experts, developed recommendations for improvements and supported the Executive Board in the implementation of these recommendations. In addition, improvements shall be effectuated through ZhongDe Group's cooperation with acknowledged external partners. In the view of the Supervisory Board, the implementation of various recommendations during the reporting period already led to significant improvements. However, the enhancement of the risk and project management systems will continue to play an important role in the Supervisory Board's work.

Further details on the Supervisory Board's work during the fiscal year 2014 are set forth in the following.

Supervision of and Cooperation with the Executive Board

The Supervisory Board carried out its supervisory, monitoring and advisory functions assigned to it by statutory law, the Articles of Association of ZhongDe Waste Technology AG, the rules of procedure (Geschäftsordnung) for both the Executive Board and the Supervisory Board and the German Corporate Governance Code with great care during the reporting period. It always critically and constructively accompanied the Executive Board during the financial year 2014 and was involved in decisions of significant importance.

The Executive Board regularly provided the Supervisory Board with the reports required by law and/or the articles of association during the reporting period. The reports particularly covered the business development – including, where applicable, explanations on deviations of the actual business development from business plans –, the planning, strategy, profitability, cash flow, the progress of major projects as well as potential new projects, new economic and legal developments, compliance and the risk situation as well as the risk management. As far as further questions arose from the reports, the Supervisory Board addressed these questions and worked towards – oral or written – follow up reports.

In addition, the Supervisory Board thoroughly discussed and agreed upon the strategy of ZhongDe Group with the Executive Board. All events and developments with major significance for ZhongDe Group were discussed with the Executive Board. Furthermore, a particular focus of the Supervisory Board's work during the reporting period was the enhancement of ZhongDe Group's internal controlling systems, especially in the areas project and contract controlling as well as risk management. For example, in May 2014 the Supervisory Board – in collaboration with external experts – carried out a detailed assessment of the internal control systems with regard to the commissioned subcontractors and held a workshop on risk management with certain key employees of ZhongDe Group in July 2014.

The Chairman of the Supervisory Board was in regular contact with the Executive Board to exchange actual information, particularly with respect to current business developments and major events for the ZhongDe Group.



Gerrit Kaufhold, Chairman of the Supervisory Board

Supervisory Board Meetings

During the fiscal year 2014, the Supervisory Board held in total four ordinary meetings. These meetings were attended by all members of the Supervisory Board and the Executive Board. In addition, the Supervisory Board held a meeting by means of conference call without the members of the Executive Board on 6 June 2014. Further resolutions were adopted by written procedure.

No conflicts of interests of members of the Supervisory Board occurred during the reporting period.

Generally, the Executive Board reports at each Supervisory Board meeting on the financial and economic condition of the Company and ZhongDe Group, recent developments, the business policy and business strategy, profitability and corporate planning as well as the development of major projects, especially BOT projects. In this context, the respective quarterly numbers as well as any deviations from the business plans are discussed. Furthermore, the Executive Board and the Supervisory Board regularly discuss the short- and mid-term strategy of ZhongDe Group. The Supervisory Board also regularly uses the meetings to advise on the economic development and the strategy of the Company with the Executive Board. Transactions requiring prior approval also form a standard agenda item of the Supervisory Board meetings.

Apart from the aforesaid general topics, the central topics of the meetings of the Company's Supervisory Board that have been held in the financial year 2014 can be summarised as follows:

In the first Supervisory Board meeting held on **17 March 2014**, the Supervisory Board initially dealt with the status of the preparation and auditing of the financial statements of the Company and the consolidated financial statements of the ZhongDe Group. In this context, the Supervisory Board and the Executive Board also elaborated on potential adjustments and/or amendments of the strategic focus of ZhongDe Group. Furthermore, the Supervisory Board dealt in detail with the projects in Feicheng and Kunming and, in this context, particularly the reasons for the further delays of these projects. For Feicheng, these primarily

result from adjustments to the planning requested by the local authorities (upgrade from a waste recovery plant to a waste-to-energy plant). The delays for the Kunming project were caused by internal factors (project management) and the required exchange of various subcontractors. In light of the aforesaid, the possibilities to cooperate with a German engineering firm and, with regard to the Lanzhou-project, the planned cooperation with the Chinese subsidiary of a US listed waste-to-energy corporation was another focus of the Supervisory Board meeting. As regards the enhancement of the project management, the status of the implementation of an improved management reporting tool for the reports of the Executive Board to the Supervisory Board was discussed. Supervisory Board and Executive Board agreed that the reporting tool should be implemented as soon as possible. Other agenda items of this meeting comprised the annual compliance statement with regard to the recommendations of the German Corporate Governance Code and the reappointment of the chief financial officer William Wang.

The Supervisory Board meeting on **24 April 2014** primarily dealt with the discussion and approval of the audited individual financial statements of the Company and the audited consolidated financial statements of ZhongDe Group as of 31 December 2013. The auditor and – at the same time – group auditor as well as the members of the Executive Board were present at the meeting. The auditor and group auditor reported on the main results of the audit. These were thoroughly discussed between the Supervisory Board, the Executive Board and the auditor and group auditor. The respective discussion primarily focused on potential enhancements of the accounting, risk and project management and controlling systems. In this context, the auditor – following a respective instruction of the Supervisory Board – had assessed the risk and project management systems in detail and – particularly in order to ensure compliance with the applicable accounting standards – made recommendations for enhancements. The Supervisory Board agreed with these recommendations and suggested that these be implemented as soon as possible. The Executive Board promised to implement the recommended measures. Thereafter, based on its own review and based on the results of the Supervisory Board meeting, the Supervisory Board approved the individual financial statements and the consolidated financial statements as of

31 December 2013. In the following, the status of the preparation of the general shareholders' meeting of the Company and the short and mid-term planning of the Company and ZhongDe Group were discussed.

The main topics of the conference call held on **6 June 2014** by the Supervisory Board without the members of the Executive Board were the results of the meeting between the Supervisory Board member Mr. Chang and the CEO Mr. Chen Zefeng in connection with Mr. Chen's business trip to Taiwan, the extension of the term of office of the CFO Mr. William Wang as well as the status and the development of the Lanzhou-project. Apart therefrom, the deputy chairman of the Supervisory Board, Prof. Dr. Bernd Neukirchen, reported on his meeting with representatives of the potential US/Chinese cooperation partner for the Lanzhou-project. Finally, the Supervisory Board once more discussed potential enhancements of the Company's and/or ZhongDe Group's risk management systems. In this regard, the chairman also reported on the risk management workshop to be held jointly by the chairman and the auditor and group auditor in July 2014 in Beijing with certain key employees of ZhongDe Group.

In the Supervisory Board meeting held on **25 June 2014** in connection with the general shareholder's meeting, the Supervisory Board and the Executive Board took the occasion to scrutinize the strategic alignment of ZhongDe Group and to discuss potential adjustments and/or amendments of the strategic focus, also with regard to the various problems and imponderability with regard to the completion of larger BOT projects. The status of the long term liabilities and the plans to reduce these liabilities were also assessed in this context. Further, the status of implementation of the various recommendations to enhance the accounting, risk and project management as well as controlling systems was once more discussed. Finally, Prof. Dr. Neukirchen reported on the meeting between a representative of the German engineering firm and the project manager in charge of the Lanzhou-project in Lanzhou and the meeting with the preferred cooperation partner for the Lanzhou-project in the US.

The last Supervisory Board meeting during the reporting period that was held on **5 November 2014** primarily focussed on the status and progress of the various projects acquired by ZhongDe Group. The meeting started with a detailed report by Prof. Dr. Neukirchen about his impressions gained in connection with his site visit of the Lanzhou-project on 3 November 2014. In this context, the Supervisory Board and the Executive Board also discussed the risks and opportunities on a general basis and specifically the further steps in this project of significant importance for ZhongDe Group. Overall, the Supervisory Board was pleased that the project made good progress. The progress of the other projects, on the other hand, unfortunately developed less positive. With regard to the projects in Zhoukou and Kunming, the Executive Board reported further significant delays due to outstanding approvals of the local authorities, which also negatively affected the results. Comparable difficulties exist for the Feicheng project. The EPC projects in Dingzhou and Zhucheng, on the other hand, are expected to go on trial in 2015. As regards the EPC project in Wuhai, the preparatory work was finished. Apart from the discussion of the various projects, the Supervisory Board in this meeting also dealt with the short and mid-term planning for the Company and ZhongDe Group. In addition – and also with regard to the additional delays in the various projects and the related negative impact on the results of the Company – the strategic alignment of ZhongDe Group was once more scrutinized.

Supervisory Board Committees

The Supervisory Board of ZhongDe Waste Technology has not established any committees. In order to constitute a quorum, Supervisory Board committees require at least three members. As the Supervisory Board of the Company comprises only three members, the establishment of committees does not promise any advantages.

Corporate Governance

Executive Board and Supervisory Board avow themselves being committed to good corporate governance that is considered as a central part of the Company's management in order to achieve sustainable growth of the Company. Consequently, during the fiscal year 2014 – like in previous years – regularly dealt with compliance with corporate governance standards within the Company and ZhongDe Group. Further information about corporate governance within ZhongDe Group can be found in the Declaration of Corporate Governance pursuant to sec. 289a of the German Commercial Code, which also contains the Corporate Governance Report pursuant to sec. 3.10 of the German Corporate Governance Code and which is reproduced on pages 20 et seqq. of this annual report. The annual compliance statement pursuant to sec. 161 German Stock Corporation Act was jointly adopted by the Executive Board and the Supervisory Board and was published on ZhongDe Group's website on 22 April 2015.

Individual and Group Financial Statements 2014

The individual financial statements of ZhongDe Waste Technology AG (Einzelabschluss) have been prepared in accordance with the German generally accepted accounting principles. The consolidated financial statements of ZhongDe Group were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU).

The general shareholders' meeting of the Company held on 26 June 2014 has elected Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft as auditor of the Company and ZhongDe Group. The Supervisory Board has satisfied itself of the auditor's (and at the same time group auditor's) independence and thereupon awarded the audit order in accordance with the requirements of statutory law and the recommendations of the German Corporate Governance Code.

The auditor and at the same time group auditor examined the individual and the consolidated financial statements as of 31 December 2014, the status report and the group status report as well as the report of the Executive Board on the relations to affiliated entities and issued an unqualified audit opinion. The audit did not lead to any qualifications.

The aforesaid documents, including the report of the auditor, were timely distributed to all Supervisory Board members. The Supervisory Board comprehensively reviewed the documents in its meeting on 24 April 2015 in the presence of the Executive Board and the auditor and group auditor. The auditor and group auditor reported on the main results of the audit and on the scope, focal points and costs of the audit. The Executive Board explained the financial statements in the meeting. Both the Executive Board and the auditor and group auditor were available for questions and additional information. On the basis of its own examination and discussion of the aforesaid documents, the Supervisory Board came to the conclusion that no objections are to be raised with respect to the reports. The Supervisory Board therefore approved the individual and consolidated financial statements. The individual financial statements of ZhongDe Waste Technology AG for the time period from 1 January until 31 December 2014 are thereby adopted.

The Supervisory Board also agrees with the deliberations of the Executive Board in the status report and the group status report, particularly with regard to the further business development.

Dependency Report

In its meeting on 24 April 2015, the Supervisory Board further reviewed the report prepared by the Executive Board on the Company's relations to affiliated entities in accordance with section 312 of the German Stock Corporation Act as well as the related audit report prepared by the auditor. According to the report of the Executive Board and the audit of the auditor, the Company has received adequate consideration for all transactions entered into with the controlling enterprise or caused by the controlling enterprise and has not suffered any other disadvantages at the instigation of the controlling enterprise. The auditor furnished the report prepared by the Executive Board on the Company's relations to affiliated entities with an unqualified audit opinion. The unqualified opinion of the auditor is as follows:

“According to the circumstances known to us at the time the transactions were executed, or measures were implemented or omitted, ZhongDe Waste Technology AG received appropriate consideration for every transaction and has not been disadvantaged by the implementation or omission of any measures.”

The auditor attended the deliberations of the Supervisory Board on 24 April 2015 and explained the main results of the audit. The Supervisory Board agreed with the results of the audit by the auditor. No objections are to be raised to the statements of the Executive Board regarding the Company's relation to affiliated companies.

Personnel Matters

In the financial year 2014, the Supervisory Board reappointed the Company's CFO Mr. William Wang for another term of office until 31 December 2016.

Proposal for the Appropriation of Net Profits

In light of the current circumstances, particularly with regard to the net loss in the amount of € 1.0 million reported in the consolidated financial statements for the fiscal year 2014, the Supervisory Board further agrees with the proposal of the Executive Board not to distribute the balance sheet profit for the fiscal year 2014 in the amount of € 6.9 million to the shareholders but to carry forward the entire balance sheet profit for new account. Executive Board and Supervisory Board agree that for the time being it is more important to maintain the solid capital position of the Company and ZhongDe Group.

Acknowledgments

The Supervisory Board would like to thank the employees of ZhongDe Group and the Executive Board of the Company for their commitment during the past year.

Frankfurt/Main, April 2015



The Supervisory Board
Gerrit Kaufhold
Chairman of the Supervisory Board

ZhongDe Share

Overall positive market development in an uncertain environment

The German capital markets developed predominantly positive in 2014. This was mainly influenced by low interest rates and the ongoing expansive monetary policy by major central banks. Investors looked for alternative investment opportunities in a landscape of low returns on fixed-income markets. The volatile development was mainly due to geopolitical crises and concerns about the economic development in Europe. The conflict between Russia and the Ukraine in connection with unrest in Iraq and Syria, activities by the radical Islamic terrorist organisation Islamic State (IS), uncertainty about the Scottish independence – all this resulted in a highly uncertain environment for investors. But stabilising and adverse effects cancelled each other out. The robust US economy, falling oil prices and the low interest rates in major industrialised nations positively impacted the stock markets. The decision of the European Central Bank in October 2014 to adopt a third covered bond purchase programme outweighed all adverse effects and boosted the markets towards the end of the year.

The DAX increased by 2.7% throughout the fiscal year. In the first half of 2014 it developed on a level between 9,000 and 10,000 points. From mid of October on, it increased significantly and closed with 9,805.55 points on December 30, 2014. The market rally continued in the first quarter of 2015, leaving the DAX with 12,374.73 points on April 10, 2015.

The SDAX trended in a very similar direction, with an increase of 5.9%, closing at the end of 2014 with 7,186.21 points. In the first quarter of 2015 it went further up and closed with 8,833.96 points on April 10, 2015.

ZhongDe shares could not follow the positive market trend

Unfortunately, ZhongDe's share price fell significantly during the course of the year. Starting from € 4.50 (closing price December 30, 2013), the share price developed very volatile in January and February. This was followed by a significant downward trend, reaching an interim year-low of € 2.57 on May 7. This trend did not reverse until mid of May. In the following two trading days the share price went up strongly to € 3.50 as of May 21 – unfortunately just a short-term movement. As at the end of the first half-year, ZhongDe share quoted at € 3.10. During the third quarter the price went further down to a level of € 2.80 as at September 30. During the first half of October a significant downward move-

ment was recorded – ZhongDe share reached its year low of € 2.00 as of October 16. Afterwards the share price could stabilise and increased to € 3.00 as of November 28. In December this positive trend was reversed and the share quoted at € 2.55 – 43.3% below the previous year-end price.

During the first months of 2015 this volatile development continued leaving ZhongDe share with € 2.57 on April 10, 2015.

Management Board and Investor Relations team provide investors with transparent information

With our Investor Relations activities we would like to increase the awareness of ZhongDe Group within the financial community and communicate a transparent picture of business development to investors and interested parties. We are therefore actively seeking to engage in dialogue with analysts and investors. Again the CFO, William Wang, together with his Investor Relations team participated at the German Equity Forum in Frankfurt in November 2014. We also carried out regular one-on-one talks and conference calls regarding our business figures. For additional capital market relevant information please visit our website: www.zhongde-ag.com.

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

Key share indicators 2014 in €	
Share price	
Year-end price	2.55
High	4.97
Low	2.00
Earnings per share	-0.08
Dividend per share (proposed)	0.00
Market capitalisation (as at April 10, 2015)	33.41 million



XETRA closing prices as at April 10, 2015.

Corporate Governance Report

Declaration on Corporate Governance and Corporate Governance Report

ZhongDe Waste Technology AG is committed to the principles of good and responsible Corporate Governance. Corporate Governance at ZhongDe is focused on responsible long-term value creation and is based on the German Corporate Governance Code (Deutscher Corporate Governance Kodex). Since its implementation in 2002, the German Corporate Governance Code, along with the statutory provisions of law, proved itself as benchmark for good Corporate Governance in Germany. Executive Board and Supervisory Board of ZhongDe Waste Technology AG therefore explicitly support the German Corporate Governance Code and its objectives.

The following Executive Board's declaration on corporate governance pursuant to section 289a of the German Commercial Code (HGB) forms part of the combined management report. In accordance with section 3.10 of the German Corporate Governance Code, the declaration on corporate governance also contains the corporate governance report.

Information on Corporate Governance Practice

Shareholders and General Shareholders' Meeting

The shareholders exercise their rights and voting rights at the general shareholders' meeting (Hauptversammlung). According to statutory provisions and the Articles of Association, the general shareholders' meeting takes place within the first eight months of each financial year.

Each share grants one vote in the general shareholders' meeting. Shares conferring multiple voting rights or limited voting rights or preferred shares do not exist. The shareholders are entitled to exercise their voting rights in the general shareholders' meetings in person or by proxy, for which they can authorise a representative of their choice or a company-nominated proxy acting on their instructions.

The invitation for the general shareholders' meetings includes explanations on the provisions on the attendance, the procedure pertaining to the exercise of voting rights (in person or by proxy) as well as the rights of the shareholders. All reports and documents which are required by law to be made available for general shareholders' meetings, including the annual report, will be published on the Company's website at www.zhongde-ag.com/

investor_relations/hauptversammlung.html together with the agenda. After completion of the general shareholders' meeting, the actual quorum and the voting results will also be published on said website.

Responsibilities and Composition of the Executive Board and the Supervisory Board

In accordance with statutory requirements, ZhongDe Waste Technology AG has a so-called two-tier governance system which is characterised by the Executive Board and the Supervisory Board being two separate and independent governing bodies. The Executive Board and the Supervisory Board work closely together in the interest of the Company. Their common goal is to ensure the continued existence of the Company and its sustainable growth.

The members of the Executive Board are appointed by the Supervisory Board, which also determines the number of the members of the Executive Board. Currently, the Executive Board of ZhongDe Waste Technology AG consists of two members, Mr. Zefeng Chen (Chief Executive Officer) and Mr. William Jiuhua Wang (Chief Financial Officer).

The Supervisory Board is composed in accordance with Sections 95 and 96 of the German Stock Corporation Act (Aktiengesetz) and consists of three members. The current members of the Supervisory Board are Mr. Gerrit Kaufhold (Chairman), Prof. Dr. Ing. Bernd Neukirchen (Deputy Chairman) and Mr. Feng-chang Chang.

Executive Board

The Executive Board is responsible for managing the Company, developing the Company's strategy, agreeing this strategy with the Supervisory Board and implementing it. This includes the steering of the group, the management and investment policy pertaining to the financial resources, the development of personnel strategy, the recruitment of key employees and the presentation of ZhongDe Group to the capital market and the public domain. The Executive Board is obliged to inform the Supervisory Board continuously, timely and comprehensively on all matters which are relevant for ZhongDe Group. In urgent cases, it has to immediately inform the chairman of the Supervisory Board. For certain business transactions and measures as more specifically set forth in the by-laws for the Executive Board, the Executive Board requires the Supervisory Board's prior approval. The members of the Executive Board are obliged to disclose conflicts of interest to the Supervisory Board. The Supervisory Board has

to report on any conflicts of interest to the shareholders. In the financial year 2014, no conflicts of interest that would have had to be disclosed and/or reported to the Supervisory Board occurred. The Company had entered into a D&O insurance for its members of the Executive Board which provides for a deductible as prescribed by law.

Supervisory Board

The main task of the Supervisory Board is to control and advise the Executive Board, the decision on the approval of business transactions requiring the Supervisory Board's prior approval as well as the review and approval of the annual financial statements of the Company. The Supervisory Board is furthermore responsible for the appointment of the members of the Executive Board and the determination of their remuneration. The Executive Board provides the Supervisory Board with regular reports and updates on business policy and all issues of relevance for the ZhongDe Group relating to the strategy, planning, business development, the risk situation and the risk management system. The reports of the Executive Board also include the subject of compliance, i.e. the implemented means through which adherence to statutory provisions and ZhongDe Group's internal statutes is ensured. The members of the Supervisory Board are obliged to disclose conflicts of interest to the Supervisory Board. The Supervisory Board has to report on any conflicts of interest to the shareholders. In the financial year 2014, no conflicts of interest that would have had to be disclosed and/or reported occurred. The Company had entered into a D&O insurance for its members of the Supervisory Board which provides for a deductible as recommended by the Code.

Pursuant to Section 5.4.1 of the Code, the Supervisory Board has to be composed of members being in command of all required skills, qualifications and experience required for the performance of its duties. The Supervisory Board believes being composed in accordance with these requirements. Its chairman as tax advisor and certified accountant is qualified and experienced in the areas of German and international accounting as well as matters of law. Professor Dr. Neukirchen is professor in science and engineering and therefore qualified to supervise and advise the Executive Board in all matters relating to the Company's technology. Mr. Feng-chang Chang as certified auditor is qualified in international financing and accounting with particular understanding for Chinese companies and namely the Company's business.

According to Section 5.4.1 of the Code, the Supervisory Board shall specify concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interests and independence of its members, an age limit to be specified for the members of the Supervisory Board and diversity. These concrete objectives shall, in particular, stipulate an appropriate degree of female representation. The Supervisory Board thoroughly dealt with these recommendations. It is of the opinion that it complies with the requirements concerning internationality, independence and potential conflicts of interest. Potential conflicts of interests are prevented by the fact that all members of the Supervisory Board are independent within the meaning of Section 100 para. 5 of the German Stock Corporation Act and Section 5.4.2 of the Code. The international operations of the Company primarily comprise Germany and China. Accordingly, already as of today the Supervisory Board comprises two members of German origin and one member of Chinese origin. The Supervisory Board intends – while securing the qualification and experience of its board members – to secure this internationality and independence of its members in the future. In addition, the Supervisory Board has decided to seek for an adequate representation of women in the Supervisory Board. In this respect, it was initially intended to propose one female candidate for election to the Supervisory Board at the next Supervisory Board elections. Although the Supervisory Board has taken into account its objectives when discussing proposals for election of Supervisory Board members, the Supervisory Board proposed Mr. Gerrit Kaufhold and Prof. Dr. Bernd Neukirchen for re-election at the general shareholders' meeting held on 28 June 2013; the reason being that both have skills and experience currently needed by the Company. Irrespective of the aforesaid, the Supervisory Board still maintains its objectives for its composition.

Committees

Neither the Executive Board nor the Supervisory Board has established any committees. Both bodies are with two (Executive Board) and three members (Supervisory Board), respectively, dimensioned in a manner that warrants efficient discussions and work. Therefore, the establishment of committees – at least at the moment – does not promise any advantages.

Remuneration of Executive Board and Supervisory Board

In accordance with the recommendations of the German Corporate Governance Code, the remuneration of the members of the Executive Board and the Supervisory Board are disclosed on an individual basis. The general rules of the remuneration system and the remuneration itself are more specifically referred to in the Remuneration Report which forms part of the management report (pages 54 and 55).

Compliance Statement

In the financial year 2014 and until the date of this report, the Executive Board and the Supervisory Board dealt with Corporate Governance issues at several occasions. On 22 April 2015, the Executive Board and the Supervisory Board jointly issued the annual Compliance Statement (Entsprechenserklärung) in accordance with Section 161 of the German Stock Corporation Act and made it permanently available to the public on the Company's website under www.zhongde-ag.de/investor_relations/corporate_governance.html.

Directors' Dealings

Pursuant to sec. 15a of the German Securities' Trading Act (Wertpapierhandelsgesetz), the members of the Executive Board and the Supervisory Board and/or persons closely related to them are obliged to disclose the purchase and sale of ZhongDe Waste Technology AG shares and related financial instruments without undue delay to the Company and the German Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) whenever the value of such transactions exceeds EUR 5,000.00 or more within a calendar year. In the financial year 2014, ZhongDe Waste Technology AG has not received any such notifications.

The members of the Executive Board directly or indirectly hold in total 50.8% of the shares in ZhongDe Waste Technology AG. The members of the Supervisory Board do not hold any shares in ZhongDe Waste Technology AG.

Accounting and Audit

The annual consolidated financial statements (Konzernabschluss) as well as all quarterly financial statements of ZhongDe Waste Technology AG are prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS) as applicable in the European Union. The individual annual financial statements (Einzelabschluss) are prepared in accordance with the German generally accepted accounting principles and the statutory provisions of the German Commercial Code (Handelsgesetzbuch). The sole basis for the profit distribution is the individual annual financial statements prepared under the German Commercial Code.

The individual and consolidated financial statements are prepared by the Executive Board. The audit of the individual and consolidated annual financial statements is devoted to the auditor elected by the general shareholders' meeting. For the financial year 2014, the general shareholders' meeting of the Company held on 26 June 2014 has elected Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, as auditor of the Company and the group. The individual and consolidated financial statements as prepared by the Executive Board and audited by the Company's auditor are reviewed and approved by the Supervisory Board.

Corporate Compliance

At ZhongDe Waste Technology AG compliance, i.e. measures to ensure adherence to statutory provisions, internal statutes and Company policies, is a key management duty. The Company has developed internal rules as well as a code of conduct through which all individual employees of the Company and its affiliated entities are obliged to comply with all statutory provisions and the rules set forth in these internal guidelines. The Company puts great emphasis to fully comply with both German and Chinese statutory legal provisions and conventions.

Risk Management

Good Corporate Governance includes dealing responsibly with risks. The Executive Board keeps the Supervisory Board timely and duly informed about existing risks and their development. The Supervisory Board regularly deals with monitoring of the accounting process, the effectiveness of internal control, risk management and internal auditing systems as well as monitoring the auditing of the financial statements. The internal control, risk management and internal auditing systems are continuously evolved in order to meet the changing conditions. More details of our risk management system can be found in the management report.

Transparency

Our investors and shareholders as well as the interested public domain are provided with information on ZhongDe Waste Technology AG and ZhongDe Group as well as on major business events particularly through financial reports (annual reports and quarterly reports), balance sheet press conferences, analyst meetings and press conferences, balance sheet conferences, press releases, ad hoc notifications as well as other notifications required by law. All this information is published in German and English. In addition, our shareholders are provided with respective information at general shareholders' meetings. The financial statements, ad hoc releases and notifications on directors' dealings as well as press releases can also be viewed on the Company's website at www.zhongde-ag.com/investor_relations/. All shareholders and interested parties can subscribe to an electronic e-mail alert on our website or directly get in touch with us.

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Combined Management Report

COMBINED MANAGEMENT REPORT OF THE GROUP AND ZHONGDE WASTE TECHNOLOGY AG

(for the period ended 31 December 2014)

1 GENERAL INFORMATION

1.1 Foundation and Structure of ZhongDe Waste Technology AG and the Group

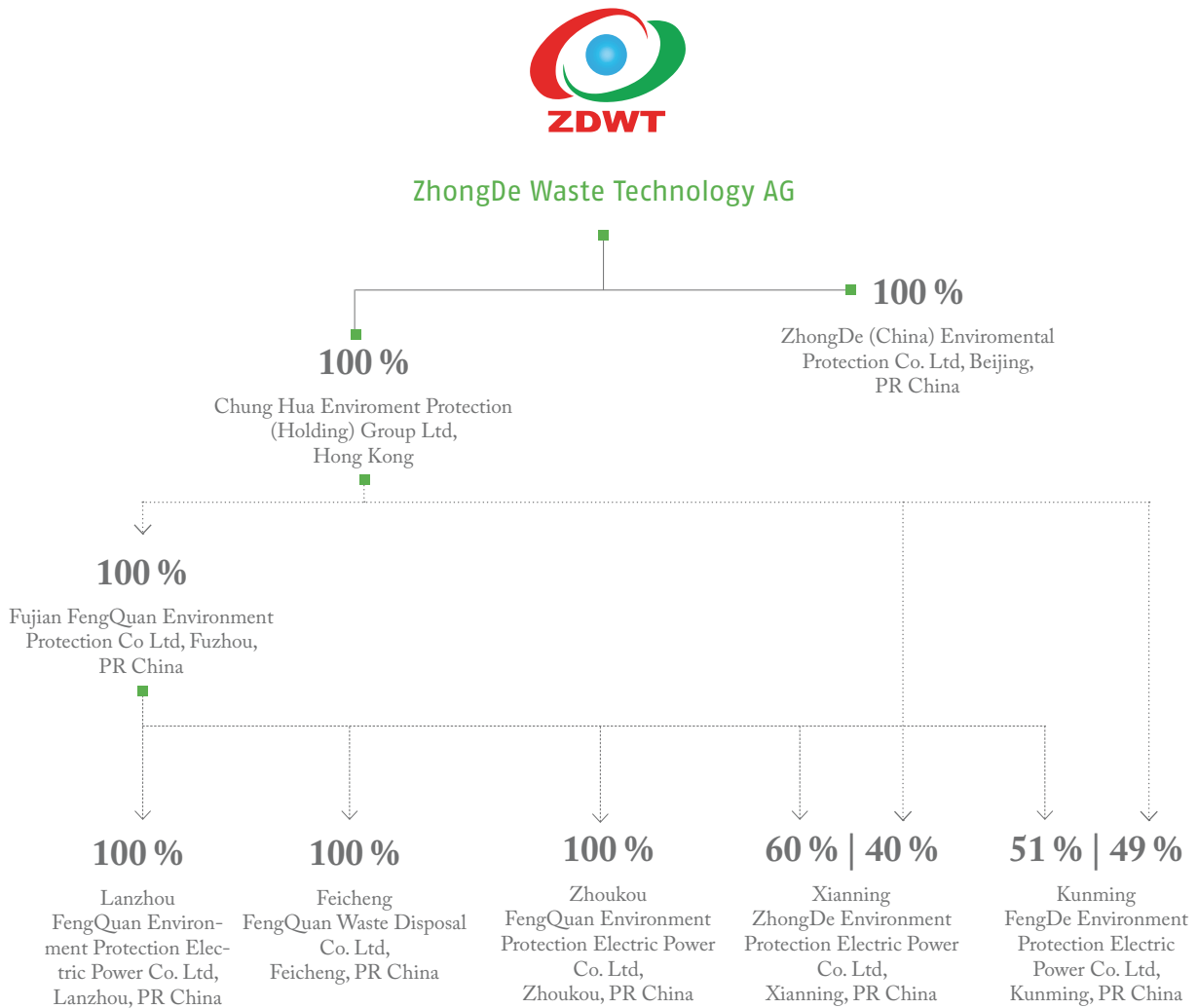
ZhongDe Waste Technology AG is a German stock corporation operating under German law whose financial year is the calendar year (i.e. 1 January through 31 December). The Company's shares are traded on the Prime Standard, a segment of the regulated market ("Regulierter Markt") of the Frankfurt Stock Exchange. The core business of ZhongDe Waste Technology AG is the financing of the ZhongDe Group. As holding company without an own operational business, ZhongDe Waste Technology AG is only slightly influenced by the macro-economic situation in Germany, but depends heavily on the ability of the Chinese entities to pay dividends to their shareholders.

The structure of ZhongDe Group with ZhongDe Waste Technology AG as parent company by year end is as follows:

The operational business of the ZhongDe Group is carried out by individual operating subsidiaries, being limited liability companies formed under the laws of the PRC. The following subsidiaries, are under either direct or indirect control of ZhongDe Waste Technology AG and accordingly consolidated:

Company name	Abbr.
1. ZhongDe China Environmental Protection Co. Ltd., Beijing	[ZhongDe China]
2. Chung Hua Environmental Protection Assets (Holdings) Group Ltd., Hong Kong	[Chung Hua]
3. Fujian FengQuan Environmental Protection Holding Ltd., Fuzhou	[Feng Quan]
4. Xianning ZhongDe Environmental Protection Electric Power Co., Ltd., Xinjiang	[Xianning]
5. Zhoukou FengQuan Environmental Protections Electric Power Co., Ltd., Zhoukou	[Zhoukou]
6. Kunming FengDe Environmental Protection Electric Power Co., Ltd., Kunming	[Kunming]
7. Lanzhou FengQuan Environmental Electric Power Co., Ltd., Lanzhou	[Lanzhou]
8. Feicheng FengQuan Waste Disposal Co., Ltd., Feicheng	[Feicheng]

The legal and project structure of ZhongDe Group is presented below:



Chung Hua and FengQuan are both intermediate holding companies and hold all the shares of five operating companies carrying out “Build-Operate-Transfer projects” (short “BOT”) or “Engineering, Procurement and Construction projects” (short “EPC”). FengQuan is additionally operational entity for ZhongDe’s working and construction force. Beside this, the company runs the EPC project in Zhucheng and performs the incinerator business of ZhongDe Group. ZhongDe China, which was established in 2010, is mainly responsible for handling project acquisition, project planning and other administrative duties at the site in Beijing. Furthermore the current EPC project in Dingzhou and the planned EPC project in Wuhai are operated in this subsidiary. Finally, the companies Xianning, Zhoukou, Kunming, Lanzhou and Feicheng are project companies, each building and operating one BOT project.

ZhongDe Group is formed by energy-from-waste companies that design, invest in, construct and operate 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 all within Mainland China. ZhongDe Group with its parent company ZhongDe Waste Technology AG has been publicly listed since 2007 at the Frankfurt Stock Exchange. The registered office of ZhongDe Waste Technology AG is located in Frankfurt, Germany and the operating headquarter is located in Beijing, China.

The business of ZhongDe is generally set-out into three sales chains: As general contractor of EPC projects ZhongDe Group is responsible for the design, procurement, construction and installation of energy-from-waste plants applying different technologies. As an investor in BOT projects ZhongDe also builds and operates energy-from-waste plants. Finally ZhongDe builds and sells incinerators. Due to the changes in the customer demand in China this segment has no material impact in the last years on the Group’s sales and profit situation.

1.2 Objectives and Strategies

ZhongDe Group’s main objective is to strengthen its position in the Chinese energy-from-waste industry with the best energy-from-waste technology and to return to strong and profitable business growth in order to create shareholder value. This objective is pointed out in the Group’s mission statement “Clean the future with technology”. Within this strategy the Group is focussed on large-size energy-from-waste projects. Beside this ZhongDe still operates one waste-disposal plant in Feicheng.

The energy-from-waste industry currently gains strong support from the Chinese Government and will offer promising growth opportunities as one of seven strategic new industry programmes stated in the 12th Five-Year Plan for the years 2011 to 2015. The new Five-Year-Plan for the years 2016 to 2020 is intended to be decided by the government in 2015. Due to the economic situation in China and energy and environment issues as an priority topic in China, the management expects that the governmental support on the industry will remain or is extended. In view of this positive market environment ZhongDe plans to expand its market position and technological expertise.

ZhongDe Group's main focus is currently on BOT projects including sales and marketing, financing and investment, as well as on the standardization and the preparation of operation of BOT projects, which cover the entire value chain in the field of energy-from-waste (5 phases) compared to EPC projects (4 phases). The BOT business delivers a sustainable earnings stream from electricity sales and from other by-products as well as interest income once the construction is completed. Additionally ZhongDe receives guaranteed payments for the financing of the construction of the site, which are granted from customers during the operation phase. On the other hand BOT projects are highly depending on the timely granting of business and operation licenses by the government and construction work performed as scheduled. Delays of obtaining business and operation licenses or due to other reasons bear the risk, that the overall project and accordingly the start of operation are postponed. This can lead to penalty charges by customers and increased project costs. As the granting of licenses is not within the scope of influence of ZhongDe Group risks arising from this cannot be fully prevented. For further details we refer to section Risks from dependency on governmental approvals and licenses. Due to their shorter project duration EPC projects are still a sales driver for ZhongDe Group.

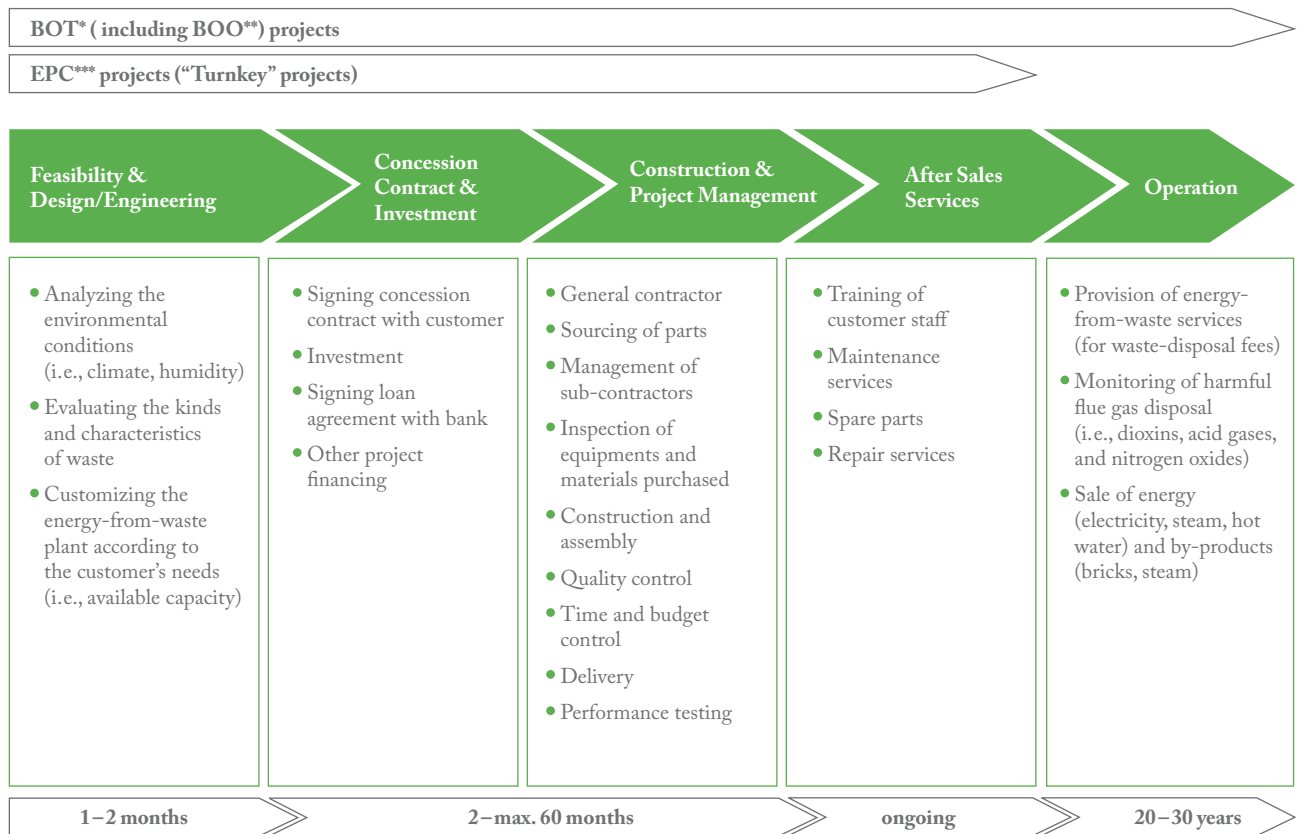
After the completion of the current BOT and EPC projects, ZhongDe Group plans to focus on EPC projects. The EPC projects generate revenue and positive gross profit quicker compared to the long-term BOT projects on which the zero profit method is currently applied.

In the future, ZhongDe intends to continue to sign more contracts for energy-from-waste projects not only in China, but also in other parts of Asia and the world. This will be done on the basis of an improved project management and more experience gained from the current energy-from-waste projects.

The business model presented below illustrates that ZhongDe covers the entire value chain in the field of energy-from-waste in its standard business-model. BOT projects can be separated into five parts of the entire value chain. EPC projects are handled quite similarly, but cover only four parts of the value chain as the operation phase is not included. EPC projects are transferred to the owner when the construction of the plant is finished.

ZhongDe's Business Model

Investor (BOT) / General Contractor (EPC) / Operator of Energy-from-Waste Plants



* Build-Operate-Transfer ** Build-Own-Operate *** Engineering-Procurement-Construction

The first phase:

Feasibility and design/engineering

This phase lasts for one to two months, during which time the ZhongDe team analyses the environmental conditions (i.e., climate, humidity) and evaluates the types and characteristics of the waste, etc., in order to customize the design of the energy-from-waste plant according to the customer's needs (i.e., available capacity of waste disposal).

The second phase:

Concession contract and investment

After detailed discussions and negotiation, ZhongDe signs a concession contract with the customer and invests its equity in its project company. Meanwhile, ZhongDe cooperates with a commercial bank to secure a long-term project financing loan.

The third phase:

Construction and project management

ZhongDe acts as a general contractor and outsources most parts of the construction to subcontractors. During the construction ZhongDe manages the subcontractors and inspects equipment and materials purchased from the subcontractors to ensure the quality required. Besides quality control, the project management includes time and budget control and performance testing. The second and third phases last ideally about 24–60 months depending on the project progress.

The fourth BOT phase:

After-sales service

This includes training the customer's staff as well as providing maintenance and repair services, including provision of spare parts.

The fifth BOT phase:

Operation

After the site is completed, ZhongDe operates the plant by receiving and processing waste in exchange for waste disposal fees, monitoring and purifying harmful flue gases. ZhongDe receives further revenues from energy such as electricity, steam or hot water, generated as the by-product of waste combustion as well as from the potential sale of other by-products such as bricks or tiles.

The payments guaranteed by the customer for the remaining service concession period increase the cash of the group and reduce the receivables built up during the construction. The operation period lasts 20 to 30 years, depending on the concession agreement in question. Ownership of the energy-from-waste plant is then transferred to the municipal government.

1.3 Management and Control-System

The responsibilities within Management are separated as follows:

ZhongDe's CEO, Mr. Zefeng Chen, leads the following divisions: Project Management, Research & Development, Capital Investment, Marketing, Production, Human Resources and Administration.

ZhongDe's CFO, Mr. William Jiuhua Wang is responsible for the Finance and Accounting divisions, as well as Investor Relations.

The project management division is responsible for the construction and operation of the BOT projects as well as for the implementation of large EPC projects. Therefore it plays an important role in ZhongDe's business.

The marketing division generally develops sales channels for municipal and medical incinerators and seeks opportunities for EPC contracts and investments in BOT projects.

The production division is responsible for the production, timely delivery, completion of the installation as well as the commissioning of our incinerators. Innovation and upgrading our products in response to the rapid changes in market demand is the main task of our research and development (R&D) division. At present, the division is focusing on technologies required for large-scale municipal waste incinerators of various types, which are required for future BOT projects as well as OEM manufacturing.

According to the current management and control structure, every division holds internal meetings on a weekly basis, supplemented by monthly management meetings.

In weekly department and the monthly top management meetings the progress of each departments, the related problems, risks and corresponding measures are discussed. The major contracts, budgets, forecasts, problems and risks are discussed both by the Management Board and are – in certain cases – subject to an approval by the Supervisory Board.

The Internal Control and Risk Management Department in ZhongDe's is located in the headquarter in Beijing. The current operations of the internal control and risks is carefully monitored by the management and improvements are installed by and by. The department is responsible that by the internal control and risk management system risks are identified, assessed and managed.

1.4 Research & Development

ZhongDe has access to the most comprehensive incineration technologies in the solid waste treatment industry in China, including grate furnace incineration technology, circulating fluidized bed incineration technology, vertical double-loop pyrolysis incineration technology, rotary kiln incineration technology, etc.

ZhongDe successfully developed the first Chinese-medical-waste incinerator in China with technology innovation, achieving a new breakthrough in environmental protection industry. This new composite incineration technology filled in the blank in the field of domestic drug residue incineration technology. This not only greatly improved ZhongDe's core competitiveness, but also strengthened ZhongDe's leading position in waste-to-energy industry.

In 2014 ZhongDe's main focus was on the completion of current projects. Significant research and development projects were not in progress.

2. ECONOMIC REPORT

2.1 Macroeconomic and Market Environment

2.1.1 Macroeconomic Environment

The disclosure of macroeconomic environment is limited to those key figures and information, which have impact on ZhongDe's business. In order to compare the information with the recent publications by the Chinese government all amounts on macroeconomic data are given in the functional currency RMB rather than converted into Euro:

According to the International Monetary Fund (IMF), by application of purchase power price method the economy of China has surpassed the USA and became the largest economy in the world in 2014. The gross domestic product (GDP) of China was 63,646.3 billion RMB in 2014 and increased by 7.4 percent compared with the GDP in 2013. Although China's GDP growth slowed down in 2014, China keeps its position as the engine of the world economy with its huge GDP amount and the relative fast growth of 7.4% p.a. In 2014, the investment in fixed assets (excluding rural households) was 50,200.5 billion RMB, the nominal year-on-year growth of 15.7 percent over last year.

As one of the important infrastructure facilities, the construction developments of Waste-to-Energy (WTE) plants were strongly supported by the ambitious financial policies of the local Chinese governments.

In 2014, the consumer price went up by 2.0 percent. The per capita disposable income of urban households was 28,844 RMB, a nominal growth of 9.0 percent, or a real growth of 6.8 percent after deducting price factors. The per capita disposable income of rural residents was 10,489 RMB, up by 11.2 percent nominally, or 9.2 percent in real terms. As the result of the real 9% growth of per capita disposable income of urban households and rural residents, the demands for the waste disposal in China are increasing rapidly. This results in the necessity to develop WTE plants in both the state-owned and the private sector in China.

Although the base interest rate in China kept a relative high and steady level in 2014, China Central Bank cut interest rates in November 2014 for the first time since 2012 to spur the economy growth and ease debt pressure. This policy supports the construction developments of WTE plants, because large investments in these plants usually need the support from bank financing.

2.1.2 Market Environment

In July 2014, the Chinese National Development and Reform Commission released The National Key Promotion of Low-Carbon Technologies Directory. Totally 34 kinds of low-carbon technologies have been included in the directory, inter alia the waste-to-energy (WTE) technology. The total investment in the WTE technology is expected to be RMB 26 billion, ranking third of all 34 technologies. It is expected that WTE technology will be actively promoted with the target of 30% proportion in municipal waste treatment field in the next 5 years. The daily processing capacity will amount to 100,000 tons or above, which will help the realization of carbon emission reduction equalling to be 7.65 million tons of carbon dioxide per year.

On 18 November 2014, the Chinese Housing and Urban-Rural Development Ministry held a teleconference for comprehensively promoting rural waste treatment. It put forward a 5-Year Special project for rural waste treatment that shall be launched and 90% of village household waste will be treated properly. The Chinese government will issue the favourable policies in capital investment, land and power utilization, etc. strongly supporting rural environment treatment in the future.

The trend of waste-to-energy will continue its rapid development. It is expected that there will be more than 300 waste-to-energy facilities with all kinds of production and construction, with the daily capacity of 300,000 tons as of the end of 2015. The waste-to-energy industry in China is conservatively estimated to have more than 200 billion market prospect.

2.2 General Statement on Business Development

In 2014 ZhongDe mastered to make progress in its current projects. As forecasted overall financial performance of ZhongDe in 2014 has improved compared to 2013: As a result compared by annual figures, revenue increased by 184% from € 12.3 million in 2013 to € 35.0 million in 2014. The gross profit improved from prior year's loss amounting to € 0.9 million to a profit of € 0.5 million. EBIT improved by € 10.4 million to € 3.0 million.

The construction of BOT and EPC projects made progress: Three BOT projects, Zhoukou, Xianning und Kunming have entered into trial run operation. Originally management expected to hand over the projects in Zhoukou and Xianning in 2014. Due to delays in these projects as stated above, the hand over for both projects is now expected to be done in 2015. On the other hand the project in Kunming started trial runs in 2014, which was originally forecasted not before 2015; however, the handover of this project is not expected before 2016. The construction of the BOT project in Lanzhou progresses according to plan.

For BOT projects, ZhongDe realised revenues of € 23.7 million and € -1.4 million gross profit in 2014. Based on the experience of the past ZhongDe is not able to prove that the construction development of BOT projects can be sufficiently predicted. Revenues on BOT projects are therefore accounted for under the zero profit method since the beginning of the second quarter 2013 and therefore do not include a profit margin.

Besides the construction progress at the BOT project in Lanzhou, the other three BOT projects, Zhoukou, Xianning and Kunming have entered into trial run and generated income of € 3.1 million accordingly. Trial run revenues are off-set against the relating costs. Trial run revenues exceeding the referring costs are presented in other operating income.

For two EPC projects ZhongDe realized overall € 10.1 million revenues and € 1.9 million gross profit. In comparison to the prior year revenues increased significantly in accordance with the progress achieved in project development. Beside this, the Wuhai EPC project has completed the preparatory stage and is ready for construction in the coming years.

Furthermore, ZhongDe sold one medium-sized incinerator in 2014, which contributed € 1.2 million revenue in 2014.

The financial year 2014 was still a challenging transition period for the ZhongDe Group. Compared to the consolidated loss in 2013, however, ZhongDe managed to reduce net loss to € -1.0 million (2013: € -8.3 million). Please refer to the following explanations of the results of operations, financial position and net assets.

In the forecast 2013 management also expected to enter into new customer contracts in 2014 but pointed out the uncertainties. As the management's focus was on the progress of current projects, negotiations with customers on new projects were started in 2014 but were not finished by year-end. Although ZhongDe is focusing on the construction of current projects, there is a remaining € 212.5 million order backlog at the end of 2014.

2.3 Results of Operations, Financial Position and Net Assets of ZhongDe Group

2.3.1 Key Financial Figures

The following tables present an overview of the key financial figures:

in k€	2014	2013	Change
Revenues	34,973	12,310	>100%
Gross profit	477	-882	>100%
EBITDA adjusted	-2,181	-6,026	64%
EBITDA	-2,181	4,276	<-100%
EBIT	2,995	-7,437	>100%
Net income	-951	-8,260	88%
Loss per share (diluted and undiluted) (in €)	-0.08	-0.66	88%
Current liquidity ratio ¹⁾	2.0	2.7	-26%
Equity ratio ²⁾	45%	45%	0 pp
Current assets	140,645	161,225	-13%
Order backlog	212,489	226,051	-6%
Headcount (as at 31 December)	371	372	0%

¹⁾ Current asset / current liabilities

²⁾ Equity / total assets

EBITDA includes earnings before interest, depreciation and amortization and excludes the extraordinary effects regarding the impairments or appreciations of service concession arrangements. The EBITDA adjusted amounting to € -2.1 million (2013: € -6.0 million) presents earnings before interests, depreciation and amortization without effects from impairments or appreciations and special effects from the sale of a subsidiary. The reconciliation from EBITDA adjusted and EBITDA to EBIT is presented below:

in k€	2014	2013	Change
EBITDA adjusted	-2,181	-6,026	64%
Profits from sales of subsidiary	0	10,302	-100%
EBITDA	-2,181	4,276	<-100%
Depreciation	147	317	-54%
Amortization	37	28	32%
Appreciation/ Impairment	-5,360	11,368	<-100%
EBIT	2,995	-7,437	>100%

Last years' EBITDA and EBIT included the effect on the sale of the subsidiary Beijing ZhongDe Environmental Protection Technology Co. Ltd. amounting to € 10.3 million.

2.3.2 Results of Operations

The following tables present an overview of the income statement. The average EUR/RMB exchange rate amounted to 8.1857 compared to 8.1646 in prior year. Accordingly exchange differences did not have a major impact on the results of operations:

in k€	2014	2013
Revenues	34,973	12,310
Cost of sales	-34,496	-13,192
Gross profit	477	-882
Other operating income	8,860	11,171
Selling and distribution expenses	-1,063	-824
Administrative expenses	-3,676	-3,821
Research and development expenses	-186	-184
Other operating expenses	-1,417	-12,897
Profit (PY: loss) from operations	2,995	-7,437
Finance income	2,652	2,267
Finance costs	-6,024	-3,794
Loss before tax	-377	-8,964
Income tax expense	-574	704
Loss for the year	-951	-8,260

Revenues and Segment Reporting

Total revenues amounted to € 35.0 million in the financial year 2014, compared to € 12.3 million in the financial year 2013, representing an increase by € 22.7 million (or more than 100%), which is mainly attributable to the progress in the Lanzhou project (€ 19.0 million) and in the Dingzhou project (€ 8.5 million). In 2014 thereof € 33.7 million have been accounted for under the PoC-method (2013: € 12.2 million).

Since the beginning of the second quarter 2013 revenues for BOT projects are accounted for under the zero profit method as it became obvious that the BOT projects do not show a sufficiently predictable development. Under this method revenues are presented according to the stage of completion without a profit margin.

An analysis of the progress of all projects is disclosed below in more detail. The stage of completion is estimated on the basis of the cost-to-cost method. The completion rate of BOT projects presented below bears the uncertainty that the costs to complete cannot be reliably estimated. Accordingly the actual stage of completion for BOT projects might differ from the one presented below.

in k€	31.12.2014	31.12.2013	Change
BOT			
% of completion	51%	38%	+13 pp
Revenues	23,676	8,620	>100%
Gross profit	-1,438	-2,465	42%
EPC			
% of completion	58%	41%	+17 pp
Revenues	10,138	3,690	>100%
Gross profit	1,917	1,583	21%
Small and medium sized incinerators			
Units sold to third party	1	0	>100%
Revenues	1,159	0	>100%
Gross profit	-2	0	<-100%

Based on the percentage-of-completion rate in the BOT segment as presented above, the overall completion rate amounted to 51% after 38% in financial year 2013, which is an increase by 13 percentage points compared to the financial year 2013. The relating revenues increased by € 15.1 million. The overall gross profit for BOT projects in 2014 amounts to € -1.4 million (2013: € -2.5 million).

The average percentage-of-completion rate in the EPC segment of the Group amounted to 58% after 41% in the financial year 2013, which is an increase by 17 percentage points compared to the financial year 2013. The overall gross profit for EPC projects in 2014 amounts to € 1.9 million (2013: € 1.6 million). Further details on the development of the projects are presented below.

ZhongDe Group sold one medium-sized incinerator in 2014, which contributes € 1.2 million revenue in the financial year 2014.

Current project status on BOT projects

The following table shows the development of the BOT projects within financial year 2014 and the current status at year end. The completion rate of BOT projects as presented below bears the uncertainty that the costs to complete cannot be reliably estimated and accordingly the actual stage of completion might differ from the one stated below.

BOT Projects under Construction	Xianning	Zhoukou	Kunming	Lanzhou	Feicheng
Daily capacity (tons/day)	600	500	700	2,000	200
Average annual power generation capacity (MWh)	> 60	> 50	> 70	> 200	none
PoC as of 31 December 2014	95.1%	89.2%	82.1%	18.1%	in operation
PoC as of 31 December 2013	91.2%	88.9%	72.6% ¹⁾	0.2%	in operation
Estimated time of completion	2015	2015	2016	2018	in operation

¹⁾ The amount of Kunming was corrected retrospectively due to a print error in 2013.

The development and the status of these projects are explained in further detail as follows:

All BOT projects besides Lanzhou are delayed mainly due to further negotiations with subcontractors, outstanding approvals and additional requirement by the customers. Accordingly their completion date has been postponed. However the projects in Xianning, Zhoukou and Kunming already entered their testing phase and generate revenues from trial runs.

Xianning Project

At the end of 2014 the percentage of completion of the project in Xianning amounted to 95.1% (2013: 91.2%). Within the 2014 financial year the ending works for the civil construction have been completed. Steam generator unit have been put into the normal operation. Defect elimination and ending work for the whole factory have been completed. The Xianning project has entered into trial-run operation in 2014.

The remaining work relates to the decoration work for the complex building and the ending works for the fire protection engineering. The Xianning project is planned to enter normal operation and to be completed in 2015.

Zhoukou Project

At the end of 2014, the percentage of completion of the Zhoukou project is 89.2% (2013: 88.9%). The project has entered into trial-run operation in 2013. Within the 2014 financial year the construction engineering for the main and subsidiary buildings have been fully completed. Boiler, steam generator unit and accessory equipment have been put into the normal operation. Finally the thermal equipment insulation and boiler soot blower technology transformation have been finished and the document for environmental acceptance has been reported.

The remaining work relates to the construction of the waste water pool. The Zhoukou project is planned to enter into normal operation and to be completed in 2015.

Kunming Project

At the end of 2014, the percentage of completion of the Kunming project is 82.1% (2013: 72.6%). With the 2014 financial year the cleaning of the boiling and its steamline were finished. The project has entered into trial-run operation and waste reception started in October of 2014.

In the prior year management planned to finish the project within the 2015 financial year. Due to unexpected delays within the construction process, the plant cannot be finished in time. Accordingly, the completion of the construction of the plant was extended to financial year 2016. The remaining work relates to the construction for the factory road, the final civil work for the main factory as well as for the decoration works for the complex building and the main factory, greening landscape construction and fire protection engineering, the debugging work for gas system equipment, steam generator unit.

Lanzhou Project

In 2014 the material construction of the project in Lanzhou has started. At year end the project is completed by 18.1% (2013: 0.2%). In accordance with the project plan, pouring works for the trestle structure and discharging platform have been completed. The construction works for the main sidewall of the waste pool and the incinerator platform have been completed. Foundation supports for the first two steam turbines have been completed. Foundation platform for gas treatment equipment have been fully completed, with backfill completed. The capping works for the complex building, dormitory building, office building and dining hall have been completed. The foundation for the air cooling tower has been excavated. The bearing platform beam is under construction. The installation works for steel structure of the second waste heat boiler are fully underway, the same as for the platform of waste heat boiler.

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

Feicheng Project

The Feicheng project was completed in 2010. Due to the fact that Feicheng plant is a waste disposal plant only, ZhongDe Group's management intention is to sell the plant. The potential buyer, a local government, then requested to increase the capacity of waste-disposal and to upgrade the waste-disposal into an energy-from-waste plant. Therefore management had to postpone the sale and currently expects to close the transaction until 2016.

Current project status on EPC projects

The following table shows the development of the EPC projects within financial year 2014 and the current status at year end:

EPC Projects under Construction	Zhucheng	Dingzhou	Wuhai
Daily capacity (tons/day)	500	600	1,000
PoC as of 31 December 2014	70.1%	47.0%	0.0%
PoC as of 31 December 2013	63.8%	20.3%	0.0%
Estimated time of completion	2015	2015	2017

The development and the status of these projects are explained in further detail as follows:

Zhucheng EPC Project

At the end of 2014 the percentage completion of the project in Zhucheng is 70.1% (2013: 63.8%).

The construction works for fire protection engineering, the civil foundation works for the leachate treatment system and the hydro test for the first two boilers have been completed. Beside this the following works have been finished: Installation works for steam generator auxiliaries, single equipment debugging, the thermal insulation for the boiler, oil painting works for boiler, chemical water room and air compressor room.

The remaining work relates to the following: Ending works for the main factory and for boiler room, steam engine room, and gas purification room, road construction, installation work for the first two boilers auxiliary as well as for the ending work for gas system, generator maintenance, debugging work for the system, gas system is in process of heat preservation, installation and debugging works for the wagon balance, construction work for the leachate treatment system.

The Zhucheng project is supposed to enter into normal operation and to be completed in 2015.

Dingzhou EPC Project

At the end of 2014, the percentage completion of the project in Dingzhou is 47,0% (2013: 20.3%).

The following works have been completed: Installation works for travelling crane in the steam turbine room and complex pumping house, the main steam line system, the equipment installation works for compressor room and chemical water room, hydrostatic test for the second boiler and the thermal insulation for the gas purification system have been completed.

The remaining work relates to the following: Rendering works for the main factory, road construction for the factory, decoration works for complex pump house, oil pump house and weighbridge room, slag treatment system and outer casing construction for the main factory. Outer pipe network is under construction. The installation works for ignition oil pipeline, dosing system and sampling system. The installation works for boiler auxiliary equipment and for steam turbine auxiliaries. Gas purification system. The installation works for the complex water pumping house and oil pumping house. The installation works for boiler body lighting, the plate cabinet of electronic equipment room.

The Dingzhou project is supposed to enter into normal operation and to be completed in 2015.

Wuhai Project

The Wuhai EPC project has gone through the preparatory stage and is now ready for construction. In 2014 the land levelling for the factory, which is not part of the overall project, has been completed.

The Wuhai project plan is supposed to enter into normal operation and to be completed in 2017.

Cost of Sales

Cost of sales mainly comprises costs of sub-contractor services. In accordance with the progress in BOT and EPC projects, cost of sales increased from € 13.2 million in 2013 by € 21.3 million, or 162%, to € 34.5 million in 2014.

Other operating income

Other operating income amounts to € 8.9 million (2013: € 11.2 million) and mainly relates to the reversal of impairments of prior years (€ 5.4 million; 2013: € 0.0 million). As a result of the impairment tests for the intangible assets from service concession agreements not yet available for usage the impairment accounted for in prior years relating to the BOT project in Xianning (€ 9.2 million) has been partly reversed by an amount of € 5.4 million. Beside this the other operating income contains income from trial runs (€ 3.1 million; 2013: € 0.7 million), which arise from trial run income less the referring directly related expenses. In 2013 the other operating income contained almost solely the income from the sale of the subsidiary Beijing ZhongDe Environmental Protection Technology Co. Ltd. (€ 10.3 million).

Selling and distribution expenses

Selling and distribution expenses increased from € 0.8 million in 2013 by € 0.3 million or 29.0%, to € 1.1 million in 2014. This position includes mainly bad debt expenses, personnel expenses, travel expenses and provisions for delays. The increase was caused by the write down of trade receivables in Feicheng amounting to € 0.6 million.

Administrative expenses

Administrative expenses decreased slightly from € 3.8 million in 2013 by € 0.1 million to € 3.7 million in 2014. This position includes mainly personnel expenses, depreciation and amortization, rent, office expenses, entertainment and travel expenses.

Research and development expenses

Research and development remained nearly unchanged to 2013 at € 0.2 million in 2014.

Other operating expenses

Other operating expenses decreased from € 12.9 million in 2013 to € 1.4 million in 2014. The 2013 figures included mainly impairments of intangible assets from service concession arrangements amounting to € 11.4 million relating to the plants in Zhoukou and Xianning. Deducting this, other operating expenses in 2013 amounted to € 1.5 million and thus are nearly unchanged in 2014.

Finance income

Finance income increased from € 2.3 million in 2013 to € 2.7 million in 2014 or 17.0%. It mainly contains finance income from additions of accrued interests for financial assets relating to the BOT projects as well as regular interest income from cash in banks.

Finance costs

Finance costs show an increase of € 2.2 million, or 58.8%, and amount to € 6.0 million (€ 3.8 million in 2013). This increase was mainly due to increased usage of the bank loans due to further progress in the BOT projects, leading to higher interest expenses. Beside this, the portion of interests on bank loans capitalized on qualifying assets decreased by € 0.3 million in comparison to 2013 and led therefore to an increase in interest expenses.

Income tax expenses

Income tax expenses amount to € -0.6 million and increased compared to the 2013 financial year (2013: € 0.7 million income) by € 1.3 million. The taxes consist of income tax expenses of € 0.9 million (2013: € 0.6 million) offset by income from deferred taxes on € 0.3 million (2013: € 1.3 million). Deferred taxes arise primarily from the differences relating to the EPC and BOT projects as well as tax losses carried forward.

2.3.3 Financial Position

Cash Position

The following table is extracted from the cash flow data of the Group, which was derived from the Group's consolidated financial statements for 2014:

in k€	2014	2013
Operating cash flows before working capital changes	-1,813	-6,109
Cash used in operations	-21,169	-12,136
Net cash used in operating activities	-27,875	-17,406
Cash flow generated from investing activities	1,216	4,750
Cash flow used in (-)/generated from (+) financing activities	-5,207	24,209
Net decrease (-)/increase (+) in cash and cash equivalents	-31,866	11,553
Cash and cash equivalents at beginning of year	110,076	100,313
Foreign exchange differences	8,995	-1,790
Cash at end of period	87,205	110,076

Net cash used in operating activities

Net cash used in operating activities increased from € -17.4 million in 2013 by € 10.5 million to € -27.9 million in 2014 mainly due to the increase of project progress, causing more cash outflows for construction compared to prior year.

Cash flow from investing activities

Cash flow from investing activities decreased from € 4.8 million in 2013 by € 3.6 million to € 1.2 million in 2014 mainly due to prior years' sale of the subsidiary Beijing ZhongDe Environmental Protection Technology Co. Ltd., which lead to cash inflows of € 4.9 million in 2013. The last portion of the selling price was paid in 2014 (€ 1.2 million).

Cash flow used in / generated from financing activities

Cash flow used in / generated from financing activities amounts to € -5.2 million and relates to repayments of bank loans (€ 6.7 million) off-set by payments received on financial assets from BOT projects (€ 1.5 million). Based on year-to-year comparison cash flow used in / generated from financing activities decreased from € 24.2 million in 2013 by € 29.4 million to € -5.2 million in 2014. In comparison to financial year 2013 when borrowings amounting to € 27.3 million were obtained no loans were taken up in 2014.

Disregarding the change of the EUR/RMB exchange rate at year end, cash and cash equivalents decreased by € 31.9 million compared to year end 2013. Any cash transfers from China are in so far restricted as they require a formal approval from the State Administration of Foreign Exchange ("SAFE"). The funds are planned to be invested in the BOT and EPC projects as well to finance further business activities. The cash per share, which show the ratio of the cash available at year end at ZhongDe Group divided by the number of ordinary shares issued, amounts to € 6,71 by 31 December 2014 and € 8,47 by 31 December 2013.

Financing

As of 31 December 2014, the company's loans in Euro-terms amounted to € 73.6 million compared to € 73.0 million as of 31 December 2013. The comparison must be seen under the changes of the EUR/RMB exchange rate, which decreased by 9.7%. In RMB-terms the company's loans amounted to RMB 555 million compared to RMB 610 million as of 31 December 2013. These loans were granted by various financial institutions and are used to finance the BOT projects. Please refer to the detailed presentation below:

Project	Financial Institution	Total loan amount	Total loan amount	Effective interest rate	Term	Received as of 31.12.2014	Received as of 31.12.2014
		in €	in RMB	in %	in years	in €	in RMB
Kunming	Huarong Financial Leasing Ltd.	15,923,989	120,000,000	11.58%	1	350,016	2,637,652
Kunming	China Merchants Bank	23,885,984	180,000,000	8.07%	8	23,315,375	175,700,000
Xianning	Huarong Financial Leasing Ltd.	11,942,992	90,000,000	11.96%	1	412,517	3,108,649
Xianning	Bank of China	15,658,590	118,000,000	8.20%	7	13,933,491	105,000,000
Zhoukou	China Merchants Bank	13,269,991	100,000,000	7.45%	7	9,065,161	68,313,240
Lanzhou	Bank of China	26,539,982	200,000,000	8.30%	2	26,539,982	200,000,000
						73,616,543	554,759,541

Principles and Objectives of Financial Management

ZhongDe's management monitors the liquidity to ensure the adequate funding for the operation. The company will raise the liquidity through various channels, such as accelerating the pace to collect the trade receivables and raising funds from other financial institution for the projects. The primary goal of financial management is to safeguard liquidity. The type and volume of transactions are in line with the Group's basic operating and financial business. Cash flow planning is used to establish liquidity requirements.

If the Group is continuing its planned pace of construction progress in the upcoming years and furthermore able to develop its business volume by acquiring further BOT project orders, the financing with the Group's existing funds is not be sufficient. It will then be necessary for the company to apply for further bank loans. Management expects to be able to raise further funds as the environmental protection industry is strongly supported by the central government, which will then support the company's negotiations with banks in Mainland China.

2.3.4 Net Asset

As the Group's operating activities are all denominated in RMB as the functional currency while the Group's reporting currency is Euro, the analysis of the net asset position must always been seen in connection with the changes in the EUR/RMB exchange rates at year end. The year end exchange rate as at 31 December 2014 is increased by 9.7% in comparison to the year end rate as at 31 December 2013. Any analysis given below, is influenced by this appreciation in foreign exchange rate.

The statement of financial position of the Group shows a total equity of € 112.9 million, which covers the non-current assets of € 108.6 million. Current liabilities amount to € 70.3 million and are fully covered by current assets of € 140.6 million. The EUR/RMB exchange rate significantly plunged from 8.3491 at the beginning of 2014 to 7.5358 especially in the second half of the year. This effect is also mirrored in the development of net assets.

in k€	31.12.2014	31.12.2013
Assets		
Non-current assets		
Intangible assets	23,219	6,353
Property, plant and equipment	442	517
Receivables from BOT	84,103	60,659
Deferred tax assets	883	0
	108,647	67,529
Current assets		
Inventories	3,474	3,605
Trade receivables	1,747	720
Other receivables and prepayments	42,746	35,546
Amounts due from related parties and companies	14	20
Other financial assets	5,459	11,258
Cash and cash equivalents	87,205	110,076
	140,645	161,225
Total assets	249,292	228,754
Liabilities and Equity		
<i>Capital and Reserves</i>		
Issued capital	13,000	13,000
Own shares	-4,608	-4,608
Capital reserves	62,914	62,914
Chinese statutory reserves	8,459	8,062
Retained earnings	-111	1,237
Foreign currency translation reserve	33,245	22,349
Total equity	112,899	102,954
Liabilities		
Long-term liabilities		
Long term-loans	64,695	66,109
Deferred tax liabilities	1,432	833
	66,127	66,942

in k€	31.12.2014	31.12.2013
Current liabilities		
Trade payables	31,774	19,554
Other payables and prepayments	25,192	27,623
Provisions	3,709	3,168
Amounts due to related parties and companies	8	1
Tax liabilities	662	0
Other financial liabilities	8,921	8,512
	70,266	58,858
Total liabilities	136,393	125,800
Total liabilities and equity	249,292	228,754

Non-Current Assets

The Group's non-current assets amount to € 108.6 million (2013: 67.5 million): The receivables from BOT increased from € 60.7 million at 31 December 2013 by € 23.6 million to € 84.3 million at 31 December 2014 due to the progress within the projects. Intangible assets increased from € 6.4 million by 16.8 million to € 23.2 million, mainly due to the progress within the projects and the reversal of impairments made in prior years.

Current Assets

Current assets decreased from € 161.2 million in 2013 by € 20.6 million to € 140.6 million in 2014. The decrease mainly relates to cash and cash equivalents. Its decrease by € 22.9 million is analysed in section 2.3.3.

Non-current Liabilities

Non-current liabilities of € 66.1 million (2013: € 66.9 million) comprise bank loans of € 64.7 million (2013: € 66.1 million) and deferred tax liabilities of € 1.4 million (2013: € 0.8 million). The deferred tax liabilities relate mainly to the application of the PoC method applied at the EPC and BOT projects. The long-term debt ratio amounts to 26.5% (2013: 29.3%).

Current Liabilities

Total current liabilities increased significantly from € 58.9 million in 2013 to € 70.3 million in 2014. The increase by € 11.4 million mainly relates to trade payables, which increased by € 12.2 million mainly in accordance with the progress within the project in Lanzhou.

Equity

Despite the net loss for the financial year 2014 amounting to € 1.0 million (2013: € 8.3 million) equity increased from € 103.0 million by € 9.9 million to € 112.9 million year-on-year due to changes in the foreign currency reserve of € 10.9 million (2013: decrease by € 1.5 million).

2.4 Financial Position, Results of Operations and Cash Flow Statement of ZhongDe Waste Technology AG

2.4.1 Financial Position of the statutory Financial Statements

in k€	31.12.2014	31.12.2013
Assets		
Tangible Assets	1	0
Investments in affiliated company	35,000	35,000
Loans due from affiliated companies	50,100	50,100
Non-current assets	85,101	85,100
Receivables due from affiliated companies	3,204	2,110
Other receivables	8	48
Prepaid expenses	15	18
Cash and cash equivalents	9	26
Current assets	3,236	2,202
Balance sheet total	88,337	87,302
Equity and liabilities		
Capital subscribed	13,000	13,000
Additional paid-in capital	67,392	67,392
Retained earnings	6,907	6,208
Equity	87,299	86,600
Trade payables	118	189
Payables due to affiliated companies	74	40
Tax provision	110	0
Other provision	635	305
Other payables and accruals	101	168
Current liabilities	1,038	702
Balance sheet total	88,337	87,302

The statement of financial position of ZhongDe Waste Technology AG shows a net equity of € 87.3 million (2013: € 86.6 million), which equals an equity ratio of 98.9%. The equity covers the non-current assets of € 85.1 million. The current liabilities amount to € 1.0 million (2013: € 0.7 million) and is compensated by current assets of € 3.2 million (2013: € 2.2 million).

The investment in affiliated companies amounts to € 35.0 million (2013: € 35.0 million) and refers to the investment in Chung Hua Environmental Protection Assets (Holding) Group Ltd. The affiliated company received a loan at € 50.1 million (2013: € 50.1 million) which is disclosed as loans due from affiliated companies. The investment in ZhongDe (China) Environmental Protection Co. Ltd. has been already completely written down in prior years.

The receivables due from affiliated companies of € 3.2 million (2013: € 2.1 million) relate mainly to interest accrued on the loan granted to Chung Hua Environmental Protection Assets Holding (Group). Other receivables and prepaid expenses mainly relate to rental deposits and tax refunds. Cash and cash equivalents relate to liquid funds on current bank accounts.

Other provisions increased from € 0.3 million at 31 December 2013 to € 0.6 million at 31 December 2014. The provisions are principally accrued for costs relating to the preparing, reporting and audit of the annual financial statements and consolidated financial statements, accounting and legal services.

2.4.2 Result of Operations

in k€	2014	2013
Other operating income	42	31
Interest income	2,621	2,594
Personnel expenses	126	141
Depreciation of fixed assets	0	1
Other operating expenses	1,424	1,512
Interest expenses	2	0
EBT	1,111	971
Income taxes	413	339
Profit for the period	698	632

In the financial year 2014, the company realized a profit of € 0.7 million, which is mainly caused by interest income less current operating costs of a stock listed holding company.

Interest income amounts to € 2.6 million and mainly relates to the interest from the loan granted to the affiliated company.

Other operating expenses relate to current business expenses, mainly expenses for the preparation, review and audit of quarterly reports and annual financial statements, for investor relations and media services and fees for lawyers and other advisers. Other operating expenses slightly decreased from € 1.5 million to € 1.4 million mainly due to decreased audit costs.

The EBT of € 1.1 million (2013: € 1.0 million) is charged with income taxes of € 0.4 million (2013: € 0.3 million).

2.4.3 Cash Flow Statement of the statutory Financial Statements

in k€	2014	2013
Profit for the period	698	632
Increase (+)/decrease (-) in provisions and accruals	440	-335
Cash flow	1,138	297
Increase/decrease in receivables from and payables to affiliated companies	-1,060	-545
Decrease (+)/increase (-) in other assets and prepaid expenses	44	-14
Decrease (-)/increase (+) in trade payables and other liabilities	-138	268
Cash flow from operating activities	-16	6
Cash flow from investing activities	-1	0
Changes in cash and cash equivalents	-17	6
Cash and cash equivalents at the start of the reporting period	26	20
Cash and cash equivalents at the end of the reporting period	8	26

2.5 Financial and Non-Financial Key Performance Indicators

As long as none of the major BOT projects are completed the Group's financial and non-financial key performance indicators mainly relate to the order status including order intake and order backlog as well as the contracting ability and human resources as well as EBITDA and adjusted EBITDA. The total order backlog proves ZhongDe's ability to market its products and the decrease of order backlog its ability to complete the projects: The decline of the order backlog is triggered by the stage of completion of each project. Therefore the progress of each project forms a key figure to operate the Group as long as none of the major projects entered into the operation phase. These indicators are further explained in detail:

Order Status, Order Intake and Order backlog

The key figures of the order status and the order backlog are:

Orders in k€	2014	2013	Change
Order intake	0	45,838	-100%
Order backlog	212,489	226,051	-6%

The order intake shows that no customer contracts were obtained in 2014. The order intake in 2013 relates to the EPC project in Wuhai.

Order backlog relates to the sum of existing orders at the end of 2014, which – under the current contracted order volume – will be realized in the future. The movements in order backlog can be allocated to the business segments of ZhongDe Group as follows:

Type	BOT	EPC	Incinerator	Total
Order Backlog as at 1 January 2014	142,151	79,785	4,115	226,051
Order intake	0	0	0	0
Revenues	-23,596	-10,097	-1,159	-34,852
Adjustments	0	0	-94	-94
Currency translation differences	13,306	7,741	337	21,384
Order Backlog as at 31 December 2014	131,861	77,429	3,199	212,489

At the beginning of 2014, the order backlog amounted to € 226.1 million. Within 2014 the order backlog decreased by revenues realized (€ 34.9 million) less currency translation differences (€ 21.4 million). These movements are further analysed as follows:

The order backlog decreased by revenues recognised in 2014. These revenues relate partly to BOT projects and partly to EPC projects. The revenues realized on BOT projects at an amount of totalling € 23.6 million relate to the projects Lanzhou (€ 19.0 million), Kunming (€ 3.4 million), Xianning (€ 1.1 million) and Zhoukou (€ 0.1 million). The revenues realized on EPC projects at an amount of totalling € 10.1 million relate to the projects Dingzhou (€ 8.4 million) and Zhucheng (€ 1.7 million). The revenues in the

segment incinerator result from the sale of one incinerator at a price of € 1.2 million.

After currency translation differences of € 21.4 million, the total order backlog amounts to € 212.5 million (2013: € 226.1 million) by 31 December 2014. The total order backlog contains BOT projects, covering 62% (2013: 63%) or the major portion of the order backlog, EPC waste incinerator projects accounted for 36% (2013: 35%) and small and medium sized incinerators with a proportion of 2% (2013: 2%) of the order backlog.

Contracting abilities

The current sales volume contains mainly four BOT projects and three EPC projects. Due to long term customer relationships, trust in the technology of ZhongDe and its market position in China combined with the personal effort of the CEO, ZhongDe is confident to acquire further projects.

Human Resources

The experience and know-how of the employees, especially in project management and research and development, is a key indicator for the ongoing success of ZhongDe Group. The average number of employees is in the current and in the prior year as follows:

	2014	2013
Average number of employees of the Group		
Management and administration	109	113
Research and development	10	12
BOT Operation and Manufacturing	230	219
Sales and marketing	22	28
Total	371	372

In 2014 ZhongDe Group had 371 employees (2013: 372) with a personnel structure nearly unchanged to the prior year. In the financial year 2014 minor movements within the divisions arose from the focus on the progress in project management.

EBITDA and adjusted EBITDA

Another figures utilized to control the development of the Group is EBITDA and adjusted EBITDA. Both figures reflect the project progress and the operational result of the Group. Please refer to section 2.3.1.

3 SUBSEQUENT EVENTS

There were no reportable events subsequent to the end of the financial year.

4 REPORT ON FORECAST, OPPORTUNITIES AND RISKS OF ZHONGDE GROUP AND ZHONGDE WASTE TECHNOLOGY AG

4.1 Forecast Report

4.1.1 Economic Development in China and of the Business Environment

Looking ahead to 2015 and 2016, we expect to further benefit from the favourable political and economic environment for eco-friendly waste disposal, as well as from the growing demand for our energy-from-waste-plants, both in China and throughout Asia. The new government of China has set the target of “Beautiful China” and continuously strives to reduce the pollution and protect the environment in China. The new Clean Air Law has been passed in 2015.

The increasing demand for energy-from-waste-plants favours ZhongDe’s business environment. The management is in strong negotiations concerning new EPC projects and is confident that more EPC contracts will be closed in 2015 and coming years. Nevertheless the final closing of new contracts always depends on conditions, which are not within the sole decision of the management and therefore cannot be forecasted without any uncertainty.

4.1.2 Economic Development of ZhongDe Group

Management plans to complete the construction and trial run operation of the BOT projects in Zhoukou and Xianning within 2015. The BOT project in Kunming has entered trial run operation and is expected to be completed in 2016. In addition ZhongDe Group expects to finalize the EPC projects in Dingzhou und Zhucheng within the financial year 2015. The Wuhai EPC project is planned to start the construction phase in 2015 and to be completed in 2017.

Due to the planned completion of actual BOT and EPC projects and the progress of the project in Wuhai, the management expects a rapid growth in revenues and gross profit within 2015 compared

to 2014. Accordingly EBIT and the net result for the period will follow that trend and turn to positive. The outcome of the actual figures is strongly dependent on the development of the projects. If in 2015 the completion of the projects in Zhoukou, Xianning and Kunming is further delayed or the project in Wuhai does not start as expected, those figures budgeted for 2015 cannot be achieved. Further economic development of ZhongDe from 2015 onwards is dependent on new projects und the financing of the projects . As long as no other new projects are started revenues, gross profit, EBIT and net result for the year will decrease significantly from 2016 on. Due to the uncertainty relating to delays caused by governmental requirements, the availability of suppliers and the foreign exchange fluctuation of the EUR/RMB exchange rate, all forecasts contain some uncertainty.

After the completion of the current BOT and EPC projects, ZhongDe Group plans to focus on EPC projects as the EPC projects generate revenue and positive gross profit quicker compared to the long-term BOT projects.

As a non-financial key performance indicator management expects that the number of employees will increase slightly within 2015 due to the normal operation of plants. In other departments the number of employees will remain stable or be reduced slightly in accordance with cost saving measures. Due to the project progress the order backlog which is another key performance indicator is expected to be reduced significantly in 2015.

Building on our experience gained in the course of completing the current projects, we are improving the project controlling and construction progress by transferring our knowledge to the construction at the facilities in Lanzhou and Wuhai.

In summary, we expect that the next year will be a period, during which ZhongDe is focussed on the finalization of existing projects and on the progress of the project construction in Lanzhou and later in Wuhai. We are furthermore planning to sign new projects especially relating to EPC projects.

4.1.3 Economic Development of ZhongDe Waste Technology AG

As ZhongDe Waste Technology AG is a holding company for ZhongDe Group with major business in the PRC the future perspective of ZhongDe Waste Technology AG highly depends on the economic development in China, especially the ongoing urbanization and the increase in waste to be treated, and expect-

tations and perspectives of the operational entities in PRC as discussed above. Without considering dividend payments from its subsidiaries, ZhongDe Waste Technology AG expects net profits in the next two years, with a balanced to positive operating cash flow in 2015 and beyond. This is in line with the forecast of the figures for 2014, which have been reached as predicted.

As the company has no tax losses anymore the financial structure of ZhongDe Waste Technology AG and the ZhongDe Group is under review in order to reduce the tax burden. In any case net profits and a balanced operating cash flow in 2015 and beyond shall be maintained.

4.2 Opportunities and Risks Report

4.2.1 Risk Policy

ZhongDe Group operates a risk management system which also serves as ZhongDe Waste Technology AG's risk early detection system as promulgated by Sec. 91 of the German Stock Corporation Law. As the ZhongDe Group is still relatively small, the Management Board as well as the members at the top management level are directly involved in all major projects and important day-to-day activities. Risks are defined as the possible occurrence of internal and external events which may adversely affect the achievement of short-term or strategic goals. Being able to recognise risks early and to consider opportunities, analyse them and reduce risks with appropriate strategies is an important element of the operating activities of ZhongDe's management team. Therefore, risks to the business of both an internal and external nature are identified regularly as part of risk management procedures with the aim of taking appropriate countermeasures as soon as possible. Accordingly, a structured risk management process is a major task for the Management Board as well as for the risk process owners defined for each field of responsibility. But even operating an appropriate and well-functioning risk management system cannot fully guarantee absolute certainty.

4.2.2 Risks Management System

The methods used for risk survey extend from analyses of markets through close contacts with customers, subcontractors and suppliers as well as other interest-related parties to observing risk indicators in an economic and socio-political environment. Risks will be assessed particularly with regard to the level of threat for the Group or its development. If deemed necessary, potential loss levels are calculated. The possible non-recurring or recurring impact on Group's objectives will then be processed

in preparation for the adoption of decisions. ZhongDe will thus endeavour to systematically counter risks and consistently exploit opportunities. The Management Board has defined Group-wide principles as well as guidelines for its risk management.

Risk management has been structured in such ways that direct responsibility for early detection, analysis, control and communication of risks rests with the referring risk managers and any results are reported to the Management Board. The Supervisory Board will be briefed by the Management Board on a regular and timely basis on significant risks. In accordance with a Group-wide rule, transactions and measures of particular importance and scope require the approval of the Management Board and, in special cases, of the Supervisory Board, too.

Step by step, ZhongDe is improving its internal control and risk management system. In 2014 ZhongDe has assigned a risk manager in each department, who identifies, analyses and manages the risks in its field. ZhongDe generates a risk report on a quarterly basis. Beside this the management plans to combine the risk management system with a new project construction controlling software.

4.2.3 Opportunities management

Within the ZhongDe Group, opportunity and risk management are closely interlinked. ZhongDe essentially derives its opportunity management from its goals and strategies and ensures an appropriate balance between opportunity and risk. Responsibility for the early and regular identification, analysis and management of opportunities rests with the Management Board. The Management Board occupies itself intensively with analyses of the political and legal development in China, especially with respect to changes in environment protection and related laws, potential implications on the market development and ZhongDe's competition, relevant cost drivers and critical success factors, including those related to project management and the usage of subcontractors. In decision-making, the Management Board of ZhongDe relies on an opportunity-oriented approach, but does not neglect risks. Selected opportunity potentials for the ZhongDe Group are discussed in the forecast report.

4.2.4 Major Risks and Opportunities

Management assessed that the following risk and opportunities are essential:

4.2.4.1 Risks from increasing market competition

Due to the growing importance of the energy-from-waste technology for the future development of China, more and more municipal government will shift from waste landfill to energy-from-waste technology. However, the Chinese government bodies might be favouring domestically owned suppliers, especially the state-owned companies, which have long-standing relationship with the government bodies. In China, the state-owned companies have the advantages of being granted the concession agreements of energy-from-waste projects and various relative supports. As the number of state-owned companies in this business is increasing, ZhongDe is facing increased competition.

To counteract any such moves, the Management Board continues maintaining already strong ties with such Chinese government bodies. The Management Board also attends energy-from-waste summit meetings; accept various interviews by national economy network and all kind of media to improve the market presence, the related influence and the image of ZhongDe.

Based on expectations of a continued increase in demand for energy-from-waste plants and resulting public BOT projects, which are expected to play a part in solving China's waste and environmental problems, the management currently considers the market risk for ZhongDe Group to be low. As the focus of management in 2014 was on the progress of the current projects, ZhongDe expects to sign new customer orders in 2015 financial year.

The increasing business might also lead to an increasing attraction of the Chinese energy-from-waste market to foreign competitors. Such foreign competitors might be able to offer more advanced technology to the market or might have better access to equity or debt financing enabling such competitors to explore more project opportunities allowing benefiting from additional economies of scale both internally and by gaining better conditions from subcontractors.

As the Group's sales growth depends on its ability to secure new orders for new EPC and BOT contracts for energy-from-waste projects and the construction of solid-waste incinerators, it will be important being prepared for such intensified level of competition, if new domestic or international suppliers entered the

relevant Chinese market. ZhongDe Group therefore maintains and enlarges its sales and marketing capacities to monitor market developments in China, further improve ZhongDe's market presence in China and ensure that ZhongDe will participate in all public tenders for expected profitable energy-from-waste projects.

4.2.4.2 Opportunities from China's economic situation

In 2014, the economy of China has kept stable growth with an average growth rate of 7.4%. Such a GDP rate and the related taxation increase should ensure the government's has the financial capacity to realize its ambitious objective of "Beautiful China" through huge investments in the environment protection industries. This creates a tremendous opportunity for the energy-from-waste industry in which ZhongDe Group operates. Having proven its competence in this sector, management expects to participate in this development by signing more contracts with governmental authorities.

Considering the rapid urbanization growth, it is expected that huge masses of people will keep on flowing into China's cities in the next decades. Generally speaking, a person living in a city generates much more municipal waste than the same person living in a rural area. The enormous volume of municipal waste caused the phenomena of the "cities surrounded by waste" due to the landfill waste disposal. In order to solve the serious waste problem, the government will have to decide to invest in further energy-from-waste projects. Waste incineration equipment suppliers, EPC contractors and BOT operators will definitely benefit from these huge opportunities.

The rapid growth of the economy in China has stimulated the equally rapid emergence of the middle class. The influence of the middle class has been magnified by the Internet and its eco-friendly opinions, which has enhanced the public's understanding of the necessity of energy-from-waste projects.

4.2.4.3 Market and branding opportunities

The increasing demand for energy-from-waste plants has generally created huge potential opportunities in China for ZhongDe Group and its competitors. ZhongDe's energy-from-waste plants enjoy a very good reputation in the Chinese market due to the successful completion of the Datong energy-from-waste project. As most of our customers are city government-related bodies, the completion of projects in the timeframe agreed upon and with operational key performance indicators of our energy-from-waste plants fulfilled is important to ZhongDe Group's ability to

gain future business from such city government-related bodies. Accordingly, quality control will remain a high priority for all activities within our business model to maintain our solid reputation within the Chinese market.

The image and reputation of ZhongDe Group within China has greatly improved by a 45 minutes special report published by China Central TV (CCTV) in 2010, as this channel has 1 billion viewers and is regarded as most powerful media in China. The report covered the waste problem in China and outlined the importance of energy-from-waste facilities. It further presented the Datong-project as an example for a solution to these problems within an additional 45 minutes interview. These instruments have greatly improved ZhongDe Group's image and reputation within China and the report is until today the strongest marketing instrument at potential customers. This report is one of the best marketing issues ZhongDe currently has, as potential customers appreciate to receive a copy of this report as an advertising instrument to support ZhongDe's market reputation and technology experience.

In addition ZhongDe Group's standing in China was further greatly improved by beginning to build the largest energy-from-waste plant in Lanzhou with a total investment of about € 125 million. This strengthens ZhongDe's competitiveness on the market and the management expects that more contracts will be signed in the next years.

The Management Board of ZhongDe Group is aware of the importance of communicating with the public, investors and governments about the energy-from-waste industries in a professional attitude. The board members keep on participating many public relation and investor relation activities, such as the video interviews by German Stock Exchange, German media, Chinese magazine, newspapers, internet media, German Capital Forum, energy-from-waste summit meetings in China, and actively seek to engage in dialogue with analysts and investors. With these activities the management would like to increase the awareness of ZhongDe Group within the financial community and communicate a transparent picture of business development to investors and interested parties.

4.2.4.4 Risks from dependency on governmental approvals and licenses

Risks could arise to ZhongDe's ability to continue its business operations, if the ZhongDe Group were not able to maintain and/or obtain the necessary approvals and licences from PRC authorities to carry out its business. It therefore remains essential to keep abreast of statutory developments, as an inability to cope with future legislation on environmental protection and waste management could adversely affect the Group's business. As the Group's customers are also subject to environmental laws and regulations, a failure of ZhongDe Group to comply with such environmental laws and regulations could in addition pose risks should the customers demand recourse or compensation for breaches of such laws or regulations. Accordingly, ZhongDe will continue to invest in research and development as part of the Group's ongoing commitment to offer high-quality energy-from-waste plants.

4.2.4.5 Risks and Opportunities in Human Resources

ZhongDe Management remains conscious of the fact, that its business operations require significant investments in large-scale energy-from-waste projects and that the resulting operational risk concentration require a high standard of its project management.

The recruitment of skilled and experienced people in all areas of the business, but especially qualified energy-from-waste project managers, will remain central to the on-going measures to enhance quality and standards. Experienced and qualified project managers are a crucial to the success of ZhongDe Group's projects. Nevertheless, human resource risks could arise from a loss of expertise caused by a fluctuation in qualified personnel, from insufficiently qualified employees with a lack of commitment to service or from ZhongDe's inability to obtain such highly skilled and scarce professionals in a sufficient number to maintain its on-going operations and/or to support its future growth.

Increasing education in China gives the chance to engage well educated professional at Chinese companies. To take this opportunity and to counter the personnel risk disclosed before, ZhongDe Group has relocated its Chinese headquarters from Fuzhou to Beijing as better access to skilled and experienced human resources is expected there. With higher qualified professions, it could turn the personnel risk into opportunity of have enough experienced managers and staff, compared with the competitors which headquarters are located in second-tier or third-tier cities in China.

4.2.4.6 Risks and opportunities related to Engineering and Construction phase

Every project is managed by a separate team headed by an experienced and qualified project manager in order to clearly define the allocation of responsibilities. Project planning documentation and corresponding project budgets are drawn up for the purposes of managing the projects. This team is in charge of solving difficulties with such projects as otherwise the tasks on hand cannot be dealt with satisfactorily, potentially resulting in delays in project completion and/or budget overruns affecting ZhongDe's profitability.

To remain close to business developments, management regularly conducts gross margin analyses, detailed project accounting, order-entry controls, and monitor the progress of accounts receivable. The monthly PoC reports, quarterly financial statements and operation reports are core tools in the management of our business.

In addition, the ZhongDe Group's right to use intellectual property could expire or be subject to infringement claims.

The ZhongDe Group's profitability could be adversely affected by rising procurement costs or falling prices. Close ties with suppliers of special components and materials are needed for the construction of energy-from-waste incinerators and for the EPC and BOT projects. Foreign exchange risks in connection with the procurement chain do not exist, as the majority of the suppliers are located in the PRC and charge their services in RMB currency. ZhongDe is exposed to the risk of dependency on suppliers. Therefore, the management regularly analyse the dependency on individual suppliers and pursue avenues to forge links with alternative suppliers. A database of suppliers was prepared in order to safeguard supplies and quality while simultaneously reducing costs.

The ZhongDe Group's experienced engineers are responsible for quality control. Risks can present themselves insofar as quality control is implemented insufficiently or not at all. The management endeavours to minimise these risks through employee selection and with the help of suitable standardised procedures and internal control measures.

Risks can arise from the timing of approvals to be issued by local authorities on various technical and legal requirements on ZhongDe energy-from-waste projects. Fines may be incurred if deadlines are not met.

The related opportunities are that ZhongDe has several years of experience communicating with local authorities and of engineering and construction of BOT and EPC projects.

4.2.4.7 Risks and opportunities related to operation phase

During the time of the operational period of the BOT projects the Chinese government might enforce new pollution standards or other environmental rules. This might lead to the necessity to adjust our technical equipment in the plants. The management monitors the legal development, to be able to react on a timely basis and adjust our equipment. Further, during the operational phase there are risks concerning the productions stops leading to reduced revenues regarding electricity and other by-products. As ZhongDe receives guaranteed payments for its BOT projects from local authorities, there also might be delays in these payments. Price increases of operational costs might affect future results.

The related opportunities are that the pressing environment protection problems in China have greatly attracted the attention of the central government as well as of province level and local municipal governments. The governments have decided to spend more money to improve the environment protection industries. It may increase the waste disposal fees and the green electricity income of the above BOT projects during their operation period. The positive tendency has also attracted more new potential investors to enter into the energy-from-waste industry in China, even these who have never had any experience in this field. This has created excellent opportunities for ZhongDe to sell the BOT projects to the above mentioned potential investors with good prices, even with premiums.

4.2.4.8 Warranty risks

Undetected product and energy-from-waste project defects may lead to increased costs, exposure to liability claims, and a negative impact on the market's acceptance of the ZhongDe Group's products and technologies.

To keep warranty risks relating to EPC projects and incinerator business to an absolute minimum, the ZhongDe Group endeavours to achieve congruence between the warranties offered to clients and the warranties given by suppliers. We also endeavour to minimise potential warranty risks by means of quality assurance measures.

4.2.4.9 Financial risks

Liquidity

For the two upcoming years significantly increasing negative cash flows from operating activities are expected as a result of the completion of projects signed at reporting date. Considering additionally the repayment obligations from existing loans, a significant decrease of cash and cash equivalents is expected within the planning period. The additional required project-related loans especially regarding Lanzhou have currently been planned up to RMB 490 million. It has to be considered that the comparatively high interest rates in China for project-related loans affect the profitability of such projects while at the same time the available cash of the ZhongDe Group does not provide for a significant return. Additional funding requirements could result from new or delays in existing projects within the planning period. In this case ZhongDe would need to obtain additional loans from banks in China. At balance sheet date ZhongDe Group does not possess a line of credit with Chinese banks which would provide for such funds on short notice. ZhongDe believes that such required loans could be obtained considering the guaranteed payments during the operating phase of BOT projects by its governmental customers and the management is currently involved in negotiations with banks. Consequently, the Management Board believes that even in the case of additional unplanned funding requirements, the ability of ZhongDe Group and therefore ZhongDe Waste Technology AG to settle its obligations can be maintained at any time.

Refinancing of Loans

Today, in addition to its equity, ZhongDe depends on loans taken from banks located in the PRC. The calculated payback periods of its BOT projects as well as the expected ongoing growth of the ZhongDe Group would not allow ZhongDe to repay such bank loans within the near future. In order to continue its business operations, especially for its existing BOT projects with an expected payback period of between 20 and 30 years on ZhongDe's initial investment, ZhongDe will have to refinance existing loans. ZhongDe cannot be certain that suitable financing will be available on acceptable terms. Accordingly, the Group is therefore in the mid-term exposed to changes in market interest rates through the bank borrowings being renewed at interest rates different to those currently contractually agreed upon. If adverse terms were to be accepted in order to continue the business operations of a group company operating an energy-from-waste plant, additional debt service obligations could have a negative impact on profitability of such a project and consequently of the Group.

Changes in financial condition and financial result

In addition, those banks located in the PRC are subject to PRC rules and regulations applicable to such financial institutions. The introduction of changes or new rules and regulations might reduce the total volume of loans offered by those banks to its customers in China leading to a tightened loan market. Since 2010, ZhongDe successfully entered into long-term loan agreements by convincing such Chinese banks that energy-from-waste BOT projects belong to green-projects which enjoyed preferential treatments by the Chinese governments through stimulating fiscal policies and that such projects will ensure steady future cash flows during the operation period. A tightened Chinese loan market and/or fluctuations in interest rates could therefore have material adverse effects on the liquidity and profitability of its ongoing BOT projects, the Group's financial condition and financial result.

Future financing structure at ZhongDe and its suppliers

Following its IPO, the ZhongDe Group has a comparatively high level of equity. The resulting liquidity provides a solid basis for the Group expanding its EPC and BOT business with the latter requiring ZhongDe Group also to operate the energy-from-waste plant. In order to finance its growth strategy, ZhongDe, however, may have to raise additional capital in the future through debt or equity offerings. If additional debt is incurred, this would result in additional debt service obligations which also could have a negative impact on profitability and could expose ZhongDe to general adverse economic and industry conditions. In addition, terms of any future financing agreement could limit or restrict the ability of ZhongDe to pay dividends or restrict the Group's flexibility in planning for, or reacting to, changes in its markets or industry.

Beside these direct effects on ZhongDe, a general credit tightening in China may affect ZhongDe's subcontractors or suppliers. This could lead to an increased need for working capital within the ZhongDe Group and also possible supply disruption caused by subcontractors or suppliers with insufficient capital to support their own business activities. Therefore, ZhongDe is monitoring its existing subcontractors or suppliers closely and continues exploring alternative sources in order to avoid dependency on a limited number of subcontractors or suppliers. The same issue, however, would also affect ZhongDe's competitors on the Chinese market, which may lead to less liquid competitors being forced into bankruptcy or becoming target of acquisition or being

consolidated. Considering its favourable financial structure, such a development may have beneficial consequences for ZhongDe Group.

Default and collection risk of receivables

With respect to its receivables and other assets representing future cash flows due from its customers, a low risk of default is considered despite the fact that the contractual periods for BOT projects mean that ZhongDe's customers are obliged to provide payments over a period of 20 to 30 years. This is because the overwhelming majority of its customers for such existing projects are Chinese governmental bodies. However, governmental bodies in China only pay their obligations if money is available. Therefore payments could be delayed.

Further financial risks

In addition, ZhongDe believes that its cash management is a high priority within the Group as a whole and within the individual group companies. However, considering the fact that the banks being used for cash management by ZhongDe are owned by the Chinese state, the risk of a failure of such banks endangering ZhongDe's cash is considered to be low. In addition, due to the prevailing interest rates on the Chinese market, the exposure to interest rate changes for the Group's funds deposited with such banks is to be considered immaterial. The regulations issued by the State Administration of Foreign Exchange relating to offshore investments by PRC residents or passport holders may adversely affect the ZhongDe Group's business operations and financing alternatives.

For the time being, our activities cover only mainland China. As long as our business centres are in mainland China, there should be no currency effects on our operating business. As and when ZhongDe Waste Technology AG engages in further financing, management always considers the impact of currency effects when devising any intercompany agreement.

4.2.4.10 Risks affecting the consolidated results of the Group

The intangible assets from service concession arrangements are subject to regular impairment testing. The underlying impairment test is materially dependent from the interest rate applied. If the interest rate increases or other factors with a negative impact on the cash flows discounted in the impairment test are changing, further impairments will have to be accounted for.

By the end of 2013 intangible assets from service concession arrangements relating to the projects in Zhoukou and Xianning have been written down due to impairment (for Zhoukou also at the end of 2012). Mainly due to changes in the underlying interest rate, the impairment relating to the project in Xianning has been partly reversed in 2014 financial year at an amount of € 5.4 million. The impairment calculated for the project in Zhoukou amounting to € 3.8 million in total was attributed by € 0 to the intangible asset of the project which was already depreciated in prior years. The exceeding amount represents future economic losses which, based on the underlying accounting model (IFRIC 12), are accounted for in the period they will incur.

Nevertheless the Management Board cannot avoid any risks arising from the impairment test as the underlying interest rates and other factors within the impairment test model are not within the management's discretion.

4.2.4.11 Risks and opportunities specific to ZhongDe Waste Technology AG

ZhongDe Waste Technology AG is a holding company without any operating business of its own. ZhongDe Waste Technology AG's assets are largely located in China. Accordingly, ZhongDe Waste Technology AG is facing risks related to the political, social and legal environment of the PRC. Those risks include inherent uncertainties and inconsistencies in the country's legal system including national taxation laws, a potential destabilization of the political and/or economic system and PRC regulations pertaining to loans and capital investments by offshore parent companies delaying or preventing ZhongDe Group from using proceeds for investments in the PRC.

Current PRC regulations permit the payment of dividends only out of accumulated profits determined in accordance with Chinese accounting standards and regulations. In addition, a subsidiary of the company, is required to set aside at least 10% of its after-tax profits each year to fund a statutory reserve fund until such reserves in aggregate reach 50% of its registered capital. Furthermore, foreign-invested entities may be required to set aside a portion of their after-tax profits to fund an employee welfare fund in an amount which lies within the discretion of the subsidiary's board. These reserves are not distributable as cash dividends.

Under PRC foreign exchange rules and regulations, payments of current account items, including profit distributions and operating-related expenditures, may be made in foreign currencies without prior approval but are subject to procedural requirements. Strict foreign exchange controls continue to apply to capital account transactions. These transactions must be approved by and/or registered with the State Administration of Foreign Exchange or its local counterparts, and repayment of loan principal, distribution of return on direct capital investment and investments in negotiable instruments are also subject to restrictions.

Should any of the PRC subsidiaries of ZhongDe Waste Technology AG be, or become, restricted and/or legally prohibited from and/or unable to pay dividends or other distributions outside of China, this could have material adverse effects on ZhongDe Waste Technology AG's financial condition.

Although the economic environment appears fine, the economic development of China might lead to new challenges and risks for the operating PRC entities. This could have a material adverse effect on business, financial condition and results of operations limiting the operating PRC entities' ability to paying dividends to ZhongDe Waste Technology AG.

4.2.5 Assessment of Overall Risk Situation

The overall risk is assessed on the basis of the risk management system in conjunction with the planning, management and control systems used. The main potential risks to the future development of the ZhongDe Waste Technology Group are posed in particular by risks arising from the development of environmental protection and related laws, the ability to attract and retain capable project managers and ZhongDe's ability to finance its investments in such projects, especially for the midterm financing of the completion of the actual projects as well as for those BOT projects having a payback period of 20 to 30 years. Taking into account all the circumstances of which ZhongDe is aware of to date, there is no group or industry-specific risk that could individually or in conjunction with other risks have a lasting and material adverse influence on the net assets, financial position and results of operations of ZhongDe Group. Future opportunities have not been considered in assessing the overall risk. In terms of organisation, all the conditions for being able to recognise possible opportunities and risks in good time have been fulfilled.

5 DESCRIPTION OF THE KEY FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH REGARD TO THE GROUP ACCOUNTING PROCESS (SEC. 315 PARA. 2 NO. 5 OF THE GERMAN COMMERCIAL CODE (HGB))

ZhongDe has an internal control system in place. In addition, ZhongDe has a risk management system under which appropriate structures and processes for (Group) accounting and financial reporting are defined and implemented throughout the organisation. This system is designed to guarantee timely, uniform and accurate accounting for all business processes and transactions. It ensures compliance with statutory regulations, accounting and financial reporting standards, which is binding upon all the companies included in the consolidated financial statements. The relevance and consequences for the consolidated financial statements of any amendments to laws, accounting or financial reporting standards or other pronouncements are continually analysed.

Apart from defined control mechanisms such as system-based and manual reconciliation processes, the fundamental principles of the internal control system include the separation of functions and compliance with directives and operating procedures. The accounting and financial reporting process for ZhongDe is managed by the Accounting Department of ZhongDe with the assistance by an external German service provider supporting the IFRS-based financial reporting.

The Group companies prepare their financial statements locally and transmit them with the aid of a data model that is standardised throughout the Group. The Group companies are responsible for their compliance with the directives and procedures applicable throughout the Group and for the proper and timely operation of their accounting-related processes and systems. The employees involved in the accounting and financial reporting process receive regular training, and the Group companies are supported by an external service provider. As part of the process, measures are implemented that are designed to ensure the regulatory compliance of the consolidated financial statements. These measures serve to identify and evaluate risks, and to limit and monitor any risks that may be identified. For example, material new contractual relationships for projects are systematically tracked and analysed.

The consolidated financial statements are prepared in cooperation with a German external service provider on the basis of the data supplied by the included subsidiaries. The consolidation, certain reconciliation operations from local Chinese GAAP to Group policies and monitoring of the related time schedules and procedures are performed by the accounting department of ZhongDe and the German external service provider. System-based controls are monitored by personnel and supplemented by manual inspection. Defined approval procedures must be observed at all stages in the accounting process to ensure segregation of duties.

6 STATEMENTS PURSUANT TO SECTIONS 289 PARA. 4, 315 PARA. 4 GERMAN COMMERCIAL CODE (HANDELSGESETZBUCH)

6.1 Subscribed Share Capital

The share capital of ZhongDe Waste Technology AG amounts to € 13,000,000.00 and is divided into 13,000,000 no par value bearer shares with a notional amount of the share capital of € 1.00 each.

6.2 Restrictions regarding Voting Rights and/or the Right to Transfer Shares

According to the Company's Articles of Association (Satzung) each share confers one vote. The Company's Articles of Association do not provide for restrictions on the transfer of shares. As of the date of this report, ZhongDe Waste Technology AG holds 400,000 shares in treasury. Pursuant to Section 71b of the German Stock Corporation Act (AktG), the Company is not entitled to any voting or other rights with respect to these treasury shares. The Management Board is not aware of any other restrictions regarding voting rights or the right to transfer shares in ZhongDe Waste Technology AG.

6.3 Direct or Indirect Participation in Shares Exceeding 10% of the Voting Rights

The Company's chief executive officer, Mr. Zefeng Chen, holds 50.9% of the shares and voting rights in ZhongDe Waste Technology AG. The Company has no knowledge of any other shareholders having shares in excess of 10% of the share capital.

6.4 Shares with Exclusive Rights

There are no shares with exclusive rights which grant control rights.

6.5 Exercise of Voting Rights by Employees

Employees who are shareholders in ZhongDe Waste Technology AG exercise their voting rights at their own discretion and are not subject to control of voting rights.

6.6 Appointment and Dismissal of Management Board Members and Amendments of the Articles of Association

Pursuant to section 84 of the German Stock Corporation Act (AktG), the Supervisory Board appoints the members of the Management Board for a period not exceeding five years in each case. Any extension of the term of office requires a Supervisory Board resolution and may be adopted no earlier than one year prior to expiry of the current term of office. In urgent cases, the local court (Amtsgericht) may appoint a missing and required Management Board member upon application by any person with interests meriting protection (e.g. other Management Board members) (sec. 85 AktG). This office would, however, be terminated as soon as the deficiency is rectified, e.g. as soon as the supervisory board has appointed a missing Management Board member. Dismissal of an Management Board member is permissible only for good cause (sec. 84 para. 3 sentences 1 and 3 AktG). Good causes include, inter alia, serious breaches of duties, inability to duly perform duties or revocation of confidence by the Annual General Shareholders' Meeting.

Pursuant to Section 8 para. 1 of the Articles of Association of ZhongDe Waste Technology AG, the Management Board consists of one or more persons. The number of the members of the Management Board is determined by the Supervisory Board. Currently, the Management Board of ZhongDe Waste Technology AG comprises two members. Pursuant to sec. 8 para 2 of the Articles of Association of ZhongDe Waste Technology AG, the Supervisory Board may appoint a chairman as well as a deputy chairman of the Management Board.

Pursuant to sec. 179 AktG, the Articles of Association can be amended by a resolution of the General Shareholders' Meeting. Pursuant to sec. 179 para. 2 AktG, an amendment of the articles of association requires a majority of three fourths of the share capital represented at the passing of the resolution. The articles of association may, in principle, provide for a different majority. The Articles of Association of ZhongDe Waste Technology AG make use of this option. Pursuant to sec. 26. Para. 1 of the Articles of Association of the Company, resolutions of the General Meeting shall require a simple majority of the votes cast and, in the event a capital majority is required, a simple majority of the share capital represented at the passing of the resolution, unless otherwise prescribed by mandatory law or the Articles of Association. The requirement of a simple majority shall also apply – to the extent permitted by law – to amendments of the Articles of Association or capital measures. Beside this the Supervisory Board is, pursuant to sec. 18 para. 3 of the Articles of Association entitled to make changes to the Articles of Association, provided that these changes only concern the wording or form.

6.7 Authority of the Management Board to Issue and Repurchase Shares

The Management Board is authorised to increase the share capital of the Company with the consent of the Supervisory Board until 27 June 2018 once or several times by up to € 6,500,000.00 by issuance of up to 6,500,000 new no par value bearer shares against contributions in cash or in kind (Authorised Capital 2013). In each case ordinary shares and/or preference shares may be issued. The Management Board is further, in certain cases and with the consent of the Supervisory Board, authorised to exclude the subscription rights of the shareholders.

The Management Board was authorised by the Annual General Shareholders' Meeting held on 28 June 2013 to issue bearer and/or nominal (i) convertible bonds and/or (ii) optional bonds and/or (iii) convertible participating rights and/or (iv) optional participating rights and/or (v) participating rights and/or (vi) participating bonds (or a combination of these instruments) ((i) to (iv) jointly referred to hereinafter as “financial instruments” and (i) to (vi) jointly “instruments”) one or more times until 27 June 2018 in a total nominal amount of up to € 100,000,000.00 with a term of no more than 15 years and to grant the bearers or creditors of financial instruments conversion rights or options on new bearer shares of the Company for up to 6,000,000 new no par value bearer shares in the Company with a pro rata share of the subscribed capital totalling up to € 6,000,000.00 in accordance with the detailed provisions of the convertible and warrant bond conditions or convertible and participating right conditions. Shareholders are generally entitled to subscription rights on the instruments. However, the Management Board is authorised, subject to Supervisory Board approval, to exclude the shareholders' subscription rights in certain cases. The terms of the instruments may also provide for anti-dilution protection in favour of the creditors of the bonds.

In order to serve the instruments, a conditional capital in an amount of € 6,000,000.00 by issuance of up to 6,000,000 new no par value bearer shares was created (Conditional Capital 2013). The sole purpose of the Conditional Capital 2013 is to grant stock rights to the bearers or creditors of financial instruments issued in accordance with the authorisation dated 28 June 2013 by the Company until 27 June 2018. The increase in conditional capital in accordance with the provisions of the convertible bond or convertible participating right conditions also serves for the issuance of shares to bearers or creditors of convertible bonds that come with a conversion obligation. The increase in conditional capital may only be carried out insofar as these rights are exercised or the bearers or creditors obliged to convert meet this conversion obligation and provided that no treasury shares or shares created otherwise are provided to satisfy these rights or obligations.

The Management Board was further authorised by the General Shareholders' Meeting held on 28 June 2013 to repurchase treasury shares with an aggregate notional amount of the share capital of up to 10% of the share capital existing at the time of the annual general meeting until the expiration of 27 June 2018. The authorisation may be exercised once or several times for one or several purposes. The acquisition of the Company's treasury shares can either be carried out via the stock exchange or by means of a public offer or by equity derivatives. If the Company shares are purchased via the stock exchange, the nominal value per share may not fall below or exceed the opening price of the Xetra trading system by more than 10% on the day of the purchase. If the Company's treasury shares are purchased by way of public offer, the price granted may not fall below or exceed the average closing price of the Xetra trading system on the 4th and 10th day before the publication of the price granted by more than 20%.

Besides offering the shares on the open market or by means of a public offer, the Management Board was authorised, subject to the approval of the Supervisory Board, to use the treasury shares acquired under the above-mentioned authorisation of the Annual General Meeting, in each case once or several times and in each case while excluding the shareholders' subscription rights by (i) offering the shares to third parties as consideration within the scope of acquisitions of participations or companies, (ii) selling the shares against cash consideration that is not significantly lower than the stock market price of the shares at the time of the sale, (iii) discharging conversion or subscription rights or conversion privileges in respect of convertible bonds, convertible profit participation rights as well as bonds with warrants or profit participation rights with warrants or conversion obligations under convertible bonds, (iv) offering the treasury shares for acquisition to individuals employed by the Company or its subsidiaries or (v) redeeming the shares while decreasing the share capital.

6.8 Change of Control Provisions

There are no agreements with ZhongDe Waste Technology AG which are subject to the condition of a change of control due to a takeover offer.

6.9 Agreements on Compensation in Case of a Takeover Offer

There are no agreements between the members of the Management Board or employees and ZhongDe Waste Technology AG which provide for compensation in case of a change of control due to a takeover offer.

7 STATEMENTS PURSUANT TO SECTIONS 312 PARA. 3 GERMAN COMPANIES ACT (AKTIENGESETZ) CONCLUDING DECLARATION OF THE MANAGEMENT BOARD

ZhongDe received an appropriate compensation for each transaction listed in the report on the relations of the company to affiliated enterprises and was not disadvantaged by the encountered or omitted measures referred to in the report. This assessment is based on circumstances known at the time of the reportable transactions.

8 REMUNERATION REPORT

8.1 Remuneration of the Management Board

The remuneration of the Management Board is determined by the Supervisory Board in accordance with the requirements set forth in sections 87 paragraph 1, section 107 paragraph 3 sentence 3 German Stock Corporation Act. When determining the remuneration of the Management Board, the Supervisory Board particularly takes into account the size of the company, the responsibilities of the management board member, the economic and financial situation of ZhongDe Waste Technology AG and the overall goal of a sustainable development of the Company.

The service agreement with the chief executive officer Chen Zefeng was not entered into with ZhongDe Waste Technology AG but with its Chinese operating subsidiary Fujian FengQuan Environmental Protection Equipment Limited. The service agreement provides for a mere fixed remuneration.

In connection with the re-appointment of Mr. William Wang in June 2014, the Company has entered into a service agreement with Mr. Wang which provides for a fixed remuneration and a variable remuneration component in the form of an annual bonus, the granting and amount of which is (up to a contractually defined cap) in the sole and free discretion of the Supervisory Board. For the financial, year 2014 no bonus payment is intended. Until June 2014, Mr. Wang only had a service agreement with a Chinese subsidiary, which provided for a purely fixed remuneration.

In 2014, the members of the Management Board of the ZhongDe Waste Technology AG have received the following remuneration:

in k€	2014	2013
Zefeng Chen	30	30
Jiuhua Wang	23	24
Total	53	54

8.2 Remuneration of the Supervisory Board

According to Section 20 of the Articles of Association, each member of the Supervisory Board receives a compensation to be determined by the General Shareholders' Meeting. On 28 June 2011, the annual General Shareholders' meeting has resolved on the following remuneration for the Supervisory Board:

The chairman of the Supervisory Board receives a basic remuneration of € 60,000.00 per calendar year. The other members of the Supervisory Board receive a basic remuneration of € 45,000.00 per calendar year. In addition to the basic remuneration, members of the Supervisory Board receive an annual performance related remuneration of € 100.00 per each cent of the profit per share exceeding € 2.00, as disclosed in the current consolidated financial statements. The cap for the performance related remuneration is an amount of earnings per share of € 3.50. Due to a loss per share in 2014, no performance related remuneration was accrued nor paid. If a person is a member of the Supervisory Board for a certain part of a financial year only, the fixed remuneration as well as the performance related remuneration are paid on a pro rata temporise basis. Furthermore, the members of the Supervisory Board receive reimbursements for expenses with regard to their office as member of the Supervisory Board as well as the amount of VAT due on their remuneration, if applicable.

In the financial year 2014, the members of the Supervisory Board have received the following remuneration:

in k€	2014	2013
Gerrit Kaufhold (Chairman of the Supervisory Board)	60	60
Prof. Dr. Bernd Neukirchen (Vice Chairman of the Supervisory Board)	45	45
Feng-Chang Chang	45	45
Total	150	150

9 CORPORATE GOVERNANCE CODE

The Management Board and the Supervisory Board submitted their Declaration of Compliance with the recommendations of the Government Commission on the German Corporate Governance Code in accordance with section 161 Aktiengesetz (German Stock Corporation Act) on 22 April 2015 respectively. They also declared which of the recommendations were not or are not followed. The declaration is permanently accessible to shareholders on the Company's website at www.zhongde-ag.com/investor_relations/corporate_governance.html.

Frankfurt/Main, 23 April 2015



Zefeng Chen
Chairman of the
Management Board (CEO)



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

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Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

of ZhongDe Waste Technology AG for the period from 1 January to 31 December 2014

in k€	Notes	2014	2013 ¹⁾
Revenues	4	34,973	12,310
Cost of sales	5	-34,496	-13,192
Gross profit		477	-882
Other operating income	6	8,860	11,171
Selling and distribution expenses	7	-1,063	-824
Administrative expenses	8	-3,676	-3,821
Research and development expenses		-186	-184
Other operating expenses	9	-1,417	-12,897
Profit (PY: loss) from operations		2,995	-7,437
Finance income	11	2,652	2,267
Finance costs	12	-6,024	-3,794
Loss before tax		-377	-8,964
Income tax expense	25	-574	704
Loss for the year		-951	-8,260
Items that might be reclassified subsequently to profit or loss:			
Foreign exchange differences		247	62
Items that will not be reclassified subsequently to profit or loss:			
Foreign exchange differences		10,649	-1,607
Other comprehensive income		10,896	-1,545
Total comprehensive income		9,945	-9,805
Loss attributable to owners of the parent		-951	-8,260
Total comprehensive income attributable to the owners of the parent		9,945	-9,805
Loss per share (diluted and undiluted) (in €)	13	-0.08	-0.66
Weighted average shares outstanding (diluted and undiluted)		12,600,000	12,600,000

¹⁾ Restated (please refer to section 1.2 and 2.5b).

Consolidated Statement of Financial Position

of ZhongDe Waste Technology AG as of 31 December 2014

in k€	Notes	31.12.2014	31.12.2013
Assets			
<i>Non-current assets</i>			
Intangible assets	14	23,219	6,353
Property, plant and equipment	15	442	517
Receivables from BOT	16	84,103	60,659
Deferred tax assets	22	883	0
		108,647	67,529
<i>Current assets</i>			
Inventories	17	3,474	3,605
Trade receivables	18	1,747	720
Other receivables and prepayments	18	42,746	35,546
Amounts due from related parties and companies	28.2b)	14	20
Other financial assets	18	5,459	11,258
Cash and cash equivalents	19	87,205	110,076
		140,645	161,225
Total assets		249,292	228,754
Liabilities and Equity			
<i>Capital and Reserves</i>			
Issued capital	20.1	13,000	13,000
Own shares	20.2	-4,608	-4,608
Capital reserves	20.3a)	62,914	62,914
Chinese statutory reserves	20.3b)	8,459	8,062
Retained earnings	20.3c)	-111	1,237
Foreign currency translation reserve	20.4	33,245	22,349
Total equity		112,899	102,954
Liabilities			
<i>Long-term liabilities</i>			
Long term-loans	21	64,695	66,109
Deferred tax liabilities	22	1,432	833
		66,127	66,942
<i>Current liabilities</i>			
Trade payables	23	31,774	19,554
Other payables and prepayments	23	25,192	27,623
Provisions	24	3,709	3,168
Amounts due to related parties and companies	28.2b)	8	1
Tax liabilities		662	0
Other financial liabilities	23	8,921	8,512
		70,266	58,858
Total liabilities		136,393	125,800
Total liabilities and equity		249,292	228,754

Consolidated Statement of Cash Flow

of ZhongDe Waste Technology AG for the period from 1 January to 31 December 2014

in k€	2014	2013
Loss before income tax	-377	-8,964
<i>Adjustments for:</i>		
Appreciation of intangible assets	-5,360	0
Amortization of intangible assets	37	11,396
Expensing of land use rights	0	62
Allowance for doubtful trade debts	368	-83
Depreciation of property, plant and equipment	147	255
Gains on disposal of previously consolidated companies	0	-10,302
Interest income / exchange gains	-2,652	-2,267
Interest expense / exchange losses	6,024	3,794
Operating cash flows before working capital changes	-1,813	-6,109
Working capital changes:		
<i>Increase (-)/decrease (+) in:</i>		
Inventories	478	-1,282
Trade receivables	-1,242	-392
Other receivables and prepayments and other financial assets	2,140	-24,346
Amounts due from related parties	8	27
PoC receivables from BOT projects	-23,596	-8,451
<i>Increase (+)/decrease (-) in:</i>		
Trade payables	9,306	4,058
Other payables and prepayments, provisions and other financial liabilities	-6,456	24,574
Amounts due to related parties	6	-215
Cash used in operations	-21,169	-12,136
Interest received	517	341
Interest paid	-6,923	-5,002
Income tax paid	-300	-609
Net cash used in operating activities	-27,875	-17,406

in k€	2014	2013
Cash flow from investing activities		
Proceeds from disposal of consolidated companies	1,222	4,893
Purchase of property, plant, equipment and intangible assets	-35	-143
Proceeds from disposal of property, plant and equipment	29	0
Cash flow generated from investing activities	1,216	4,750
Cash flow from financing activities		
Increase of borrowings	0	27,252
Repayments of loans	-6,690	-5,872
Cash repayments of financial assets (BOT projects)	1,483	2,829
Cash flow used in (-)/generated from (+) financing activities	-5,207	24,209
Net decrease (-)/increase (+) in cash and cash equivalents	-31,866	11,553
Cash and cash equivalents at beginning of year	110,076	100,313
Foreign exchange differences	8,995	-1,790
Cash and cash equivalents at end of period (Note 19)	87,205	110,076

Please refer to note 31 for explanations on the Consolidated Statement of Cashflow.

Consolidated Statement of Changes in Equity

of ZhongDe Waste Technology AG for the period from 1 January to 31 December 2014

in k€	Number of shares outstanding	Share capital AG	Own shares	Capital reserves	Chinese statutory reserves	Retained earnings	Foreign currency translation reserve (other comprehensive income)	Total equity
Notes	20.1	20.1	20.2	20.3a)	20.3b)	20.3c)	20.4	
Balance as at 1 January 2013	12,600,000	13,000	-4,608	62,914	7,972	9,587	23,894	112,759
Total comprehensive income	0	0	0	0	0	-8,260	-1,545	-9,805
Appropriations of current year's income	0	0	0	0	90	-90	0	0
Balance as at 1 January 2014	12,600,000	13,000	-4,608	62,914	8,062	1,237	22,349	102,954
Total result for the period	0	0	0	0	0	-951	10,896	9,945
Appropriations of current year's income	0	0	0	0	397	-397	0	0
Balance as at 31 December 2014	12,600,000	13,000	-4,608	62,914	8,459	-111	33,245	112,899

All amounts are attributable to the shareholders of the parent company.

Notes to the Financial Statements

of ZhongDe Waste Technology AG as of 31 December 2014

1 BACKGROUND AND BASIS OF PREPARATION

1.1 The Company

Formation, business name, registered office, financial year and duration of the Company

ZhongDe Waste Technology AG (“the Company” or “ZhongDe AG”) is the parent company of the ZhongDe Group and was formed by means of a notarial deed of incorporation, dated 4 May 2007. The Company is registered as a German listed stock corporation under the registration number HRB 97838 at the local court in Frankfurt/Main. The legal domicile of the Company is located at Messeturm 25. Etage, Friedrich-Ebert-Anlage 49, Frankfurt/Main, Germany. The principal place of business is located in Beijing, Peoples Republic of China (“PRC”). The Company's financial year is the calendar year (1 January to 31 December). The duration of the Company is unlimited. ZhongDe AG's shares are traded on the Prime Standard, a special segment of the regulated market (Regulierter Markt) of the Frankfurt Stock Exchange.

Business purpose of the Company

The Company's purpose is the holding, administration and disposal of direct and indirect participations of undertakings and participations in the waste disposal business, particularly waste incineration and waste management, including all transactions related thereto and services for affiliated entities. According to section 2. para. 2 of the Articles of Association, the Company is entitled to conduct all measures and business transactions, which it deems necessary and useful for the implementation of the purpose of the Company. In particular, it may for this purpose establish branches in the country where it has its seat. Abroad, it may establish or acquire companies of the same or similar type, or acquire an interest in such companies, demerge parts of its business to subsidiaries and associated companies, including joint ventures with third parties, sell interests in other companies, conclude enterprise agreements, or limit itself to the management of shareholdings.

Business of the ZhongDe Group

The ZhongDe Group designs, manufactures and installs incinerators for the disposal of solid medical, municipal (mixed household refuse) and industrial (including hazardous) waste. This involves a variety of incineration techniques: grate, pyrolytic and rotary kiln incineration as well as fluidized bed combustion. The ZhongDe Group waste incinerators are designed primarily for dedicated operators responsible for the disposal of medical waste produced by hospitals and the health industry, and also for small and medium-sized municipalities in developed areas of the People's Republic. The production and sale of waste incinerators is very slow with the result that in 2014 revenues realised by sold incinerators only amount to k€ 1,159 (2013: k€ 0).

Furthermore, 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-role, the ZhongDe Group also produces and operates the energy-from-waste plants as an investor of 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 subcontractors.

Group structure

The operational business of the ZhongDe Group is carried out by individual operating subsidiaries, being limited liability companies formed under the laws of the PRC. The following subsidiaries are under either direct or indirect control of ZhongDe Waste Technology AG and accordingly consolidated:

in k€	Interest (direct/indirect)	Equity 31.12.2014	Results 2014
ZhongDe China Environmental Protection Co. Ltd., Beijing, PRC	Direct 100%	4,025	584
Chung Hua Environmental Protection Assets (Holdings) Group Ltd., Hong Kong	Direct 100%	34,529	-1,309
Fujian FengQuan Environmental Protection Holding Ltd., Fuzhou, PRC	Indirect 100%	81,775	3,061
Zhoukou FengQuan Environmental Protection Electric Power Co., Ltd., Zhoukou, PRC	Indirect 100%	2,745	663
Feicheng FengQuan Waste Disposal Co., Ltd., Feicheng, PRC	Indirect 100%	1,040	-128
Xianning ZhongDe Environmental Protection Electric Power Co., Ltd., Xinjiang, PRC	Indirect 100%	4,505	-2,422
Kunming FengDe Environmental Protection Electric Power Co., Ltd., Kunming, PRC	Indirect 100%	8,492	-25
Lanzhou FengQuan Environmental Electric Power Co., Ltd., Lanzhou, PRC	Indirect 100%	10,794	-1,873

Chung Hua Environmental Protection Assets (Holdings) Group Ltd. and Fujian FengQuan Environmental Protection Holding Ltd. are intermediate holding companies and hold all the shares of five operating companies carrying out BOT projects. ZhongDe Waste Technology AG also holds 100% of the shares in ZhongDe (China) Environmental Protection Co. Ltd. (“ZhongDe (China)”), which was established in 2010. This subsidiary is mainly responsible for handling project acquisition, project planning and other administrative duties at the site in Beijing. Furthermore the current EPC project in Dingzhou and the planned EPC project in Wuhai are operated in this subsidiary.

Dividends to be paid by the Chinese subsidiaries generally have to be approved by Chinese government bodies. In addition, dividends are only payable if Chinese statutory reserves satisfy the relating legal requirements. Cash transfers from China require a formal approval from the State Administration of Foreign Exchange (“SAFE”).

1.2 Basis of Preparation of the Consolidated Financial Statements

The Consolidated Financial Statements of the ZhongDe Group for the reporting period ending 31 December 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), London, United Kingdom, and the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRSIC), in so far as these have been adopted by the European Union (EU) in effect at the closing date. Sec. 315a Para. 1 of the German Commercial Code has been considered.

The Consolidated Financial Statements of ZhongDe Group are drawn up in Euros. Amounts are stated in thousands of Euros (k€) except where otherwise indicated. Because the calculations of the individual items included are based on the full figures, rounding differences may occur where amounts are shown in thousands of Euros. The financial statements of the individual consolidated companies are prepared as of the closing date for the Group financial statements.

The Consolidated Financial Statements for the reporting period ended 31 December 2014 (including comparative information relating to the accounting year 2013) were approved and authorised for issue by the Management Board as at 23 April 2015. They will be approved by the Supervisory Board on its meeting as at 24 April 2015.

The consolidated financial statements were generally prepared using the historical cost convention. The balance sheet is divided into non-current and current assets and liabilities in accordance with IAS 1. Assets and liabilities which are due within one year are classified as current. In accordance with IAS 12, deferred tax assets/deferred tax liabilities are presented as non-current assets or liabilities. The consolidated statement of comprehensive income was prepared using the cost of sales method. The items presented are disclosed and explained separately in the notes.

The significant accounting policies and measurement bases that have been applied in the preparation of these Consolidated Financial Statements as of 31 December 2014 are summarised below.

With the exception of the changes in the presentation as set out below, the Consolidated Financial Statements have been prepared in accordance with the accounting policies adopted in the Consolidated Financial Statements for the year ended 31 December 2013.

In 2013 income and expenses arising from trial runs of BOT projects were both disclosed under costs of sales in the statement of comprehensive income. Starting in 2014 gains from trial runs, i.e. the amount of income from trial runs exceeding the referring expenses from trial runs, are disclosed at other operating income to improve transparency, while any losses arising from trial runs are still disclosed at costs of sales. Prior year disclosures are reclassified accordingly. These changes relate only to reclassification within the statement of comprehensive income and have no impact on the result of the year, retained earnings or earnings per share.

In 2014 other comprehensive income arising from foreign exchange differences were segregated in those items which might be/will not be reclassified subsequently to profit or loss when specific conditions are met. The former are those relating to the translation of the subsidiaries, the latter are those relating to the retranslation of the financial statements of ZhongDe Waste Technologie AG from its functional currency RMB into the presentation currency Euro. Prior year disclosures are reclassified accordingly.

1.3 Standards, Interpretations and Amendments to Standards applicable for the first time in the 2014 financial year

The Group has applied the following standards and interpretations of the IASB as well as its changes or revisions for the first time in the 2014 reporting period:

- IAS 27 – Separate Financial Statements
- IAS 28 – Investments in Associates and Joint Ventures
- Amendments to IAS 32 – Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosures of Interests in other entities
- Amendments to IFRS 10, IFRS 11 and IFRS 12: Transition Guidance
- Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities

The amendments to IAS 36 lead to additional disclosures relating to information on the recoverable amounts of intangible assets and cash generating units. Besides these changes, no material effect arose on the consolidated financial statements of the ZhongDe Group.

1.4 Published but not yet applied Standards, Interpretations and Amendments

At the time of preparation of the Group 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 2014 financial year, and were therefore not applied by the ZhongDe Group:

- IFRIC 21 – Levies
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41: Bearer Plants
- Amendments to IAS 19 – Employee Contributions
- IFRS 9 – Financial Instruments
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IAS 28 and IFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- Annual Improvements to IFRSs 2010 – 2012 Cycle
- Annual Improvements to IFRSs 2011 – 2013 Cycle
- Annual Improvements to IFRSs 2012 – 2014 Cycle
- Amendments to IAS 1: Disclosure Initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities

The aforementioned standards and interpretations are to be applied in the Consolidated Financial Statements of the ZhongDe Group from the 2015 financial year or later. Aside from additional or modified disclosure requirements ZhongDe Group currently expects from the first-time application of these standards, interpretations and amendments only marginal effect on the consolidated financial statements. The potential impacts of the application of IFRS 15 is currently analysed.

2 ACCOUNTING POLICIES

2.1 Basis of Consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiary undertakings drawn up to 31 December 2014. Subsidiaries are all entities over which the parent company has the power to control the financial and operating policies. All subsidiaries have an annual reporting date of 31 December.

Consistent accounting and valuation policies are applied for like transactions and events in similar circumstances. The inter-group business relations correspond to the third party comparison, if not stated otherwise.

All inter-group balances, transactions, income and expenses, including provisional results from inter-group transactions are fully eliminated. Insofar as allowances for the shares of subsidiaries included or intra-Group receivables were recognized in single-entity financial statements, these are reversed in the course of consolidation. Subsidiaries are fully consolidated from the date of acquisition or foundation, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

2.2 Functional and Presentation Currency

a) Functional currency

The directors have determined the functional currency for all of the Group's companies to be the Renminbi (RMB). Sales and major costs of providing goods and ongoing services, including most of the operating expenses are stated and invoiced almost exclusively in RMB.

b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currency of the combined entities and are recorded, on initial recognition, in the functional currency at the approximate exchange rates current as at their respective transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange applicable as of the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when their respective fair values are determined.

Exchange differences arising from the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the Statement of Comprehensive Income except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries. These are recognised initially without effect on profit and loss in the statement of other comprehensive income and as a separate component of equity (foreign currency translation reserve) in the consolidated balance sheet. Only on disposal of the subsidiary they are recognized in the consolidated Statement of Comprehensive Income. Regarding the reclassification of foreign currency differences disclosed in the other comprehensive income please refer to section 1.2.

c) Foreign currency translation

The presentation currency of the Group is Euro as the parent company is a German Stock Corporation listed in Germany. The results and statements of financial position of the combined entities are translated from RMB (or HKD), the functional currency of all entities of the Group, into Euro as follows:

Development of exchange rates (€/foreign currency rate)	ISO-Code	Average rate		Ending rate	
		2014	2013	31.12.2014	31.12.2013
Chinese Yuan	CNY	8.1857	8.1646	7.5358	8.3491
Hong Kong Dollar	HKD	10.3025	10.3016	9.4170	10.6933

Assets and liabilities for each balance sheet are presented at the closing rate ruling as of the balance sheet date. Income and expenses are translated at annual average exchange rates, which are approximations to the exchange rates as of the date of transactions.

All resulting exchange differences are recognised without effect on profit and loss in other comprehensive income in the currency translation reserve, a separate component of equity. The EUR/RMB year end exchange rate increased continuously during 2014 especially in the second half of the year with an overall change by 9.7%, which had a material impact on the statement of financial position.

2.3 Service Concession Arrangements

The Group entered into service concession arrangements with various grantors. Pursuant to the service concession arrangements, the Group has to design and construct energy-from-waste plants in the PRC as well as to operate and manage them for a period of 30 years. The Group has the obligation to maintain the infrastructure in good condition. For the operating period of the plant the grantors guarantee the Group minimum annual payments under the arrangements. Upon expiry of the concession periods, the infrastructure and the related facilities will be transferred to the local government authorities (grantors) without consideration. In case of delayed payment of waste disposal fees, the Group is entitled to receive penalties for late payments. The Group is obliged to pay compensation if it does not dispose of the delivered waste in accordance with the concession arrangement.

As the construction of the plant proceeds, ZhongDe recognizes revenues according to the stage of completion at the balance sheet date. These revenues are accounted for against intangible assets respectively financial assets under the accounting model applicable for service concession arrangements. A financial asset will be recognised to the extent that ZhongDe has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. An intangible asset will be recognised to the extent that the Group receives a right (a licence) to charge users of the public service.

Revenue and profits or losses in the reporting period resulting from rendering construction services according to the stage of completion in exchange for a financial or intangible asset relate to the segments BOT projects and EPC projects and are disclosed in the segment reporting under Note 3.

2.4 Significant Accounting Estimates and Judgments

The preparation of financial statements in accordance with the IFRSs as adopted by the EU requires management to exercise judgment in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period.

The following estimates which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are disclosed below.

Although these estimates are based on management's best knowledge of current events and actions, differences between the actual results and estimates cannot be excluded.

a) Allowance for trade receivables

Trade receivables are recorded at the invoiced amount and given their short duration do not bear interest. The allowance for doubtful receivables is the Group's best estimate of the amount of probable credit losses in the Group's existing accounts receivables.

Management uses judgment to determine the allowance for doubtful receivables, which are supported by the historical write-off credit history of the customers and repayment records.

The Group reviews its allowance for doubtful receivables at least monthly. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Actual results could differ from estimates.

In some cases allowances for trade receivables are recognized using allowance accounts. Whether a default risk is recognized via an allowance account or directly by writing off the receivable depends on the estimated probability of default and the extent to which this estimate is considered reliable.

b) Depreciation of property, plant and equipment

The cost of equipment used for the manufacturing process is depreciated on a straight-line basis over its estimated useful life. The management estimates the useful life of equipment to be between 5 and 10 years, according to life expectations in comparable industries. As changes in the expected level of usage and technological developments could affect the economic useful life and the residual value of these assets, future depreciation charges could be revised.

c) Provision for warranty

Assumptions used to calculate the provision for warranties were based on current sales levels and current information as well as expectations for guarantee claims during the one-year warranty period for incinerators sold. Provisions for warranties relate to the segment incinerators.

d) Provisions for contractual penalties

Assumptions used to calculate the provision for contractual penalties were based on management best estimate and current information available. The provisions relate to potential contractual penalties for delays in connection with BOT and EPC projects in the referring segments, which may become due at any time (and are therefore current).

e) Partial revenue recognition on construction contracts

Operational entities, which are in segments EPC and BOT projects, conduct a major proportion of their business under long-term construction contracts which are accounted for using the percentage-of-completion method. This method requires accurate estimates of the extent of process towards completion. Depending on the methodology to determine contract progress, the significant estimates include total contract costs, remaining costs to completion, total contract revenues, contract risks and other judgements. The management continually reviews all estimates involved in such long-term construction contracts and adjusts them as necessary.

If total revenues and/or costs for projects are not reliably estimatable and the stage of completion appears to be not reliably measurable, the zero profit-method has to be applied. Under the zero profit-method revenues are only recognised to the extent costs incurred are recoverable on the referring project. For further information we refer to Note 2.5.

f) Measurement of fair value of the construction services of BOT projects

The Group uses the cost-plus method to determine the fair value of construction services. This entails the addition of a margin to the costs incurred in the production and development phases to obtain fair value. As well as a precise estimate of all the production and development costs incurred for the project, this requires the estimate of a margin for each project. In the absence of available data the margin is deduced from a project that has already been realized. The management of the operating units continuously reviews all estimates made in the course of BOT projects and adjusts them as necessary.

g) Measurement of BOT Intangible and Receivables

The measurement and accounting of the BOT receivable and the intangible from service concession arrangements is based on assumptions relating to the asset rate, interest rates and the planned date of completion. The accounting for these assets is set up based on managements' information available at the time of the preparation of the financial statements including the budget which is derived from actual data. If any of these data changes this will impact the measurement of both assets.

h) Impairment Test

The impairment test of non-financial assets requires assumptions about the future cash flows during the planning period, and possibly beyond it, as well as about the discount rate to be applied, which are based on estimates about the extent and probability of occurrence and future events. As far as possible, estimates are derived from past experience. All data required is subject to the best estimate of the management on the expected development of the Group. More detailed information on impairment tests and the measurement parameters used for those test are disclosed in Note 2.8 and Note 14.

2.5 Changes in Accounting Estimates/Accounting Policies

a) Calculation of the Percentage of Completion

As the development in the past documented that the BOT projects do not show a sufficiently predictable stage of completion, the PoC method could no longer be applied. Therefore, the zero profit-method has been applied for these projects since 1 April 2013. Under the zero profit-method revenues are only recognised to the extent costs incurred are recoverable on the referring project.

The application of the zero profit-method will be required for all BOT projects until their respective completion in the following years and until ZhongDe has finally installed an improved project-controlling system. This method leads to a deferred accounting at completion date for the margin resulting from the construction relating to the BOT projects.

b) Income from trial runs

According to the general practice, in 2013 income from trial runs was accounted in cost of sales. However after the IFRS-IC has put this issue on its agenda, the current technical discussion tends to prefer an accounting of trial runs in income insofar trial run revenues exceed trial run costs. As this accounting method results in more relevant information on the entity's performance, the former method of accounting for trial runs was changed and income from trial runs was disclosed under other operating income. Prior year's figures were reclassified accordingly. The change of the accounting method did not have any impact on the comprehensive income. Please also refer to note 2.18d).

	Before restatement 2013		Reclassi- fication	Restated 2013	
	in k€	in %		in k€	in %
Revenues	12,310	100	0	12,310	100
Cost of sales	-12,521	-102	-671	-13,192	-107
Gross profit	-211	-2	-671	-882	-7
Other operating income	10,500	85	671	11,171	91
Selling and distribution expenses	-824	-7	0	-824	-7
Administrative expenses	-3,821	-31	0	-3,821	-31
Research and development expenses	-184	-2	0	-184	-2
Other operating expenses	-12,897	-105	0	-12,897	-105
Profit (PY: loss) from operations	-7,437	-60	671	-7,437	-60
Finance income	2,267	18	0	2,267	18
Finance costs	-3,794	-31	0	-3,794	-31
Loss before tax	-8,964	-73		-8,964	-73
Income tax expense	704	6	0	704	6
Loss for the year	-8,260	-67		-8,260	-67

ACCOUNTING POLICIES AND VALUATION METHODS

2.6 Intangible Assets

a) Software

Acquired software and licences are capitalised on the basis of cost incurred to acquire and bring it to the intended condition of use, as well as other costs relating to this. Direct expenditure, which can enhance or extend the performance of the software or licences and which can be measured reliably, is recognised as a capital improvement and added to the original cost of the software or licences. Costs associated with maintaining the software are recognised as expense as incurred.

Software and licences are stated at cost less accumulated amortisation and any impairment losses. The costs are amortised using a straight line method over its estimated useful life of three to ten years. Amortisation has been charged to cost of sales and administrative / other expenses.

b) Research and development costs

Research costs, if any, are expensed in the period in which they incur. Development costs are only capitalised if all the cumulative recognition criteria listed in IAS 38 are fulfilled, if the research phase can be clearly distinguished from the development phase and if the costs arising can be directly allocated to the individual project phases. No development costs were capitalised as per IAS 38 because the relevant criteria were not met. In particular, it is impossible to distinguish clearly between research and development activities due to countless interdependencies (circular process).

c) Service concession rights

A service concession right is recognised as an intangible asset to the extent that the ZhongDe Group receives through a BOT contract a right to charge users of the public service for providing the infrastructure or other services. Under the accounting-model applicable for service concession arrangements, the intangible is capitalized according to the stage of completion against revenues. Borrowing costs are included in acquisition costs as far as they relate to the qualifying intangible asset.

Service concession rights are amortised over the agreed period of use, which according to the terms of the contracts is generally 30 years. Amortization begins when the infrastructure is put into service, which is expected to be in 2015 for the next BOT projects. During the production phase a capitalized intangible asset is tested annually for impairment and later at any time a triggering event for impairment incurs.

All intangible assets have a definite useful life.

2.7 Property, Plant and Equipment

Property, plant and equipment are recorded at cost, less accumulated depreciation and impairment losses if any.

Depreciation is charged to write off the costs of the assets over their estimated useful lives, using the straight-line method, as follows:

Machinery, equipment	10 years
Cars	5 years
Electronic equipment, fixtures and fittings	5 – 10 years

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The gain or loss arising from the disposal or retirement of an item of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.8 Impairment of Non-Financial Assets

At each reporting date, the Group assesses whether there is an indication that an asset may be impaired. If any such indication exists, or an annual impairment test for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

As assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset other than goodwill may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss is recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in previous years. Reversal of an impairment loss is recognised in the consolidated statement of comprehensive income. After such a reversal, the depreciation charge is adjusted for future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The group performed impairment tests for the intangible assets from service concession agreements not yet available for use. The impairment test for the entities in Zhoukou and Xianning (both cash generating units), which both relate to the BOT segment, documented that based on actual assumptions and knowledge the expected discounted cash flows for the cash generating unit Zhoukou confirm the complete impairment of the capitalized asset in prior year, whereas the expected discounted cash flows of for the cash generating unit Xianning exceed the assets capitalized and led to an appreciation.

2.9 Receivables from BOT

Receivables from BOT are financial assets referring to construction contracts accounted for under IFRIC 12. A financial asset is recognised to the extent that the Group has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services and to the referring stage of completion of the project.

Receivables from BOT are recognised at amortised cost less repayments and any amortisation, where applicable. In subsequent periods the receivables are subject to the effective interest method.

2.10 Inventories

Inventories are valued at the lower of acquisition and production costs or the net realisable value as follows:

Raw materials	Purchase cost on a weighted average basis
Finished goods and work-in-process	Costs of direct materials and labor and a proportion of manufacture overheads based on normal operating capacity but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated selling costs.

2.11 Financial Instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Initial measurement is performed as of the settlement date. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired. Financial assets and financial liabilities are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

a) Financial assets

Financial assets are classified into different categories determining their subsequent measurement. The Group holds only financial assets of the category loans and receivables (including cash and cash equivalents).

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade receivables, BOT receivables and most other receivables and amounts due from related parties fall into this category of financial instruments. All loans and receivables are subject to review for impairment at least at each reporting date. When there is any objective evidence that a financial asset or a group of financial assets is impaired, the amount of the loss is determined and written off. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other available features of shared credit risk characteristics.

b) Financial Liabilities

The Group's financial liabilities include interest-bearing long term loans, trade and other payables, accruals and amounts due to related parties.

Financial liabilities are measured subsequently at amortised cost using the effective interest method. Gains are recognised in the statement of comprehensive income when it is evident that payment will not be necessary.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the statement of comprehensive income are included within "finance cost" or "finance income".

2.12 Trade and Other Receivables

Trade and other receivables which are not the result of construction contracts do not bear interest. They are recognised at the original amount less an allowance for any uncollectible amounts. The allowance for doubtful receivables is the Group's best estimate of the amount of probable credit losses in the Group's existing accounts receivable. Management uses judgement to determine the allowance for doubtful receivables which is supported by historical repayment records of the customers.

2.13 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank deposits with a maturity of up to three months and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant rise of changes in value. These are carried at their nominal amount.

For the purpose of providing security on the issue of bank acceptance bills ZhongDe Group is required to deposit cash into restricted accounts with its bankers. The restrictions on bank deposits are normally removed on settlement of the underlying bank acceptance bills.

2.14 Capital and Reserves

Share capital represents the nominal value of shares that have been issued by ZhongDe Waste Technology AG.

Capital reserves include any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares have been deducted from capital reserve, net of any related income tax benefits.

Chinese statutory reserves arise from the requirement under PRC law for one subsidiary to transfer 10% of the annual net profit as reported in their PRC statutory financial statements to the statutory reserve in each year, unless this reserve has reached 50% of the company's registered capital. This statutory reserve can be used for loss compensation or for a capital increase as long as the reserve does not fall below 25% of the paid-in capital.

2.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or factual) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only to the extent the reimbursement is virtually certain.

If the provisions are long term, they are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. As at 31 December 2014 all provisions are classified as current as they are due to reach maturity within a year.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate of the obligation. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.16 Operating Lease

Where the Group makes use of assets under operating leases, payments made under the leases are recognised in the income statement on a straight-line basis over the term of the lease.

2.17 Order Backlog

The order backlog regarding incinerators and EPC projects is calculated based on the contractual amounts less any amounts of work already completed. Regarding BOT projects the order backlog is stated at the fair value of the construction of the energy-from-waste plants less the revenues currently accounted for according to the zero profit method. The fair value of the constructions is derived from the originally budgeted costs plus a margin based on a project that has already been realized (cost-plus method).

2.18 Revenue Recognition

Revenue is generally recognised to the extent that it is probable that economic benefits will flow to the Group and can be reliably measured. All intra-group transactions are excluded from the revenue of the consolidated group.

a) Sales of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership to the customer, which generally coincides with delivery and acceptance of the goods sold. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods. Revenue from the sale of goods represents the invoiced amount of delivered goods net of discounts, returns and value added tax.

b) Rendering service

Revenue from services rendered is recognised when the services are rendered and relating revenue can be measured reliably.

c) Long-term construction contract revenue

As long as revenues and/or costs for long-term construction contracts can reliably been estimated the relating revenues are accounted for under the percentage of completion method where revenue is recognised as the performance of the contract progresses. The contract progress is determined based on the percentage of costs incurred to date compared to the actual total estimated cost for each contract. This stage of completion is applied on the share of revenue recognisable until the reporting date. Total recognisable revenue refers to the contract price (incinerators and EPC projects) or the fair value of the construction costs (BOT projects). If the revenues and/or costs cannot be estimated or are no longer reliably estimable, revenues for those projects are recognized under zero profit-method. This is applied for BOT projects since the second quarter 2013.

d) Income from trial runs

Before the projects are approved by the referring customers, trial runs have to be performed to check the operating of the plant. In doing so ZhongDe generates income from the thermal treatment of waste and the production of electricity. Whereas the supply of electricity is leading to income due to local legislation, the income from burning of waste before completion of the project is not contractually agreed. Accordingly the income from electricity is recorded when the supply to the grid is reported and the income from the thermal treatment of waste during the trial runs when the local authorities pay the waste disposed. In 2013 income from trial runs was presented net of the referring cost for trial runs under cost of sales. To enhance transparency, in 2014 the surplus of trial run income over trial run costs is presented under other income in the statement of comprehensive income. Prior year figures are reclassified accordingly. Please also refer to note 2.5b).

e) Interest income

Interest income is accrued on a time proportionate basis, by reference to the principal outstanding and at the interest rate applicable, on an effective interest basis.

2.19 Pension Scheme

The Group participates in national pension schemes as defined by the laws of the respective judicial area. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

2.20 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are part of the acquisition/production cost of those assets. A qualifying asset is one which necessarily takes a substantial period of time to get ready for its intended use or sale. Borrowing costs are capitalized for intangibles under the service concession arrangements.

All other borrowing costs are expensed as incurred.

2.21 Taxation

Income tax for the financial year comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income except for the extent that relates to items recognised directly in equity. None of these have been accounted for directly in equity as at balance sheet date or in the previous year.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases. Deferred tax assets and liabilities are generally accounted for all taxable temporary differences to the extent they are recognisable.

Deferred tax assets and liabilities, if any, are measured at the tax rates that are expected to be applicable in the year the asset is realised or the liability is settled. Deferred tax assets and liabilities, are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to income taxes levied by the same tax authority.

The carrying amount of deferred tax assets is revised at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

3 SEGMENT REPORTING

3.1 Segment Information

Operating segments are identified on the basis of the internal reporting which is regularly reviewed by the chief operating decision maker. The operating business is reported separately according to the nature of the products, with each representing a strategic business unit. The segments are managed on the basis of gross return on sales as well as by orders received and the order backlog.

a) Business segment

The Group's operating businesses are organised into three business segments:

- BOT/BOOT projects (Build-Operate-Transfer / Build-Operate-Own-Transfer): As an investor in BOT projects the ZhongDe Group also builds and operates waste incinerators which are returned to the customers after the expiry of the concession period. The work and services required to build the infrastructure is carried out by third parties (subcontractors).
 - EPC projects (Engineering, Procurement and Construction): In addition the ZhongDe Group acts as general contractor on EPC projects with responsibility for the design, construction planning, procurement, construction and assembly of waste incinerators (energy-from-waste). The necessary work and services are carried out by third parties (subcontractors).
 - Incinerators: The ZhongDe Group develops, produces and installs incinerators in China, in particular for the disposal of medical waste and urban municipal waste (mixed household waste). The customers for the supply of waste incinerators are mostly public and private-sector Chinese companies.
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b) Geographical business

The Group's contract partners and customers are all based in the People's Republic of China and all of its services to date have been provided in the PRC. In addition nearly all identifiable assets of the Group are located in the PRC. Therefore all revenues from external customers are attributed to the PRC.

c) Allocation basis

Revenue and cost of sales are directly attributable to the segments. Not directly attributable expenses and income are recorded in offsetting and reconciliation.

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

The following table presents revenue and results information regarding the Group's business segments for the financial year ended 31 December 2014. All revenues in the total amount of k€ 34,973 (2013: k€ 12,310) are from external customers.

3.2 Segments

in k€	BOT projects		EPC projects		Incinerators		Group	
	2014	2013	2014	2013	2014	2013	2014	2013
Revenues	23,676	8,620	10,138	3,690	1,159	0	34,973	12,310
Intercompany revenues	0	0	0	0	0	0	0	0
Total revenue for reportable segments	23,676	8,620	10,138	3,690	1,159	0	34,973	12,310
Total gross profit from reportable segments	-1,438	-2,465	1,917	1,583	-2	0	477	-882
Order intake	0	0	0	45,838	0	0	0	45,838
Order backlog	131,861	142,151	77,429	79,785	3,199	4,115	212,489	226,051

The accounting policies the Group uses for segment reporting under IFRS 8 are the same as those used in its financial statements. The reconciliation from gross profit for reportable segments to the loss of the year is presented below:

in k€	2014	2013
Total gross profit for reportable segments	477	-882
Consolidation	0	0
Total profit (PY: loss) for the Group	477	-882
Unallocated income and expenses of the Group	2,518	-6,555
EBIT	2,995	-7,437
Finance income	2,652	2,267
Finance expense	-6,024	-3,794
Loss before tax	-377	-8,964
Income tax	-574	704
Loss for the year	-951	-8,260

The unallocated expenses of the Group primarily consist of selling and distribution expenses, administrative expenses and other operating expenses.

3.3 Information about Major Customers

All of ZhongDe's revenues were earned by Group companies based in Mainland China. In the BOT segment revenues of € 23.7 million (2013: € 8.6 million) were achieved with four customers. The following table presents the total amount revenues from each customer with whom the Group achieved more than 10% of total sales on BOT and EPC projects including their relevant segments:

in million €	Segment	Revenue	
		2014	2013
BOT Lanzhou	BOT	19.0	0.0
EPC Dingzhou	EPC	8.5	1.4
BOT Kunming	BOT	3.4	3.1

Notes on the Statement of Comprehensive Income

4 REVENUES

Revenue amounts to € 35.0 million (2013: € 12.3 million). Thereof € 33.7 million (2013: € 12.2 million) have been accounted for under the zero profit-method from service concession arrangements and the PoC-method from EPC projects.

A breakdown of revenue by segment can be found in the segment reporting and below. In the table below the project in Feicheng is included in the BOT segment which generated in 2014 operating revenues of k€ 80 (2013: k€ 80).

in k€	31.12.2014	31.12.2013	Change
BOT			
% of completion	51%	38%	+13 pp
Revenues	23,676	8,620	>100%
Gross profit	-1,438	-2,465	42%
EPC			
% of completion	58%	41%	+17 pp
Revenues	10,138	3,690	>100%
Gross profit	1,917	1,583	21%
Small and medium sized incinerators			
Units sold to third party	1	0	>100%
Revenues	1,159	0	>100%
Gross profit	-2	0	<-100%

The PoC-revenues (including revenues from the application of the zero profit-method) entailed profits amounting to € 0.7 million (2013: € 0.1 million) by costs incurred amounting to € 33.0 million (2013: € 12.1 million). Thereof € 8.2 million (2013: € 1.6 million) refer to EPC projects and € 24.8 million (2013: € 10.5 million) to BOT projects. Revenues from the sale of incinerators amount to € 1.2 million (2013: € 0.0 million).

Since 1 April 2013 the revenues on four BOT projects are accounted for under the zero profit method.

ZhongDe China Environmental Protection Co. Ltd. and Fujian FengQuan Environmental Protection Holding Ltd. have been granted the construction enterprise qualification effecting that revenues relating to the EPC projects in Dingzhou and Zhucheng are realized without VAT.

5 COST OF SALES

The following table shows a breakdown of Cost of sales for the period under review for each category:

	2014		2013 ¹⁾	
	in k€	in %	in k€	in %
Subcontractors services	31,949	92.6	12,069	91.5
Cost of goods incinerators	1,161	3.4	0	0.0
Personnel expenses	1,074	3.1	859	6.5
Materials	252	0.7	210	1.6
Others	60	0.2	54	0.4
Total Cost of sales	34,496	100.0	13,192	100.0

¹⁾ Restated

Cost of sales increased from k€ 13,192 in 2013 by k€ 21,304 to k€ 34,496 in 2014. The increase is mainly attributable to the progress in EPC and BOT projects within financial year 2014. The gross profit margin amounts to 1.4% (2013: -7.1%). As the Group acts as General Contractor the predominant part of Cost of Sales relates to subcontractors' services.

6 OTHER OPERATING INCOME

The following table shows a breakdown of other operating income for the period under review:

in k€	2014	2013 ¹⁾
Appreciation of intangible assets	5,360	0
Net proceeds from trial run	3,082	671
Releases of allowances of trade receivables	227	83
Profit from sales of subsidiaries	0	10,302
Others	191	115
Total Other operating income	8,860	11,171

¹⁾ Restated

The appreciation of intangible assets refers to the BOT project in Xianning; please refer to note 2.8. Net proceeds from trial runs amounting to € 3.1 million (2013: € 0.7 million) are presented under other operating income. Prior years' figures have been reclassified accordingly. Please also refer to note 2.5 and 2.18d).

In 2013 other operating income mainly related to income from the sale of the subsidiary Beijing ZhongDe Environmental Protection Technology Co. Ltd., which contributed € 10.3 million to the operating income in financial year 2013.

7 SELLING AND DISTRIBUTION EXPENSES

The following table shows a breakdown of selling and distribution expenses for the period under review:

in k€	2014	2013
Addition of allowances of trade receivables	595	0
Personnel expenses	222	292
Provisions for delay	165	404
Travel expenses	38	47
Entertainment expenses	27	50
Others	16	30
Total Selling and distribution expenses	1,063	824

8 ADMINISTRATIVE EXPENSES

The following table shows a breakdown of administrative expenses for the period under review:

in k€	2014	2013
Personnel expenses	1,653	1,600
Entertainment expenses	356	326
Office expenses	296	318
Rent	243	318
Travel expenses	210	221
Other taxes	184	106
Vehicle use fees	182	190
Depreciation and amortization	146	304
Consulting fees	15	74
Other expenses	391	363
Total Administrative expenses	3,676	3,821

9 OTHER OPERATING EXPENSES

The following table shows a breakdown of other operating expenses for the period under review:

in k€	2014	2013
Financial statements and audit costs	554	715
Investor relations costs	198	225
Supervisory board costs	148	149
Legal and advisory costs	138	177
Impairment of intangible assets	0	11,368
Others	379	262
Total Other operating expenses	1,417	12,897

The impairments of intangible assets disclosed in 2013 relate to the projects in Zhoukou and Xianning. The regular impairment test at year end 2014 revealed, that prior years' impairments had to be partly reversed; please also refer to note 2.8, 6. and 13. Expenses for impairments being accounted for during the year 2014 had to be rebooked accordingly. Others mainly imply expenses for process risks (k€ 107), for the Annual General Meeting (k€ 57) and rent expenses for the office in Germany (k€ 56).

10 SELECTED INFORMATION AND THE NATURE OF EXPENSES

Due to classifying expenses by function in the profit and loss statement the following table presents additional information on the nature of expenses:

in k€	2014	2013
Staff costs	3,092	2,900
Addition/release of allowances of trade receivables	368	-83
Depreciation of property, plant and equipment	147	255
Expensing of land use rights	0	62
Appreciation/amortization of intangible assets	-5,323	11,396

11 FINANCE INCOME

in k€	2014	2013
Interest income	2,494	2,261
Exchange gains	158	6
Total Finance Income	2,652	2,267

A portion of € 0.4 million (2013: € 0.3 million) within interest income relates to interest from cash at banks as well as to interest from receivables from BOT projects amounting to € 2.1 million (2013: € 1.9 million). Interest income from receivables from BOT projects has been calculated under the effective interest method.

12 FINANCE COSTS

in k€	2014	2013
Bank charges	7	6
Exchange loss	0	58
Interest expense	6,017	3,730
Total Finance Costs	6,024	3,794

In 2014 borrowing costs of € 6.9 million (2013: € 4.9 million) incurred. Thereof € 0.9 million (2013: € 1.2 million) were capitalised and € 6.0 million (2013: € 3.7 million) were accounted for within finance costs. As financing is arranged for each individual BOT project, the actual financing costs are capitalised in line with IFRIC 12.22 to the extent that they are incurred for an intangible from a service concession right.

13 EARNINGS PER SHARE

Earnings per share for 2014 amounted to € -0.08 (2013: € -0.66). The basis for the calculation is the profit after tax attributable to the owners of ZhongDe AG (the legal parent) as the numerator. The earnings per share are determined on the basis of the weighted average of the outstanding common stock. The number of outstanding shares used for basic earnings per share for the twelve month period ended 31 December 2014 amounted to 12,600,000 shares (31 December 2013: 12,600,000 shares). Basic and diluted earnings per share are the same.

in k€	2014	2013
Calculation of earnings per share		
Result attributable to owners of the parent	-951	-8,260
Average number of shares	12,600,000	12,600,000
Basic and diluted earnings per share (in €)	-0.08	-0.66

The management board is authorised to increase the share capital of the Company with the consent of the supervisory board until 27 June 2018 once or several times by up to € 6,500,000 by issue of up to 6,500,000 new bearer shares no par value in consideration of contributions in cash or in kind (authorised capital 2013). Moreover the management board was authorised by the Annual General Shareholders' Meeting on 28 June 2013 to issue convertible bonds of up to € 100,000,000 in return for option or conversion rights for the acquisition of up to 6,000,000 shares in total. Both capital measures have not been exercised to date. After exercising they will lead to a dilutive effect on earnings per share.

NOTES ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

14 INTANGIBLE ASSETS

in k€	Software	Trademark, Patents	Service concession rights	Total
Cost:				
At 1 January 2014	290	84	24,441	24,815
Additions	1	0	9,646	9,647
Disposals	0	-21	0	-21
Reclassification	0	0	-54	-54
Exchange difference	31	7	3,465	3,503
At 31 December 2014	322	70	37,498	37,890
Accumulated amortization and impairment:				
At 1 January 2014	117	19	18,327	18,463
Amortization	37	0	0	37
Appreciation	0	0	-5,360	-5,360
Exchange difference	16	2	1,514	1,532
At 31 December 2014	170	21	14,481	14,672
Net carrying amount:				
At 1 January 2014	174	65	6,114	6,353
At 31 December 2014	152	49	23,017	23,219
Exchange difference	15	5	1,951	1,971

in k€	Software	Trademark, Patent	Service concession rights	Total
Cost:				
At 1 January 2013	230	85	23,529	23,844
Additions	65	0	3,572	3,637
Disposals	0	0	-172	-172
Reclassification	0	0	-2,097	-2,097
Exchange difference	-5	-1	-391	-397
At 31 December 2013	290	84	24,441	24,816
Accumulated amortization and impairment:				
At 1 January 2013	91	19	7,323	7,433
Amortization	28	0	0	28
Impairment	0	0	11,368	11,368
Exchange difference	-2	0	-364	-366
At 31 December 2013	117	19	18,327	18,463
Net carrying amount:				
At 1 January 2013	139	66	16,206	16,411
At 31 December 2013	174	65	6,114	6,353
Exchange difference	-3	-1	-27	-31

Amortization for service concession rights will be calculated over a period of 30 years beginning from the finalization of the construction period. Please also refer to Note 2.6c).

Intangible assets from service concessions are qualifying assets in the meaning of IAS 23 (Borrowing Costs). Accordingly proportional borrowing costs of € 0.9 million have been capitalized in 2014 (2013: € 1.2 million). The borrowing costs were determined on the basis of interest rates between 7.5% and 9.0% (2013: between 7.5% and 8.0%). Depreciation on intangible assets is presented as administrative costs. Impairments are presented as other expenses. Please refer to note 9.

Intangible assets from service concession rights relate to the site in Xianning, Lanzhou and in Zhoukou. At yearend impairment tests were performed for these intangible assets which are not ready to use. Each project forms a cash generating unit. The recoverable amount of the cash generating unit Xianning amounting to € 30.0 million (2013: € 22.2 million) was calculated as value in use at an interest before tax of 10.7% (2013: 11.7%). Accordingly prior years' impairment loss of the intangible asset for the service concession right at Xianning had to be reversed by € 5.4 million (2013 impairment of € 9.2 million). The reversal of the impairment is presented under other operating income.

The book values of the intangible assets in Xianning amount to € 13.6 million (2013: € 6.0 million), in Lanzhou € 9.4 million (2013: € 0.1 million) whereas in Zhoukou € 0.0 million (2013: € 0.0 million) after impairment i.e. appreciation.

Reclassifications relate to a shift from intangible assets to BOT receivables under the IFRIC 12 model mainly due to changes in accounting estimates.

The following important intangible assets being used by the Group free of charge, were not disclosed on the consolidated balance sheet and therefore not included in the table above:

- Mr. Zefeng Chen is owner of the entire intellectual property rights necessary for production. These intellectual property rights have been exclusively licensed to Fujian FengQuan Environmental Protection Equipment Co. Ltd. for research and production purposes in an agreement dated 25 July 2006.
 - This also applies to the brand of which Fujian FengQuan Environmental Protection Holding Ltd. is the economic owner. By way of an agreement dated 25 July 2006, Mr. Chen irrevocably and free of charge grants Fujian FengQuan Environmental Protection Holding Ltd. the exclusive right of use of the brand for the entire protection period of the intellectual property rights.
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15 PROPERTY, PLANT AND EQUIPMENT

in k€	Machine equipment	Vehicle	Electronic equipment, fixtures and fittings	Total
Cost:				
At 1 January 2014	759	1,100	485	2,344
Additions	0	18	16	34
Disposals	0	-95	-1	-96
Exchange difference	81	113	55	249
At 31 December 2014	840	1,136	555	2,531
Accumulated depreciation and impairment:				
At 1 January 2014	551	913	363	1,827
Depreciation charged for the year	38	62	47	147
Disposals	0	-87	-1	-88
Exchange difference	63	97	43	203
At 31 December 2014	652	985	452	2,089
Net carrying amount:				
At 1 January 2014	208	187	122	517
At 31 December 2014	188	151	103	442
Exchange difference	18	16	12	46

in k€	Machine equipment	Vehicle	Electronic equipment, fixtures and fittings	Total
Cost:				
At 1 January 2013	768	1,525	599	2,892
Additions	0	59	19	78
Disposals	0	-492	-158	-650
Reclassifications	3	23	32	58
Exchange difference	-12	-15	-7	-34
At 31 December 2013	759	1,100	485	2,344
Accumulated depreciation and impairment:				
At 1 January 2013	518	1,169	400	2,087
Depreciation charged for the year	41	133	81	255
Disposals	0	-380	-132	-512
Reclassifications	1	4	20	25
Exchange difference	-9	-13	-6	-28
At 31 December 2013	551	913	363	1,827
Net carrying amount:				
At 1 January 2013	250	356	199	805
At 31 December 2013	208	187	122	517
Exchange difference	-3	-2	-1	-6

The reclassifications exclusively relate to assets no longer held for sale.

16 RECEIVABLES FROM BOT PROJECTS

in k€	Receivables from BOT
Cost	
At 1 January 2014	60,659
Additions	16,985
Disposals	-1,483
Reclassification	54
Exchange difference	7,888
At 31 December 2014	84,103
Cost	
At 1 January 2013	47,070
Additions	8,104
Disposals	-2,748
Reclassification	2,097
Reclassification of assets no longer held for sale	7,134
Exchange difference	-998
At 31 December 2013	60,659

The reclassification relates to a shift from intangible assets to BOT receivables under the IFRIC 12 model. We also refer to Note 14.

17 INVENTORIES

in k€	31.12.2014	31.12.2013
Raw materials and consumables	445	343
Finished goods	982	1,922
Work in process	2,051	1,344
Less: Stock provision	-4	-4
Total inventories	3,474	3,605

Inventories only relate to the segment incinerators. Finished goods presented are based on a customer purchase order. Two incinerators are planned to be sold in 2015. During 2014 inventories of k€ 1,161 were recorded in the profit and loss statement (2013: k€ 0).

18 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS, OTHER FINANCIAL ASSETS

in k€	31.12.2014	31.12.2013
Trade receivables		
Trade receivables	1,797	994
Receivables from PoC	918	238
	2,715	1,232
Allowance for trade receivables	-968	-512
	1,747	720
Other receivables		
VAT receivable	3,897	2,461
Other receivables	766	777
Interest receivable	0	226
Advance to suppliers/subcontractors	38,083	32,082
	42,746	35,546
Allowance for other receivables	0	0
	42,746	35,546
Other financial assets		
Loans granted to customers	5,459	3,354
Other financial assets	0	7,904
	5,459	11,258
Allowance for other financial assets	0	0
	5,459	11,258
	49,952	47,524

All trade receivables are non-interest bearing. They are recognised at their original invoice amounts, which represent their fair values on initial recognition. Receivables from PoC relate to EPC projects where the amount already realized as PoC receivables exceed the advances from customers. The due dates are as follows:

in k€	31.12.2014	31.12.2013
Neither impaired nor due past as of balance sheet date	0	0
Overdue and not impaired	1,747	720
Due:		
Within 30 days	918	271
31-90 days	943	111
91-180 days	123	111
181-360 days	245	221
361-1080 days	486	302
More than 1080 days	0	216
	2,715	1,232

Allowance for doubtful receivables

Trade receivables are adjusted for impairment on the basis of their age. Apart from trade receivables written off on an individual basis, balances aged less than one year are written off by 2.5%, while those of age between one and three years are written off by 50%. A 100% allowance is made for all balances with an age of more than three years.

The following table shows the development of for the allowance of trade receivables:

in k€	31.12.2014	31.12.2013
At 1 January	512	603
Additions	595	0
Releases	-227	-83
Exchange difference	88	-8
At 31 December	968	512

Other financial assets

Other financial assets as at 31 December 2013 related to amounts due from the buyer of the subsidiary Beijing ZhongDe Environmental Protection Technology Co. Ltd. which were completely paid in March 2014.

19 CASH AND CASH EQUIVALENTS

in k€	31.12.2014	31.12.2013
Cash at banks and in hand (relates to the cash fund)	87,205	110,076
thereof restricted in use (relates to the cash fund)	0	1,617
	87,205	110,076
Thereof in Germany	9	26
Thereof in China	87,196	110,050

Bank deposits are partially given as security to the Group's bank in exchange for guarantees the bank provides to the Group's suppliers. The book value of cash and cash equivalents equals the fair value.

The cash at banks earns interest at an annual rate of 0.29%.

20 EQUITY

20.1 Issued Capital

The share capital of the ZhongDe AG amounts to € 13,000,000 and is divided into fully paid 13,000,000 bearer shares of no par value with a notional amount of € 1.00 each. All shares are equally eligible to receive dividends and repayments of capital and represent one vote at the Shareholder's Meeting of ZhongDe AG. The shares issued and fully paid as at beginning of the financial year 2014 amount to € 13,000,000. Within 2014 no movements in shares issued and fully paid in occurred.

The management board is authorised to increase the share capital of the Company with the consent of the supervisory board until 27 June 2018 once or several times by up to € 6,500,000 by issue of up to 6,500,000 new bearer shares no par value in consideration of contributions in cash or in kind (authorised capital 2013). In each case ordinary shares and/or preference shares may be issued. The management board is further authorised, in each case with the consent of the supervisory board, to provide that the pre-emption-right of the shareholders is excluded.

The management board was authorised by the Annual General Shareholders' Meeting on 28 June 2013 to issue convertible bonds of up to € 100,000,000 in return for option or conversion rights for the acquisition of up to 6,000,000 shares in total. The issuing right has not been exercised to date.

20.2 Own Shares

As of 31 December 2014 treasury stocks of the parent company amounted to k€ 4,608 (2013: k€ 4,608) and are divided into 400,000 shares (2013: 400,000 shares) with a notional amount of € 1.00 each. The number of outstanding shares at 1 January 2014 and 31 December 2014 amounts to 12,600,000; or an average of 12,600,000 in 2014 and 2013.

20.3 Reserves and Retained Earnings

a) Capital reserves

The amount reflected in the balance sheet relates to the proceeds from the IPO in 2007 less a withdrawal made in 2011 to compensate an annual deficit in the parent company's financial statements in accordance with sec. 150 para. 4 (2) of the German Stock Corporation Act (AktG).

b) Chinese statutory reserves

This statutory reserve amounting to k€ 8,459 (2013: k€ 8,062) relates to the subsidiary Fujian FengQuan Environmental Protection Holding Ltd. According to the legal regulations of the PRC, a corporate enterprise has to allocate at least 10% of its annual net profit to the statutory reserve until this amount to at least 50% of the paid-in capital. The Chinese statutory reserve can be used for loss compensation or for a capital increase as long as the reserve does not fall below 25% of the paid-in capital. As Fujian FengQuan Environmental Protection Holding Ltd. realise a positive result in 2014 an addition of k€ 397 has been made to this reserve.

c) Retained earnings

Retained earnings comprise the cumulative net gains and losses recognised in the consolidated statement of income and expense and amount to k€ -111 (2013: k€ 1,237). In accordance with the resolution of the shareholders' meeting on 26 June 2014, no dividend was paid for 2013.

20.4 Currency Translation Reserve

The foreign currency translation reserve represents the foreign currency translation differences arising from the translation of the functional currency RMB in the reporting currency Euro.

21 LONG TERM LOANS

The principal conditions of loans are as follows:

in k€ (in kRMB)	Bank Name	Starting Date	Contract Amount		Amount Used		Carrying Amount		Effective Interest Rate
			2014	2013	2014	2013	2014	2013	
Kunming BOT Loan 1	Huarong Financial Leasing Ltd.	22.10.2010	15,924 (120,000)	14,373 (120,000)	9,915 (74,720)	8,949 (74,720)	350 (2,638)	2,509 (20,952)	11.58%
Kunming BOT Loan 2	China Merchants Bank	29.04.2011	23,886 (180,000)	21,559 (180,000)	23,886 (180,000)	21,559 (180,000)	23,315 (175,700)	21,559 (180,000)	8.07%
Xianning BOT Loan 1	Huarong Financial Leasing Ltd.	22.10.2010	11,943 (90,000)	10,780 (90,000)	7,805 (58,820)	7,045 (58,820)	413 (3,109)	2,097 (17,506)	11.96%
Xianning BOT Loan 2	Bank of China	06.12.2011	15,659 (118,000)	14,133 (118,000)	15,659 (118,000)	14,133 (118,000)	13,933 (105,000)	13,774 (115,000)	8.20%
Zhoukou BOT Loan	China Merchants Bank	18.04.2011	13,270 (100,000)	11,977 (100,000)	13,270 (100,000)	11,977 (100,000)	9,065 (68,313)	9,110 (76,063)	7.45%
Lanzhou BOT Loan	Bank of China	28.11.2013	26,540 (200,000)	23,955 (200,000)	26,540 (200,000)	23,955 (200,000)	26,540 (200,000)	23,955 (200,000)	8.30%
Total			107,222 (808,000)	96,777 (808,000)	97,075 (731,540)	87,618 (731,540)	73,617 (554,760)	73,004 (609,521)	8.74%

As far as repayments become due within 12 months loans are disclosed as current under other financial liabilities (€ 8.9 million; 2013: € 6.9 million).

The construction work relating to BOT projects is presented in the statutory accounts of the Chinese companies as property, plant and equipment. According to the loan contracts these fixed assets are pledged to the loan granting bank as soon as the respective project will start the operation phase.

22 DEFERRED TAXES

Deferred taxes arising from temporary differences and unused tax losses can be summarised as follows:

in k€	31.12.2014		31.12.2013	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Service concession rights	0	4,891	0	1,300
Other intangible assets	56	0	48	3
Property, plant and equipment	1,305	0	1,174	0
Construction in progress	24,564	0	15,534	0
Receivables from BOT	0	19,926	0	14,400
Inventories	1,103	0	198	0
Trade receivables	0	272	66	95
Trade and other payables	0	3,348	203	2,298
Provisions	205	0	40	0
Losses carried forward	655	0	0	0
Total	27,888	28,437	17,263	18,096
Netting	-27,005	-27,005	-17,263	-17,263
	883	1,432	0	833

23 TRADE PAYABLES, OTHER PAYABLES AND PREPAYMENTS, OTHER FINANCIAL LIABILITIES

in k€	31.12.2014	31.12.2013
Trade payables	31,774	19,554
Other payables and prepayments		
PoC liability	1,917	3,430
Advance from customers	19,090	20,452
Accrued payroll expenses	336	283
VAT payable	1	1
Other tax payables	1,040	1,034
Other payables	2,808	2,423
	25,192	27,623
Other financial liabilities		
Notes payables	0	1,617
Current portion of long-term loans	8,921	6,895
	8,921	8,512
	34,113	36,135

All trade payables are non-interest bearing. As in prior year trade and other payables and prepayments have not been discounted due to their short duration. Management considers the carrying amounts recognised in the balance sheet to be a reasonable approximation of their fair value. Trade payables include retentions amounting to k€ 518 (2013: k€ 510).

The increase in trade payables mainly relates to invoices from subcontractors of the project in Lanzhou.

Advance from customers mainly relate to prepayments made by the customer of the EPC project in Wuhai (k€ 16,499; 2013: k€ 14,924) and advances for incinerators (k€ 2,591; 2013: k€ 3,478).

PoC liabilities relate to EPC projects where the advances from customers exceed the amount already realized as PoC receivables and comprise of the following:

in k€	31.12.2014	31.12.2013
Receivables from PoC	4,648	2,078
Advanced payments received	-5,647	-5,269
	-999	-3,191
thereof gross amount due from/to customers for contract work as a(n)		
- asset	918	238
- liability	-1,917	-3,430

24 PROVISIONS

in k€	Penalties	Staff bonus and welfare	Maintenance/warranties	Total
At 1 January 2013	1,936	789	0	2,725
Additions	404	0	0	404
Utilised	0	0	0	0
Released	0	0	0	0
Reclassification of provisions associated with assets no longer held for sale	92			92
Exchange differences	-41	-12	0	-53
At 1 January 2014	2,391	777	0	3,168
Additions	165	0	18	183
Utilised	0	0	0	0
Released	0	0	0	0
Exchange differences	272	84	2	358
At 31 December 2014	2,828	861	20	3,709

24.1 Penalties

The provision relates to potential contractual penalties for delays in connection with BOT and EPC projects, which may become due at any time (and are therefore current).

24.2 Staff Bonus and Welfare Fund

In 2007, the subsidiary company Fujian FengQuan Environmental Protection Holding Ltd., Fuzhou was converted into a Foreign Investment Company. Pursuant to the Foreign Investment Company Laws of the PRC and the decisions of the Board of Directors of the subsidiary company, 1% of the profit after tax was allocated as a staff bonus and to the welfare fund in accordance with Chinese law. The fund can only be used for staff public welfare and may become due at any time (and is therefore current).

25 INCOME TAX

The major components of income tax expense are as follows:

in k€	2014	2013
Current income tax	-918	-550
Deferred income tax induced by		
- tax rate changes	59	-39
- temporary differences	-319	1,313
- tax loss carry forwards	604	-20
	344	1,254
Income taxes according to profit and loss statement	-574	704

The general Chinese tax rate amounts to 25%. Due to the fact that several subsidiaries are regularly granted tax holidays or tax reductions the average tax rate of the group's subsidiaries is lower than 25%.

Fujian FengQuan Environmental Protection Holding Ltd. received the qualification as “High-tech enterprise” associated with a reduction of the normal corporate tax rate from 25% to 15% for the years 2012 to November 2015. Due to the expiration of their tax classification as “High-tech enterprise” the tax rate of ZhongDe (China) Environmental Protection Co. Ltd. changed from 15% to 25%. Feicheng FengQuan got the approval for tax exemption and tax preference according to China income tax law with the consequence of an income tax rate for 2014 of nil. In accordance with Hong Kong tax law the applicable tax rate for Chung Hua Environmental Protection Assets (Holdings) Group Ltd. is 16.5%

In Germany ZhongDe Waste Technology AG is subject to corporation tax at a rate of 15% plus a 5.5% solidarity surcharge (Solidaritätszuschlag) thereon (in total 15.825%). In addition, ZhongDe Waste Technologie AG is subject to trade tax (Gewerbesteuer) with their income subject to certain adjustments for trade tax purposes. The trade tax depends on the municipalities in which the corporation maintains permanent establishments. As at 31 December 2014, the effective trade tax rate for Frankfurt is 16.1% of the trade taxable income (Gewerbeertrag).

The reconciliation of tax expenses is as follows:

in k€	2014	2013
Profit before income tax	-377	-8,964
Tax rate	25%	25%
Expected tax income expense	-94	-2,241
Tax rate differential	-126	1,266
Non-deductable expenses	2,120	609
Tax-exempted income	-17	-287
Not recognized deferred tax assets		
- resulting from tax losses of the period	61	407
- resulting from temporary differences	558	1,809
Tax benefits relating to previously unrecognised		
- tax losses	-639	-345
Reduction of deferred tax expense relating to		
- tax losses of prior periods	-604	0
- temporary differences of prior periods	-673	-1,899
Other effects	-12	-23
	574	-704

The increase of non-deductible expenses is predominantly resulting from foreign currency exchange differences only arising in the IFRS financial statements.

Utilization of previously unrecognised tax losses of prior periods reduced the current income tax in 2014 by k€ 639 (2013: k€ 345). As at 31 December 2014 on total tax losses carried forward of € 9.8 million (2013: € 12.2 million according to preliminary calculation in 2013, whereas € 11.3 million verified in 2014 for 2013 by local tax bureau) deferred tax assets have not been accounted regarding tax losses carried forward of € 7.2 million (€ 11.3 million). The existing tax losses can be carried forward for a limited period of one to five years.

The reduction of deferred tax expense arising from the appreciations of deferred tax assets amounted to k€ 139 (2013 additional deferred tax expense from the write-down of deferred tax assets: k€ 307). Moreover deferred tax expense is reduced due to unrecognised temporary differences of a prior period of k€ 534 (2013: k€ 1,899) and previously unrecognised tax losses of k€ 604 (2013: k€ 0).

Due to the stage completion of EPC projects and the associated revenue recognition deferred tax assets of k€ 565 have been recognised, although losses were generated in prior year. The utilization of these deferred tax asset is moreover dependent on future taxable profits in excess of the profits from the reversal of existing taxable temporary differences.

For deductible temporary differences of € 12.4 million (2013: € 10.9 million) deferred tax assets have not been set up.

Deferred tax liabilities amounting to € 1.3 million (2013: € 0.8 million) relating to taxable temporary differences regarding to shares in Group companies have not been set up, as a reversal of these outside basis differences is not expected in the foreseeable future.

26 EMPLOYEE BENEFITS

26.1 Number of Employees

	2014	2013
Average number of employees of the Group		
Management and administration	109	113
Research and development	10	12
Manufacture	230	219
Sales and distribution	22	28
	371	372

in k€	2014	2013
The average payroll costs of these employees		
Wages and salaries	2,306	2,173
Social security costs	575	528
Welfare	211	199
	3,092	2,900

26.2 Retirement Benefit Plans

The eligible employees of the Group, who are citizens of the PRC, are members of a state managed retirement benefit scheme operated by the local government. The Group is required to contribute a certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. The amount of the Group's obligation is limited. It is therefore a defined-contribution commitment. Expenses of k€ 272 were recognized in 2014 and of k€ 218 in 2013.

27 COMMITMENTS AND CONTINGENCIES

27.1 Operating Lease Commitments

The Group leases various factories and offices under non-cancellable operating lease agreements. The leases have varying terms and renewal rights. There are no restrictions placed upon the Group by entering into these leases. The operating lease payment recognised as expense in the Statement of Comprehensive Income in every financial year is as follows:

in k€	2014	2013
Lease payment recognized as expense	260	412

Future minimum lease payments payable under non-cancellable operation leases as at December 31, 2014 are as follows:

in k€	2014	2013
Not later than one year	180	344
Later than one year but not later than five years	592	582
Later than five years	568	650
	1,340	1,576

27.2 Contingent Liabilities

Fujian FengQuan Environmental Protection Holding Ltd. ("Fujian FengQuan") distributed profits related to 2007 and 2006 as dividends in the amount of € 10.0 million to its Hong Kong Holding parent company in 2009. Under PRC tax laws, profits derived before 2008 are still exempt from EIT (Enterprise Income Tax) when they are distributed in 2008 or thereafter. However, for purpose of enjoying the tax exemption, Fujian FengQuan must apply for an EIT exemption approval from the competent tax authorities when the obligation to pay a dividend is accrued in the accounts or the amount is actually paid. At the time the consolidated financial statements were prepared for 2009, the approval certificate had not been obtained, so that had it not been issued, a withholding tax in the amount of € 1.0 million would have been levied. In 2010, 2011 and 2012, exemptions were granted in the amount of the paid dividend of € 8.5 million, so that as of 31 December 2014 contingent liabilities only amount to € 0.2 million.

28 RELATED PARTY AND COMPANY DISCLOSURES

An entity or individual is considered a related party of the Group for the purposes of the financial statements if:

- it possesses the ability, directly or indirectly, to control or exercise significant influence over the operating and financial decision of the Group or vice versa; or
- it is subject to common control or common significant influence,
- or the company is controlled by an individual who belongs to the Company's key management personnel or is jointly managed by a company in which this person holds a stake.

28.1 Related Party Information

Name of related party	City, Province, Country
Key Management of the Group	
Zefeng Chen	Fuzhou, Fujian, China
Jiuhua Wang	Beijing, China
Jijin Zeng	Fuzhou, Fujian, China
Members of the Supervisory Board	
Gerrit Kaufhold	Hamburg, Germany
Prof. Dr. Bernd Neukirchen	Essen, Germany
Feng-Chang Chang	Taichung City, Taiwan
Companies attributable to Zefeng Chen	
China Environmental Protection Industry (Holding) Group Co., Ltd. (Hong Kong)	Hong Kong, China
China Fengquan Group Co., Ltd. (Hong Kong)	Hong Kong, China
Fujian FengQuan Culture Propagation Co., Ltd.	Fuzhou, Fujian, China
Fujian FengQuan Environmental Protection Group Co., Ltd.	Fuzhou, Fujian, China
Fujian FengQuan Guotou Environmental Protection Co., Ltd.	Fuzhou, Fujian, China
Fujian FengQuan Machine Manufacturing Co., Ltd.	Fuzhou, Fujian, China
Fujian Fuquan Boiler Co., Ltd.	Fuzhou, Fujian, China
Quanzhou Qingmeng Water Treatment Co., Ltd.	Quanzhou, Fujian, China
Singapore Jinsheng Fruit & Vegetable Co., Ltd.	Singapore
Xinjiang Hutubi FengQuan Sewage Treatment Co., Ltd.	Xinjiang, Hutubi, China
Xinjiang Miqian Sewage Treatment Co., Ltd.	Miqian, Xinjiang, China
ZhongHua Environmental Protection Industry (Holding) Group Co., Ltd. (Hong Kong)	Hong Kong, China
Zhuji FengQuan Lipu Solid Waste Disposal Limited	Lipu, Zhejiang, China

28.2 Transactions with Related Party

a) Sales and purchase of goods

The following transactions took place between the Group and the above-listed related parties during the financial year:

in k€	31.12.2014	31.12.2013
Related parties		
Rental, water and electricity fee	134	140

These transactions relate to companies attributable to Zefeng Chen and were based on market prices.

b) Due from/to related parties

in k€	31.12.2014	31.12.2013
Due from related parties		
Other receivables	14	20
	14	20
Due to related parties		
Trade payables	0	1
Other payables	8	0
	8	1

This table shows receivables and liabilities, which mainly relate to the key management of the group.

c) Key management remuneration

in k€	31.12.2014	31.12.2013
Key management of the Group	90	90

in k€	31.12.2014	31.12.2013
Supervisory board	150	150

As in prior year the remuneration paid to executives and key management personnel consists solely of fixed compensation and are completely short-term employee benefits. No variable remuneration was paid in 2014 or 2013. All remuneration is paid by and from the Mainland China entities. For more information on remuneration, please refer to the combined management report.

29 DISCLOSURE OF FINANCIAL INSTRUMENTS

The Group's financial instruments on the closing day comprise cash and liquid resources, some short-term debtors and creditors, as well as normal trade debtors and creditors. The main risks, which arise from these financial instruments, relate to liquidity, interest and exchange rates.

Disclosures IFRS 7

Carrying amounts, amounts recognised, and fair values by category in k€	Category in accordance with IAS 39	Carrying amount 31.12.2014	Amounts recognised in balance sheet according to IAS 39 at amortized cost	Carrying amount 31.12.2013	Amounts recognised in balance sheet according to IAS 39 at amortized cost
Trade receivables	LaR	1,747	1,747	720	720
Receivables from BOT	LaR	84,103	84,103	60,659	60,659
Other financial assets	LaR	5,459	5,459	11,258	11,258
Amounts due from related parties and companies	LaR	14	14	20	20
Cash and cash equivalents	LaR	87,205	87,205	110,076	110,076
Long-term loans	FLAC	64,695	64,695	66,109	66,109
Trade payables	FLAC	31,774	31,774	19,553	19,553
Other payables	FLAC	2,809	2,809	2,423	2,423
Amounts due to related parties and companies	FLAC	8	8	1	1
Other financial liabilities: notes payables	FLAC			1,617	1,617
Other financial liabilities: short-term portion of long-term loans	FLAC	8,921	8,921	6,895	6,895
of which: aggregated by category in accordance with IAS 39					
Total Loans and receivables	LaR	178,528	178,528	182,733	182,733
Total Financial liabilities measured at amortized cost	FLAC	108,207	108,207	96,598	96,598

As current financial assets and liabilities have short residual terms their carrying amounts correspond to market value as of the balance sheet date. Their maximum exposure to credit risk at the end of the reporting period agrees with their carrying amounts.

Receivables from BOT are based on discounted cash flows from guaranteed payments. As there are no changes in the assumptions in comparison to initial measurement, the fair values are in line with the carrying amount.

Long-term loans are variable interest bearing. Due to this the fair value of these loans corresponds to their carrying amounts.

Net gain/loss by category: in k€	From interest	Net gain (+)/loss (-)	
		31.12.2014	31.12.2013
Loans and receivables			
- interest income using the effective interest method	2,135	2,135	1,926
- other interest income	358	358	335
- impairment loss (-)/reversal of impairment loss (+)	0	-368	83
	2,493	2,125	2,344
Financial liabilities measured at amortized cost			
- interest expense using the effective interest method	-6,017	-6,017	-3,730
	-6,017	-6,017	-3,730

Interest from financial instruments is recognised in finance income and costs. Gains and losses from financial instruments are presented under other operating income and selling and distribution expenses respectively.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to interest rate and other market risks arising in the normal course of business. The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange rates. The Group is exposed to various risks in relation to financial instruments. The main types of risks are market risks, credit risks and liquidity risks arising in the normal course of business. The Group established a risk management system which allows identifying risk concentrations timely. Risk concentrations relate to the structure of ZhongDe's customers consisting of mainly local governmental organisations.

a) Credit risk (default risk)

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in a loss to the Group. The Group has adopted the policy of only dealing with creditworthy counter parties and monitors their balances.

The Group's credit risk is primarily attributable to its trade and other receivables. Cash is placed with creditworthy financial institutions. The trade and other receivables presented in the financial position are net of an allowance for doubtful receivables, estimated by management based on current economic conditions.

The carrying amount of financial assets recorded in the financial statements net of any allowance for doubtful receivables, represents the Group's maximum exposure to credit risk. The carrying amount of financial assets as of 31 December 2014 is k€ 178,528 (2013: k€ 182,733). All material financial assets are due from Chinese public contract partners.

b) Interest rate risk

Interest rate risk arises from the potential changes in interest rates that may have an adverse effect on the Group in the current reporting period and in future years.

Other than the bank deposits and borrowings, the Group has no other significant interest-bearing assets and liabilities exposed to interest rate risks. Its interest-bearing assets are mainly current bank deposits. The majority of the Group's income and operating cash flows is independent of changes in market interest rates. The Group's borrowings are exposed to interest rate changes. The basis for the determination of each loan's nominal interest rate is the nominal market interest rate for Chinese government bonds with a duration of 10 years plus risk premium. The risk premium of the loan contracts differ. The nominal interest rate is determined on a quarterly basis.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates +/- 1%. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

in k€	Profit of the year		Equity	
	+1%	-1%	+1%	-1%
31 December 2014	-790	790	-790	790
31 December 2013	-545	545	-545	545

c) Foreign currency risk

Foreign exchange risk refers to the risk that movement in foreign currency exchange rates against the Group's functional currency will affect the Group's financial results and cash flows. The majority of the Group's transactions are in RMB, and all of the Group's interest bearing financial assets and liabilities. For this reason, foreign currency changes that affect the financial results and cash flows are classified as insignificant.

Significant foreign currency risks only result from the translation of the consolidated financial statements into the reporting currency Euro. Impacts from foreign currency changes are entered into the accounts without affecting consolidated earnings.

d) Liquidity risk

Liquidity risk arises from the possibility that the Group is unable to meet its obligations towards other counter parties. The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Management Board controls the liquidity risk by monthly reporting including a current cash flow planning.

The following maturity analysis of non-derivative financial liabilities (contractually agreed and non-discounted payments) shows the effect on the Group's liquidity:

in k€	31.12.2014				
	2015	2016	2017 to 2019	2020 or later	Total
Bank loans	8,921	33,210	21,192	10,293	73,617
Total	8,921	33,210	21,192	10,293	73,617

in k€	31.12.2013				
	2014	2015	2016 to 2018	2019 or later	Total
Bank loans	6,895	4,444	42,019	19,646	73,004
Total	6,895	4,444	42,019	19,646	73,004

31 CASH FLOW STATEMENT

The cash flow statement has been prepared in accordance with IAS 7 and is classified into net cash flows from operating, investing and financing activities. The cash flow from operating activities is presented using the indirect method, while the cash flows from investing and financing activities are presented using the direct method. Cash funds are composed of cash and cash equivalents, such as short-term deposits with a fixed term of no more than three months.

32 COMMENTS ON CAPITAL MANAGEMENT

ZhongDe Group fundamentally pursues the goal of securing its shareholders' equity base for the long term and of achieving a suitable return on its capital. A high level of shareholders' equity is also aimed at because it supports the independence and competitiveness of the company. The ZhongDe Group's capital management also aims to ensure that the operating companies will continue to operate and to finance organic and external growth. This will be achieved by new projects as well as the continuous improvement of our project controlling. In mid-term we are planning to perform capital measures such as capital increases or convertible bonds.

As of 31 December 2014, the shareholders' equity amounts to € 112.9 million (2013: € 102.9 million) and the equity rate of the ZhongDe Group was 45% (2013: 45%). The return on shareholders' equity – the ratio of the share of consolidated income of the ZhongDe Group's shareholders and the shareholders' equity on the report date – amounted to -8.0 % and -0.8% in the 2013 and 2014 financial years respectively.

33 MEMBERS OF THE EXECUTIVE AND SUPERVISORY BOARDS

Executive Board

Mr. Zefeng Chen, CEO, Fuzhou, PRC, merchant
Mr. Jiu Hua Wang, CFO, Beijing, PRC, merchant

Supervisory Board

Mr. Gerrit Kaufhold, Chairman, Public Auditor, Hamburg, Germany, member of the Supervisory Board of Kinghero AG, Munich (Chairman of the Supervisory Board)

Prof. Dr. Bernd Neukirchen, process engineer and freelance consultant, Deputy Chairman, Essen, Germany

Mr. Feng-Chang Chang, business consultant/CPA, Taiwan, non-executive director of Yamada Green Resources Ltd., Singapore

34 REMUNERATION OF THE EXECUTIVE AND SUPERVISORY BOARDS

Management Board

For the fiscal year 2014, the members of the Management Board received the following fixed remuneration in excess of which they are not entitled to receive any further performance-based remuneration:

in k€	31.12.2014	31.12.2013
Zefeng Chen	30	30
Jiuhua Wang	23	24
	53	54

Supervisory Board (only Fixed Remunerations)

in k€	31.12.2014	31.12.2013
Gerrit Kaufhold	60	60
Prof. Dr. Bernd Neukirchen	45	45
Feng-Chang Chang	45	45
	150	150

35 DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

The Executive Board and the Supervisory Board submitted their Declaration of Compliance with the recommendations of the Government Commission on the German Corporate Governance Code in accordance with section 161 Aktiengesetz (German Stock Corporation Act) on 22 April 2015. They also declared which of the recommendations were not or are not followed. The declaration is permanently accessible to shareholders on the Company's website at www.zhongde-ag.com/investor_relations/corporate_governance.html.

36 AUDIT

Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf (“GT”) has been elected as the auditors of ZhongDe Waste Technology AG and the Group for fiscal year 2014. The following table gives an overview of the fees for the auditor charged (including out-of-pocket expenses but excluding VAT, if any) for the business year:

in k€	31.12.2014	31.12.2013
Audit services	331	525
thereof related to prior year	101	277
Other assurance services	96	114
Other services	23	0

37 PROPOSAL ON THE UTILISATION OF ZHONGDE WASTE TECHNOLOGY AG'S NET PROFIT

At the Annual General Meeting, the Executive Board and Supervisory Board will propose that no dividends will be paid out for the 2014 financial year.

38 EVENTS AFTER THE BALANCE SHEET DATE

No adjusting or significant non-adjusting events have occurred after balance sheet date.

Frankfurt/Main, 23 April 2014



Zefeng Chen
Chairman of the
Executive Board (CEO)



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

AUDITOR'S OPINION

We have audited the consolidated financial statements prepared by ZhongDe Waste Technology AG, Frankfurt/Main, – comprising a consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income for the period, consolidated statement of cash flows, consolidated statement of changes in equity, and notes to the consolidated financial statements – and the combined management report of the Group and ZhongDe Waste Technology AG for the financial year from 1 January to 31 December 2014. The preparation of the consolidated financial statements and the combined management report in accordance with IFRS, as adopted by the EU, and with the additional requirements of the German commercial law pursuant to section 315a paragraph 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with paragraph 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of ZhongDe Waste Technology AG for the financial year from 1 January to 31 December 2014 comply with IFRS, as adopted by the EU, and the additional requirements of the German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined management report of the Group and ZhongDe Waste Technology AG is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitable presents the opportunities and risks of future development.

Hamburg, 23 April 2015

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Clemens
Wirtschaftsprüfer
[German Public Auditor]

von Oertzen
Wirtschaftsprüfer
[German Public Auditor]

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principals, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group. The group management report includes a fair review 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 its expected development.

Frankfurt/Main, 23 April 2015



Zefeng Chen
Chairman of the
Executive Board (CEO)



William Jihua Wang
Executive Director of the
Management Board (CFO)

Glossary and Abbreviations

AktG:

Aktiengesetz (German Stock Corporation Act)

Bag filter tubeplate hole:

used for fixing the bag and its keel.

Beijing ZhongDe:

Beijing ZhongDe Environmental Protection Technology Co. Ltd., Beijing, People's Republic of China.

BOO:

“build-own-operate”. The government awards the contractor a license to build and operate the project for an unlimited operating time, and the project will not be taken over by the government.

BOOT:

“build-operate-own-transfer”: The government awards the contractor a license to build and operate the project for the operating time, and the project will be transferred to the grantor after the expiry of the concession period.

BOT:

“build-operate-transfer”. The government awards the contractor a license to build and operate the project for a contracted period of time. The project is then taken over by the government after the concession period.

BT project:

“build-transfer”. The contractor has a license and is in charge of project construction. Once completed, the government will take over the project.

Catalytic oxidation:

a kind of chemical reaction. Catalysts are used to oxidise organic pollutants.

Consumer price index (CPI):

a statistical measure of a weighted average of prices of a specified set of goods and services purchased by wage earners in urban areas.

Contingency waste incinerators:

if an emergency occurs, the incinerators are used to treat the contingency waste.

Double-loop pyrolysis technology:

specially designed for municipal waste with low heating values and high water content.

EIA:

“Environmental Impact Assessment”.

EPC:

“Engineering Procurement Construction”. The contractor should undertake all preliminary work for the project, such as design, purchase, manufacture, construction and commission. The contractor is also responsible for the quality, in-time construction and safety of the project.

Five-Year Planning:

national economic development plan. The Chinese government has developed an economic development plan every five year since 1953.

Fluidised bed waste incinerator:

a widely-used incinerator in the industry. It uses the advantage of sand characteristics (level heat transmission and accumulation) to realise 100% combustion.

Fujian FengQuan

Fujian FengQuan Environmental Protection Holding Ltd., Fuzhou, People's Republic of China.

Grate incinerator:

waste is incinerated on the grate. The grate incinerators are subdivided into fixed grate incinerators and movable grate incinerators.

HGB

Handelsgesetzbuch (German Commercial Code).

IASB:

International Accounting Standards Board, London, United Kingdom.

IFRIC

International Financial Reporting Interpretations Committee.

IFRSIC:

Interpretations of the International Financial Reporting Standards Interpretations Committee.

IPO:

Initial Public Offering.

MEP:

Ministry of Environmental Protection.

Municipal waste gasification power generation:

combustible gas from organic component gasification of municipal waste is utilised to generate power.

MW:

1MW=1,000KW.

NPC:

the National People's Congress.

PoC:

Percentage of Completion.

PRC:

People's Republic of China.

Primary industry:

agricultural industry.

Pyrolytic incinerator:

waste is pyrolyzed in the state of oxygen deficiency to produce combustible gas.

RMB:

Chinese currency.

Rotary kiln incinerator:

widely used for the industry liquid and solid waste incineration. The kiln body is in the form of a horizontal revolving cylinder and there is double combustion room at the bottom of the kiln.

Secondary industry:

manufacturing industry.

SEPA:

State Environmental Protection Administration.

SKR:

Selective catalytic reduction; a process for suppressing dioxin emissions.

Sludge incineration technology:

sludge incineration to make treatment harmless, reduced and recycled.

Tertiary industry:

service industry and other industries.

Vertical type municipal waste incinerator automatic controlling system:

automatically controls normal operation for municipal waste incineration system.

Vertical incinerator:

A kind of upright incinerator made of a fire-proof steel vessel with the advantage of a small footprint and wide adaptability.

ZDCN:

ZhongDe (China) Environmental Protection Co. Ltd., Beijing, People's Republic of China.

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Financial Calendar

29 April 2015

Publication of Annual Report 2014

28 May 2015

Interim report on the 1st quarter 2015

26 June 2015

Annual General Meeting

28 August 2015

Interim report on the 1st half of 2015

23 – 25 November 2015

German Equity Forum, Frankfurt/Main

27 November 2015

Interim report on the 3rd quarter 2015

All dates are provisional and may be subject to change.



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