

Clean Technology for the Future

Annual Report 2015



ZhongDe Waste Technology AG



OVERVIEW FINANCIAL HIGHLIGHTS

in k€	2015	2014	Change
Operational data			
Order intake ¹⁾	0	0	0.0%
Order backlog ²⁾	135,583	212,489	-36.2%
Revenues	38,238	34,973	+9.3%
Gross result	-1,739	477	<-100.0%
Gross profit margin	-5%	1%	-6 pp
Cost of sales	-39,977	-34,496	-15.9%
EBITDA	-11,238	-2,181	<-100.0%
EBITDA margin	-29%	-6%	-23 pp
EBIT	-13,220	2,995	<-100.0%
EBIT margin	-35%	9%	-43 pp
Loss for the period	-16,141	-951	<-100.0%
Net income margin	-42%	-3%	-39 pp
Loss per share (in EUR)	-1.28	-0.08	<-100.0%
Cash flow data			
Cash flow used in operating activities	-72,169	-27,875	<-100.0%
Cash flow used in / from investing activities	-70	1,216	<-100.0%
Cash flow from / used in financing activities	54,795	-5,207	>+100.0%
Balance sheet data			
Total assets	285,667	249,292	+14.6%
Property, plant and equipment	412	442	-6.8%
Net working capital ³⁾	44,788	70,379	-36.4%
Cash and cash equivalents	75,842	87,205	-13.0%
Long-term liabilities	82,277	66,127	+24.4%
Shareholder's Equity	104,554	112,899	-7.4%
Headcount (as at 31 December)	370	371	-0.3%

¹⁾ Average exchange rate for the period used for translation.

²⁾ Exchange rate as of 31 Dec 2015 and 31 Dec 2014 used for translation.

³⁾ Current Asset – Current Liabilities

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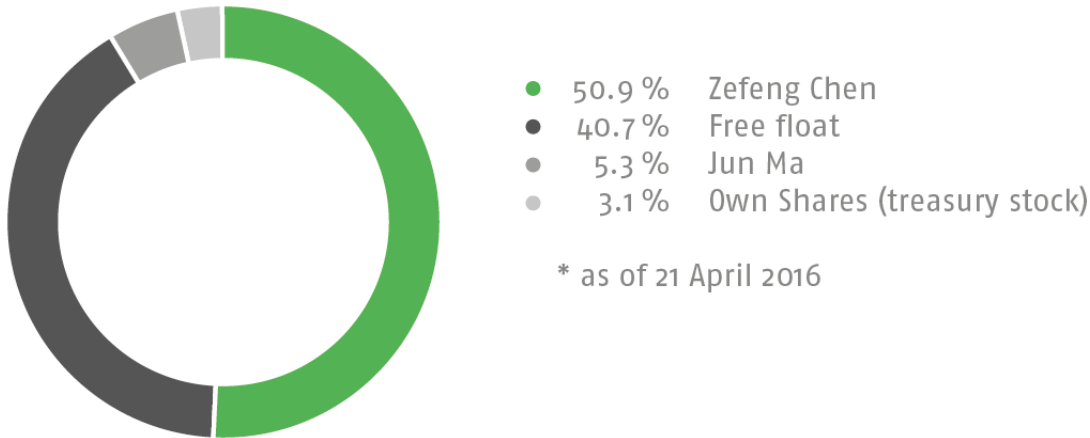
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ZHONGDE AT A GLANCE

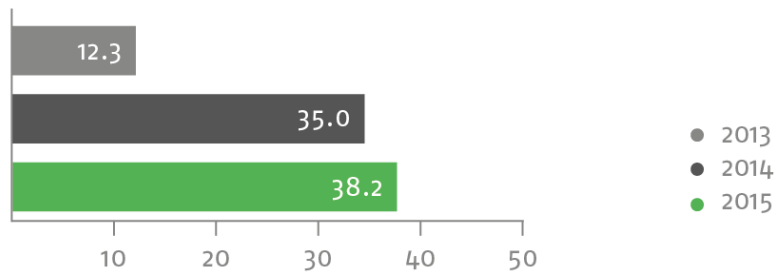
Shareholder Structure*



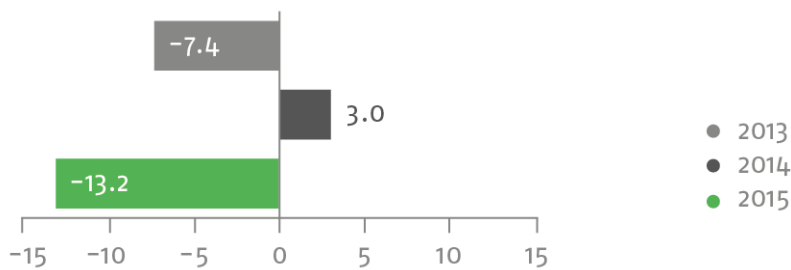
* as of 21 April 2016

Overview Financial Highlights

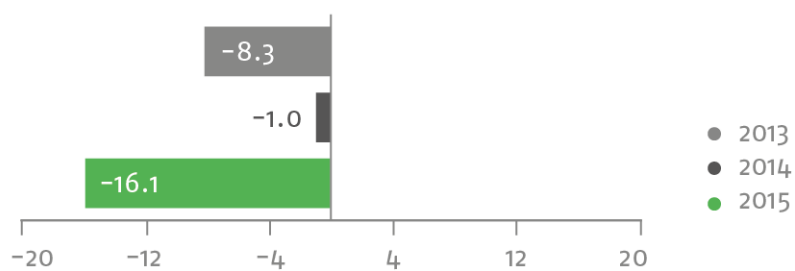
Revenues in € million



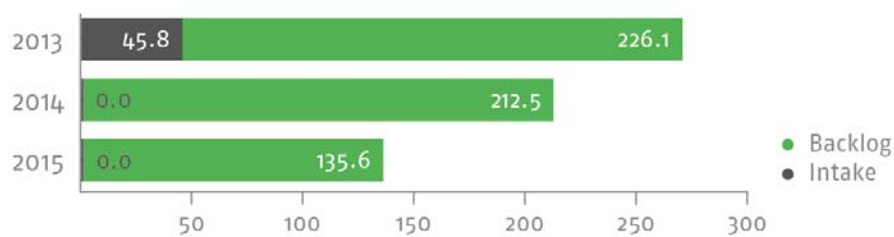
EBIT in € million



Net Income in € million



Orders in € million



TO OUR SHAREHOLDERS

Dear shareholders,

In 2015, ZhongDe Group focused on the progress of its current waste-to-energy projects. With our biggest BOT (Build-Operate-Transfer) project in Lanzhou, we achieved remarkable progress. Nevertheless, the overall financial performance of ZhongDe could not be improved in line with our previous communicated forecast. Although the group revenue increased from €35.0 million by 9% to €38.2 million in 2015, this positive development could not be reflected in the bottom line. Due to the IFRS zero-profit method, which is applied for the BOT projects, and due to the suspension of two EPC (Engineering-Procurement-Construction) projects, the EBIT decreased significantly from €3.0 million to - €13.2 million.

Three BOT projects in Zhoukou, Xianning and Kunming already entered in their testing phase and generated revenues from trial run operations. The construction of Lanzhou BOT project progressed in accordance with the project plan. The first line of Lanzhou project is supposed to enter into the trial operation and generate electricity in 2016. Two of our EPC projects realised revenues and gross profit. The Wuhai EPC project will start its construction in the middle of 2016.

Although it was still a challenging transition period for the company in 2015, ZhongDe managed to keep its business operations on track. We are proud to present this 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 the China's economy achieved 6.9% growth

According to the International Monetary Fund (IMF), by application of purchase power price method the economy of China is considered as the largest economy in the world since 2014. The gross domestic product (GDP) of China was 67,670.8 billion RMB in 2015 and increased by 6.9 percent compared with the GDP in 2014. Although China's GDP growth slowed down in 2015, China kept its position as the engine of the world economy with its huge GDP amount and the relative fast growth. China also kept its position as biggest exporter and keeps the largest foreign reserve in the world.

As a result, the Chinese government has rich financial resources to continuously invest in the environmental protection industry in China. The energy conservation and consumption reduction continued to make new achievements. In 2015, the energy consumption per unit of GDP decreased by 5.6 percent compared to it in 2014.

ZhongDe is facing increased competition

However, the Chinese Government prefers to cooperate with state-owned companies to undertake waste-to-energy projects. These companies have the advantage to obtain the concession agreements for waste-to-energy projects and various other supports from the government. As the number of state-owned companies in this sector has been increasing, ZhongDe is facing intense competition.

To counteract, the Management Board continues maintaining the strong ties with Chinese government bodies. The Management Board attended a number of waste-to-energy summit meetings in 2015. By this, we strengthened our network in waste-to-energy industry and intensified marketing and sales activities to improve our market presence, the related influence and the image of ZhongDe Group in China.

The Management Board also negotiated with customers on new projects in 2015 and is optimistic that new orders can be signed in 2016. Nevertheless, the final closing of new contracts always depends on various factors, which are not affected by the sole decision of the Management Board, therefore it cannot be forecasted precisely due to the uncertainties. The order backlog amounted to €135.6 million at the end of 2015 as basis to generate revenues and profit in the future and to maintain a strong position in the Chinese waste-to-energy market.

Outlook

Looking ahead to 2016 and 2017, we expect to further benefit from the increasingly favourable political and economic environment for eco-friendly waste disposal, as well as from the growing demand for waste-to-energy plants, both in China and throughout Asia.

In short, ZhongDe's Management Board expects that 2016 will remain a transition period, during which ZhongDe will complete existing projects, commence the operations and accelerate the progress of the project construction in Lanzhou. The Management Board expects a rapid growth in revenues and gross profit within 2016 compared to 2015. Accordingly EBITDA and EBIT for the period will follow that trend and turn to positive, although the net result could be negative. The outcome of the actual figures will be strongly dependent on the project development.

Due to the impact of the delays caused by government requirements, the availability of suppliers and the fluctuation of the RMB-Euro exchange rate, all forecasts contain some uncertainty.

Acknowledgements

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

Frankfurt/Main, April 25, 2016



Zefeng Chen
Chairman of the
Management Board (CEO)



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

SUPERVISORY BOARD REPORT

Dear Shareholders,

In the fiscal year 2015, ZhongDe Waste Technology AG and its affiliated entities (the "**ZhongDe-Group**"), made further progress in the construction of current BOT- and EPC-projects. Especially the BOT-project in Lanzhou has made huge progress. It is planned to start the experimental phase to generate electricity before the end of this year. The progress of other BOT-projects unfortunately developed less positive – which partially resulted from outstanding financing and outstanding governmental approvals on the side of the owners. The Company remains cautiously optimistic to complete the BOT-projects in Zhoukou and Xianning this year and the BOT-project in Kunming over the next year. Despite these positive developments the fiscal year 2016 remains also a transition year.

Against this background, the Supervisory 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, efficiency of operative business activities shall be effectuated through recruitment and training of qualified employees as well as through ZhongDe-Group's cooperation with external partners. In the view of the Supervisory Board, the implementation of various recommendations during the reporting period already led to improvements. However, the enhancement of the project management systems, the control systems and the risk 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 2015 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 2015 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.

To supervise the project management, the real development of the projects and the project quality some members of the Supervisory Board visited different project locations. Partially the members of the Supervisory Board were accompanied by external experts.

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.

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.

Supervisory Board Meetings

During the fiscal year 2015, the Supervisory Board held in total five meetings, three of them by means of conference call and two of them as real, physical meetings. These meetings were attended by all members of the Supervisory Board and the Executive Board. Further resolutions were adopted by written procedure.

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

The main topics at each Supervisory Board meeting were the financial and economic condition of the Company and ZhongDe-Group, the development of several current BOT- and EPC-projects, the business policy and business strategy as well as the profitability. 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 2015 can be summarised as follows:

In the first Supervisory Board meeting held on **3 February 2015**, 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. Furthermore, the Supervisory Board elaborated the results of the project visits on 16 and 17 December 2014 in Lanzhou and Kunming. In this context, the Supervisory Board discussed in detail the financing of the Lanzhou project. In addition the suggestion of the Executive Board concerning the possibilities to endow the subsidiary Chung Hua Environment Protection Assets (Holding) Group Ltd., Hong Kong ("Chung Hua") in the long term and tax optimized with equity capital instead of debt capital was discussed intensively. Chung Hua is the direct and indirect shareholder of the BOT-project corporations.

The main topics of the Supervisory Board meeting held on **24 April 2015** were the annual 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 2014. The auditor and – at the same time – the group auditor as well as the members of the Executive Board were present at the meeting. The auditor and the group auditor reported on the main results of the audit. These were thoroughly discussed between the Executive Board and the auditor and group auditor. In this context, the Supervisory Board discussed in particular the auditor's observations and the potential enhancements of the accounting, the project controlling, the financing plan and the risk early detection system.

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 2014. In the following, the revenue-/ assets-/investment-/ and finance-plan for the fiscal year 2015, the short and mid-term planning of the Company and ZhongDe-Group for the fiscal year 2016 – 2017 and the status of the preparation of the general shareholders' meeting of the Company were discussed.

On 21 May 2015 the Supervisory Board adopted by written procedure to convert the loans granted by the Company to Chung Hua into equity.

The Supervisory Board meeting held on **25 June 2015** in connection with the general shareholder's meeting, dealt in particular with the actual business development and the outlook for the fiscal year 2015. Further, it was reported that a auditor finished its cash audit work on the ZhongDe-Group during the year requested by the Supervisory Board. Based on the findings of the auditors the ZhongDe-Group's essential cash positions corresponded with the reported liquidity positions. Further topic of this Supervisory Board meeting was the discussion of the reports on the visits of the Lanzhou-project and the Wuhai-project. While

the Supervisory Board was pleased that the Lanzhou-project made good progress, the Supervisory Board reported about project delays at the Wuhai-project. Since there was no essential progress to be seen in the Wuhai-project, the planned visit of this had to be cancelled. The reasons for the delay of the commencement of this project was discussed intensively with the Executive Board.

The Supervisory Board meeting held on **16 October 2015** primarily focussed on the further business development and the possible cooperation between the engineering department and finance department in order to ensure a proper and timely recording of the project progress in the books. With regard to the project in Wuhai, the Supervisory Board again discussed the reasons for the project delay.

The last Supervisory Board meeting was held on **20 November 2015**. One main topic was the report of the visit of the Lanzhou-project which made good progress while the other projects were still in delay respectively made merely slow progress. In this regard, the Supervisory Board discussed the financing of this project and the other projects as well as the cooperation with the financing banks. With regards to the intern control and risk management system the Supervisory Board intensively discussed with the Executiev Board the findings of the cash audit which was conducted during the year as well as the findings from the discussions with the annual and partial auditor. Furtermore the audit strategy for the upcoming annual audit was determined. Other main topics covered in the Supervisory Board meeting were the actual business development, the business outlook for 2015 and the forecast of business results and cash-flow for the first nine months of 2015.

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 2015 – 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 21 April 2016.

Individual and Group Financial Statements 2015

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 25 June 2015 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 2015, 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 27 April 2016 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 2015 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 27 April 2016, 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:

“On the basis of our dutiful assessment and judgement we hereby confirm that

1. the facts set out in the dependency report are accurate,
2. in view of the transactions set out in the dependency report the considerations made by the Company were not inappropriately high or any disadvantages have been compensated,
3. in view of the facts and circumstances set out in the dependency report there are no circumstances which would suggest a different judgement that made by the executive board.”

The auditor attended the deliberations of the Supervisory Board on 27 April 2016 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.

Proposal for the Appropriation of Net Profits

In light of the current circumstances, particularly with regard to the net loss in the amount of EUR -16.1 million reported in the consolidated financial statements for the fiscal year 2015, the Supervisory Board further agrees with the proposal of the Executive Board not to distribute the balance sheet profit for the fiscal year 2015 in the amount of EUR 7.0 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.

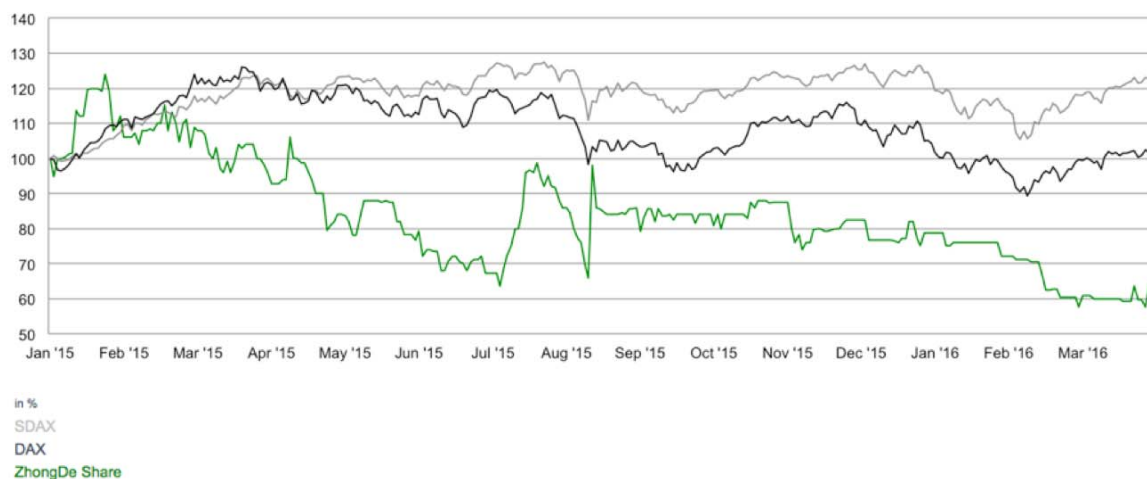
Acknowledgements

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 2016

The Supervisory Board
Gerrit Kaufhold
Chairman of the Supervisory Board

ZHONGDE SHARE



XETRA closing prices as at March 31, 2016.

Volatile but positive development at German stock markets

The German capital markets developed very positive in the first half of the year 2015. Relevant for this were the continuing low interest rates and the on-going expansive policy by the major central banks. The economic growth rates developed differently in 2015. Due to decreasing oil prices and the moderate recovery of the Euro zone western industrial nations grew stronger while the economic growth rates in emerging countries stagnated. In the leading industrial nations the positive economic development was reflected by the performance of stock markets. The fluctuations at mid-year were mainly due to the deepening of the Greek crisis. From the second half of the year economic woes about China and the Euro zone led to uncertainty of investors.

In the first quarter of 2015 the DAX stood above 12,000 points for the first time in its history. After a year-low of 9,428 points at the end of September it trended upwards again in the further course of the year and closed at 10,743.01 points on December 30 – an increase of 10% in the course of the year. In the first quarter of 2016 the price of the German leading index ranged between 8,700 and 10,300 points. On April 1, 2016 it closed at 9,794.64 points.

The SDAX has been developing largely parallel. With an increase of 26.6% during the year it performed better than the DAX. At the end of the year it closed at 9.098,57 points. In the first quarter of 2016 the SDAX decreased to a level of 8.799,52 points on April 1, 2016.

ZhongDe shares could not follow the positive market trend

The ZhongDe's share price fell significantly during the course of the year. At the beginning of the year the stock price developed first positively and achieved a price of € 3.10 on January 27, 2015. Following the price trended downward, reaching an interim year-low of € 1.59 on July 21. In July and August 2015 the economic woes about China affected the ZhongDe

share price development negatively. After a small recovery in the end of August the price held steady and ranged between € 1.85 and € 2.20 until the end of the year. On December 30, 2015 the share price quoted at € 1.88 and decreased therefore by 24.8% during the course of the year.

In the first quarter of the year 2016 the negative trend of the ZhongDe share continued. On April 1, 2016 it quoted at € 1.60.

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 2015. 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
Sector	Industrial
Share class	No-par values bearer shares
Share capital	13,000,000 shares
Stock market segment	Prime Standard, Frankfurt Stock Exchange

Key share indicators 2015 in EUR

Share price	
Year-end price	1.88
High	3.10
Low	1.59
Earnings per share	-0.74
Dividend per share (proposed)	0.00
Market capitalisation (as at April 10, 2015)	20,8 million

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 (*Satzung*), 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 Jiu Hua 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 2015, 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.

By resolution dated 8 September 2015, the Executive Board has determined objectives for the composition of the senior management team at the Company. Pursuant to these objectives, the Executive Board has set the objective that the Company's senior management team shall be composed by 30% of women.

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 2015, 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. While the Supervisory Board had proposed to re-elect the current three male members, i.e. Gerrit Kaufhold and Prof. Dr. Bernd Neukirchen to the general shareholders' meeting held on 28 June 2013, the Supervisory Board has unanimously adopted a resolution on 7 September 2015 by which it has determined that after the next election in 2017 the Supervisory Board shall be composed of at least one female member. Respectively, the Supervisory Board has decided that by 30 June 2017 also the Executive Board should be composed by one female member out of at most totally three members.

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 71 et seq).

Compliance Statement

In the financial year 2015 and until the date of this report, the Executive Board and the Supervisory Board dealt with Corporate Governance issues at several occasions.

On 21 April 2016, 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. The Executive Board and the Supervisory Board declare that the Company has complied and will comply with the recommendations of the German Corporate Governance Code ("Code") in the version dated 5 May 2015, except for the following deviations:

Sections 4.2.2 to 4.2.4 of the Code contain recommendations on the remuneration of members of the executive board granted by the company. Since Mr. Chen Zefeng has only signed a service agreement with a Chinese subsidiary, but not with the stock corporation itself, and since the service agreement only contains a fixed remuneration, the recommendations set forth in sections 4.2.2 and 4.2.3 of the Code do not apply insofar. The supervisory board is of the opinion that Mr. Chen already has a strong interest in a sustainable growth of the Company due to his significant shareholding in the Company, so that there is no need for further monetary incentives.

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 contains a fixed remuneration and a variable remuneration component in the form of an annual bonus, the granting and amount (up to a contractually defined cap) of which is in the sole and free discretion of the Supervisory Board. The remuneration of Mr. Wang is generally in line with the recommendations set forth in sections 4.2.2 and 4.2.3 of the Code. The variable remuneration in the form of a discretionary bonus does however, insofar deviate from the recommendations set forth in section 4.2.3 para. 2 sentences 7 and 8 of the Code as the parameters or targets, respectively, are not defined in advance. The Supervisory Board is of the opinion that the variable remuneration in the form of a discretionary bonus is advantageous for the Company as it allows the Supervisory Board to judge the performance of Mr. Wang holistically from an ex post perspective and further allows to take into account other developments such as the general standing of the Company.

Section 5.1.2 para. 2 sentence 3 and section 5.4.1 para. 2 sentence 1 of the Code recommend to determine age limits for the members of the Executive Board and the Supervisory Board. The Company has not determined such age limit and so maintains the option to appoint members of the Executive Board or the Supervisory Board that have already crossed a certain age limit on a case by case basis. The Company believes that the determination of an age limit is not useful as a general rule but rather prefers the qualification and experience of its board members as criteria.

According to section 5.4.1 para. 2 of the Code, the supervisory board shall take into account a general time limit for an engagement in the Supervisory Board. Although the Supervisory Board will generally take into account the recommendations of the Code when discussing proposals for engagement of new members or proposals for re-election they are of the opinion that Supervisory Board members should be allowed to continue their work for the group, if this serves best for the progress of ZhongDe and therefore refuses to determine a maximum time period for a membership in the Supervisory Board.

According to section 5.4.6 para. 1 of the Code, the remuneration of the supervisory board members shall take into account the chairmanship and deputy chairmanship in the supervisory board as well as the chairmanship and membership in supervisory board

committees. The current regulations on the remuneration of the Supervisory Board members only take into account the chairmanship in the supervisory board. In the view of the Company, an increased remuneration for the deputy chairman is not indicated as the tasks are primarily fulfilled by the chairman of the Supervisory Board. Supervisory board committees have not been established due to the small size of the Supervisory Board so that the membership or chairmanship in committees are not to be considered for the determination of the remuneration.

According to section 5.4.6 para. 2 of the Code, in case the supervisory board remuneration contains a variable component, such variable component shall be directed towards a sustainable development of the company. The variable remuneration of the Company's Supervisory Board is based on the annual profit per share, which in the view of the Company is generally a reasonable indicator for the Company's – and thus also the Supervisory Board's – performance. However, the variable component is not specifically based on a long-term indicator and thus, the variable remuneration may not meet the recommendation set forth in the revised section 5.4.6. para. 2 of the Code.

Section 7.1.2 of the Code recommends the annual consolidated financial statements to be made available to the public domain within 90 days after expiration of the last business year, and to make available the interim financial reports within 45 days after the end of the respective reporting period. By now, the Company has missed these timelines. The reason is that due to its international holding structure and higher translation efforts to be made in respect of the preparation of the financial reports, the Company has put and will put more emphasis on accurate financial statements rather than to exactly meet the recommended timelines.

The annual Compliance Statement (*Entsprechenserklärung*) is made it permanently available to the public on the Company's website under

http://zhongde-ag.de/investor_relations/corporate_governance.html.

Directors' Dealings

Pursuant to section 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 2015, ZhongDe Waste Technology AG has not received any such notifications.

The members of the Executive Board directly or indirectly hold in total 50.9% 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 2015, the general shareholders' meeting of the Company held on 26 June 2015 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 http://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.

COMBINED MANAGEMENT REPORT OF THE GROUP AND ZHONGDE WASTE TECHNOLOGY AG for the period ended 31 December 2015

1 General information

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

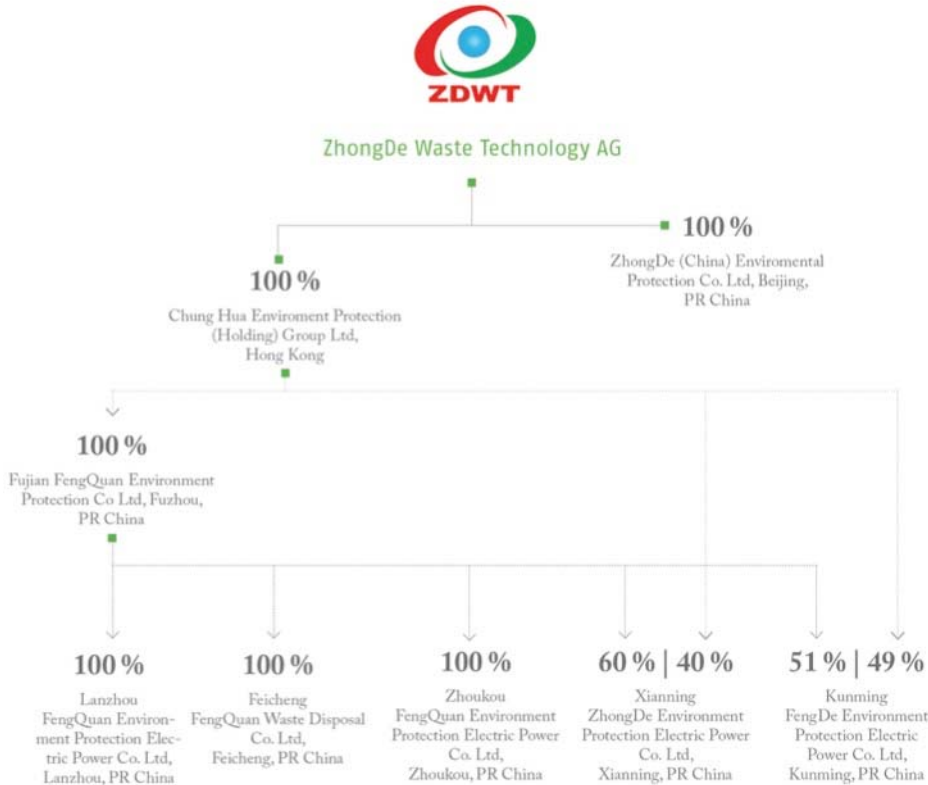
ZhongDe Waste Technology AG is a German stock corporation operating under German law whose financial year is the calendar year (i.e. 1 January through 31 December). The Company's shares are traded on the Prime Standard, a segment of the regulated market ("Regulierter Markt") of the Frankfurt Stock Exchange. 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 fully consolidated as wholly owned subsidiaries under IFRS 10:

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., Xianning	Xianning
5. Zhoukou FengQuan Environmental Protection 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 structure of ZhongDe Group is presented below:



ZhongDe Group is formed by waste-to-energy 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.

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 organizational structure of ZhongDe generally follows the three sales chains: As general contractor of EPC (“Engineering, Procurement and Construction projects”) projects ZhongDe Group is responsible for the design, procurement, construction and installation of waste-to-energy plants applying different technologies. As an investor in BOT (“Build-Operate-Transfer projects”) projects ZhongDe also builds and operates waste-to-energy plants for a contractually agreed period before transferring the plant. 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.

Chung Hua and FengQuan are both intermediate holding companies and hold all the shares of five operating companies carrying out BOT or EPC projects. FengQuan is additionally

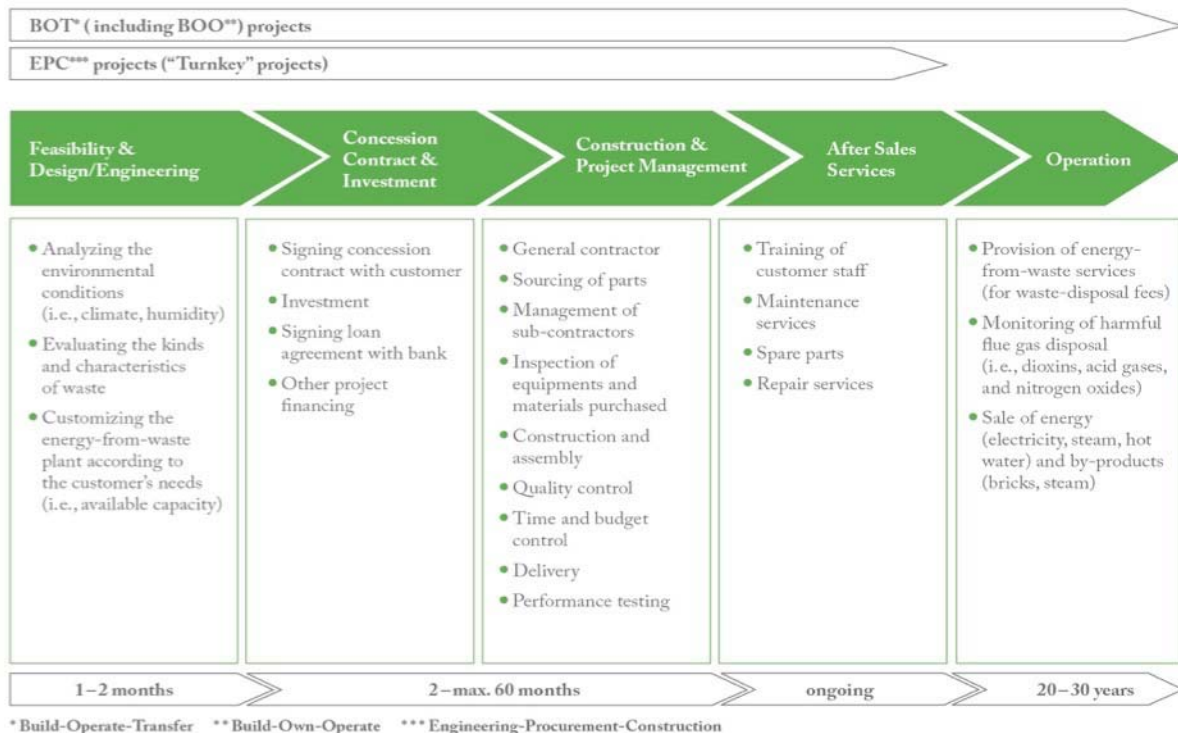
operational entity for ZhongDe's working and construction force. Beside this, the company runs the EPC project in Zhucheng and performs the incinerator business of ZhongDe Group. ZhongDe China, which was established in 2010, is mainly responsible for handling project acquisition, project planning and other administrative duties at the site in Beijing. Furthermore the current EPC project in Dingzhou and the planned but temporary suspended 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.

1.2 Business Modell

The business model presented below illustrates that ZhongDe covers the entire value chain in the field of waste-to-energy 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



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 waste-to-energy 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 waste-to-energy plant is then transferred to the municipal government.

1.3 Objectives and Strategies

ZhongDe Group's main objective is to strengthen its position in the Chinese waste-to-energy industry with advanced waste-to-energy 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 waste-to-energy projects. Beside this ZhongDe still operates one waste-disposal plant in Feicheng.

The waste-to-energy industry currently has gained strong support from the Chinese Government. As one of the five main principles of the 13th Five-Year-Plan for the years 2016 to 2020 of the Chinese Government is “Green Development” the management expects that the governmental support on the waste-to-energy industry will remain or is extended. In view of this positive market environment ZhongDe plans to improve its market position and technological expertise.

The customers of ZhongDe are mainly towns, cities or other related governmental organizations seeking to improve the treatment of waste and the availability of electrical power in the referring area by building a waste to energy plant.

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 waste-to-energy (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.

Besides that BOT projects are highly depending on the timely granting of licenses and authorizations by the government such as environmental acceptances and on the fact that the construction work is performed as scheduled. Delays of obtaining licenses or due to other reasons bear the risk, that the overall project and accordingly the start of operation is 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.

Generally ZhongDe's major strategic focus is to complete its projects according to plan and in the quality required, as this is considered the best record for further projects. In the past the delays as described above have hindered the timely progress of the projects such as Zhoukou, Xianning and Kunming. The project in Lanzhou, however, is progressing according to plan. As this is the biggest project of the Group so far, it is key to demonstrate the capability of ZhongDe to complete projects on time.

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 waste-to-energy projects not only in China, but also in other parts of Asia and the world considering global

competition. This will be done however on the basis of an improved project management and more experience gained from the current waste-to-energy projects only.

1.4 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 Jiu Hua Wang is responsible for the Finance and Accounting division, 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 department tasks, the related problems, risks and corresponding measures are discussed. The major contracts, budgets, forecasts, problems and risks are discussed 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 monitored by the management and improvements are installed step by and step. The department is responsible that by the internal control and risk management system risks are identified, assessed and managed.

Management uses mainly order status including order intake and order backlog as well as the contracting ability as key performance indicators for monitoring and managing the project business as long as none of the major projects entered into the operation phase.

Beside these indicators, EBITDA and EBIT are used as additional financial key performance indicator for the steering and supervision of the Group. Non-financial key performance indicators are the experience and know-how of our employees especially in project management and research and development .

1.5 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 breakthrough in environmental protection industry. This 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 position in waste-to-energy industry.

In 2015 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 is considered as the largest economy in the world since 2014. The gross domestic product (GDP) of China was 67,670.8 billion RMB in 2015 and increased by 6.9 percent compared with the GDP in 2014. Although China's GDP growth slowed down in 2015, China keeps its position as the engine of the world economy with its huge GDP amount and the relative fast growth of 6.9 percent p.a. China also kept its position as biggest

exporter and keeps the largest foreign reserve in the world.

As a result, the Chinese government has rich financial resources to continuously invest in the environment protection industry in China. Energy conservation and consumption reduction continued to make new achievements. In 2015, the energy consumption per unit of GDP decreased by 5.6 percent compared to last year.

Considering the huge 1.3 billion population, the limited land and energy resources, the Chinese government decided to shift to waste-to-energy solutions. It has identified waste-to-energy to be one of the key areas for the environmental protection industry. 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.

2.1.2 Market Environment

On 25 April of 2015, State Council issued opinions on promoting ecological civilization construction. It emphasized to develop recycling economy, fully promote the high-efficient utilization for resource conservation and the fundamental change for utilization pattern; to perfect the collection system for recycling resources; to realize waste sorting recycle, to promote the comprehensive utilization for agricultural and forestry residue, construction waste, kitchen waste.

It pointed out that all the Chinese countries and cities shall establish the capacity to treat the sewage and municipal waste, and improve the construction, operation and management ability.

2.2 General Statement on Business Development

Despite the postponement of the completion of the BOT projects in Zhoukou and Xianning to 2016 as well as the BOT project in Kunming to 2017, the temporary suspension of the EPC project in Dingzhou and the postponement of the start of the project in Wuhai until further notice, ZhongDe succeeded to keep the revenues on prior year's level. Compared by annual figures, revenue increased by 9.3% from €35.0 million in 2014 to €38.2 million in 2015 due to foreign exchange differences. Without consideration of foreign exchange differences revenue decreased by 6,8 %. However, the gross profit decreased from prior year's profit of €0.5 million to a gross loss amounting to €-1.7 million. EBIT decreased from €3.0 million to €-13.2 million. Accordingly the development of revenue, gross profit and EBIT is lower than expected as discussed in the Outlook section of the Management Report for the year ended 2014.

The construction of the BOT project in Lanzhou progresses according to plan. Three BOT

projects, Zhoukou, Xianning und Kunming have entered into trial run operation. Management expected to hand over the projects in Zhoukou and Xianning in 2015. Due to delays in these projects as stated above, the hand over for both projects is now expected to be done in 2016. The project in Kunming started trial runs in 2014, the hand over is expected in 2017.

For BOT projects, ZhongDe realised revenues of € 30.9 million and € - 3.0 million gross profit in 2015. Based on experience in the past, ZhongDe is currently 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 of 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 revenue is set-off against the related cost. Trial run revenue exceeding the referring cost are presented as other operating income.

For the two EPC projects in Zhucheng and Dingzhou ZhongDe realized overall € 6.1 million of revenue and € 2.5 million of gross profit. In comparison to prior year, revenues decreased by € 4.0 million from € 10.1 million in 2014 to € 6.1 million mainly due to the temporary suspension of the EPC project in Dingzhou, which was effected in the second quarter of the year.

The financial year 2015 was again a challenging period for the ZhongDe Group in which the targeted goals were not met. The net loss of the year amounts to € - 16.1 million (2014: € - 1.0 million), which is significantly lower as described in the Outlook section of the Management Report for the year ended 2014.

In the forecast 2014 management also expected to enter into new customer contracts in 2015 but pointed out the existing uncertainties. As the management's focus was on the progress of current projects, negotiations with customers on new projects were not finished by year-end. Although ZhongDe is focussing on the construction of current projects, there is a remaining € 135.6 million order backlog at the end of 2015.

Please refer to the following explanations of the results of operations, financial position and net assets.

2.3 Key financial figures, 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€	2015	2014	Change
Revenues	38,238	34,973	+9.3%
Gross result	-1,739	477	<-100.0%
EBITDA	-11,238	-2,181	<-100.0%
EBIT	-13,220	2,995	<-100.0%
Loss for the period	-16,141	-951	<-100.0%
Earnings per share (in €) (diluted and undiluted)	-1.28	-0.08	<-100.0%
Current liquidity ratio ¹⁾	1.5	2.0	-50.0%
Equity ratio ²⁾	37%	45%	-9 pp
Current assets	143,624	140,645	+2.1%
Order backlog	135,583	212,489	-36.2%
Headcount (as at 31 December)	370	371	-0.3%

¹⁾ Current asset / current liabilities

²⁾ Equity / total assets

The EBITDA amounting to €- 11.2 million (2014: €- 2.2 million) presents earnings before interests, depreciation and amortization without effects from impairments or appreciations. The decrease is mainly attributable to additional allowance for doubtful prepayments to subcontractors amounting to € 7.2 million (2014: € 0.0 million), the write-down of inventories amounting to € 0,5 million (2014: € 0.0 million) and a loss from the sale of one incinerator amounting to € 0.7 million. The reconciliation from EBITDA to EBIT is presented below:

in k€	2015	2014	Change
EBITDA	-11,238	-2,181	<-100.0%
Depreciation	131	147	-10.9%
Amortization	90	37	>+100.0%
Impairment (+) / Appreciation (-)	1,761	-5,360	<-100.0%
EBIT	-13,220	2,995	<-100.0%

2.3.2 Results of Operations

The following tables present an overview of the income statement. The average EUR/RMB exchange rate amounted to 6.9733 compared to 8.1857 in prior year. Accordingly exchange differences did have a major impact on the results of operations:

in k€	2015	2014
Revenues	38,238	34,973
Cost of sales	-39,977	-34,496
Gross result	-1,739	477
Other operating income	3,096	8,860
Selling and distribution expenses	-7,809	-1,063
Administrative expenses	-3,680	-3,676
Research and development expenses	-157	-186
Other operating expenses	-2,931	-1,417
Loss (-) / profit (+) from operations	-13,220	2,995
Finance income	2,925	2,652
Finance costs	-4,286	-6,024
Loss before income tax	-14,581	-377
Income tax expenses	-1,560	-574
Loss for the period	-16,141	-951

Revenues and Segment Reporting

Total revenues amounted to €38.2 million in the financial year 2015, compared to €35.0 million in the financial year 2014, representing an increase of €3.2 million (or 9.3%). In 2015 thereof €36.9 million have been accounted for under the PoC-method (2014: €33.7 million).

Since the beginning of the second quarter 2013 revenues from 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 including 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€	31.12.2015	31.12.2014	Change
BOT			
% of completion	64%	51%	+13 pp
Revenues	30,865	23,676	+30.4%
Gross profit	-3,034	-1,438	<-100.0%
EPC			
% of completion	67%	58%	+9 pp
Revenues	6,129	10,138	-39.5%
Gross profit	2,476	1,917	+29.2%
Small and medium sized incinerators			
Units sold to third party	1	1	0.0%
Revenues	1,244	1,159	+7.3%
Gross profit	-1,181	-2	<-100.0%
Total			
Revenues	38,238	34,973	+9.3%
Gross profit	-1,739	477	<-100.0%

Based on the deemed percentage-of-completion rate in the BOT segment as presented above, the overall completion rate amounted to 64% after 51% in financial year 2014, which is an increase by 13 percentage point. The relating revenue increased by € 7.2 million. The overall gross profit for BOT projects in 2015 amounts to € -3.0 million (2014: € - 1.4 million) and decreased accordingly from -6,0% to -9,8%. The decrease is mainly due to a retrospective increase of the total costs for the Kunming project.

The average percentage-of-completion rate in the EPC segment of the Group amounted to 67% after 58% in the financial year 2014, which is an increase by 9 percentage points. The overall gross profit for EPC projects in 2015 amounts to € 2.5 million (2014: € 1.9 million). The increase of the margin from 18,9% in 2014 to 40,4% in 2015 is mainly caused by a reduction of the further expected costs of the EPC project in Zhucheng which is nearly completed, which led to a higher stage of completion rate and therefore an increase of revenues. Further details on the development of the projects are presented below.

As in the prior year, ZhongDe Group sold one medium-sized incinerator in 2015, which contributes € 1.2 million revenue in the financial year (prior year: € 1.2 million). The negative margin relates partly to the write down of the remaining incinerator to the amount of the prepayments received from customers (€ 0.5 million) and the loss from the sale of one incinerator (€ 0.7 million).

Current project status on BOT projects

The following table shows the development of the BOT projects within financial year 2015 and the current status at yearend. 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 2015	94.7%	94.4%	85.5%	39.2%	in operation
PoC as of 31 December 2014	95.1%	89.2%	82.1%	18.1%	in operation
Estimated time of completion	2016	2016	2017	2018	in operation

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 or additional requirements 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 2015 the percentage of completion of the project in Xianning amounted to 94.7% (2014: 95.1%). The lower percentage of completion in comparison to the prior year is caused by a reassessment of the cost budget. Within the 2015 financial year steam turbine generator unit have been put into the normal operation and the bag filter has been replaced. Defect elimination works for boiler equipment have been completed. The checking for gas online monitoring equipment has been finished. The Xianning project has entered into trial-run operation in 2014.

The remaining work relates to the ending improvement for decoration of complex building; defect elimination for gas purification system, boiler equipment; environmental acceptance work. For this project, all required approvals from various authorities beside the final Environmental Acceptance Documentation Compilation, which is pending due to issues with the fly ash storage system, have been obtained. The Xianning project is planned to enter normal operation and has been scheduled to be completed in 2016.

Zhoukou Project

At the end of 2015, the percentage of completion of the Zhoukou project is 94.4% (2014: 89.2%). The project has entered into trial-run operation in 2013. Within the 2015 financial year, boiler, steam generator unit and its accessory equipment have been put into the normal operation. Dioxin detection has been completed. The document for environmental acceptance has been reported. The remaining work relates to the approval of environmental acceptance from the government. For this project, most of the required approvals from various authorities have been obtained. The water and soil preservation permit has not been

received due to an outstanding acceptance payment, the filing-in procedures for the final acceptance are still in progress and the required environmental acceptance monitoring report has not yet been finished. The Zhoukou project is planned to enter into normal operation and to be completed in 2016.

Kunming Project

At the end of 2015, the percentage of completion of the Kunming project is 85.5% (2014: 82.1%). The only slight increase of the percentage of completion in comparison to the prior year is caused by a reassessment of the cost budget. With the 2015 financial year, overhauling works for gas equipment system, the initial run-up for steam turbine generator have been completed. The maintenance for 1# and 2# boiler equipment have been completed and the operation turned out to be normal. The operation for leachate system turned out to be normal. The project has entered into trial-run operation and entire system start-up for steam generator unit and preparing for grid connection in January 2016.

In the prior year management planned to finish the project within the 2016 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 2017. 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.

Lanzhou Project

At year end of 2015, the project has been completed by 39.2% (2014: 18.1%). In line with the project plan, the following works have been completed: the structures for the waste pool, the main controlling building and steam turbine room; the foundation for the main transformer; the construction for the oil pumping house; anticorrosion and insulation for the internal steel stack; foundation construction for chemical water equipment; the masonry and door & windows construction for the complex water pumping house; the construction works for the main entrance door and guardhouse, as well as for the square construction before the complex office building; green landscape construction before the factory; the installation for 1# waste boiler body, 3# boiler steel structure and steam drum installation, as well as for 1# gas purification system installation and 3# dust separator for gas purification system; the installation works for waste hang, steam turbine hang, slag crane and for 1# and 2# induced fan.

The remaining work relates to the following: the construction for water collection pool; the masonry works for the auxiliary building; fence wall construction; the construction for the oil pumping house; road construction for the whole factory; rainwater pipeline construction; office building decoration; foundation construction for boiler and steam turbine auxiliary, as well as for the foundation piling for the leachate treatment station. 1# incinerator construction; installation for 2# waste heat boiler, 2# incinerator and 3# incinerator; gas purification system

installation; mechanical and electronic cooling tower construction; the installation works for the air compressor equipment; the construction works for the chemical water equipment.

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 waste-to-energy plant. Therefore management had to postpone the sale and currently expects to close the transaction until 2017.

Current project status on EPC projects

The following table shows the development of the EPC projects within financial year 2015 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 2015	89.3%	48.8%	0.0%
PoC as of 31 December 2014	70.1%	47.0%	0.0%
Estimated time of completion	2016	unknown ¹⁾	unknown ¹⁾

¹⁾To be determined after restart.

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

Zhucheng EPC Project

At the end of 2015 the percentage of completion of the project in Zhucheng is 89.3% (2014: 70.1%).

Road construction has been completed. Steam generator has been put into the normal operation. Waste incineration in the boiler turned out to be normal. The maintenance works for the dust removal equipment have been completed. The installation works for the denitration equipment has been finished.

The remaining work relates to the following: Ending works for the complex building decoration; the green landscape engineering; debugging works for gas treatment system; the production works for leachate treatment equipment; ash handling system; environmental acceptance work; installation for activated carbon equipment.

The Zhucheng project is supposed to enter into normal operation and to be completed in 2016.

Dingzhou EPC Project

At the end of 2015, the percentage of completion of the project in Dingzhou is 48.8% (2014: 47.0 %). Since April 2015 the construction at Dingzhou is on hold.

The following works have been completed: Construction work for the main factory, as well as for the complex building foundations and main structure; construction work for the clean water basin, clear water reservoir and cooling tower; trestle work excluding asphalt pavement; installation works for boiler body; hydraulic testing; installation work for steam air preheater, primary and secondary air fan, induced draft fan and system pipeline, air compressor equipment & system pipeline, oil pumping room equipment and system pipeline installation, deaerator and pipeline system installation.

The remaining work relates to the following: Decoration engineering for the complex main factory, roofing rack shingle construction, chimney, decoration engineering for the complex building; foundation, main structure and roofing works for complex water pumping room, weighbridge room, and oil pumping room; decoration engineering; factory pipeline; factory road. 1# grate furnace; boiler body thermal insulation; 2# grate furnace installation remaining; gas equipment and system installation; steam turbine and generator auxiliary installation with; equipment and system pipeline insulation; pipeline laying for factory system; cooling tower installation; water treatment equipment and system pipeline installation; turbine hanging; waste hanging and slag crane installation.

The project in Dingzhou is stopped by the customer, since infrastructural works performed by governmental authorities are required first. Based on promises received about the timing of this work, management assumes that the work will be resumed in the 3rd quarter of 2016. However, experiences from past projects show that the reliability of such promises depend on other factors which might be not reliably predicatable and may be questionable.

Wuhai Project

Although some preparatory works have been finished already, the construction work in Wuhai has not started. The customer is currently not prepared to continue with the project, as the financing has to be settled. It is unclear when the work on the project will be resumed.

Based on these facts and circumstances the management of ZhongDe decided to remove the project from the order backlog.

Cost of Sales

Cost of sales mainly comprise costs of sub-contractor services. In line with the increase of revenue, costs of sales increased from €34.5 million in 2014 by €5.5 million, or 15%, to €40.0 million in 2015 mainly driven by foreign exchange effects.

Other operating income

Other operating income amounts to €3.1 million (2014: €8.9 million) and mainly relates to income from trial runs (€3.1 million; 2014: €3.1 million), which reflects trial run income less the referring directly related expenses. In the prior year, a reversal of impairments of the years before (€5.4 million) made up most of the remaining balance.

Selling and distribution expenses

Selling and distribution expenses increased from € 1.1 million in 2014 by € 6,7 million to € 7.8 million in 2015. This position includes mainly bad debt expenses, personnel expenses, travel expenses and provisions for delays. The increase was caused by the write-off of advanced payments to subcontractors for the projects in Lanzhou and Wuhai amounting to in total € 7.2 million by the end of 2015: In Lanzhou ZhongDe made prepayments to a subcontractor for the construction work as part of this project of in total € 8.3 million. As the subcontractor proved to be incapable to perform the work contractually agreed upon and the receivable from the repayment is overdue for more than one year it has been written-off at 50% following the policy of the Group. The write-off negatively impacted the result of the Group by € -4.2 million. In Wuhai, ZhongDe made prepayments to subcontractors for the equipment and installation as part of this project of in total € 3.0 million. As the project has been postponed to a uncertain point of time, it is questionable whether the prepayment will be refunded. Accordingly the receivable from the prepayment to the subcontractors has been fully written-off. The write-off negatively impacted the result of the Group by € -3.0 million. Nevertheless, management will try to either recover these amounts from the subcontractor or pursue delivery of the work as contractually agreed upon once the project restart.

Administrative expenses

Administrative expense remained unchanged compared to 2014 amounting to € 3.7 million. This position includes mainly personnel expenses, depreciation and amortization, rent, office expenses, entertainment and travel expenses.

Research and development expenses

Research and development expense remained nearly unchanged to 2014 at €0.2 million in 2015.

Other operating expenses

Other operating expenses increased from € 1.4 million in 2014 by € 1.5 million to € 2.9 million in 2015. This position includes mainly impairments, audit costs, supervisory board costs and consulting costs. The increase relates to the impairment of the intangible assets for service concession rights in Xianning and Zhoukou amounting to € 1.8 million (2014: € 0 million).

Finance income / Finance expenses

Finance income increased slightly from €2.7 million in 2014 to €2.9 million in 2015 or 10%. It mainly contains finance income from accrued interests for financial assets relating to BOT projects as well as interest income from cash in banks.

Finance expense show a decrease of €1.7 million, or 29%, and amount to €4.3 million (€6.0 million in 2014). This decrease was mainly due to increased portion of interests on bank loans being capitalized for the construction of qualifying assets. Capitalized borrowing cost increased by €1.3 million in comparison to 2014 and led therefore to a decrease in interest expense accordingly.

Income tax expenses

Income tax expenses amount to €1.6 million and increased compared to the 2014 financial year (2014: €0.6 million) by €1.0 million. The taxes consist of income tax expenses of €0.5 million (2014: €0.9 million) and income tax expense from deferred taxes of €1.1 million (2014: €0.3 million income). Deferred taxes arise primarily from the differences relating to the EPC and BOT projects.

2.3.3 Financial Position

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.

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 2015:

in k€	2015	2014
Operating cash flows before working capital changes	-3,522	-1,813
Cash used in operations	-65,136	-21,169
Net cash used in operating activities	-72,169	-27,875
Cash flow used in (-) / generated from (+) investing activities	-70	1,216
Cash flow generated from (+) / used in (-) financing activities	54,795	-5,207
Net decrease in cash and cash equivalents	-17,444	-31,866
Cash and cash equivalents at beginning of year	87,205	110,076
Foreign exchange differences	6,081	8,995
Cash and cash equivalents at end of period	75,842	87,205

Net cash used in operating activities

Net cash used in operating activities increased from € -27.9 million in 2014 by € 44.3 million to € -72.2 million in 2015 mainly due to the increase of project progress, causing more cash outflows for construction compared to prior year.

Cash flow used in / generated from investing activities

Cash flow used in / generated from investing activities decreased from € 1.2 million in 2014 to k€ -70 in 2015.

Cash flow generated from / used in financing activities

The Cash flow generated from / used in financing activities amounts to € 54.8 million and relates to two bank loans granted for the BOT project in Lanzhou (€ 54.5 million) and payments received on financial assets from BOT projects (€ 6.3 million) off-set by repayments of bank loans (€ 6.0 million). Based on year-to-year comparison cash flow generated from/used in financing activities increased from € -5.2 million in 2014 by € 60.0 million to € 54.8 million in 2015.

Disregarding the change of the EUR/RMB exchange rate at year end, cash and cash equivalents decreased by € 17.4 million compared to year end 2014. 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 € 5.83 by 31 December 2015 and € 6.71 by 31 December 2014.

Financing

As of 31 December 2015, the company's loans in Euro-terms amounted to €126.5 million compared to €73.6 million as of 31 December 2014. The increase of €52.9 million is mainly due to a long-term loan granted by the China Construction Bank amounting to €42.5 million and a short-term borrowing granted by the Bank of Lanzhou amounting to €11.3 million. All 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 in years	Carrying amount as of 31.12.2015	Carrying amount as of 31.12.2015
		in €	in RMB	in %		in €	in RMB
Kunming	China Merchants Bank	25,492,862	180,000,000	7.01%	7	23,311,806	164,600,000
Xianning	Bank of China	16,711,987	118,000,000	7.24%	6	12,604,804	89,000,000
Zhoukou	China Merchants Bank	14,162,701	100,000,000	6.90%	5	8,435,764	59,563,240
Lanzhou	Bank of China	28,325,402	200,000,000	8.30%	1	28,325,402	200,000,000
Lanzhou	Bank of Lanzhou	11,330,161	80,000,000	7.92%	1	11,330,161	80,000,000
Lanzhou	China Construction Bank	94,890,097	670,000,000	5.15%	12	42,488,103	300,000,000
		190,913,211	1,348,000,000			126,496,040	893,163,240

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 be seen in connection with the changes in the EURO/RMB exchange rates at year end. The year end exchange rate as at 31 December 2015 has decreased by 6.3% in comparison to the year end rate as at 31 December 2014. Any analysis given below, is influenced by this change in the foreign exchange rate.

The statement of financial position of the Group shows a total equity of €104.6 million, which does not cover the non-current assets of €142.0 million. Current liabilities amount to €98.8 million and are fully covered by current assets of €143.6 million. The EUR/RMB exchange rate significantly plunged from 7.5358 at the beginning of 2015 to 7.0608 at year end. This effect is also mirrored in the development of net assets.

in k€	31.12.2015	31.12.2014
Assets		
<i>Non-current assets</i>		
Intangible assets	35,340	23,219
Property, plant and equipment	412	442
Receivables from BOT	106,291	84,103
Deferred tax assets	0	883
	142,043	108,647
<i>Current assets</i>		
Inventories	437	3,474
Trade receivables	6,923	1,747
Other receivables and prepayments	60,192	42,746
Amounts due from related parties and companies	15	14
Other financial assets	215	5,459
Cash and cash equivalents	75,842	87,205
	143,624	140,645
Total assets	285,667	249,292
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	8,459
Retained earnings	-16,252	-111
Foreign currency translation reserve	41,041	33,245
Total equity	104,554	112,899
Liabilities		
<i>Long-term liabilities</i>		
Long-term loans	80,623	64,695
Deferred tax liabilities	1,654	1,432
	82,277	66,127
<i>Current liabilities</i>		
Trade payables	25,719	31,774
Other payables and prepayments	22,668	25,192
Provisions	4,286	3,709
Amounts due to related parties and companies	122	8
Tax liabilities	168	662
Other financial liabilities	45,873	8,921
	98,836	70,266
Total liabilities	181,113	136,393
Total liabilities and equity	285,667	249,292

Non-Current Assets

The Group's non-current assets amount to €142.0 million (2014: 108.6 million): The receivables from BOT projects increased from €84.1 million at 31 December 2014 by €22.2 million to €106.3 million at 31 December 2015 due to the progress of the projects. Intangible assets increased by €12.1 million from €23.2 million to €35.3 million, mainly due to the progress of the BOT project in Lanzhou.

Current Assets

Current assets increased from €140.6 million in 2014 by €3.0 million to €143.6 million in 2015. The increase mainly relates to other receivables and prepayments which increased by €17.4 million mainly due to increased advances to subcontractors by €13.4 million. On the other hand, cash and cash equivalents decreased by €11.4 million and other financial assets by 5.2 million,

Non-current Liabilities

Non-current liabilities of €82.3 million (2014: €66.1 million) comprise bank loans of €80.6 million (2014: €64.7 million) and deferred tax liabilities of €1.7 million (2014: €1.4 million). The deferred tax liabilities mainly relate to the PoC method applied for EPC and BOT projects. The long-term debt ratio amounts to 28.8% (2014: 26.5%).

Current Liabilities

Total current liabilities increased significantly from €70.3 million in 2014 to €98.8 million in 2015. The increase by €28.5 million mainly relates to other financial liabilities. In 2016 the Company has to repay loans amounting to €45.9 million (2014: €8.9 million).

Equity

Despite the net loss for the financial year 2015 amounting to €16.1 million (2014: €1.0 million) equity decreased moderately from €112.9 million by €8.3 million to €104.6 million year-on-year due to changes in the foreign currency reserve of €7.8 million. Disregarding the foreign currency effect the equity was materially impacted by the negative result, which was mainly due to the write down of advances to subcontractors in Lanzhou and Wuhai amounting to €-7.2 million and the impairments of the projects in Xianning and Zhoukou of €-1.8 million.

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

ZhongDe Waste Technology AG is the German holding company of the ZhongDe Group. The Key Financial Figures of the ZhongDe Waste Technology AG are as follows:

2.4.1 Financial Position of the statutory Financial Statements

in k€	31.12.2015	31.12.2014
Assets		
Tangible Assets	1	1
Investments in affiliated company	85,100	35,000
Loans due from affiliated companies	0	50,100
Non-current assets	85,101	85,101
Receivables due from affiliated companies	2,932	3,204
Other receivables	14	8
Prepaid expenses	23	15
Cash and cash equivalents	142	9
Current assets	3,111	3,236
Balance sheet total	88,212	88,337
Equity and liabilities		
Capital subscribed	13,000	13,000
Additional paid-in capital	67,392	67,392
Retained earnings	6,977	6,907
Equity	87,369	87,299
Trade payables	239	118
Payables due to affiliated companies	0	74
Tax provision	84	110
Other provision	482	635
Other payables and accruals	38	101
Current liabilities	843	1,038
Balance sheet total	88,212	88,337

The statement of financial position of ZhongDe Waste Technology AG shows a net equity of €87.4 million (2014: €87.3 million), which equals an equity ratio of 99.0%. The equity covers the non-current assets of €85.1 million. The current liabilities amount to €0.8 million (2014: €1.0 million) and is compensated by current assets of €3.1 million (2014: €3.2 million).

The investment in affiliated companies amounts to €85.1 million (2014: €35.0 million) and refers to the investment in Chung Hua Environmental Protection Assets (Holding) Group Ltd., Hongkong, (Chung Hua). ZhongDe Waste Technology AG has decided to convert its EUR 50.1 million shareholder loan for Chung Hua to equity at the end of June 2015. Chung Hua

achieved a capital increase by allotment and issuance of 1,000,000 ordinary shares to ZhongDe, at an issue price of EUR 50.1 (or HKD 434.57) per Loan Capitalisation Share. The capital increase was registered at the Hong Kong authorities as at 30 July 2015.

The investment in ZhongDe (China) Environmental Protection Co. Ltd. has already been completely written down in prior years.

Receivables due from affiliated companies of € 2.9 million (2014: € 3.2 million) mainly relate to accrued interest 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 comprise liquid funds on current bank accounts.

Other provisions decreased from € 0.6 million at 31 December 2014 to € 0.5 million at 31 December 2015. The provisions refer to expense 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€	2015	2014
Other operating income	8	42
Interest income	1,406	2,621
Personnel expenses	131	126
Other operating expenses	1,121	1,424
Interest expenses	1	2
EBT	161	1,111
Income taxes	91	413
Profit for the period	70	698

In the financial year 2015, the company realized a profit of € 0.1 million, which is mainly caused by interest income less current operating costs typical for a stock listed holding company.

Interest income amounts to € 1.4 million and mainly relates to the interest from the loan granted to the affiliated company Chung Hua. Due to the conversion of the loan into the equity of Chung Hua at the end of June 2015 the interest income decreased significantly.

Other operating expense relate to current business expenses, mainly expense 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 expense decreased from € 1.4 million to € 1.1 million mainly due to decreased legal, consulting and audit cost.

The EBT of € 0.2 million (2014: € 1.1 million) is charged with income taxes of € 0.1 million (2014: € 0.4 million).

2.4.3 Cash Flow Statement of the statutory Financial Statements

in k€	2015	2014
Profit for the period	70	698
Decrease (-) / increase (+) in provisions and accruals	-179	440
Cash flow	-109	1,138
Increase / decrease in receivables from and payables to affiliated companies	198	-1,060
Increase (-) / decrease (+) in other assets and prepaid expenses	-14	44
Increase (+) / decrease (-) in trade payables and other liabilities	58	-138
Cash flow from operating activities	133	-16
Cash flow from investing activities	0	-1
Changes in cash and cash equivalents	133	-17
Cash and cash equivalents at the start of the reporting period	9	26
Cash and cash equivalents at the end of the reporting period	142	9

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, the contracting ability and human resources as well as EBIT and EBITDA. The total order backlog proves ZhongDe's ability to sell its products and the decrease of order backlog generally its ability to complete the projects: The decline of the order backlog is triggered by the stage of completion of each project and besides that the suspension of projects, if it a restart of a project in the foreseeable future cannot be predicted. 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 Intake and Order backlog

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

in k€	2015	2014	Change
Order intake	0	0	0.0%
Order backlog	135,583	212,489	-36.2%

The order intake shows that no new customer contracts were obtained in 2015.

Order backlog relates to the sum of existing orders at the end of 2015, 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 2015	131,861	77,429	3,199	212,489
Order intake	0	0	0	0
Revenues	30,770	6,129	1,244	38,143
Adjustments	0	-53,003	-527	-53,530
Currency translation differences	9,251	5,285	231	14,767
Order Backlog as at 31 December 2015	110,342	23,582	1,659	135,583

At the beginning of 2015, the order backlog amounted to €212.5 million. Within 2015 the order backlog decreased by revenues realized (€38.1 million) and adjustments (€53.5 million) less currency translation differences (€14.8 million). These movements are further analysed as follows:

The order backlog decreased by revenues recognized in 2015 and by adjustment to the backlog. The revenues relate partly to BOT projects and partly to EPC projects. The revenues realized on BOT projects at an amount of totalling €30.8 million mainly relate to the project in Lanzhou (€27.4 million). The revenues realized on EPC projects at an amount of totalling €6.1 million relate to the projects Zhucheng (€5.5 million) and Dingzhou (€0.6 million). The revenues in the segment incinerator result from the sale of one incinerator at a price of €1.2 million.

The order backlog was further reduced by the elimination of the EPC project in Wuhai from order backlog (€53.0 million). Considering the actual situation, it is unclear when the work on the project will be resumed. Due to these uncertainties the management decided to adjust the order backlog accordingly.

After currency translation differences of €14.8 million, the total order backlog amounts to €135.6 million (2014: €212.5 million) by 31 December 2015. The total order backlog contains BOT projects, covering 81% (2014: 62%), EPC projects accounted for 18% (2014: 36%) and small and medium sized incinerators with a proportion of 1% (2014: 2%) of the order backlog.

Contracting abilities

The current sales volume contains mainly four BOT projects and two EPC projects. Despite the fact that ZhongDe did not succeed to enter into new contracts with customers in 2016, 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 new projects in the future.

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:

	2015	2014
Average number of employees of the Group		
Management and administration	109	109
Research and development	9	10
BOT operation and manufacturing	235	230
Sales and distribution	17	22
Total	370	371

In 2015 ZhongDe Group had 370 employees (2014: 371) with a personnel structure nearly unchanged to the prior year. In the financial year 2015 minor movements within the divisions arose from the focus on the progress in project management.

EBIT and EBITDA

EBITDA reflects the project progress and the operational result of the Group. The EBIT includes all further effects such as appreciations and impairments. Whether appreciations and impairments have to be considered in the next years, depends on various factors. The incidence of these factors can only partly be influenced by ZhongDe and therefore is subject of noticeable uncertainties. Consequently only EBITDA is described in the forecast report. 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 2016 and 2017, we expect to further benefit from the increasingly favourable political and economic environment for eco-friendly waste disposal, as well as from the growing demand for our waste-to-energy plants, both in China and throughout Asia. The increasing demand for waste-to-energy plants favours ZhongDe's business environment.

In general the Chinese economic growth cooled down in comparison to the strong growth rates in the past. The new five years plan sets a growth rate of 6.5% as a target. In general

temporarily the demand is below expectations and the high indebtedness of many companies has a negative impact on the general development.

4.1.2 Economic Development of ZhongDe Group

Although ZhongDe managed to increase the revenues in 2015 by 9.3% to €38.2 million (prior year 35.0 million), gross profit, EBIT and the net result did not turn into positive as predicted in prior years management report.

Despite this development ZhongDe expects a noticeable progress of the general status of projects in 2016. The Management Board is confident to complete the BOT projects in Zhoukou and Xianning within 2016, the BOT project in Kunming in 2017 and the EPC-project Zhucheng in 2016. Thereof the BOT project in Lanzhou will be the major driver of revenues. 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. The management is in strong negotiations concerning new EPC projects and is confident that more EPC contracts will be closed in 2016 and coming years.. Nevertheless the final closing of new contracts always depends on conditions, which are not within the sole decision of the management and therefore cannot be forecasted without any uncertainty.

In short, ZhongDe's Management Board expects that 2016 will remain a challenging period, during which ZhongDe will finalize existing projects, commence its operations and accelerate progress of the project construction in Lanzhou. The Management Board expects a rapid growth in revenues and gross profit within 2016 compared to 2015. Accordingly EBITDA for the period will follow that trend and turn to positive, although the net result could be negative, if impairments with impact on the result occur due to changes of interest rates, exchange rates, price increases or any other effects that are hard to calculate. The outcome of the actual figures will be strongly dependent on the project development, which for its part depends on the performance of the project team and the subcontractors as well as the pace of the required authorizations and acceptances.

The forecast is based on the assumption that in 2016 the project in Lanzhou continues to develop according to plan, the completion of the projects in Zhoukou, Xianning and Kunming is not further delayed and the project in Dingzhou will be resumed in the third quarter. Under these circumstances, the figures budgeted for 2016 can be achieved. Changes in the assumptions can lead to a downturn of the expected results. The further economic development of ZhongDe from 2016 onwards is dependent on new projects and the financing of these projects. Due to the uncertainty relating to delays, the availability of suppliers and the fluctuation of the RMB/Euro exchange rate, all forecasts contain some uncertainty.

As a non-financial key performance indicator management expects that the total number of employees will increase slightly within 2016 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 2016, if no new contracts are signed in 2016.

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. 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 expectations and perspectives of the operational entities in PRC as discussed above. Without considering dividend payments from its subsidiaries, ZhongDe Waste Technology AG expects two years of losses in 2016 and 2017 with a balanced to positive operating cash flow in 2016 and beyond. In 2015 ZhongDe Waste Technology AG realised a net profit with a positive operating cash flow as predicted in prior years management report.

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 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 parties of interest to the Group to observing risk indicators in an economic and socio-political environment. Risks will be assessed particularly with regards 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 take 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 is dealt by 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 2015 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 in general assesses and quantifies risk based on the likelihood of occurrence in connection with the potential impact on the business of the group following the scheme disclosed below.

		Probability				
		≤20%	21%-40%	41%-70%	71%-90%	>90%
Impact	Minor	low	low	low	low	low
	Moderate	low	low	moderate	moderate	moderate
	Significant	low	moderate	moderate	high	high
	Critical	moderate	moderate	high	high	critical

Management assessed that the following risk and opportunities are relevant for the Group:

4.2.4.1 Risks from increasing market competition

Due to the growing importance of the waste-to-energy technology for the future development of China, more and more municipal government will shift from waste landfill to waste-to-energy 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 waste-to-energy 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 waste-to-energy 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 waste-to-energy 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 2015 was on the progress of the current projects, ZhongDe expects to sign new customer orders in 2016 financial year.

The increasing business might also lead to an increasing attraction of the Chinese waste-to-energy 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 waste-to-energy 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 waste-to-energy projects. The management of ZhongDe considers the risk as moderate.

4.2.4.2 Opportunities from China's economic situation

In 2015, the economy of China has kept stable growth with an average growth rate of 6.9%. 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 waste-to-energy 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 waste-to-energy 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 waste-to-energy projects.

4.2.4.3 Market and branding opportunities

The increasing demand for waste-to-energy plants has generally created huge potential opportunities in China for ZhongDe Group and its competitors. ZhongDe's waste-to-energy plants enjoy a very good reputation in the Chinese market due to the successful completion of

the Datong waste-to-energy 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 waste-to-energy 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.

In addition ZhongDe Group's standing in China was further greatly improved by beginning to build the largest waste-to-energy plant in Lanzhou with a total investment of about €125 million which progresses according to plan. 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 waste-to-energy 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, waste-to-energy 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 waste-to-energy plants. As ZhongDe applies and will continue to apply state-of-the-art technology in its applications, the risk of losing the business licenses is assessed as low. With respect to the delays in the approval process with the Government bodies in the BOT projects in Xianning and Zhoukou showed that delays or non-granting of the respective approvals will have a serious impact on the financial result and position of ZhongDe group. Please refer also to section 1.3, 2.3.2. and 4.2.4.6 of the combined management report. The management of ZhongDe considers the risk as high.

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 waste-to-energy 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 waste-to-energy 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. The management of ZhongDe considers the risk as moderate.

4.2.4.6 Risks and opportunities related to Engineering and Construction phase

Every project is managed by a separate team led 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 purpose of managing the projects. Generally 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 within the scope of project 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. However there is a high risk that miscalculations relating to the project costs and the estimated project duration lead to budget overruns and penalty payments. The management considers the risk of an unsufficient projet management as high.

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 waste-to-energy 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 analyses 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. Consequently management of ZhongDe considers the risk of rising procurement costs as moderate

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. As defective quality controls can lead to significant effects, the management of ZhongDe considers the related risk as high.

Risks can arise from the delay or the refusal of approvals to be issued by local authorities on various technical and legal requirements on ZhongDe waste-to-energy projects. Fines may be incurred if deadlines are not met. Based on the experiences with the delays of BOT and EPC projects the management considers that the risk of delayed or refused approvals might have a material effect regarding the results of the ZhongDe Group.

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. 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 production stops leading to reduced revenues from the sale of 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 management of ZhongDe considers the risk as moderate.

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 waste-to-energy 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 waste-to-energy 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. The management of ZhongDe considers the risk as moderate.

4.2.4.9 Financial risks

Liquidity

For the two upcoming years significantly increasing negative cashflows from operating activities are expected as a result of the completion of projects signed at reporting date. Additionally considering the repayment obligations from existing loans, a significant decrease of cash and cash equivalents is expected within the planning period. Additional required project-related loans especially regarding Lanzhou have currently been planned up to RMB 200 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 projects 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. The management of ZhongDe considers the risk as moderate.

Refinancing of Loans

Today, in addition to its equity, ZhongDe is dependant on loans 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 waste-to-energy plant, additional debt service obligations could have a negative impact on profitability of such a project and consequently of the Group. The management of ZhongDe considers the risk as moderate.

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 waste-to-energy 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. The management of ZhongDe considers the risk as low.

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 waste-to-energy 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. The management of ZhongDe considers the risk as low.

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 government bodies. However, governmental bodies in China only pay their obligations if money is available. Therefore payments could be delayed. The management of ZhongDe considers the risk as moderate.

Default and collection risk for subcontractor prepayments

ZhongDe is providing noticeable funding as prepayments to subcontractors for work to be performed. In case of delays or cancellations of the construction projects, these amounts might become uncollectable. Although ZhongDe is continuously monitoring the ability of its subcontractors to fulfil the contracts as well as the liquidity of such subcontractors and taking adequate countermeasures, there is a moderate risk that the subcontractors might get in default with noticeable amounts. The management of ZhongDe considers the risk as moderate.

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. The management of ZhongDe considers the risk as low.

4.2.4.10 Risks affecting the consolidated results of the Group

The intangible assets from service concession arrangements are subject to regular impairment testings. 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.

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. These risks are assessed as moderate.

Based on the fact that most of the Group's assets are denominated in RMB, there is a risk that a unfavourable change of Euro/RMB foreign exchange rate will lead to a noticeable change of the Euro value of assets of the group. This risk is mitigated by the fact that also most of the liabilities of the company are denominated also in RMB. However, there is a risk that foreign exchange effects will negatively effect the Group's net equity in Euro. The management of ZhongDe considers the risk as moderate.

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. The management of ZhongDe considers the risk as moderate.

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 finalise the projects according to the plan by suitable project management 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 co-operation 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 EUR 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 EUR 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 (*eigene Aktien*). Pursuant to section 71b of the German Stock Corporation Act (*AktG*), the Company is not entitled to exercise any voting or other rights with respect to these treasury shares. The Executive Board is not aware of any other restrictions regarding voting rights and 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 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 German Stock Corporation Act (*AktG*), the Supervisory Board appoints the members of the Executive 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 executive board member upon application by any person with interests meriting protection (e.g. other executive board members) (section 85 German Stock Corporation Act (*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 executive board member. Dismissal of an executive board member is permissible only for good cause (section 84 para. 3 sentences 1 and 3 German Stock Corporation Act (*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 Executive Board consists of one or more persons. The number of the members of the Executive Board is determined by the Supervisory Board. Currently, the Executive Board of ZhongDe Waste Technology AG consist of two members. Pursuant to section 8 para 2 of the Articles of Association of ZhongDe Waste Tech-nology AG, the Supervisory Board may appoint a chairman as well as a deputy chairman of the Executive Board.

Pursuant to section 179 German Stock Corporation Act (AktG), the Articles of Association can be amended by a resolution of the General Shareholders' Meeting. Pursuant to section 179 para. 2 German Stock Corporation Act (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 Tech-nology AG make use of this option. Pursuant to section 26. para. 1 of the Articles of Association of the Company, resolutions of the General Shareholders' Meeting shall require a simple majority of the votes cast and, in the event a capital majority is re-quired, a simple majority of the share capital represented at the passing of the resolu-tion, 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 Su-pervisory Board is, pursuant to section 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 Executive 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 EUR 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 ordi-nary shares and/or preference shares may be issued. The Executive Board is further, in certain cases and with the consent of the Supervisory Board, authorised to exclude the subscription rights of the shareholders.

The Executive 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 EUR 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 EUR 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 Executive 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 antidilution protection in favour of the creditors of the bonds.

In order to serve the instruments, a conditional capital in an amount of EUR 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 Executive 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 Executive 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 Executive 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 Executive Board is determined by the Supervisory Board in accordance with the requirements set forth in section 87 German Stock Corporation Act. When determining the remuneration of the Executive Board, the Supervisory Board particularly takes into account the size of the enterprise, the responsibilities of the executive 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. From this service agreement the remuneration granted to Mr. Wang amounts to k€ 51 as at 31 December 2015, of which k€ 23 relate to the financial year 2014. Until June 2014, Mr. Wang only had a service agreement with Fujian FengQuan Environmental Protection Equipment Limited, which provided for a purely fixed remuneration.

In the fiscal year 2015, the members of the Executive Board of the ZhongDe Waste Technology AG have received the following remuneration:

Remuneration granted in k€	Zefeng Chen Chairman / CEO				Jiuhua Wang Executive Director / CFO			
	2015	2014	2015 (min)	2015 (max)	2015	2014	2015 (min)	2015 (max)
Fixed salary	35	30	35	35	78	23	78	78
Additional benefits	0	0	0	0	0	0	0	0
Total	35	30	35	35	78	23	78	78
One-year variable compensation	0	0	0	0	0	0	0	28
Multi-year variable compensation	0	0	0	0	0	0	0	0
Other remuneration	0	0	0	0	0	0	0	0
Total variable compensation	0	0	0	0	0	0	0	28
Retirement benefit contributions	0	0	0	0	0	0	0	0
Total Remuneration	35	30	35	35	78	23	78	106

Remuneration paid in k€	Zefeng Chen Chairman / CEO		Jiuhua Wang Executive Director / CFO	
	2015	2014	2015	2014
Fixed salary	35	30	27	23
Additional benefits	0	0	0	0
Total	35	30	27	23
One-year variable compensation	0	0	0	0
Multi-year variable compensation	0	0	0	0
Other remuneration	0	0	0	0
Total variable compensation	0	0	0	0
Retirement benefit contributions	0	0	0	0
Total Remuneration	35	30	27	23

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 ordinary general shareholders' meeting has resolved on the following remuneration for the Supervisory Board:

The chairman of the Supervisory Board receives a basic remuneration of EUR 60,000.00 per calendar year. The other members of the Supervisory Board receive a basic remuneration of EUR 45,000.00 per calendar year. In addition to the basic remuneration, members of the Supervisory Board receive an annual performance related remuneration of EUR 100.00 per each cent of the profit per share (as shown in the respective consolidated financial statements) exceeding EUR 2.00. The performance related remuneration is capped at an amount of earnings per share of EUR 3.50. 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 temporis 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 2015, the members of the Supervisory Board have received the following remuneration:

in k€	2015	2014
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 21 April 2016 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, 21 April 2016



Zefeng Chen
Chairman of the Management Board (CEO)



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

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Profit and Loss and Other Comprehensive Income of ZhongDe Waste Technology AG for the period from 1 January to 31 December 2015

in k€	Notes	2015	2014
Revenues	4	38,238	34,973
Cost of sales	5	-39,977	-34,496
Gross result		-1,739	477
Other operating income	6	3,096	8,860
Selling and distribution expenses	7	-7,809	-1,063
Administrative expenses	8	-3,680	-3,676
Research and development expenses		-157	-186
Other operating expenses	9	-2,931	-1,417
Loss (-) / profit (+) from operations		-13,220	2,995
Finance income	11	2,925	2,652
Finance costs	12	-4,286	-6,024
Loss before income tax		-14,581	-377
Income tax expenses	25	-1,560	-574
Loss for the period		-16,141	-951
Items that might be reclassified subsequently to profit or loss:			
Foreign exchange differences		447	247
Items that will not be reclassified subsequently to profit or loss:			
Foreign exchange differences		7,349	10,649
Other comprehensive income		7,796	10,896
Total comprehensive income		-8,345	9,945
Loss attributable to owners of the parent		-16,141	-951
Total comprehensive income attributable to owners of the parent		-8,345	9,945
Earnings per share (in €) (diluted and undiluted)	13	-1.28	-0.08
Weighted average shares outstanding (diluted and undiluted)		12,600,000	12,600,000

Consolidated Statement of Financial Position of ZhongDe Waste Technology AG as of 31 December 2015

in k€	Notes	31.12.2015	31.12.2014
Assets			
Non-current assets			
Intangible assets	14	35,340	23,219
Property, plant and equipment	15	412	442
Receivables from BOT	16	106,291	84,103
Deferred tax assets	22	0	883
		142,043	108,647
Current assets			
Inventories	17	437	3,474
Trade receivables	18	6,923	1,747
Other receivables and prepayments	18	60,192	42,746
Amounts due from related parties and companies	28.2b)	15	14
Other financial assets	18	215	5,459
Cash and cash equivalents	19	75,842	87,205
		143,624	140,645
Total assets		285,667	249,292
Liabilities and equity			
Capital and Reserves			
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	8,459
Retained earnings	20.3c)	-16,252	-111
Foreign currency translation reserve	20.4	41,041	33,245
Total equity		104,554	112,899
Liabilities			
Long-term liabilities			
Long-term loans	21	80,623	64,695
Deferred tax liabilities	22	1,654	1,432
		82,277	66,127
Current liabilities			
Trade payables	23	25,719	31,774
Other payables and prepayments	23	22,668	25,192
Provisions	24	4,286	3,709
Amounts due to related parties and companies	28.2b)	122	8
Tax liabilities		168	662
Other financial liabilities	23	45,873	8,921
		98,836	70,266
Total liabilities		181,113	136,393
Total liabilities and equity		285,667	249,292

Consolidated Statement of Cash Flow of ZhongDe Waste Technology AG for the period from 1 January to 31 December 2015

in k€	2015	2014
Loss before income tax	-14,581	-377
Adjustments for:		
Appreciation of intangible assets	0	-5,360
Amortization of intangible assets	1,851	37
Write-off of inventories	469	0
Allowance for doubtful trade and other receivables	7,247	368
Depreciation of property, plant and equipment	131	147
Interest income / exchange gains	-2,925	-2,652
Interest expense / exchange losses	4,286	6,024
Operating cash flows before working capital changes	-3,522	-1,813
Working capital changes:		
Increase (-) / decrease (+) in:		
Inventories	2,844	478
Trade receivables	-5,154	-1,242
Other receivables and prepayments and other financial assets	-12,252	2,140
Amounts due from related parties	0	8
PoC Receivables from BOT projects	-30,865	-23,596
Increase (+) / decrease (-) in :		
Trade payables	-8,294	9,306
Other payables and prepayments, provisions and other financial liabilities	-8,009	-6,456
Amounts due to related parties	116	6
Cash used in operations	-65,136	-21,169
Interest received	443	517
Interest paid	-6,485	-6,923
Income tax paid	-991	-300
Net cash used in operating activities	-72,169	-27,875
Cash flow from investing activities		
Proceeds from disposal of consolidated companies	0	1,222
Purchase of property, plant, equipment and intangible assets	-75	-35
Proceeds from disposal of property, plant and equipment	5	29
Cash flow used in (-) / generated from (+) investing activities	-70	1,216
Cash flow from financing activities		
Increase of borrowings	54,494	0
Repayments of loans	-5,965	-6,690
Cash repayments of financial assets (BOT projects)	6,266	1,483
Cash flow generated from (+) / used in (-) financing activities	54,795	-5,207
Net decrease in cash and cash equivalents	-17,444	-31,866
Cash and cash equivalents at beginning of year	87,205	110,076
Foreign exchange differences	6,081	8,995
Cash and cash equivalents at end of period (Note 19)	75,842	87,205

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 2015

	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
in k€								
Notes	20.1	20.1	20.2	20.3a)	20.3b)	20.3c)	20.4	
Balance as at 1 January 2014	12,600,000	13,000	-4,608	62,914	8,062	1,237	22,349	102,954
Total comprehensive income	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 1 January 2015	12,600,000	13,000	-4,608	62,914	8,459	-111	33,245	112,899
Total result for the period	0	0	0	0	0	-16,141	7,796	-8,345
Balance as at 31 December 2015	12,600,000	13,000	-4,608	62,914	8,459	-16,252	41,041	104,554

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 2015

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 am Main. The legal domicile of the Company is located at Messeturm 25. Etage, Friedrich-Ebert-Anlage 49, Frankfurt am 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. The scope of the company's operation furthermore includes research and development of environmental installations, installation, manufacture and further ongoing maintenance of OEM equipment and auxiliary components, manufacture of and trading in own products (including incinerators), investment in and operation of environmental project (including ecologically motivated improvements to plants), provision of technical consultancy services, implementation of ecological measures, development of mines and power-generating plants, recycling of renewable resources as well as import and export (also in the capacity of a middleman) of technological solutions and products of any type, especially energy-conserving and environmentally friendly devices and auxiliary products. 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 not pursued and contributes losses to ZhongDe's results.

Furthermore, as a general contractor of BOT projects, the ZhongDe Group is responsible for the design, engineering, procurement, construction, installation and operation of waste incinerators with a power generation with the above mentioned techniques (waste-to-energy). In addition to the above BOT-role, the ZhongDe Group also produces the waste-to-energy plants as an investor of EPC projects without later operation of the facility. 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. There have not been any changes to the number of consolidated entities as well as to the interest rates in 2015. The following subsidiaries are under either direct or indirect control of ZhongDe Waste Technology AG and accordingly fully consolidated as wholly owned subsidiaries under IFRS 10.

in k€	Interest (direct / indirect)	Equity 31.12.2015	Results 2015	Equity 31.12.2014	Results 2014
ZhongDe China Environmental Protection Co. Ltd., Beijing, PRC	Direct 100%	4,000	-910	4,025	584
Chung Hua Environmental Protection Assets (Holdings) Group Ltd., Hong Kong	Direct 100%	86,540	475	34,529	-1,309
Fujian FengQuan Environmental Protection Holding Ltd., Fuzhou, PRC	Indirect 100%	89,363	1,905	81,775	3,061
Zhoukou FengQuan Environmental Protection Electric Power Co., Ltd., Zhoukou, PRC	Indirect 100%	2,593	-23	2,745	663
Feicheng FengQuan Waste Disposal Co., Ltd., Feicheng, PRC	Indirect 100%	569	-75	1,040	-128
Xianning ZhongDe Environmental Protection Electric Power Co., Ltd., Xianning, PRC	Indirect 100%	15,221	-64	4,505	-2,422
Kunming FengDe Environmental Protection Electric Power Co., Ltd., Kunming, PRC	Indirect 100%	1,769	-3,078	8,492	-25
Lanzhou FengQuan Environmental Electric Power Co., Ltd., Lanzhou, PRC	Indirect 100%	9,927	-1,613	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 EPC-project in Dingzhou and the planned but temporary suspended 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 2015 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 and are based on uniform accounting policies used for all consolidated group companies.

The Consolidated Financial Statements for the reporting period ended 31 December 2015 (including comparative information relating to the accounting year 2014) were approved and authorised for issue by the Management Board as at 21 April 2016. They will be approved by the Supervisory Board on its meeting as at 27 April 2016.

The consolidated financial statements were generally prepared using the historical cost convention. Exceptions exist for construction contracts where the percentage of completion method is used. 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 Profit and Loss and Other 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 2015 are summarised 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 2014 except for those changes required by the mandatory first time application of new or amended accounting standards.

1.3 Standards, Interpretations and Amendments to Standards applicable for the first time in the 2015 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 2015 reporting period:

Title	Content	Material effect on ZhongDe AG
IFRIC 21: Levies	IFRIC 21 deals with the question when to recognize a liability for certain levies imposed by governmental bodies	none
Annual Improvements to IFRS 2011-2013 Cycle	The amendments are mainly concerning clarification of ambiguous provisions in standards.	none

The initial application of the changes did not have a material effect 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 2015 financial year, and were therefore not applied by the ZhongDe Group. The date in brackets represents the compulsory date of first time application in the European Union (for accounting periods beginning on or after this date):

Title	IASB Effective Date	Endorsed by the EU on	EU Effective Date	Expected material effect on ZhongDe AG
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	January 1, 2016	December 2, 2015	January 1, 2016	none
Amendments to IAS 16 and IAS 41: Bearer Plants	January 1, 2016	November 23, 2015	January 1, 2016	none
Amendments to IAS 19: Employee Contributions	July 1, 2014	December 17, 2014	February 1, 2015	none
IFRS 9: Financial Instruments	January 1, 2018	(expected in HY2 2016)	(to be determined)	none
Amendments to IAS 27: Equity Method in Separate Financial Statements	January 1, 2016	December 18, 2015	January 1, 2016	none
Amendments to IAS 28 and IFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	(to be determined)	(to be determined)	(to be determined)	none
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016	November 24, 2015	January 1, 2016	none
IFRS 14: Regulatory Deferral Accounts	January 1, 2016	(not endorsed by the EU)	(not applicable)	none
IFRS 15: Revenue from Contracts with Customers	January 1, 2018	(expected in Q3 2016)	(to be determined)	see explanation
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014	December 17, 2014	February 1, 2015	none
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016	December 15, 2015	January 1, 2016	none
Amendments to IAS 1: Disclosure Initiative	January 1, 2016	December 18, 2015	January 1, 2016	none
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities - Applying the Consolidation Exception	January 1, 2016	(expected in Q3 2016)	(to be determined)	none
IFRS 16: Leases	January 1, 2019	(to be determined)	(to be determined)	(to be determined)
Amendments to IAS 7: Disclosure Initiative	January 1, 2017	(expected in Q4 2016)	(to be determined)	none
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017	(expected in Q4 2016)	(to be determined)	none
Clarifications to IFRS 15: Revenue from Contracts with Customers	January 1, 2018	(expected in Q1 2017)	(to be determined)	(to be determined)

The aforementioned standards and interpretations are to be applied in the Consolidated Financial Statements of the ZhongDe Group from the 2016 financial year or later. ZhongDe generally does not early adopt new standards but applies them from the compulsory application date onwards.

ZhongDe expects that the first time application of IFRS 15 will in general lead to similar accounting results as under the current rules of IAS 11 and IAS 18. Service concession arrangements will continue to be accounted for under the rules of IFRIC 12. Service and construction services will also under IFRS 15 be a separable element of a contract. The

basic nature of the percentage of completion method applicable for the contracts will presumably not change.

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

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

2 Accounting Policies

2.1 Basis of consolidation

The Group financial statements include those of the parent company and all of its subsidiary undertakings drawn up to 31 December 2015. Subsidiaries are all entities for which the parent company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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 are carried out at arm's length, 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

Sales and major costs of providing goods and ongoing services, including most of the operating expenses are stated and invoiced almost exclusively in RMB. Hence the functional currency for all of the Group's companies is the Renminbi (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 profit or loss in the Consolidated Statement of Profit or Loss and Other 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 Consolidated Statement of Profit and Loss and 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 profit and loss in the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

Other comprehensive income arising from foreign exchange differences was segregated in those items which might/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.

c) Foreign currency translation

The presentation currency of the Group is EUR 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, the functional currency of all entities of the Group, into EUR as follows:

Development of exchange rates (€/ foreign currency rate)	ISO-Code	Average rate		Ending rate	
		2015	2014	31.12.2015	31.12.2014
Chinese Yuan	CNY	6.9733	8.1857	7.0608	7.5358
Hong Kong Dollar	HKD	8.6014	10.3025	8.4376	9.4170

Assets and liabilities of the consolidated companies are translated at the closing rate as of the balance sheet date. Income and expenses are translated at annual average exchange rates as approximation 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 during 2015 with an overall change by 6.3% (2014: 9,7%), which had a major 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 waste-to-energy 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 compensation. 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.

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 impact on the carrying amount of assets and liabilities are disclosed below:

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 is 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. Receivables are fully written-off 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) Allowance for other receivables and prepayments

Other receivables and prepayments are recorded at the invoiced or paid amount amount and given their short duration do not bear interest. The allowance for doubtful other receivables and prepayments is the Group's best estimate of the amount of probable credit losses.

Management uses judgement to determine the allowance for doubtful receivables, which is supported by an analysis of the current project status with regards to subcontractor work as well as of the ability of the subcontractors to repay advance payments if the project is cancelled or significantly delayed.

The Group regularly reviews its allowance for doubtful other receivables and prepayments. Receivables are fully written-off after all means of collection have been exhausted and the potential for recovery is considered remote. Actual results could differ from estimates.

c) Depreciation of property, plant and equipment

Equipment used for the manufacturing process is depreciated on a straight-line basis over its estimated useful life. Management estimates the useful life of equipment to be between 5 and 10 years, which reflects the general life expectations in the engineering industry. As changes in the expected level of usage and technological developments could affect the economic useful life and the residual value of these assets, management continuously monitors the assumption and revises the useful lives if required.

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.

d) Provision for warranty

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

Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from these estimates.

e) Provisions for contractual penalties

Assumptions used to calculate the provision for contractual penalties are based on management best estimate and information currently 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).

f) Partial revenue recognition on construction contracts

Operational entities, which are included in the segments EPC and BOT projects, conduct a major part 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 progress towards completion. Depending on the methodology used to determine the project progress, the significant areas of estimate include expected total contract costs, remaining costs to completion, expected 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 cannot be reliably estimated and the stage of completion appears to be not reliably measurable, the zero profit-method is applied. Under the zero-profit-method revenues are only recognised to the extent costs incurred are recoverable on the referring project.

g) 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 derived from one 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.

The fair value of the construction services under the IFRIC 12 model consists of the present value of the right to receive guaranteed payments (receivables from BOT) and the right to charge users for public services (intangible assets from service concession rights).

h) Measurement of BOT Intangible and Receivables

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

i) Calculation of the Percentage of Completion

Since past experiences proved that the stage of completion of BOT projects was not sufficiently predictable, the percentage of completion method could no longer be applied. This situation remains unchanged. Therefore, the zero profit-method is applied for these projects. Under the zero-profit-method, revenues are only recognised at the amount of costs incurred for the referring project to the extend these cost are recoverable.

ZhongDe will continue to apply the zero-profit-method for all BOT-projects until project completion also in the future until the stage of completion of these projects or the finalization of the implementation of an improved project-controlling system. The application of this method leads to a deferred profit recognition to the completion date of the BOT-projects.

j) Impairment Test

The impairment test for non-financial assets requires assumptions about 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 of future events. As far as possible, estimates are derived from past experience. All used data is based on mangement's best estimate about the expected development of the Group. More detailed information on impairment tests and the assumptions used for those tests are disclosed in Note 2.8 and Note 14.

2.5 Changes in Accounting Estimates/Accounting Policies

The accounting policies are unchanged to the prior year.

Accounting policies and valuation methods

2.6 Intangible assets

a) Software

Acquired software and licences are capitalised at acquisition cost including the cost to bring it to the intended condition of use, as well as other directly attributable costs. Direct expenditure, which can enhance or extend the performance of the software or licences and which can be measured reliably, is recognised as a subsequent acquisition cost and added

to the original cost of the software or licences. Maintenance cost for software are recognised as expense as incurred.

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

b) Research and development costs

Research costs are expensed in the period in which they incur. Development costs are only capitalised if all recognition criteria of IAS 38 are fulfilled on a cumulative basis, if the research phase can be clearly segregated from the development phase and if the costs arising are directly attributable to the individual project phases. In 2015, no development costs have been capitalised because the relevant criteria of IAS 38 were not met. In particular, it is impossible to distinguish clearly between research and development activities due to multiple 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 public service for providing the infrastructure or other services. At initial recognition the service concession right is calculated by deducting the present value of the guaranteed payments from the fair value of the project. For the determination of the fair value please refer to Note 2.4.g).

Under the accounting-model applicable for service concession arrangements, the intangible asset (and the receivables from BOT projects) is capitalized according to the stage of completion against revenues. Borrowing costs are included in cost as far as they are directly attributable to the qualifying intangible asset and arise in the period of construction. Borrowing costs only relate to interest expenses.

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 2016 for the BOT projects in Zhoukou and Xianning whereas the BOT project in Kunming is expected to be completed in 2017. During the construction phase a capitalized intangible asset is tested annually for impairment. After completion an impairment test is only performed if a triggering event for impairment incurs. More detailed information on impairment tests and the assumptions used for those tests are disclosed in Note 2.8 and Note 14.

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 amortize the costs of 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

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 the 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 to be impaired and is written down to its recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses for an asset other than goodwill may no longer exist or may have decreased. If such an indication exists, the recoverable amount is recalculated. 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 has been recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised for the asset in previous years. A reversal of an impairment loss is recognised in the Consolidated Statement of Profit and Loss and Other Comprehensive Income. After such a reversal, the depreciation charge is adjusted for future periods to amortise the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.9 Receivables from BOT projects

Receivables from BOT projects 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 after initial recognition at fair value recognised at amortised cost less repayments and any amortisation in the category “loan or receivable” as defined in IFRIC 12.24 a). In subsequent periods the receivables are accounted using the effective interest method.

2.10 Inventories

Inventories are recorded at the lower of acquisition and production costs or 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 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 substantially all risks and rewards are transferred. A financial liability is derecognised when it is extinguished,

discharged, cancelled or has expired. Financial assets and financial liabilities are initially measured at fair value.

Financial assets and financial liabilities are subsequently measured 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 assets are measured at amortised cost using the effective interest method, less provision for potential 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 scrutinized for potential impairment when they are past due or when other objective evidence is received that a specific counterparty is in 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 subsequently measured at amortised cost using the effective interest method. Gains are recognised in the Consolidated Statement of Profit and Loss and Other Comprehensive Income when there is objective evidence 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 Consolidated Statement of Profit and Loss and Other Comprehensive Income are included in “finance costs” or “finance income”.

2.12 Trade and other receivables

Trade and other receivables which are not related to 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 defaults 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 only insignificant changes in value. These are carried at their nominal amount.

For the purpose of providing guarantee for the issue of bank acceptance bills ZhongDe Group is required to hold cash deposit on restricted accounts with its banks. 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 reserves in each year, unless this reserves have 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 interest rate that reflects the risks specific to the liability. Where discounting is used, the increase in the

provision due to the lapse of time is recognised as a finance expense. As at 31 December 2015 all provisions are classified as current as they are within one year.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate of the amount required to settle 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 waste-to-energy 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 derived from one project that has already been completed in the past (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 that benefit can be reliably measured. All intra-group transactions are eliminated from the revenue of the consolidated group.

a) Sales of goods

Revenue from sale of goods is recognised upon 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 recoverability 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 the related revenue can be reliably measured.

c) Long-term construction contract revenue

As long as revenue and/or cost for long-term construction contracts can be reliably estimated, revenue is accounted for under the percentage of completion method where revenue is recognised following the project progress. The project progress is determined based on the percentage of costs incurred to date compared to the actual total estimated cost for each contract until completion. This stage of completion determines the amount of revenue recognisable until the reporting date. The recognisable revenue refers to the contract price (incinerators and EPC-projects) or the fair value of the construction costs (BOT projects). 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 asset relating to EPC-projects are disclosed in the segment reporting under Note 3.

If the revenue and/or cost cannot be estimated at all or are no longer reliably estimable, revenue for those projects is recognized under the zero-profit-method. This method is applied for BOT projects since the second quarter of 2013.

Revenues from BOT projects are accounted for against intangible assets or financial assets respectively under the accounting model applicable for service concession arrangements (IFRIC 12). 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 zero-profit-method in exchange for a financial or intangible asset relate to the segments BOT projects are disclosed in the segment reporting under Note 3.

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. Trial run income is generally generated in the final phase of a construction contract. 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 determined and the income from the the thermal treatment of waste during the trial runs when the local authorities pay for the waste disposed. Following the general practice, as these income and expense are not scheduled in the project accounting, trial run revenues exceeding trial run costs are recorded as other income. The related cost which are netted of against the revenue comprise of operating cost including labour and material.

These revenue stream is mainly independent from the recognition of revenues under the project accounting. The related revenue may arise before the project is completed as the facilities may already operational although other parts of the projects have not been completed or no revenue is recognised due to outstanding customer acceptance.

e) Interest income

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

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 payment is made.

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 and arise in the period of construction. 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 intangible assets resulting from 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 profit or loss in the Consolidated Statement of Profit and Loss and Other Comprehensive Income except for the amount that relates to items recognised directly in equity. There were no amounts directly recognized 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 reviewed 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.

A deferred tax asset is capitalized on tax deductible loss carry-forwards to the extent that the Group's tax planning proves that they will be utilisable in the near future.

2.22 Contingent Liabilities

Contingent Liabilities reflect potential obligations arising from past events and whose existence will only be confirmed by uncertain events in the future, which are beyond control of ZongDe Group. In addition, contingent liabilities may exist from present obligations where the outflow of resources is not probable or the amount cannot be reliably estimated.

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 (waste-to-energy). 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.

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 at an arms' length 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 2015. The complete revenue of in total € 38.2- million (2014: € 35.0 million) is generated with external customers.

3.2 Segments

in k€	BOT-Projects		EPC-Projects		Incinerators		Group	
	2015	2014	2015	2014	2015	2014	2015	2014
Total revenue for reportable segments	30,865	23,676	6,129	10,138	1,244	1,159	38,238	34,973
Total gross profit from reportable segments	-3,034	-1,438	2,476	1,917	-1,181	-2	-1,739	477
Order intake	0	0	0	0	0	0	0	0
Order backlog	110,342	131,861	23,582	77,429	1,659	3,199	135,583	212,489

The applied accounting policies of the Group for segmental 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€	2015	2014
Total gross profit for reportable segments	-1,739	477
Unallocated income and expenses of the Group	-11,481	2,518
EBIT	-13,220	2,995
Finance income	2,925	2,652
Finance expense	-4,286	-6,024
Loss before tax	-14,581	-377
Income tax	-1,560	-574
Loss for the year	-16,141	-951

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 €30.9 million (2014: €23.7 million) were achieved with four customers. The following table presents the total amounts of revenue from each customer with whom the Group achieved in 2015 and/or in prior years more than 10% of total sales on BOT and EPC projects including their relevant segments:

in million €	Customer	Segment	Revenue	
			2015	2014
BOT Lanzhou	Lanzhou Shi Chengshi Guanli Zonghe Xingzheng Zifa Ju	BOT	27,4	19,0
EPC Zhucheng	Zhucheng Baoyuan Xinnengyuan Fadian Youxian Gongsi	EPC	5,5	2,0
EPC Dingzhou	Dingzhou Shi Duanquan Gufei Chuli Youxian Gongsi	EPC	0,7	8,5

Notes on the Consolidated Statement of Profit and Loss and Other Comprehensive Income

4 Revenue

Revenue amounts to €38.2 million (2014: €35.0 million). Thereof €36.9 million (2014: €33.7 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 2015 operating revenues of k€94 (2014: k€80). The percentage of completion in the table below is calculated on an average basis covering all projects which are currently in construction.

in k€	31.12.2015	31.12.2014	Change
BOT			
% of completion	64%	51%	+13 pp
Revenues	30,865	23,676	+30.4%
Gross profit	-3,034	-1,438	<-100.0%
EPC			
% of completion	67%	58%	+9 pp
Revenues	6,129	10,138	-39.5%
Gross profit	2,476	1,917	+29.2%
Small and medium sized incinerators			
Units sold to third party	1	1	0.0%
Revenues	1,244	1,159	+7.3%
Gross profit	-1,181	-2	<-100.0%
Total			
Revenues	38,238	34,973	+9.3%
Gross profit	-1,739	477	<-100.0%

The PoC-revenues (including revenues from the application of the zero-profit-method and without considering the revenues attributable to the project in Feicheng) entailed losses amounting to €-0.3 million (2014: profits amounting to €0.7 million) by costs incurred amounting to €37.2 million (2014: €33.0 million). €3.7 million of the cost (2014: €8.2 million) refer to EPC projects and €33.5 million (2014: €24.8 million) to BOT projects. Revenues from the sale of incinerators amount to €1.2 million (2014: €1.2 million). Negative gross profit relating to the incinerator segment amounting to €1.2 million is caused by the loss resulting from the sale of a unit to a third party in 2015 (€0.7 million) and due to the fact that inventories amounting to €0.5 million had to be written off during 2015.

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:

	2015		2014	
	in k€	in %	in k€	in %
Subconstructors services	35,421	88.6	31,949	92.6
Cost of goods incinerators	1,956	4.9	1,161	3.4
Personnel expenses	1,878	4.7	1,074	3.1
Materials	249	0.6	252	0.7
Stock provision	469	1.2	0	0.0
Others	4	0.0	60	0.2
Total Cost of sales	39,977	100.0	34,496	100.0

Cost of Sales increased from € 34.5 million in 2014 by € 5.5 million to € 40.0 million in 2015. The gross profit margin amounts to -4.5% (2014: 1.4%). The decrease is mainly attributable to the loss resulting from the incinerator segment amounting to € 1.2 million and to a retrospective increase of the total costs for the Kunming project. 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€	2015	2014
Net proceeds from trial run	3,078	3,082
Appreciation of intangible assets	0	5,360
Releases of allowances of trade receivables	0	227
Others	18	191
Total Other operating income	3,096	8,860

The appreciation of intangible assets in the prior year refers to the BOT project in Xianning.

7 Selling and distribution expenses

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

in k€	2015	2014
Addition of allowances of trade receivables and advances to subcontractors	7,247	595
Provisions for delay	323	165
Personnel expenses	200	222
Travel expenses	24	38
Entertainment expenses	8	27
Others	7	16
Total Selling and distribution expenses	7,809	1,063

In 2015 advances to subcontractors amounting to € 7.2 million referring to the BOT project in Lanzhou and to the EPC project in Wuhai had to be written off. In Lanzhou ZhongDe made prepayments to a subcontractor for the construction work as part of this project of in total RMB 58.6 million (€ 8.3 million). As the subcontractor proved to be unable to perform the requested work and the repayment of this amount is overdue for more than one year it has been written-off at 50% following the policy of the group (€ 4.2 million). In Wuhai ZhongDe made prepayments to subcontractors for the equipment and installation as part of this project of in total RMB 21.0 million (€ 3.0 million). As the project has been postponed to an uncertain point of time, it is questionable whether the prepayment will be refunded. Accordingly the receivable from the prepayment to the subcontractors has been fully written down.

8 Administrative expenses

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

in k€	2015	2014
Personnel expenses	1,625	1,653
Entertainment expenses	390	356
Rent	258	243
Other taxes	181	184
Depreciation and amortization	176	146
Office expenses	169	296
Travel expenses	143	210
Security expenses	131	79
Vehicle use fees	121	182
Other expenses	486	327
Total Administrative expenses	3,680	3,676

9 Other operating expense

The following table shows a breakdown of other operating expense for the period:

in k€	2015	2014
Impairment	1,761	0
Financial statements and audit costs	487	554
Supervisory board costs	149	148
Investor relations costs	133	198
Legal and advisory costs	75	138
Others	326	379
Total Other operating expenses	2,931	1,417

The group performed impairment tests for intangible assets from service concession agreements not yet available for use. Based on actual assumptions and knowledge the impairment of the capitalized assets in the prior year should be retained. Additional write-offs of € 0.6 million for the project in Zhoukou and € 1.2 million for the project in Xianning have been required accordingly reflecting the additional cost incurred for the projects during the financial year 2015.

Others mainly imply expenses for the Annual General Meeting (k€ 47; 2014: k€ 57), rent expenses for the office in Germany (k€ 56; 2014: k€ 56) and travel expenses (k€ 42; 2014: k€ 42).

10 Selected information and the nature of expenses

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

in k€	2015	2014
Addition / Release of Allowances of trade and other receivables and prepayments	7.247	368
Staff costs	3.837	3.092
Amortization and Impairment (+) / Appreciation (-) of intangible assets	1.851	-5.323
Depreciation of property, plant and equipment	131	147

Regarding the Amortization of intangible assets, we refer to note 9.

11 Finance Income

in k€	2015	2014
Interest income	2,784	2,494
Exchange gains	141	158
Total Finance Income	2,925	2,652

A portion of €0.3 million (2014: €0.4 million) within interest income relates to interest from cash at banks. In addition interest income from receivables from BOT projects amounting to €2.5 million (2014: €2.1 million) is included. Interest income from receivables from BOT-projects has been calculated under the effective interest method.

12 Finance Expense

in k€	2015	2014
Bank charges	6	7
Interest expense	4,280	6,017
Total Finance Costs	4,286	6,024

In 2015 interest expense of €6.5 million (2014: €6.9 million) incurred. Thereof €2.2 million (2014: €0.9 million) were capitalized as borrowing cost and €4.3 million (2014: €6.0 million) were accounted for within finance expense. 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 asset from a service concession right.

13 Earnings per Share

Earnings per share for 2015 amounted to €-1,28 (2014: € -0.08). 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 2015 amounted to 12,600,000 shares (31 December 2014: 12,600,000 shares). Basic and diluted earnings per share are the same.

in k€	2015	2014
Calculation of earnings per share		
Result attributable to owners of the parent	-16,141	-951
Average number of shares	12,600,000	12,600,000
Basic and diluted earnings per share	-1.28	-0.08

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 2015	322	70	37,498	37,890
Additions	0	0	13,304	13,304
Disposals	0	0	0	0
Reclassification	0	0	-763	-763
Exchange difference	22	5	2,367	2,394
At 31 December 2015	344	75	52,406	52,825
Accumulated amortization and impairment:				
At 1 January 2015	170	21	14,481	14,672
Amortization	37	53	1,761	1,851
Appreciation	0	0	0	0
Exchange difference	10	1	952	963
At 31 December 2015	217	75	17,194	17,486
Net carrying amount:				
At 1 January 2015	152	49	23,017	23,219
At 31 December 2015	127	0	35,212	35,340
Exchange difference	12	4	1,415	1,431

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
Impairment	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

Intangible assets from service concession rights relate to the sites in Xianning, Lanzhou and in Zhoukou all included in the BOT segment.

Intangible assets from service concessions are qualifying assets in the meaning of IAS 23 (Borrowing Costs). Accordingly on a proportionate basis borrowing costs of €2.2 million have been capitalized in 2015 (2014: €0.9 million). The borrowing costs were determined on the basis of interest rates between 6.9% and 7.9% (2014: between 7.5% and 9.0%).

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 2.6 c). The amortization of intangible assets is included in administrative expense.

At year end, impairment tests were performed for these intangible assets which are not ready to use. Each project forms a separate cash generating unit.

The recoverable amount of the cash generating unit Xianning amounting to €33.2 million (2014: €30.0 million) was calculated as value in use at an average WACC before tax of 10.3% (2014: 10.7%). Prior years' impairment loss (total impairment of €9.2 million in 2013 less reversal of impairment in 2014 of €5.4 million) of the intangible asset for the service concession right at Xianning had to be retained. The additional cost incurred and capitalized during 2015 of in total €1.2 million had to be additionally written down. The effect from the impairment has been presented under other operating expense.

At year end the book value for the service concession right of Xianning amounted to €14.5 million (2014: €13.6 million). The increase is due foreign exchange differences.

The recoverable amount of the cash generating unit Zhoukou amounting to €19.5 million (2014: €15.9 million) was calculated as value in use at an average WACC before tax of 10.3% (2014: 10.7%). Prior years' impairment loss resulting in the total write-down of the intangible asset for the service concession right at Zhoukou of €10.3 million had to be retained. The project progress incurred in 2015 which has been capitalized as intangible asset of in total €0.6 million had to be written down. The effect from the impairment has been presented under other operating expense. At year end the book value of the service concession right of Zhoukou amounts to €0.0 million (2014: €0.0 million).

At year end the book value of the service concession rights of Lanzhou amounts to €20.7 million (2014: €9.4 million). No impairment or appreciation occurred for this project.

The 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.

15 Property, Plant and Equipment

in k€	Machine equipment	Vehicle	Electronic equipment, fixtures and fittings	Total
Cost:				
At 1 January 2015	840	1,136	555	2,531
Additions	0	60	15	75
Disposals	0	-108	0	-108
Exchange difference	56	78	38	172
At 31 December 2015	896	1,166	608	2,670
Accumulated depreciation and impairment:				
At 1 January 2015	652	985	452	2,089
Depreciation charged for the year	45	46	40	131
Disposals	0	-103	0	-103
Exchange difference	44	66	31	141
At 31 December 2015	741	994	523	2,258
Net carrying amount:				
At 1 January 2015	188	151	103	442
At 31 December 2015	155	172	85	412
Exchange difference	12	12	7	31

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

16 Receivables from BOT projects

in k€	Receivables from BOT
Cost:	
At 1 January 2015	84,103
Additions	22,147
Disposals	-6,173
Reclassification	763
Exchange difference	5,451
At 31 December 2015	106,291

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

The additions refer to the progress of the BOT projects. Disposals relate to payments by grantor or at the direction of the grantor. The reclassification in the prior year relates to a shift

from intangible assets to BOT receivables under the IFRIC 12 model. We also refer to Note 14 and 29.

17 Inventories

in k€	31.12.2015	31.12.2014
Raw materials and consumables	437	445
Finished goods	1,048	982
Work in process	747	2,051
Less: Advances by customers	-1,328	0
Less: Stock provision	-467	-4
Total Inventories	437	3,474

Inventories only relate to the segment incinerators. Work in progress and finished goods presented are based on a customer purchase order and are written down insofar as they are not covered by advances from customers. They relate to one incinerator, which is planned to be sold in 2016. During 2015 inventories of € 2.4 million were recorded in profit and loss (2014: € 1.2 million).

18 Trade Receivables, Other Receivables and prepayments, Other financial assets

in k€	31.12.2015	31.12.2014
Trade receivables		
Trade receivables	2,438	1,797
PoC asset	5,549	918
	7,987	2,715
Allowance for trade receivables	-1,064	-968
	6,923	1,747
Other receivables and prepayments		
VAT receivable	8,144	3,897
Other receivables	599	766
Advances to subcontractors	58,575	38,083
	67,318	42,746
Allowance for other receivables	-7,126	0
	60,192	42,746
Other financial assets		
Loans granted to customers	215	5,459
	215	5,459
Allowance for other financial assets	0	0
	215	5,459
	67,330	49,952

Trade Receivables

All trade receivables are non-interest bearing. They are recognised at their original invoice amounts, which represent their fair values on initial recognition. PoC assets relate to EPC-projects where the amount already realized as PoC receivables exceed the progress billings to customers. Please also refer to note 23.

POC receivables can be explained as follows:

in k€	31.12.2015	31.12.2014
Receivables from PoC	11,014	4,648
Progress billings	-6,856	-5,647
Balance	4,157	-999
thereof gross amount due from / to customers for contract work as a(n)		
- asset	5,549	918
- liability	1,392	1,917

The due dates of trade receivables are as follows:

in k€	31.12.2015	31.12.2014
Neither impaired nor due past as of balance sheet date	0	0
Overdue and not impaired	6,923	1,747
Due:		
Within 30 days	5,549	918
31-90 days	1,471	943
91-180 days	131	123
181-360 days	262	245
361-1080 days	574	486
More than 1080 days	0	0
	7,987	2,715

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 the allowance of trade receivables:

in k€	31.12.2015	31.12.2014
At 1 January	968	512
Additions	32	595
Releases	0	-227
Exchange difference	64	88
At 31 December	1,064	968

Other receivables and prepayments

Advances to subcontractors

The increase in advances to subcontractors and VAT receivable mainly relates to invoices from subcontractors of the project in Lanzhou.

In 2015 advances to subcontractors amounting to € 7.2 million referring to the BOT project in Lanzhou and to the EPC project in Wuhai had to be written down. For details we refer to Note 7.

The following table shows the development of the allowance other receivables and prepayments:

in k€	31.12.2015	31.12.2014
At 1 January	0	0
Additions	7,215	0
Exchange difference	-89	0
At 31 December	7,126	0

Other financial assets

The due dates of other financial assets are as follows:

in k€	31.12.2015	31.12.2014
Neither impaired nor due past as of balance sheet date	0	0
Overdue and not impaired	215	5,459
Due:		
Within 30 days	215	0
31-90 days	0	0
91-180 days	0	5,459
181-360 days	0	0
361-1080 days	0	0
More than 1080 days	0	0
	215	5,459

As in the prior year, no allowance for other financial assets was required.

We refer to note 29 with regards to additional disclosures for financial instruments

19 Cash and Cash Equivalents

in k€	31.12.2015	31.12.2014
Cash at banks and in hand (relates to the cash fund)	75,842	87,205
thereof restricted in use (relates to the cash fund)	0	0
Balance	75,842	87,205
thereof in Germany	142	9
thereof in China	75,700	87,196

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 2015. Within 2015 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 2015 treasury stocks of the parent company amounted to k€ 4,608 (2014: k€ 4,608) and are divided into 400,000 shares (2014: 400,000 shares) with a notional amount of €1.00 each. The number of outstanding shares at 1 January 2015 and 31 December 2015 amounts to 12,600,000; or an average of 12,600,000 in 2015 and 2014.

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 (2014: k€ 8,459) 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.

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€ -16,252 (2014: k€ -111). In accordance with the resolution of the shareholders' meeting on 26 June 2015, no dividend was paid for 2014. The distributable accumulated profits of ZhongDe AG as at 31 December 2015 amount to k€ 6,977.

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
			2015	2014	2015	2014	2015	2014	
Kunming BOT Loan 1	Huarong Financial Leasing Ltd.	22.10.2010	0 (0)	15,924 (120,000)	0 (0)	9,915 (74,720)	0 (0)	350 (2,638)	n.a.
Kunming BOT Loan 2	China Merchants Bank	29.04.2011	25,493 (180,000)	23,886 (180,000)	25,493 (180,000)	23,886 (180,000)	23,312 (164,600)	23,315 (175,700)	7.01%
Xianning BOT Loan 1	Huarong Financial Leasing Ltd.	22.10.2010	0 (0)	11,943 (90,000)	0 (0)	7,805 (58,820)	0 (0)	413 (3,109)	n.a.
Xianning BOT Loan 2	Bank of China	06.12.2011	16,712 (118,000)	15,659 (118,000)	16,712 (118,000)	15,659 (118,000)	12,605 (89,000)	13,933 (105,000)	7.24%
Zhoukou BOT Loan	China Merchants Bank	18.04.2011	14,163 (100,000)	13,270 (100,000)	14,163 (100,000)	13,270 (100,000)	8,436 (59,563)	9,065 (68,313)	6.90%
Lanzhou BOT Loan 1	Bank of China	28.11.2013	28,325 (200,000)	26,540 (200,000)	28,325 (200,000)	26,540 (200,000)	28,325 (200,000)	26,540 (200,000)	8.30%
Lanzhou BOT Loan 2	Bank of Lanzhou	31.08.2015	11,330 (80,000)	0 (0)	11,330 (80,000)	0 (0)	11,330 (80,000)	0 (0)	7.92%
Lanzhou BOT Loan 3	China Construction Bank	09.10.2015	94,890 (670,000)	0 (0)	42,488 (300,000)	0 (0)	42,488 (300,000)	0 (0)	5.15%
Total			190,913 (1,348,000)	107,222 (808,000)	138,511 (978,000)	97,075 (731,540)	126,496 (893,163)	73,617 (554,760)	6.81%

As far as repayments become due within 12 months loans are disclosed as current under other financial liabilities (€ 45.9 million, 2014: € 8.9 million).

The increase of long-term loans relate to a loan granted by the China Construction Bank amounting to € 94.9 million of which € 42,5 million have been paid out to ZhongDe in 2015. The loan has a term of 12 years with an annual interest rate of 5.15% per annum.

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€	31.12.2015		31.12.2014	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Service concession rights	0	7,483	0	4,891
Other intangible assets	57	0	56	0
Property, plant and equipment	1,326	0	1,305	0
Construction in progress	33,805	0	24,564	0
Receivables from BOT	0	25,154	0	19,926
Inventories	2,159	0	1,103	0
Trade receivables	22	1,473	0	272
Trade and other payables	14	5,145	0	3,348
Provisions	218	0	205	0
Losses carried forward	0	0	655	0
Total	37,601	39,255	27,888	28,437
Netting	-37,601	-37,601	-27,005	-27,005
	0	1,654	883	1,432

For deductible temporary differences of €20.7 million (2014: €12.4 million) deferred tax assets have not been set up.

As at 31 December 2015 on total tax losses carried forward of EUR 11.9 million (2014: €9.8 million according to preliminary calculation in 2014, whereas €10.5 million verified in 2015 for 2014 by local tax bureau) deferred tax assets have not been accounted regarding tax losses carried forward of €11.9 million (EUR 7.9 million). The existing tax losses can be carried forward for a limited period of one to five years.

For taxable temporary differences associated with investments in subsidiaries of €0.8 million (2014: €1.1 million) deferred tax liabilities have not been set up, as a reversal of these outside basis differences is not expected in the foreseeable future.

23 Trade payables, Other payables and prepayments, other financial liabilities

in k€	31.12.2015	31.12.2014
Trade payables	25,719	31,774
Other payables and prepayments		
PoC liability	1,392	1,917
Advance from customers	17,609	19,090
Accrued payroll expenses	366	336
VAT payable	0	1
Other tax payables	1,074	1,040
Other payables	2,227	2,808
	22,668	25,192
Other financial liabilities		
Current portion of long-term loans	45,873	8,921
	45,873	8,921
	68,541	34,113

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 € 0.7 million (2014: € 0.5 million).

Advances from customers mainly relate to prepayments made by the customer of the EPC project in Wuhai (€ 17.6 million; 2014: € 16.5 million).

PoC liabilities relate to EPC-projects where the progress billings to customers exceed the amount of the referring PoC receivables. Receivables from PoC and the progress billings are further discussed in note 18.

24 Provisions

in k€	Penalties	Staff bonus and welfare	Maintenance / warranties	Total
At 1 January 2014	2,391	777	0	3,168
Additions	165	0	18	183
Exchange differences	272	84	2	358
At 1 January 2015	2,828	861	20	3,709
Additions	323	0	30	353
Utilised	0	0	-21	-21
Exchange differences	186	58	1	245
At 31 December 2015	3,337	919	30	4,286

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€	2015	2014
Current income tax	-478	-918
Deferred income tax induced by		
- tax rate changes	0	59
- temporary differences	-389	-319
- tax loss carry forwards	-693	604
	-1,082	344
Income taxes according to profit and loss statement	-1,560	-574

Current income tax mainly relate to Chinese income tax. 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%.

In 2012 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%. In prior year ZhongDe assumed that the reduced tax rate would have been valid until 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% retrospectively for 2014. The related income tax expenses amounting to €0.4 million affected the result of 2015.

Similarly the tax rate of ZhongDe (China) Environmental Protection Co. Ltd. changed from 15% to 25% in 2014 due to the expiration of their tax classification as "High-tech enterprise".

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 and 2015 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 (Solidaritatzuschlag) 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 2015, 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€	2015	2014
Profit before income tax	-14,581	-377
Tax rate	25%	25%
Expected tax income expense	-3,645	-94
Tax rate differential	353	-126
Non-deductible expenses	1,479	2,120
Tax-exempted income	-165	-17
Not recognized deferred tax assets		
- resulting from tax losses of the period	514	61
- resulting from temporary differences	2,398	558
Tax benefits relating to previously unrecognised		
- tax losses	-7	-639
Reduction of deferred tax expense relating to		
- tax losses of prior periods	0	-604
- temporary differences of prior periods	-219	-673
Write-down of deferred tax assets	610	0
Current tax from prior periods	308	0
Other effects	-66	-12
Actual income tax expense	1,560	574

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

Utilization of previously unrecognized tax losses of prior periods reduced the current income tax in 2015 by k€ 7 (2014: k€ 639).

Additional deferred tax expense arising from the write down of deferred tax assets on tax losses carried forward amounted to € 0.6 million (2014: reduction of deferred tax expense arising from the appreciations of deferred tax assets: € 0.6 million). Moreover deferred tax expense was reduced due to unrecognised temporary differences of a prior period of € 0.2

million (2014: € 0.7 million) and in 2014 of previously unrecognised tax losses of € 0.6 million.

In 2014 due to the stage completion of EPC projects and the associated revenue recognition deferred tax assets of € 0.6 million were recognised, although losses were generated in prior year. The utilization of these deferred tax asset was moreover dependent on future taxable profits in excess of the profits from the reversal of existing taxable temporary differences. In 2015 equivalent deferred tax assets were not recognised. Deferred tax assets not recognised resulting from tax losses and changes of temporary differences of the period amounted to € 2.9 million (2014: € 0.6 million), especially relating to the write down of advances to customers.

26 Employee Benefits

26.1 Number of Employees

	2015	2014
Average number of employees of the Group		
Management and administration	109	109
Research and development	9	10
BOT operation and manufacturing	235	230
Sales and distribution	17	22
	370	371

in k€	2015	2014
The average payroll costs of these employees		
Wages and salaries	2,889	2,306
Social security costs	674	575
Welfare	274	211
	3,837	3,092

The increase of the personnel expenses is despite the largely unchanged number of employees mainly driven by changed exchange rates.

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 € 0.3 million were recognized in 2015 (€ 0.3 million in 2014).

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 Consolidated Statement of Profit and Loss and Other Comprehensive Income in every financial year is as follows:

in k€	2015	2014
Lease payment recognized as expense	287	260

Future minimum lease payments payable under non-cancellable operation leases as at December 31, 2015 are as follows:

in k€	2015	2014
Not later than one year	161	180
Later than one year but not later than five years	642	592
Later than five years	442	568
	1,245	1,340

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 2015 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, Contry
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 Environmental Protection Group Co., Ltd., Technological Research Institute	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
Fujian Zhongbao Venture Capital Co. Ltd.	Fuzhou, Fujian, China
Hebei Beter Cell Biotechnology Co., Ltd.	Shijiazhuang, Hebei, China
Quanzhou Qingmeng Water Treatment Co., Ltd.	Quanzhou, Fujian, China
Singapore Jinsheng Fruit & Vegetable Co., Ltd.	Singapore
Suzhou Beter Cell Biological Technology Co., Ltd.	Suzhou, Jiangsu, China
Xinjiang Hutubi FengQuan Sewage Treatment Co., Ltd.	Xinjiang, Hutubi, China
ZhongHua Environmental Protection Industry (Holding) Group Co., Ltd. (Hong Kong)	Hong Kong, China
Zhuji FengQuan Lipu Solid Waste Disposal Ltd.	Lipu, Zhejiang, China
Companies attributable to Jiuhua Wang	
Beijing Weilian Jinrui Investment Consulting Co., Ltd.	Beijing, China
Beijing Yiyou Jiulong Technology Co., Ltd.	Beijing, 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€	31.12.2015	31.12.2014
Related parties		
Rental, water and electricity fee	175	134

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

b) Due from/to related parties

in k€	31.12.2015	31.12.2014
Due from related parties		
Other receivables	15	14
	15	14
Allowance for doubtful trade debts	0	0
	15	14
Due to related parties		
Trade payables	122	8
Other payables	0	0
	122	8

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

c) Key management remuneration

in k€	31.12.2015	31.12.2014
Key management of the Group	153	90

in k€	31.12.2015	31.12.2014
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 2015 or 2014. For more information on remuneration, please refer to the remuneration report included in 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 31.12.2015	Amounts recognised in balance sheet according to IAS 39 at amortized cost	Carrying amount 31.12.2014	Amounts recognised in balance sheet according to IAS 39 at amortized cost
Trade receivables	LaR ¹⁾	6,923	6,923	1,747	1,747
Receivables from BOT	LaR ¹⁾	106,291	106,291	84,103	84,103
Other financial assets	LaR ¹⁾	215	215	5,459	5,459
Amounts due from related parties and companies	LaR ¹⁾	15	15	14	14
Cash and cash equivalents	LaR ¹⁾	75,842	75,842	87,205	87,205
Long-term loans	FLAC ²⁾	80,623	80,623	64,695	64,695
Trade payables	FLAC ²⁾	25,719	25,719	31,774	31,774
Other payables	FLAC ²⁾	2,250	2,250	2,808	2,808
Amounts due to related parties and companies	FLAC ²⁾	122	122	8	8
Other financial liabilities: Notes payables	FLAC ²⁾	0	0	0	0
Other financial liabilities: short-term portion of long-term loans	FLAC ²⁾	45,873	45,873	8,921	8,921
of which: aggregated by category in accordance with IAS 39					
Total Loans and receivables	LaR ¹⁾	189,286	189,286	178,528	178,528
Total Financial liabilities measured at amortized cost	FLAC ²⁾	154,587	154,587	108,206	108,206

¹⁾ LaR = Loans and Receivables

²⁾ FLAC = Financial Liabilities measured at Amortised Cost

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 (-)	
		31.12.2015	31.12.2014
Loans and receivables			
- interest income using the effective interest method	2,482	2,482	2,135
- other interest income	302	302	358
- impairment loss (-) / reversal of impairment loss (+)	0	-7,247	-368
	2,784	-4,463	2,125
Financial liabilities measured at amortized cost			
- interest expense using the effective interest method	-4,280	-4,280	-6,017
	-4,280	-4,280	-6,017

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.

The concentration of risk is being permanently monitored based on the knowledge of the Chinese market and the market participants. Adequate countermeasures are taken if ZhongDe becomes aware of such concentration, which might for example be of a geographic or general political nature. There are certain areas, where potential changes might result in significant effects on the situation of ZhongDe like for example political changes or changes of the exchange rate.

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 as well as other financial assets. Cash is placed with creditworthy financial institutions. Trade receivables, other receivables and other financial assets 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 2015 is €189.3 million (2014: €178.5 million). 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%
31.12.2015	-951	951	-951	951
31.12.2014	-790	790	-790	790

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.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in the foreign exchange rate of the Chinese RMB versus the Euro +/- 10%. These changes are considered to be reasonably possible based on observation of current market conditions and experiences from the past. The analysis is based on the current year consolidated financial statements taking into account those assets, liabilities, income and expense that are sensitive to changes in the exchange rate of the Chinese RMB versus the Euro. All other variables are held constant.

in k€	Profit of the year		Equity	
	10%	-10%	10%	-10%
31 December 2015	1,477	-1,797	-9,495	11,614
31 December 2014	141	-194	-10,204	12,449

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 liquidity risk is generally managed by negotiating sufficient bank lines and long term bank loan facilities before entering into new contracts. In addition, a certain safety limit of cash is retained in order to be in a position to react on unexpected developments and additional cash requirements.

In 2016 ZhongDe has to repay bank loans amounting to € 45,9 million. To cover these cash outflow Zhongde entered into a new loan contract with the China Construction Bank in October 2015 with a total loan amount of € 94,9 million. Thereof an amount of € 42,5 million have been paid out to ZhongDe in 2015. A portion of € 52,4 million will be paid out in the first half of 2016.

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€	31.12.2015				
	2016	2017	2018 to 2020	2021 or later	Total
Bank loans	45,873	11,982	43,743	24,898	126,496
Total	45,873	11,982	43,743	24,898	126,496

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

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.

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").

ZhongDe used € 72.2 million (2014: € 27.9 million) in operating activities which was partly enhanced by additional loans (€ 54.5 million, 2014: € 0.0 million).

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 2015, the shareholders' equity amounts to € 104.6 million (2014 € 112.9 million) and the equity rate of the ZhongDe Group was 37% (2014: 45%). The return on shareholders' equity – the ratio of the share of consolidated net earning of the ZhongDe Group's shareholders and the shareholders' equity on the report date – amounted to -15.4% and -0.8% in the 2015 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 (Vice Chairman of the Supervisory Board) of Kinghero AG, Munich, and member of the Supervisory Board of Youbisheng AG, Cologne, Germany

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

In the fiscal year 2015, 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€	31.12.2015	31.12.2014
Zefeng Chen	35	30
Jiu Hua Wang	78	23
	113	53

Supervisory Board (only Fixed Remunerations)

in k€	31.12.2015	31.12.2014
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 21 April 2016. 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 Auditor

Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Hamburg has been elected as the auditors of ZhongDe Waste Technology AG and the Group for fiscal year 2015. 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€	31.12.2015	31.12.2014
Audit services	268	331
thereof related to prior year	19	101
Other assurance services	108	96
Other services	10	23

37 Proposal on the Utilisation of ZhongDe Waste Technology AG's Net Result

At the Annual General Meeting, the Executive Board and Supervisory Board will propose that no dividends will be paid out for the 2015 financial year.

38 Events after the Balance Sheet Date

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

Frankfurt/Main, 21 April 2016



Zefeng Chen
Chairman of the Executive Board (CEO)



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

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, 21 April 2016



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 am 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 2015. 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 2015 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, 22 April 2016

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Clemens
Wirtschaftsprüfer
[German Public Auditor]

von Oertzen
Wirtschaftsprüfer
[German Public Auditor]

Glossary and Abbreviations

AktG

Aktiengesetz (German Stock Corporation Act)

Bage 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=1000KW

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

Date*	Event
27 May 2016	Interim report on the 1st quarter 2016
28 June 2016	Annual General Meeting
29 August 2016	Interim report on the 1st half of 2016
21 – 23 November 2016	German Equity Forum, Frankfurt/Main
28 November 2016	Interim report on the 3rd quarter 2016

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



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