

ZhongDe Waste Technology AG

Annual Report 2013



modern waste management

Overview Financial Highlights

in k€	2013	2012	Change
Operational data			
Order intake ¹⁾	45,838	140,555	-67%
Order backlog ²⁾	226,051	257,365	-12%
Revenues	12,310	24,758	-50%
Gross profit	-211	1,583	<-100
Gross profit margin	-2%	6%	-8 pp
Cost of sales	-12,521	-23,175	-46%
EBITDA	4,276	-4,637	>100
EBITDA margin	35%	-19%	+54 pp
EBIT	-7,437	-12,568	41%
EBIT margin	-60%	-51%	-9 pp
Net income	-8,260	-12,230	32%
Net income margin	-67%	-49%	-18 pp
Earnings per share	-0.66	-0.97	32%
Cash flow data			
Cash flow from operating activities	-17,406	-39,709	56%
Cash flow from investing activities	4,750	-1,017	>100
Cash flow from financing activities	24,209	24,292	0%
Balance sheet data			
Total assets	228,754	200,741	14%
Property, plant, equipment	517	805	-36%
Net working capital ³⁾	102,367	94,530	8%
Cash and cash equivalents	110,076	100,309	10%
Long-term liabilities	66,942	49,713	35%
Shareholders' equity	102,954	112,759	-9%
Headcount (as at 31 December 2013)	372	391	-5%

¹⁾ Average exchange rate 2013 used for translation

²⁾ Exchange rate as of 31 December 2013 used for translation

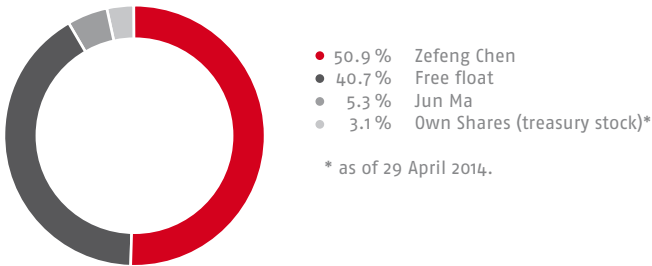
³⁾ Current Assets – Current Liabilities

Table of Contents

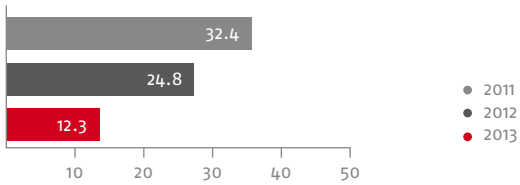
2	ZhongDe at a Glance	49	Market and branding opportunities
4	To our shareholders	49	Risks from dependency on governmental approvals and licenses
6	Letter to our Shareholders	49	Risks and Opportunities in Human Resources
10	Supervisory Board Report	50	Risks and opportunities related to Engineering and Construction phase
16	ZhongDe Share	51	Risks and opportunities related to operation phase
18	Corporate Governance Report	51	Warranty risks
		51	Financial risks
		53	Risks affecting the consolidated results of the Group
24	Combined Management Report	53	Risks and opportunities specific to ZhongDe Waste Technology AG
26	General Information	54	Assessment of Overall Risk Situation
26	Foundation and Structure of ZhongDe Waste Technology AG and the Group	54	The look back on 2013 and Forecast
28	Objectives and Strategies	56	Statements pursuant to Sections 289 para. 4, 315 para. 4 German Commercial Code (Handelsgesetzbuch)
30	ZhongDe's Business Model	56	Subscribed Share Capital
31	Management and Control-System	56	Restrictions regarding Voting Rights and/or the Right to Transfer Shares
32	Research & Development	56	Direct or Indirect Participation in Shares Exceeding 10% of the Voting Rights
32	Economic Report	56	Shares with Exclusive Rights
32	Macroeconomic and Market Environment	56	Exercise of Voting Rights by Employees
32	32 Macroeconomic Environment	56	Appointment and Dismissal of Executive Board Members and amendments of the Articles of Association
32	33 Market Environment	57	Authority of the Executive Board to Issue Shares
33	General Statement on Business Development	58	Change of Control Provisions
34	Results of Operations, Financial Position and Net Assets of ZhongDe Group	58	Agreements on Compensation in Case of a Takeover Offer
34	34 Results of Operations	58	Statements pursuant to Sections 312 para. 3 German Companies Act (Aktengesetz) Concluding Declaration of the Management Board
40	Financial Position	58	Remuneration Report
41	Net Assets	58	Remuneration of the Management Board
42	Financial Position, Results of Operations and Cash Flow Statement of ZhongDe Waste Technology AG	59	Remuneration of the Supervisory Board
42	42 Financial Position of the statutory Financial Statements	59	Corporate Governance Code
43	Result of Operations		
44	Cash Flow Statement of the statutory Financial Statements		
44	Financial and Non-Financial Key Performance Indicators	60	Consolidated Financial Statements
46	Subsequent Events	62	Consolidated Statement of Comprehensive Income
46	Risks and opportunities and their management of ZhongDe Group and ZhongDe Waste Technology AG	63	Consolidated Statement of Financial Position
46	Risk Policy	64	Consolidated Statement of Cash Flow
46	Risks Management System	66	Consolidated Statement of Changes in Equity
47	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)	67	Notes to the financial statements
47	Opportunities Management		
48	Major Risks and Opportunities	126	Additional Information
49	Risks from increasing market competition	126	Glossary and Abbreviations
48	Opportunities from China's economic situation	128	Contact Information
		128	Imprint
		129	Financial Calendar

ZhongDe at a Glance

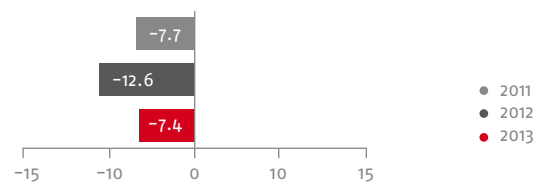
Shareholder Structure



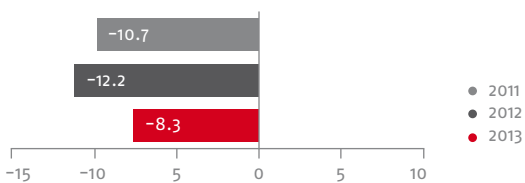
Revenues in € million



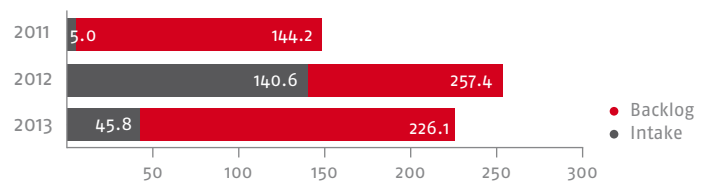
EBIT in € million



Net income in € million



Orders in € million



Project Status

Projects Status in %



Company profile

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

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

6	Letter to our Shareholders
10	Supervisory Board Report
16	ZhongDe Share
18	Corporate Governance Report

To our Shareholders

Letter to our Shareholders

Dear shareholders,

Until the end of the financial year 2013 ZhongDe Group has still been in a challenging transition period. Nevertheless it is our pleasure to present our annual report to you, which should give you a detailed insight into our company.

Energy-from-waste industry in China continues to show a huge market potential while the economy of China recorded a 7.7% annual GDP growth

As BOT projects require stable governmental income and sufficient urbanization within those cities, where energy-from-waste plants are to be built and operated, an increase in GDP indicates a positive outlook for ZhongDe's business. In 2013, China still acted as a driving force of the world economy with an annual GDP growth of 7.7%. This strongly supported the urbanization and also infrastructure investment, which stimulates the demand for energy-from-waste plants.

Finally, the Chinese government made clear that it regards energy-from-waste to be one of the key industries for environmental protection and issued a policy package to stimulate this industry in China. Considering the huge population of 1.3 billion people as well as the limited land and energy resources, China's traditional way of waste disposal in landfill and dumps is slowly coming to an end and the Chinese government has decided to shift to the industrialisation of waste disposal by energy-from-waste projects. In consequence, the energy-from-waste industry faces a huge market potential in China.

Strong performance of ZhongDe shares

ZhongDe's share price increased sharply in 2013. During the first nine months of the year we observed a volatile but positive performance starting with € 1.75 on January 2, 2013, temporarily peaking with € 2.50 mid November. This peak was followed by a sharp rise, up to an all-year high of € 5.10 on November 27, 2013. An increase of 80.2% in orders booked, a shift of voting interests and the sale of one of ZhongDe's subsidiaries are factors supporting this significant increase.

The price then closed at € 4.50 on 30 December 2013, which indicates a 147.5% increase of the share price over the fiscal year 2013. This trend continued on a similar high level at the beginning of 2014, even though the share price fails to reach the November peak again, ending with € 3.75 on 25 March 2014.

Sell of Beijing Miyun Manufacture Facility

In December 2013, ZhongDe successfully sold the Beijing Miyun Manufacture Facility, with a positive effect on its group results amounting to € 10.3 million.



Zefeng Chen, Chairman of the Management Board (CEO)



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

BOT and EPC market competitiveness has been strengthened

ZhongDe group has identified and caught the emerging opportunity of the energy-from-waste business since 2009 and has strengthened its market competitiveness in BOT and EPC energy-from-waste industry by continuously signing new large-size BOT and EPC contracts.

In June 2013 ZhongDe Group signed a contract with an electricity company on the construction of a new energy-from-waste plant located in Wuhai City in Inner Mongolia with a total contract gross amount of about € 45.8 million. The planned large-scale EPC project in Wuhai will have a daily waste disposal capacity of 1,000 tons per day and positively impacts the order backlog of ZhongDe Group in 2013. The start of construction is scheduled in June 2014; its completion is expected in 2017. Secondly, this market-coverage strategy has also influenced ZhongDe's financing strategy. The Company is well-prepared for increased future investments in BOT projects, having gained additional long-term project loans from the local banks.

Finally, ZhongDe has optimized the standardization of BOT and EPC projects. Although the delay of government approvals reduced the speed of the BOT and EPC construction, ZhongDe's three BOT project, the Zhoukou project, Xianning project and Kunming project, and two EPC projects, Dingzhou project and Zhucheng project, had still made progress in both construction and operation preparation in 2013.

Financial performance reflecting challenges in the project business

Group revenues amounted to € 12.3 million in the financial year 2013, representing a decrease by € 12.5 million (or 50.0%). All revenues relate to EPC- and BOT-projects. Since the beginning of the second quarter 2013 the revenues are accounted according to the zero-profit method. Under this method revenues are presented according to the stage of completion without a profit margin. The application of the zero-profit method leads to a negative of revenue effect amounting to € 1.5 million.

Although gross profit decreased to € -0.2 million (>-100%), the EBIT improved to € -7.4 million (+41%) and net income improved to € -8.3 million (+32%). This development includes the positive one-of effect out of the Beijing Miyun sale amounting to € 10.3 million. In addition, expenses amounting to €11.4 million are included due to the impairment of intangible assets of € 2.2 million (2012: € 7.4 million) for Zhoukou and € 9.2 million (2012: € nil) for Xianning.

Total assets increased by 14% to € 228.8 million, while shareholders' equity went slightly down by 9% to € 103.0 million. Although more cash was invested in the construction of energy-from-waste projects, the cash position kept very strong and amounted to € 110.1 million (+10%).

Outlook

The increasing demand for energy-from-waste-plants favours ZhongDe's business environment. The management is currently negotiating new projects and is confident to acquire new contracts in 2014 and the coming years.

Two of ZhongDe's BOT projects, one located in Zhoukou and one in Xianning, have entered into trial operation and are expected to be completed in 2014. Management plans to complete the construction of Kunming project and to begin its trial operation in 2015. All these projects will then start to generate cash-inflows from guaranteed payments. In addition ZhongDe Group expects to finalize the completion of the EPC-projects in Dingzhou und Zhucheng with financial year 2015.

In summary, we expect that the next year will be still a transition period, during which ZhongDe finalizes existing projects, commences its operations and starts the project in Lanzhou. For 2014, an improvement of the operating result, although still leading to a loss before taxes, is to be expected, while the Group's cash position is stabilizing. As the construction in Lanzhou starts to progress further revenues will be realizable in the upcoming years with improvements in the Group's profitability and further improving the liquidity of the Group.

Acknowledgements

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

Frankfurt am Main, 25 April 2014



Zefeng Chen
Chairman of the
Management Board (CEO)



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

Supervisory Board Report

Dear Shareholders,

2013 was another challenging year for ZhongDe Waste Technology AG and its affiliated entities (the “ZhongDe-Group”), yet the market environment for waste-to-energy factories in China remains promising. Moreover, the acquisition of an EPC-project in Wuhai in 2013 and the BOT-project in Lanzhou in 2012 has shown that the Company is able to take advantage of the positive market environment. Finally, the Company has been able to record significant progress for important projects in the financial year 2013.

The Supervisory Board has always critically and constructively accompanied the Executive Board during the financial year 2013. During the reporting period, the Supervisory Board laid a particular focus on enhancements and improvements to the Company’s accounting, risk and project management systems as well as its controlling systems.

Supervision of and Cooperation with the Executive Board

During the reporting period, the Supervisory Board has carried out the 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 the Executive Board and the Supervisory Board and the German Corporate Governance Code with great care. The Supervisory Board continuously supervised and advised the Executive Board and was comprehensively and timely involved in all matters of significant importance for the group.

The Executive Board regularly provided the Supervisory Board with written reports during the reporting period on all matters of significant importance for the ZhongDe-Group, in particular the business development, 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. Deviations of the actual business development from business plans were thoroughly discussed. As far as further questions arose from the reports, the Supervisory Board addressed these questions and worked towards – oral or written – follow up reports.

The strategy of ZhongDe-Group was discussed and agreed upon between Supervisory Board and Executive Board. The state of implementation of the ZhongDe-Group's strategy was discussed on a regular basis. All events and developments with major significance for ZhongDe-Group were considered between Supervisory Board and Executive Board.

In addition, 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

The Supervisory Board held in total five meetings during the financial year 2013. All members of the Supervisory Board as well as of the Executive Board attended the Supervisory Board meetings.

Conflicts of interests of members of the Supervisory Board did not occur during the reporting period.



Gerrit Kaufhold, Chairman of the Supervisory Board

At each Supervisory Board meeting, the Executive Board reports on the financial and economic condition of the Company and ZhongDe-Group, the recent development, the business policy and business strategy, the profitability, the corporate planning and major projects. In this context, the respective quarterly numbers as well as any deviations from the business plans are discussed at the Supervisory Board meetings. Furthermore, the Executive Board and the Supervisory Board regularly discuss the short- and mid-term strategy of ZhongDe-Group. In addition, the Supervisory Board 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 topics, the central topics of the meetings of the Company's Supervisory Board that have been held in the financial year 2013 can be summarised as follows:

The main focus of the Supervisory Board meeting held on **25 March 2013** lay on the preparation and auditing of the financial statements of the Company and the consolidated financial statements of the ZhongDe Group. Further, the Supervisory Board discussed improvements of the Company's accounting, risk and project management and controlling systems were discussed with the Executive Board based on recommendations of external experts that had been mandated by the Executive Board upon recommendation of the Supervisory Board. The Supervisory Board gave an urgent recommendation to the Management Board for the immediate implementation of these expert suggestions and repeated these recommendations in the new reporting period several times.

The Supervisory Board meeting on **28 April 2013** primarily dealt with the discussion and approval of the financial statements 2013 of the ZhongDe-Group and the results of the audit of the annual reports by the auditor. The auditor and the members of the Executive Board were present at the meeting. The auditor reported on the main results of the audit. These were thoroughly discussed between the Supervisory Board, the Executive Board and the auditor. Based on its own review and based on the results of the Supervisory Board meeting, the Supervisory Board approved the financial statements. In the following, the status of the preparation of the General Shareholders' Meeting of the Company was discussed.

The Supervisory Board meeting on **27 June 2013** dealt with the current business development and the progress in running projects of the Company. Furthermore, the status of implementation of the recommendations for the improvements of the Company's accounting and project controlling systems as well as the status and the further cooperation with external advisors in these areas were considered.

Prior to the Supervisory Board meeting of **23 October 2013**, the Chairman of the Supervisory Board, Mr Gerrit Kaufhold, and the Deputy Chairman, Prof Bernd Neukirchen, examined the project in Kunming. In the Supervisory Board meeting held on **23 October 2013**, the Supervisory Board extensively dealt with the business development during the financial year and the development of running projects in Zhoukou, Feicheng, Kunming, Xianning, Lanzhou, Dingzhou, Zhucheng und Wuhai, in each case including a detailed analysis of any deviations from the planning. Particularly in light of the insights gained from the inspec-

tion of the project in Kunming, the Supervisory Board strongly advised the Executive Board to intensify project management and project controlling. In addition, potential cooperations with various external advisors and providers in the area of waste-to-energy facilities were considered. A resolution about the budget for the financial year 2014 was postponed on the first quarter 2014. Other agenda items were the short and medium term planning of the Executive Board and the status of the preparation of the annual and the consolidated financial statements. Finally, the chairman reported on the results of a meeting between the Financial Reporting Enforcement Panel (Deutsche Prüfstelle für Rechnungslegung) and the chairmen of the supervisory boards of companies listed in Germany but operating in China.

The main topic of the Supervisory Board meeting on **10 December 2013** was the discussion of the quarterly report as of 30 September 2013 and the status and the potential sale of two facilities in China as well as the status of the preparations for the newly acquired Wuhai-project. In addition, the business development during the financial year 2013 and the quarterly report as of 30 September 2013 were analysed together with the Executive Board.

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

The Supervisory Board continuously monitored the compliance with corporate governance standards at ZhongDe-Group during the financial year 2013. The Executive Board and the Supervisory Board avow themselves being committed to good corporate governance that is considered as a central part of the Company's management in terms of a sustainable growth of the Company. The Executive Board – also on behalf of the Supervisory Board – gives account on corporate governance with ZhongDe-Group in the Declaration of Corporate Governance, which also contains the Corporate Governance Report on pages 20 et seqq. in accordance with section 289a of the German Commercial Code and section 3.10 of the German Corporate Governance Code. On 22 April 2014, the Executive Board and the Supervisory Board jointly issued an updated compliance statement in accordance with Section 161 of the German Stock Corporation Act.

Individual and Group Financial Statements 2013

The individual financial statements of ZhongDe Waste Technology AG (Einzelabschluss) have been prepared in accordance with the German generally accepted accounting principles as provided in the German Commercial Code (Handelsgesetzbuch). 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 28 June 2013 has elected Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft as auditor of the Company and the ZhongDe-Group. The Supervisory Board has thereupon awarded the auditor the audit order in accordance with the requirements of statutory law and the recommendations of the German Corporate Governance Code and, in this context, has satisfied itself of the auditor's independence.

The auditor examined the individual and the consolidated financial statements as of 31 December 2013, the status report and the group status report as well as the report of the Executive Board on the relations to affiliated entities and issued an unqualified audit opinion. The audit did not lead to any qualifications.

The aforesaid documents, including the report of the auditor, were timely distributed to all Supervisory Board members. The Supervisory Board comprehensively reviewed the documents in its meeting on 24 April 2014 in the presence of the Executive Board and the auditor. The 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 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 2013 are, therefore, adopted.

The Supervisory Board also approved the status report and the group status report as well as the assessment of the further development of the Company and the Group.

Dependency Report

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 at instigation of the controlling enterprise and has not suffered any other disadvantages at the instigation of the controlling enterprise. The report prepared by the Executive Board on the Company's relations to affiliated entities was issued with an unqualified audit opinion by the auditor. The unqualified opinion of the auditor is as follows:

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

The auditor attended the deliberations of the Supervisory Board on 24 April, 2014 and explained the results of the audit. The Supervisory Board agreed with the results of the audit by the auditor. No objections are to be raised to the statements of the Executive Board regarding the Company's relation to affiliated companies.

Personnel Matters

In the financial year 2013, the Supervisory Board reappointed the Company's CEO Mr Chen Zefeng for another term of five years.

Proposal on the appropriation of net income

Given the current situation, in particular the consolidated net loss of € 8.3 million reported for financial year 2013, the Supervisory Board approved the Executive Board's proposal on the appropriation of net income. The Supervisory Board agrees that the company's interest in maintaining a solid capital base outweighs the shareholders' interest in receiving a dividend and therefore, acting in concert with the Executive Board, proposes carrying forward the retained earnings of € 6.2 million in their entirety, rather than paying a dividend to the shareholders.

Acknowledgments

The Supervisory Board would like to take this opportunity to express its warm gratitude to the employees of the ZhongDe Group and to the company's Executive Board for their commitment during the past year.

Frankfurt am Main, 24 April 2014



The Supervisory Board
Gerrit Kaufhold
Chairman of the Supervisory Board

ZhongDe Share

Recovering European markets and continuous increases of German share market indices

The overall market sentiment during 2013 proved to be very positive. A recovering and prosperous political and fiscal European environment supported the German economy, which continued its strong development.

The DAX reflected this overall positive atmosphere and increased 25% throughout the fiscal year. In the first half of 2013 it was very stable on an unchanged level around 7.900 points until the first significant increase in May and the second increase in November up to 9.000 points. It closed on December 30, 2013 with 9.552 points. Despite high volatility in the first quarter of 2014, this positive trend was continued, leaving the DAX with 9.338 points on March 25, 2014.

The SDAX trended in a very similar direction, with a 29% increase, closing at then end of 2013 with 6.788 points. The slight volatility in the first quarter of 2014 could not hinder another increase of 6%, leaving the SDAX with 7.030 points on 25 March 2014.

Strong 2013 performance of ZhongDe shares

ZhongDe's share price increased sharply during 2013. During the first nine months of the year we observed a volatile but positive performance starting with € 1.75 on January 2, 2013, temporarily peaking with € 2.50 mid November. This peak was followed by a sharp rise, up to an all-year high of 5.10€ on November 27, 2013. An increase of 80.2% in orders booked, a shift of voting interests and the sale of one of ZhongDe's subsidiaries are factors supporting this significant increase.

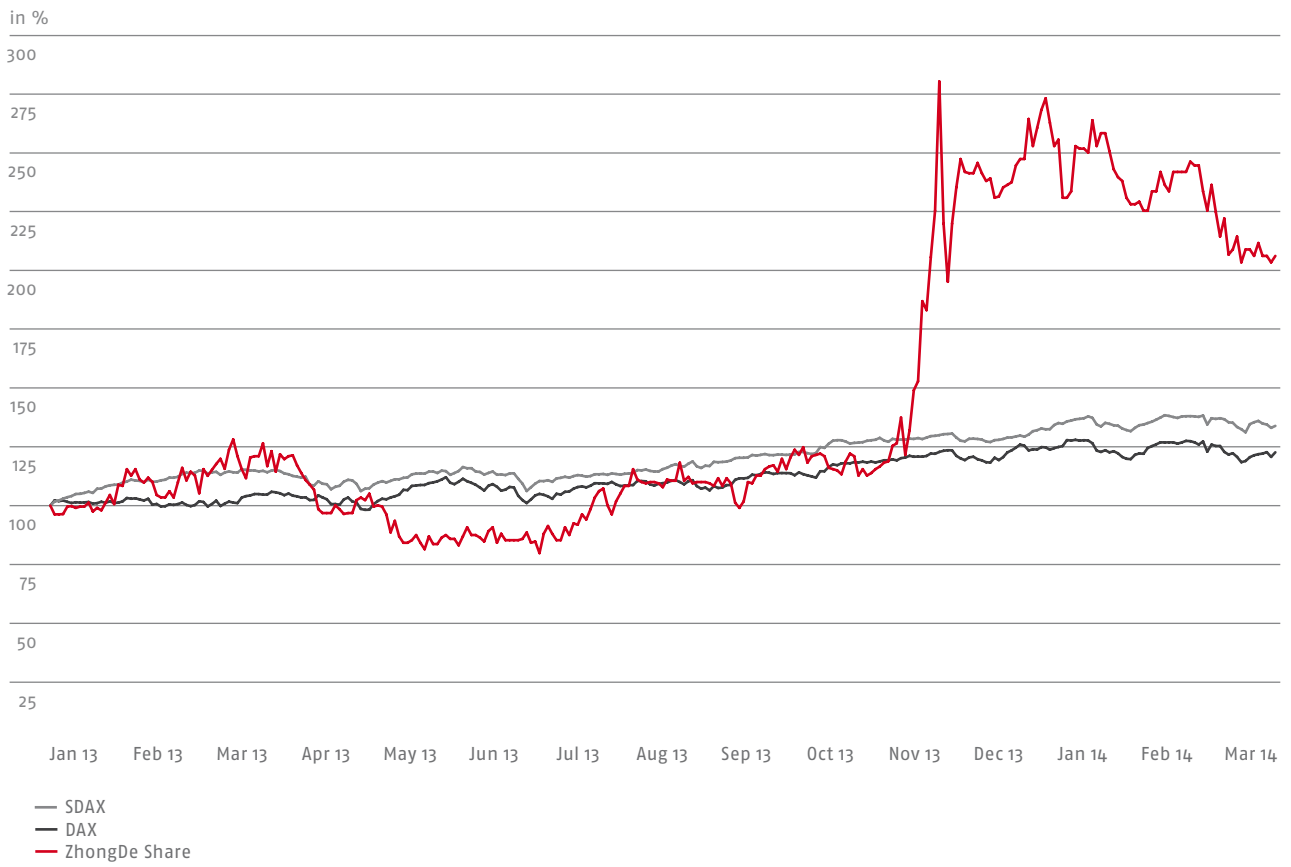
The price then closed at € 4.50 on 30 December 2013, which indicates a 147.5% increase of the share price over the fiscal year 2013. This trend continued on a similar high level at the beginning of 2014, even though the share price fails to reach the November peak again, ending with € 3.75 on 25 March 2014.

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 this November. We will also carry out regular one-on-one talks and conference calls regarding our business figures. For additional capital market relevant information please visit our website: www.zhongde-ag.com.

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

Key share indicators 2013 in €	
Share price	
Year-end price	4.50
High	5.10
Low	1.45
Earnings per share	-0.64
Dividend per share (proposed)	0.00
Market capitalisation (as at March 25, 2014)	48.75 million



Corporate Governance Report

Declaration on Corporate Governance and Corporate Governance Report

ZhongDe Waste Technology AG is committed to the principles of good and responsible Corporate Governance. Corporate Governance at ZhongDe is focused on responsible long-term value creation and is based on the German Corporate Governance Code (Deutscher Corporate Governance Kodex – the “Code”). 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. Supervisory Board and Executive Board of ZhongDe Waste Technology AG explicitly support the 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 and contains the corporate governance report recommended pursuant to section 3.10 of the Code.

Compliance Statement

In the financial year 2013 and until the date of this report, the Executive Board and the Supervisory Board dealt with Corporate Governance issues at several occasions. On 22 April 2014, the Executive Board and the Supervisory Board jointly issued the following Compliance Statement (Entsprechenserklärung) in accordance with Section 161 of the German Stock Corporation Act and made it permanently available to the public on the Company’s website:

The Executive Board and the Supervisory Board herewith declare that the Company has complied and will comply with the recommendations of the German Corporate Governance Code (“Code”) in the version dated 13 May 2013, 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 the members of the Executive Board of ZhongDe Waste Technology AG have only concluded service agreements with the Chinese operating entity Fujian FengQuan Environmental Protection Equipment Limited but not with the stock corporation itself, and since the service agreements only provide for a fixed remuneration, the recommendations set forth in sections 4.2.2 and 4.2.3 of the German Corporate Governance Code do not apply.
- Section 4.2.5 of the Code contains recommendations regarding the presentation of the executive board remuneration in the remuneration report; in particular section 4.2.5 of the Code recommends using certain sample tables. The Company does not comply with this recommendation. Since the members of the Executive Board are entitled to a fixed remuneration only, the recommendations of section 4.2.5 of the Code do not promise any additional insight for the shareholders or the public.
- 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. 3 of the Code, the Supervisory Board shall take into account its objectives for the composition of the Supervisory Board when proposing candidates for election to the Supervisory Board. In 2012, the Supervisory Board resolved, inter alia, to seek for adequate female representation in the Supervisory Board and, consequently, to seek to propose at least one female candidate in the next Supervisory Board elections. Although the Supervisory Board has taken into account its objectives when discussing proposals for election of Supervisory Board members, the Supervisory Board proposed Mr Gerrit Kaufhold and Prof. Dr. Bernd Neukirchen for re-election at the general shareholders’ meeting held on 28 June 2013; the reason being that both have skills and experience currently needed by the Company. Irrespective of the aforesaid, the Supervisory Board still maintains its objectives for its composition, which are described in more detail in the Corporate Governance chapter of the annual report.

- According to section 5.4.6 para. 2 of the Code, which has been revised in 2012, 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 respective financial year's 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. The Company will discuss potential adjustments to the variable Supervisory Board remuneration in order to comply with the requirements of section 5.4.6 para. 2 of the Code in the future.
- 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.

Information on Corporate Governance Practice

Shareholders and General Shareholders' Meeting

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

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

The invitation for the General Shareholders' Meetings includes explanations on the provisions on the attendance, the procedure pertaining to the exercise of voting rights (in person or by proxy) as well as the rights of the shareholders. All reports and documents which are required by law to be made available for General Shareholders' Meetings, including the annual report, will be published on the Company's website at www.zhongde-ag.com/investor_relations/hauptversammlung.html together with the agenda. After completion of the General Shareholders' Meeting, the actual quorum and the voting results can also be found at said web address.

Functions and Responsibilities 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 sustainable growth.

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 2013 no conflicts of interest which would have had to be disclosed and/or reported to the Supervisory Board occurred.

The Company had entered into a D&O insurance for its members of the Executive Board which provides for a deductible as prescribed by law.

Supervisory Board

The task of the Supervisory Board is to control and advise the Executive Board. The Supervisory Board is furthermore responsible for the appointment of the members of the Executive Board, the determination of their remuneration as well as the review and approval of the annual financial statements of the Company. In addition, the Supervisory Board is responsible to decide on granting the approval to business transactions of significance which require the prior consent of the Supervisory Board. 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 2013, no conflicts of interest which 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.

Composition of the Executive Board and the Supervisory Board

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 (Chairman and 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 (Aktien-gesetz) 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.

Objectives of the Supervisory Board in respect of its Composition

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 para 2 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 has discussed these requirements in detail. It is of the opinion that it already complies with the requirements concerning internationality, independence and potential conflicts of interest. Potential conflicts of interests are prevented by the fact that all members of the Supervisory Board are independent within the meaning of Section 100 para. 5 of the German Stock Corporation Act and Section 5.4.2 of the Code. The international operations of the Company primarily comprise Germany and China. Accordingly, already as of today the Supervisory Board comprises two members of German origin and one member of Chinese origin. The Supervisory Board intends – while securing the qualification and experience of its board members – to secure this internationality and independence of its members in the future. In addition, the Supervisory Board has decided to seek for an adequate representation of women in the Supervisory Board. In this respect, it was initially intended to propose one female candidate for election to the Supervisory Board at the next Supervisory Board elections. Although the Supervisory Board has taken into account its objectives when discussing proposals for election of Supervisory Board members, the Supervisory Board proposed Mr Gerrit Kaufhold and Prof. Dr. Bernd Neukirchen for re-election at the General Shareholders' Meeting held on 28 June 2013; the reason being that both have skills and experience currently needed by the Company. Irrespective of the aforesaid, the Supervisory Board still maintains its objectives for its composition.

Committees

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

Remuneration of Executive Board and Supervisory Board

According to 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 is part of the annual report (page 58).

Directors' Dealings

According to Section 15a of the Securities' Trading Act (Wertpapierhandelsgesetz), the members of the Executive Board and the Supervisory Board and/or persons close 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 transaction amounts to € 5,000.00 or more within a calendar year. In respect of the financial year 2013, ZhongDe Waste Technology AG has not been notified of any such transactions.

The members of the Executive Board hold, directly or indirectly, 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

ZhongDe Waste Technology AG prepares its annual consolidated financial statements (Konzernabschluss) as well as all quarterly financial statements in accordance with 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 2013, the General Shareholders' Meeting of the Company held on 28 June 2013 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 and observance of these measures and rules by affiliated companies, is a key management duty. The Company has developed internal rules as well as a code of conduct through which all individual employees of the Company and its affiliated entities are obliged to comply with all statutory provisions and the rules set forth in these internal guidelines. The Company puts great emphasis to fully comply with both German and Chinese statutory legal provisions and conventions.

Risk Management

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

Transparency

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

26	General Information
26	Foundation and Structure of ZhongDe Waste Technology AG and the Group
28	Objectives and Strategies
30	ZhongDe's Business Model
31	Management and Control-System
32	Research & Development
32	Economic Report
32	Macroeconomic and Market Environment
32	32 Macroeconomic Environment
33	33 Market Environment
33	General Statement on Business Development
34	Results of Operations, Financial Position and Net Assets of ZhongDe Group
34	34 Results of Operations
40	40 Financial Position
41	41 Net Assets
42	Financial Position, Results of Operations and Cash Flow Statement of ZhongDe Waste Technology AG
42	42 Financial Position of the statutory Financial Statements
43	43 Result of Operations
44	44 Cash Flow Statement of the statutory Financial Statements
44	Financial and Non-Financial Key Performance Indicators
46	Subsequent Events

46 Risks and opportunities and their management of ZhongDe Group and ZhongDe Waste Technology AG

- 46 Risk Policy
- 46 Risks Management System
- 47 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)
- 47 Opportunities Management
- 48 Major Risks and Opportunities
 - 49 Risks from increasing market competition
 - 48 Opportunities from China’s economic situation
 - 49 Market and branding opportunities
 - 49 Risks from dependency on governmental approvals and licenses
 - 49 Risks and Opportunities in Human Resources
 - 50 Risks and opportunities related to Engineering and Construction phase
 - 51 Risks and opportunities related to operation phase
 - 51 Warranty risks
 - 51 Financial risks
 - 53 Risks affecting the consolidated results of the Group

- 53 Risks and opportunities specific to ZhongDe Waste Technology AG
- 54 Assessment of Overall Risk Situation
- 54 The look back on 2013 and Forecast**
- 56 Statements pursuant to Sections 289 para. 4, 315 para. 4 German Commercial Code (Handelsgesetzbuch)**
- 56 Subscribed Share Capital
- 56 Restrictions regarding Voting Rights and/or the Right to Transfer Shares
- 56 Direct or Indirect Participation in Shares Exceeding 10% of the Voting Rights
- 56 Shares with Exclusive Rights
- 56 Exercise of Voting Rights by Employees
- 56 Appointment and Dismissal of Executive Board Members and amendments of the Articles of Association
- 57 Authority of the Executive Board to Issue Shares
- 58 Change of Control Provisions
- 58 Agreements on Compensation in Case of a Takeover Offer
- 58 Statements pursuant to Sections 312 para. 3 German Companies Act (Aktengesetz) Concluding Declaration of the Management Board**
- 58 Remuneration Report**
- 58 Remuneration of the Management Board
- 59 Remuneration of the Supervisory Board
- 59 Corporate Governance Code**

Group Management Report

Combined Management Report

(for the period ended 31 December 2013)

GENERAL INFORMATION

Foundation and Structure of ZhongDe Waste Technology AG and the Group

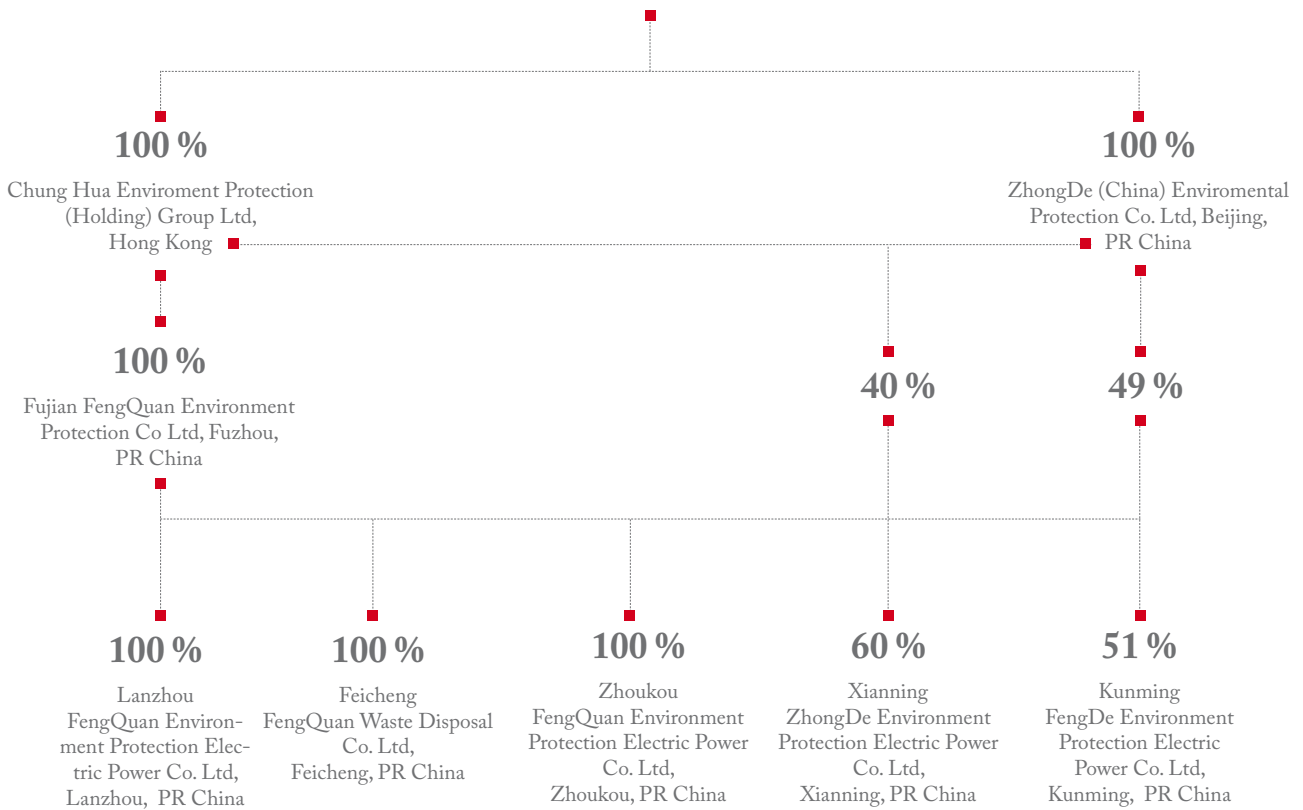
ZhongDe Waste Technology AG is a German stock corporation operating under German law whose financial year is the calendar year (i.e. 1 January through 31 December). The Company's shares are traded on the Prime Standard, a segment of the regulated market ("Regulierter Markt") of the Frankfurt Stock Exchange.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

ZhongDe Waste Technology AG holds all shares in seven (2012: eight) operating entities, which are all located in the People's Republic of China ("China" or "PRC") and carry out the operational business mainly via the non-operating intermediate holding company Chunghua Environmental Protection Assets (Holdings) Group Ltd., Hongkong ("ZhongDe Hongkong"). ZhongDe Hongkong owns 100% of the shares of these operational entities directly and indirectly through Fujian FengQuan Environmental Protection Holdings Ltd., which is a further intermediate holding company and a directly owned subsidiary of Chunghua Environmental Protection Assets (Holdings) Group Ltd. ZhongDe (China) Environment Protection Co. Ltd. Peking, PRC, is another directly owned subsidiary of ZhongDe Waste Technology AG carrying out operational business. In 2013 the subsidiary Beijing ZhongDe Fengquan Environmental Protection Technology Ltd. was sold to an investor. ZhongDe Waste Technology AG and its subsidiaries are hereinafter referred to as ZhongDe Group. The structure of ZhongDe Group by year end is disclosed as follows:

Group Chart



ZhongDe Waste Technology AG Legal structure (simplified, as at: 31 December 2013)



ZhongDe Group is formed by energy-from-waste companies that design, invest in, construct and operate waste to energy plants, which generate electricity through the disposal of solid municipal, industrial (including hazardous) and medical waste. Since 1996 ZhongDe Group has completed approximately 200 waste disposal projects all within Mainland China. ZhongDe Group with its parent company ZhongDe Waste Technology AG has been publicly listed since 2007 at the Frankfurt Stock Exchange. The registered office of ZhongDe Waste Technology AG is located in Frankfurt, Germany and the operating headquarter is located in Beijing, China.

The business of ZhongDe is generally set-out into three sales chains: As general contractor of “Engineering, Procurement and Construction projects” (short “EPC”) ZhongDe Group is responsible for the design, procurement, construction and installation of energy-from-waste plants applying different technologies. As an investor in “Build-Operate-Transfer projects” (short “BOT”) ZhongDe also operates energy-from-waste plants. Finally ZhongDe builds and sells incinerators. Due to the changes in the customer demand in China this segment has no material impact in the last years on the Group’s sales and profit situation. Mainly due to this market situation the subsidiary Beijing ZhongDe Fengquan Environmental Protection Technology Ltd., which is the owner of the Beijing Miyun site which was planned as research centre for small-size incinerators, was sold in December 2013.

Objectives and Strategies

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

The energy-from-waste industry will gain strong support from the Chinese Government and will offer promising growth opportunities as one of seven strategic new industry programmes stated in the 12th Five-Year Plan for the years 2011 to 2015. In view of this positive market environment ZhongDe plans to expand its market position and technological expertise.

Since 2010 ZhongDe Group’s main focus is on BOT projects including sales and marketing, financing and investment, as well as on the standardization and the preparation of operation of BOT projects, which cover the entire value chain in the field of energy-from-waste (5 phases) compared to EPC projects (4 phases). Due to the macroeconomic conditions BOT projects face an increasing demand in China, while EPC projects are – due to their shorter project duration – still a sales driver for ZhongDe Group.

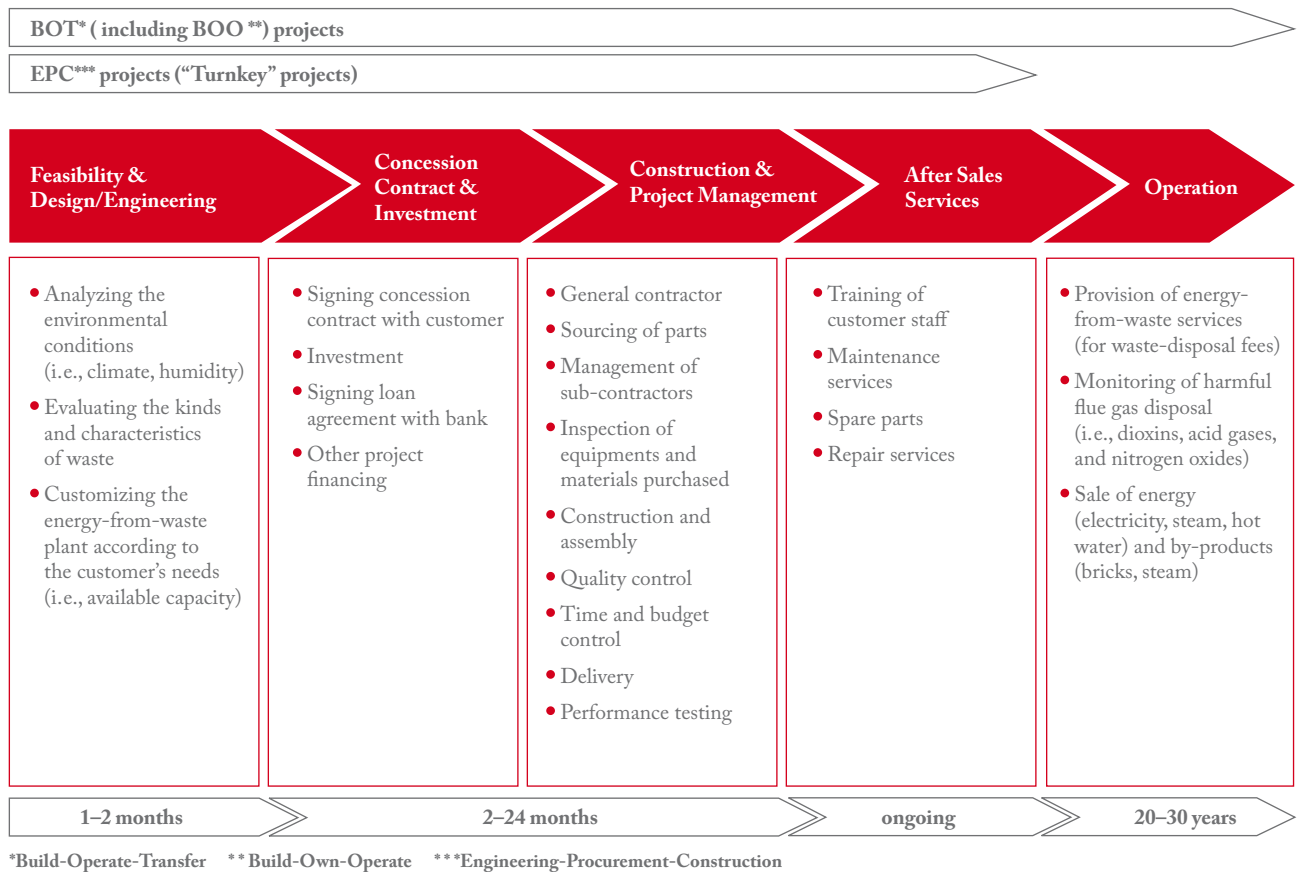
While EPC projects see a bigger competition within the market share, ZhongDe's main focus is on BOT projects. The BOT business delivers a sustainable earnings stream from interest income and electricity sales and from other by-products once the construction is completed. Additionally ZhongDe receives guaranteed payments for the financing of the construction of the site, which are granted from customers during the operation phase. On the other hand BOT projects are highly depending on the timely granting of business and operation licenses by the government and construction work performed as scheduled. Delays of obtaining business and operation licenses or due to other reasons bear the risk, that the overall project and accordingly the start of operation are postponed. This can lead to penalty charges by customers and increased project costs. As the granting of licenses is not within the scope of influence of ZhongDe Group risks arising from this cannot be fully prevented. For further details we refer to section 5.5.4.

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

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

ZhongDe's Business Model

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



The first phase: Feasibility and design/engineering

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

The second phase: Concession contract and investment

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

The third phase: Construction and project management

ZhongDe acts as a general contractor and outsources most parts of the construction to subcontractors. During the construction ZhongDe manages the subcontractors and inspects equipment and materials purchased from the subcontractors to ensure the quality required. Besides quality control, the project management includes time and budget control and performance testing. The second and third phases last jointly about 24–48 months depending on the project progress.

The fourth BOT phase: After-sales service

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

The fifth BOT phase: Operation

After the site is completed, ZhongDe operates the plant by receiving and processing waste in exchange for waste disposal fees, monitoring and purifying harmful flue gases. ZhongDe receives further revenues from energy such as electricity, steam or hot water, generated as the by-product of waste combustion as well as from the potential sale of other by-products such as bricks or tiles. The payments guaranteed by the customer for the remaining service concession period increase the cash of the group and reduce the receivables built up during the construction. The operation

period lasts 20 to 30 years, depending on the concession agreement in question. Ownership of the energy-from-waste plant is then transferred to the municipal government.

Management and Control-System

The responsibilities within Management are separated as follows:

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

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

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

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

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

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

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

In 2013 the establishment of the Internal Control and Risk Management Department in ZhongDe's headquarter in Beijing progressed. This department is responsible that by the internal control and risk management system risks are identified, assessed and managed. Finally in 2013 ZhongDe Group has started the implementation of Lucanet software for planning, project calculation, impairment testing and accounting.

Research & Development

Technological innovation is the core competitive factor for ZhongDe Group's sustainable development. To adapt to the increasingly serious environmental requirements and the stiff competition from other environmental companies, ZhongDe Group actively innovates and develops new technologies partly on the basis of foreign technologies which are tailored to the Chinese market on the basis of the company's research and development abilities. This process ensures the solid foundation for the company's sustainable development.

In 2013, Research and Development was mainly focused on the following activities:

Actively carried out the research for grate furnace waste mixed burning sludge project to expand the company business. This research is inter alias done to be used in the project in Xianning.

Beside these innovative and new technologies ZhongDe Group is continuing the corporation with the Tsinghua University on a post-doctoral research project. The post-doctoral research station was awarded the title of the Natural Science Fund Project in Fujian Province in 2012. Furthermore the Group carries out the technical service agreement entered into 2012 with Zhejiang Haizheng Medical Group for the incineration of Chinese medical waste with a daily capacity of 80 tons.

ECONOMIC REPORT

Macroeconomic and Market Environment

Macroeconomic Environment

The key macroeconomic figures ZhongDe Group is focussed on are gross domestic product (GDP), the RMB/Euro exchange rate and the governmental focus on environmental issues.

As BOT projects require stable governmental income and sufficient urbanization within those cities, where energy-from-waste plants are to be built and operated, an increase in GDP indicates a positive outlook for ZhongDe's business. In 2013 China was still the driving force of the world economy. The overall national economic performance of China showed stable and moderate growth in 2013. According to the preliminary accounting from the National Bureau of Statistics, the GDP of China was RMB 56,884.5 billion in 2013, a year-on-year increase of 7.7% at comparable prices. The stable GDP growth strongly supported the urbanization and infrastructure investment, which will lead to a higher demand of energy-from-waste plants. In 2013, the investment in fixed assets was RMB 43,652.8 billion, a growth of 19.6%, which shows that investments including energy-from-waste kept at strong growth.

The RMB/Euro exchange rate has direct impact on ZhongDe Group's asset and profit situation as the Group's operating entities are all located in Mainland China and their financial statements are converted into the presentation currency, which is Euro. Any decrease in RMB currency could have negative impact on the presentation of ZhongDe's financial position. In 2013 the growth rates of imports and exports picked up to same extent as GDP: The total value of imports and exports in 2013 was 4,160.3 billion US dollars, an annual increase of 7.6%. The total value of exports was 2,210.0 billion dollars, up by 7.9%; the total value of imports was 1,950.3 billion dollars, a year-on-year increase of 7.3%. The trade balance was 259.75 billion dollars. It shows that the increase of the RMB value will still be the trend in long-term. If the fluctuation range of the RMB will be increased, which is under discussion, the relative risk of foreign exchange in short term will be increased.

Finally, the Chinese government made clear that it regards energy-from-waste to be one of the key industries for environmental protection and issued a policy package to stimulate the energy-from-waste industry in China. Considering the huge population of 1.3 billion people as well as the limited land and energy resources, China's traditional way of waste disposal in landfill and dumps is slowly coming to an end and the Chinese government has decided to shift to the industrialisation of waste disposal by energy-from-waste projects. In consequence, the energy-from-waste industry faces a huge market potential in China.

Market Environment

According to the 2012 China energy-from-waste Market Analysis Report published on the website of China Association of Environment Protection Industry (CAEPI), a total of 272 new energy-from-waste plants will be constructed in China, in order to increase the waste disposal capacity of 580,000 tons/day and reach the total capacity of 871,000 tons/day over the period of the 12th Five-Year Plan.

Besides increasing urbanization China is the biggest manufacturing hub in the world, with an enormous demand for energy. As a result, energy consumption requirement in the country is abundant, which is leading to further needs of energy-from-waste plant installations in the country.

Within its market share ZhongDe Group competes within Mainland China with domestic and international companies. The main domestic competitors are Hangzhou Jingjiang Co., Shanghai Environment Co., and Everbright Co., while Veolia is one of the international players acting in this market segment. The strongest competitors of ZhongDe Group are state-owned companies, which are supported by the Chinese government and have therefore better opportunities to get new contracts from municipal governments. As more competitors enter the market, ZhongDe is still facing increasingly more pressure from competition.

General Statement on Business Development

In June 2013 ZhongDe Group signed a new EPC contract on an energy-from-waste plant in Wuhai with a capacity of 1,000 tons/day. Further details on this project are disclosed in section 2.3.1. Beside this the two EPC projects in Dingzhou and Zhucheng, which were suspended in 2012, were resumed in the third quarter of 2013. Despite the successful market position and the increasing order volume, the current BOT projects are still developing slowly but steady: The Lanzhou project, the largest energy-from-waste plant in China, is still in the preparatory stage as approvals and land use rights have still not been granted and the project planning and the financing has yet to be completed. Experience shows that the development of BOT projects is not sufficiently predictable, therefore the revenues presented according to the stage of completion of the referring projects do not include the profit margin and are accounted under the zero-profit method since the beginning of the second quarter 2013. In comparison to financial year 2012 the application of the zero-profit method leads to a reduction of revenues amounting to € 1.5 million.

ZhongDe generated a consolidated loss for the year amounting to € 8.3 million (2012: € 12.2 million). Please refer to the following explanations of the results of operations, financial position and net assets.

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

Results of Operations

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

Income statement

in k€	Notes	2013	2012
Revenues	2.24, 4	12,310	24,758
Cost of sales	5	-12,521	-23,175
Gross Profit		-211	1,583
Other operating income	6	10,500	1,165
Selling and distribution expenses	7	-824	-1,890
Administrative expenses	8	-3,821	-3,726
Research and development expenses	2.9	-184	-222
Other operating expenses	9	-12,897	-9,478
Loss from operations		-7,437	-12,568
Finance income	2.16, 11, 30	2,267	2,437
Finance costs	2.16, 12	-3,794	-2,789
Loss before tax		-8,964	-12,920
Income tax expense	2.27, 26	704	690
Loss for the year		-8,260	-12,230

Key financial figures

Financial Performance in k€	2013	2012	Change
Revenues	12,310	24,758	-50%
Gross profit	-211	1,583	<-100
EBIT	-7,437	-12,568	41%
Net income	-8,260	-12,230	32%
Return on equity ¹⁾	-8.02%	-10.85%	+3 pp
Return on capital employed ²⁾	-12%	-20%	+8 pp
Current liquidity ratio ³⁾	2.7	3.5	-23%
Equity ratio ⁴⁾	45%	56%	-11 pp
Current assets	161,225	132,799	21%
Loss per share	-0.66	-0.97	32%

¹⁾ Net profit/equity as of year end

²⁾ EBIT/(total assets – current liabilities – cash)

³⁾ Current asset/current liabilities

⁴⁾ Equity/total assets

Revenues and Segment Reporting

Total revenues amounted to € 12.3 million in the financial year 2013, compared to € 24.8 million in financial year 2012, representing a decrease by € 12.5 million (or 50.0%). All sales relate to EPC- and BOT-projects. Thereof € 12.2 million have been accounted for under the PoC-method. An analysis of the progress of all projects is disclosed below in more detail.

As it became obvious that the BOT projects do not show a sufficiently predictable development, since the beginning of the second quarter 2013 the revenues are accounted for under the zero-profit method. Under this method revenues are presented according to the stage of completion without a profit margin. The application of the zero-profit method leads to a reduction of revenues amounting to € 1.5 million.

Beijing ZhongDe Environmental Protection Technology Co. Ltd. and ZhongDe China Environmental Protection Co. Ltd. have been granted the construction enterprise qualification effecting that revenues relating to the projects in Dingzhou and Zhucheng are realized without VAT. As the purchase price is fixed this results in an increase in sales by € 1.3 million in 2013.

Revenues by segments can be broken down as follows:

in k€	2013	2012	Change in %
BOT			
% of completion	38%	76%	-38 pp
Revenues	8,620	24,451	-65%
Gross profit	-1,794	1,603	<-100
EPC			
% of completion	41%	37%	+4 pp
Revenues	3,690	307	>100
Gross profit	1,583	-2	>100
Small and medium sized incinerators			
Units sold to third party	0	0	-
Revenues	0	0	-
Gross profit	0	-18	>100

The average percentage-of-completion rate in the BOT segment amounted to 38% after 76% in financial year 2012, which is a decrease by 38 percentage points compared to financial year 2012. This is due to the comparably low percentage of completion of the project in Lanzhou as this project is still in its beginning phase. Further details on the development of the projects are given below. Due to the increases of the budgeted costs within the projects, which impact the referring percentage of completion which is accordingly reduced and as the slow progress of the projects, the revenues decreased by € 15.8 million. As a result overall gross profit for BOT projects in 2013 amounts to € - 1.8 million (2012: € 1.6 million).

The average percentage-of-completion rate in the EPC segment of the group amounted to 41% after 37% in financial year 2012, which is an increase by 4 percentage points compared to financial year 2012. The overall gross profit for EPC projects in 2013 amounts to € 1.6 million, thereof € 1.3 million relate to the increase of revenues and accordingly gross profit due to the construction enterprise certificate as outline above. Further details on the development of the projects are presented below.

Neither in 2013 nor in 2012 ZhongDe Group sold small- or medium-sized incinerators. As this segment will contribute revenues to the Group in the next years, it is still disclosed in the table above.

Current project status on BOT projects

The following table shows the development of the BOT projects within financial year 2013 and the current status at year end:

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 2013	91.2%	88.9%	74.2%	0.2%	operation
PoC as of 31 December 2012	73.4%	87.7%	63.7%	–	operation
Estimated time of completion	2014	2014	2015	2018	operation

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

Xianning Project

The project in Xianning is the third BOT-project of ZhongDe Group. As of 31 December 2013, the project construction was completed by 91.2% (31.12.2012: 73.4%). Due to further negotiations with the local government on the usage and progress of the plant, the construction process is delayed and therefore it was not able to finish the project as scheduled in prior year within financial year 2013. After these issues are solved, the project is expected to be finished in 2014. As at 31 December 2013 the intangible asset from the service concession agreement was depreciated by € 9.2 million (prior year € 0) to a carrying amount of € 6.0 million.

Zhoukou Project

The project in Zhoukou is the first BOT-project constructed by ZhongDe. Management planned in prior year to start operation of the plant within financial year 2013. The project is still in the trial run period, which is expected to be completed within financial year 2014 followed by the final approval by the local government. By the end of financial year 2013 the completion rate amounts 88.9% and remaining outstanding works relate only to decoration works and smaller equipment installations. As at 31 December 2013 the intangible asset from the service concession agreement was depreciated by € 2.2 million (prior year by € 7.4 million) to nil.

Kunming Project

The project in Kunming is the second BOT-project of ZhongDe. In prior year management planned to finish the project within 2013 financial year. Due to unexpected delays within the construction process, the plant could not be finished in time. Due to these facts, the completion of the construction of the plant was extended to financial year 2015. For financial year 2013 the delay leads to higher costs of construction and accordingly a comparably lower stage of completion which had a negative impact on the Group's income position.

Lanzhou Project

By signing the contract for a large Build-Operate-Transfer (BOT) project in October 2012 with the Lanzhou Qinwangchuan Integrative Development Management Committee ZhongDe has successfully concluded a major business deal. With a total investment of approximately € 125 million, ZhongDe will build the largest energy-from-waste plant in China. The plant will be located in Lanzhou City, the capital city of Gansu Province and the second largest city in the northwest of China with a population of over 3.6 million. The project construction is divided into two phases: Within the first phase a daily waste disposal capacity of 2,000 tons will be achieved. The project is expected to be finished in 2018. The second phase will increase the daily capacity up to 3,000 tons. The project is still in the beginning stage as approvals such as environment evaluation or land use right have still not been granted and the original budget needs to be modified after completing the designs of the energy-from-waste plant. In 2013 only preparation works were performed which lead to revenues amounting to € 0.2 million.

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. By the end of September 2013 the management expected to realize the sale within the 4th quarter of 2013. The potential buyer, a local government, then requested to increase the capacity of waste-disposal and to upgrade the waste-disposal into an energy-from-waste plant. Therefore management had to postpone the sale until these works are completed and currently expects to close the transaction until 2016. Accordingly the Feicheng project, which has been shown as held-for-sale as at 31 December 2012, is now presented under the ongoing business.

Current project status on EPC projects

The following table shows the development of the EPC projects within financial year 2013 and the current status at year end:

EPC Projects under Construction	Zhucheng	Dingzhou	Wuhai	Zhaodong	Shouguang
Daily capacity (tons/day)	500	600	1,000	500	600
PoC as of 31 December 2013	63.8%	20.3%	0.0%	-	-
PoC as of 31 December 2012	59.2%	16.7%	-	-	-
Estimated time of completion	2015	2015	2017	cancelled	cancelled

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

Zhucheng EPC Project

The Zhucheng project relates to an energy-from-waste plant with a waste incineration capacity of 500 tons per day. Since May 2012 the construction had been on hold initiated by the customer in order to have time for negotiations with local government. After customer notice in August 2013 the construction was resumed and ZhongDe Group now expects that the construction including trial operation will be completed in 2015. Nevertheless due to the delay construction revenues for 2013 are lower than expected.

Dingzhou EPC Project

The Dingzhou project relates to an energy-from-waste plant with a waste incineration capacity of 600 tons per day. Since May 2012 the construction is on hold initiated by the customer who needs further time for negotiations with the local government. According to a notice received from the customer in August 2013, the suspension of construction in Dingzhou had been resumed in September 2013. Due to the delay we now expect that the construction of the Dingzhou project including trial operation will be completed in 2015. Nevertheless due to the delay construction revenues for 2013 are lower than expected.

Wuhai Project

In June 2013 ZhongDe Group signed a contract with an electricity company on the construction of a new energy-from-waste plant located in Wuhai City in Inner Mongolia with a total contract gross amount of about € 45.8 million. The planned large-scale EPC project in Wuhai will have a daily waste disposal capacity of 1,000 tons per day and positively impacts the order backlog of ZhongDe Group in 2013. The start of construction is scheduled in June 2014; its completion is expected in 2017.

Zhaodong Project

The project in Zhaodong which was signed in 2009 was still in the preparation stage at the end of 2012. Due to the delay, the management continued to negotiate with the customer regarding a price increase. Finally the management chose the option to cancel the contracts of the Zhaodong project without any penalties or further costs.

Shouguang Project

The contract was signed in 2010 and the project was still in the preparatory stage as of 31 December 2012 as certain approvals had still not been granted. The management chose the option to cancel the contract of its Shouguang project as – until the point of cancellation – negotiations with the customer were unsuccessfully ongoing to solve the unfavourable financial conditions of the project. No material costs arose from the project management and no penalties arose from the cancellation.

Costs of Sales

Costs of sales mainly comprise costs of sub-contractors' services and decreased from € 23.2 million in 2012 by € 10.7 million, or 46.0%, to € 12.5 million in 2013. The decrease was mainly due to corresponding decreases in sales.

Other operating income

Other operating income amounts to € 10.5 million (2012: € 1.2 million). The increase by € 9.3 million was mainly caused by the sale of the subsidiary Beijing ZhongDe Environmental Protection Technology Co. Ltd., which contributed € 10.3 million to current year operating income.

Expenses

Sales, Marketing and Distribution Expenses

Selling and distribution expenses decreased from € 1.9 million in 2012 by € 1.1 million or 56.4%, to € 0.8 million in 2013. This position includes mainly entertainment expenses, personnel expenses, travel expenses and provisions for delays. The decrease was caused by the decrease of entertainment expenses by € 0.6 million due to cost saving measures.

Administrative Expenses

Administrative expenses are nearly unchanged in comparison to previous year and comprise personnel expenses, depreciation and amortization, rent, office expenses, entertainment expenses, taxes, travel expenses and other expenses.

Research and Development Expenses

Research and development remained nearly unchanged at to € 0.2 million in 2013 and in 2012.

Other Operating Expenses

Other operating expenses increased from € 9.5 million in 2012 to € 12.9 million in 2013, mainly due to further impairments of the intangible assets from service concession arrangements relating to the plants in Zhoukou and Xianning amounting to € 11.4 million (€ 7.4 million in 2012).

Finance Income and Finance Expenses

Finance income decreased slightly from € 2.4 million in 2012 to € 2.3 million in 2013 or 7%. It mainly contains finance income from additions of accrued interests for financial assets relating to the BOT projects as well as regular interest income from cash in banks.

Finance expenses show an increase of € 1.0 million, or 36.0%, and amount to € 3.8 million (€ 2.8 million in 2012). This increase was mainly due to increased usage of the bank loans due further progress in the BOT projects, leading to higher interest expenses. Beside this, the portion of interests on bank loans capitalized on qualified assets decreased by € 0.3 million in comparison to 2012 and led therefore to an increase in interest expenses.

Taxes on Income

Taxes on income amount to € 0.7 million (income) and are nearly unchanged to 2012 financial year (2012: € 0.7 million). The taxes consist of income tax expenses of € 0.6 million (2012: € 0.4 million) offset by income from deferred taxes on € 1.3 million (2012: € 1.1 million). Deferred taxes arise primarily from the differences relating to the EPC and BOT projects as well as tax losses carried forward.

EBIT and EBITDA (Earnings before Interest, Tax and Earnings before Interest, Tax Depreciation and Amortization)

EBITDA shows earnings before interest, depreciation and amortization without the extraordinary effects regarding the impairments on service concession arrangements. The reconciliation from EBITDA to EBIT is presented below:

in k€	2013	2012	Change
EBITDA	4,276	-4,637	>100
Depreciation	317	479	-34%
Amortization	28	25	12%
Impairment	11,368	7,427	53%
EBIT	-7,437	-12,568	41%

Current years' EBITDA and EBIT include the effect on the sale of the site in Beijing Miyun amounting to € 10.3 million. Without the sale, the EBITDA would accordingly amount to € -6.0 million and the EBIT to € -17.7 million.

Financial Position

Cash Position

The following table is extracted from the cash flow data of the company, which was derived from the company's consolidated financial statements for 2013:

in k€	2013	2012
Operating cash flow before working capital changes	-6,109	-4,549
Cash used in operations	-12,136	-35,553
Net cash used in operating activities	-17,406	-39,709
Cash flow from/used in investing activities	4,750	-1,017
Cash flow from financing activities	24,209	24,292
Net increase/decrease in cash and cash equivalents	11,553	-16,434
Cash at beginning of year	100,313	117,308
Foreign exchange difference	-1,790	-561
of which included in assets held for sale	0	-4
Cash at end of the period	110,076	100,309

Net cash used in operating activities

Net cash generated used in operating activities decreased from € -39.7 million in 2012 by € 22.3 million to € -17.4 million in 2013 mainly due to the delays in the projects, causing less cash outflows for construction compared to last year.

Cash flow from/used in investing activities

Cash flow from investing activities increased from € -1.0 million in 2012 by € 5.7 million to € 4.8 million in 2013 mainly due to the sale of the subsidiary Beijing ZhongDe Environmental Protection Technology Co. Ltd. in December 2013, which leads to cash inflows of € 4.9 million.

Cash flow from financing activities

Cash flow from financing activities remained nearly unchanged and amounts to € 24.2 million in 2013 (2012: € 24.3 million). In comparison to financial year 2012 the payments received from receivables in conjunction with BOT projects decreased by € 2.2 million. Additionally repayments of loans increased by € 0.8 million. The reduction within cash flow from financing activity by € 3.0 million is compensated by an increase in the cash inflows from borrowings amounting to € 2.9 million.

Cash and cash equivalents at the end of financial year 2013 amount to € 110.1 million and increased by € 9.8 million to the comparative period (2012: € 100.3 million). 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 budgeted BOT and EPC projects as well to finance further business activities.

Financing

As of 31 December 2013, the company's loans amounted to € 73.0 million compared to € 52.9 million as of 31 December 2012. These loans were granted by various financial institutions and are used to finance the BOT projects. Please refer to the detailed presentation below:

Project	Financial Institution	Total loan amount	Total loan amount	Effective in- terest rate	Term	Received as of 31.12.2013	Received as of 31.12.2013
		in €	in RMB	in %	in years	in €	in RMB
Kunming	Huarong Financial Leasing Ltd.	14,372,807	120,000,000	11.58%	2	2,509,454	20,951,682
Kunming	China Merchants Bank	21,559,210	180,000,000	8.07%	10	21,559,210	180,000,000
Xianning	Huarong Financial Leasing Ltd.	10,779,605	90,000,000	11.95%	3	2,096,743	17,505,917
Xianning	Bank of China	14,133,260	118,000,000	8.20%	9	13,773,940	115,000,000
Zhoukou	Bank of China	11,977,339	100,000,000	7.45%	8	9,110,352	76,063,240
Lanzhou	Bank of China	23,954,678	200,000,000	8.30%	3	23,954,678	200,000,000
						73,004,376	

Principles and Objectives of Financial Management

ZhongDe's Management Team 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 able to develop its business volume by acquiring further BOT project orders, their financing with the Group's existing funds may not be sufficient. It will then be necessary for the company to apply for further bank loans. The strong support of the environmental protection industry from central government facilitates the company's negotiations with various major banks in Mainland China. Taking the advantage of belonging to "green-tech industry", ZhongDe's management has successfully signed project financing agreements with several banks in Mainland China in 2013.

Net Asset

Net Assets

The statement of financial position of the Group shows a net equity of € 103.0 million, which covers the non-current assets of € 67.5 million. Current liabilities amount to € 58.9 million and are fully covered by current assets of € 161.2 million.

Non-Current Assets

The company's non-current assets amount to € 67.5 million (2012: 67.9 million): The receivables from BOT projects increased from € 47.1 million by 31 December 2012 by € 13.6 million to € 60.7 million by 31 December 2013 due to the reclassification from BOT receivables of € 7.1 million on the Feicheng project back from assets held for sale as well as the progress within the projects. This increase is compensated mainly by a decrease within intangible assets and land-use rights. Intangible assets are reduced by € 10.1 million, mainly due to impairments made on service concession rights on the projects in Zhoukou and Xianning by € 11.4 million. Furthermore, the net book value of prepayments on land-use rights was reduced by € 3.5 million in accordance with the sale of the subsidiary Beijing ZhongDe Environmental Protection Technology Co. Ltd.

Current Assets

Current assets increased from € 132.8 million in 2012 by € 28.4 million to € 161.2 million in 2013. The increase mainly relates to the increase of other receivables and prepayments and of other financial assets by totalling € 24.2 million and cash and cash equivalents by € 9.8 million. Other receivables and prepayments of € 35.5 million (previous year: € 21.4 million) mainly comprise advance payments to suppliers for EPC/BOT projects of € 32.1 million (previous year: € 18.7 million). Other financial assets of € 11.3 million (previous year: € 1.2 million) mainly include amounts due from the buyer of the subsidiary Beijing ZhongDe Environmental Protection Technology Co. Ltd. of € 7.9 million and were completely paid in until end of March 2014. The increase by € 9.8 million in cash and cash equivalents is analysed in section 2.3.2.

Non-current Liabilities

Non-current liabilities of € 66.9 million (2012: € 49.7 million) comprise bank loans of € 66.1 million (2012: € 47.9 million) and deferred tax liabilities of € 0.8 million (2012: € 1.8 million). Compared to 2012, long-term liabilities increased by € 18.2 million mainly due to a new bank loan granted on the new BOT project in Lanzhou. The deferred tax liabilities relate mainly to the application of the PoC method applied at the EPC and BOT projects. The long-term debt ratio amounts to 29.3% (2012: 24.8%).

Current Liabilities

Total current liabilities increased significantly from € 38.3 million in 2012 to € 58.9 million in 2013. The increase by € 20.6 million mainly relates to other payables and prepayments due to higher advances received from customer, which increased by € 14.5 million, and trade payables, which increased by € 3.8 million.

Equity

Equity decreased from € 112.8 million by € 9.8 million to € 103.0 million year-on-year due to the loss of the year of € 8.3 million (2012: € 12.2 million) and by the foreign currency differences of € 1.5 million (2012: € 0.7 million).

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

Financial Position of the statutory Financial Statements

in k€	2013	2012
Assets		
Tangible Assets	0	1
Investments in affiliated company	35,000	35,000
Loans due from affiliated companies	50,100	50,100
Non-current assets	85,100	85,101
Receivables due from affiliated companies	2,110	1,565
Other receivables	48	31
Prepaid expenses	18	20
Cash and cash equivalents	26	21
Current assets	2,202	1,637
Balance sheet total	87,302	86,738
Equity and liabilities		
Capital subscribed	13,000	13,000
Capital reserve	67,392	67,392
Retained earnings	6,208	5,577
Equity	86,600	85,969
Trade payables	189	49
Payables due to affiliated companies	40	40
Tax provision	0	250
Other provisions	305	390
Other payables and accruals	168	40
Current liabilities	702	769
Balance sheet total	87,302	86,738

The statement of financial position of ZhongDe Waste Technology AG shows a net equity of € 86,6 million (2012: € 86.0 million), which equals an equity ratio of 99.2%. The equity covers the non-current assets of € 85.1 million. The current liabilities amount to € 0.7 million (2012: € 0.8 million) and is compensated by current assets of € 2.2 million (2012: € 1.6 million).

The investment in affiliated companies amounts to € 35 million (2012: € 35 million) and refers to the investment in Chung Hua Environmental Protection Assets (Holding) Group Ltd. The affiliated company received a loan at € 50.1 million (2012: € 50.1 million) which is disclosed as loans due from affiliated companies.

The receivables due from affiliated companies of € 2.1 million (2012: € 1.6 million) relate mainly to interest accrued on the loan granted to Chung Hua Environmental Protection Assets Holding (Group). The increase of € 0.5 million is caused by outstanding interest receivables.

Other receivables and prepaid expenses mainly relate to rental deposits and tax refunds. Cash and cash equivalents relate to liquid funds on current bank accounts.

Provisions decreased from € 0.6 million at 31 December 2012 to € 0.3 million at 31 December 2013, mainly due to a decrease of tax provisions by € 0.2 million and the release of accruals for the compensation to the members of the Supervisory Board. The provisions are principally accrued for costs relating to the preparing, reporting and audit of the annual financial statements and consolidated financial statements, accounting and legal services.

Other payables amount to € 0.2 million by 31 December 2013. The increase in comparison to the comparative year is mainly attributable to accrued expenses for supervisory board member remuneration.

Result of Operations

in k€	1 Jan to 31 Dec 2013	1 Jan to 31 Dec 2012
Other operating income	31	1,032
Interest income	2,594	2,624
Personnel expenses	141	117
Depreciation of fixed assets	1	0
Other operating expenses	1,512	1,626
Dividend income	0	4,000
EBT	971	5,913
Income taxes	339	336
Profit for the period	632	5,577

In the financial year 2013, the company realized a profit of € 0.6 million, which is mainly caused by interest income less current operating costs of a stock listed holding company.

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

Other operating expenses relate to current business expenses, mainly expenses for the preparation, review and audit of quarterly reports and annual financial statements, for investor relations and media services and fees for lawyers and other advisers. Other operating expenses decreased from € 1.6 million to € 1.5 million mainly due to consulting fees in 2012 on a nonrecurring project.

The EBT of € 1.0 million (2012: € 5.9 million) is charged with income taxes of € 0.3 million (2012: € 0.3 million). The decrease in EBT by 83% was caused by the decision according to which in 2013 ZhongDe Waste Technology AG did not receive any dividend from Chung Hua Environmental Protection Assets Holding (Group).

Cash Flow Statement of the statutory Financial Statements

in k€	2013	2012
Profit for the period	632	5,577
Decrease in provisions and accruals	-335	-1,512
Cash flow	297	4,065
Increase/decrease in receivables from and payables to affiliated companies	-545	-8,460
Decrease/increase in other assets and prepaid expenses	-14	62
Decrease/increase in trade payables and other liabilities	268	-117
Cash flows from operating activities	6	-4,450
Dividend income	0	4,000
Cash flow from financing activities	0	4,000
Changes in cash and cash equivalents	6	-450
Cash and cash equivalents at the start of the reporting period	20	470
Cash and cash equivalents at the end of the reporting period	26	20

The cash flow from operating activities decreased by € 4.5 million in comparison to prior year. The decrease is mainly attributable due the fact that no dividend was received from Chung Hua Environmental Protection Assets Holding (Group) in financial year 2013.

FINANCIAL AND NON-FINANCIAL KEY PERFORMANCE INDICATORS

The Group's financial and non-financial key performance indicators mainly relate to the order status including order intake and order backlog as well as the contracting ability and human resources: These indicators are further explained in detail:

Order Status, Order Intake and Order backlog

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

in k€	2013	2012	Change
Order intake	45,838	140,555	-67%
Order backlog	226,051	257,365	-12%

The order intake relates to new customer contracts, which are obtained in 2013. Order backlog relates to the sum of existing orders at end of 2013, which – under the current contracted order volume – will be realized in the future.

The order intake can be allocated to the business segments of ZhongDe Group as follows:

Typ	2013		2012	
	in k€	%	in k€	%
BOT	0	0	139,026	99
EPC	45,838	100	0	0
Small and medium sized incinerators	0	0	1,529	1
Total	45,838	100	140,555	100

The order intake in 2013 relates to a new EPC project in Wuhai. The contract was signed in June 2013 with total contract gross amount of € 45.8 million.

The order backlog can be allocated to the business segments of ZhongDe Group as follows:

Typ	BOT	EPC	Incinerator	Total
As at 1 January 2013	163,005	90,179	4,181	257,365
Order intake	0	45,838	0	45,838
Revenues	-8,539	-3,693	0	-12,232
Adjustments	-9,997	-50,221	0	-60,218
Currency translation differences	-2,318	-2,318	-66	-4,702
As at 31 December 2013	142,150	79,785	4,115	226,051

As at beginning of 2012, the order backlog amounted to € 257.4 million. Within 2013 the order backlog increased by intakes (€ 45.8 million) offset by revenues realized (€ 12.2 million), by adjustments (€ 60.2 million) and currency translation differences (€ 4.7 million). These movements are further analysed as follows:

The intake relates to a new EPC project in Wuhai as stated above.

The order backlog decreased by revenues, which relate partly to EPC projects and partly to BOT projects. The revenues realized on BOT projects at an amount of totalling € 8.5 million relate to the projects Zhoukou (€ 0.2 million), Xianning (€ 5.1 million), Kunming (€ 3.1 million) and Lanzhou (€ 0.2 million). The revenues realized on EPC projects at an amount of totalling € 3.7 million relate to the projects Zhucheng (€ 2.3 million) and Dingzhou (€ 1.4 million).

The order backlog was reduced by adjustments of € 60.2 million, mainly due to the cancellation of two EPC projects in Zhaodong (€ 25.7 million) and Shouguang (€ 27.7 million) as well as due to changes in the fair value of the project in Lanzhou (€ 10.0 million). This decrease is partially compensated due to the effect of the construction enterprise qualifications for the projects Dingzhou (€ 1.7 million) and Zhucheng (€ 1.5 million) as disclosed in section 2.3.1.

After currency translation differences of € -4.7 million, the total order backlog by 31 December 2013 amounts to € 226.1 million (2012: € 257.4 million). The total order backlog contains BOT projects, covering 63% (2012: 63%) or the major portion of the order backlog, EPC waste incinerator projects accounted for 35% (2012: 35%) and small and medium sized incinerators with a proportion of 2% (2012: 2%) of the order backlog. The incinerators ordered were completed by year end and are planned to be sold to the customer in the mid of 2014.

Contracting abilities

The current sales volume contains four BOT projects and three EPC projects. In 2013 the management closed the EPC project in Wuhai. Due to long term customer relationships, trust in the technology of ZhongDe and its market position in China combined with the personal effort of the CEO, ZhongDe is confident to acquire further projects.

Human Resources

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

	2013	2012
Average number of employees of the Group		
Management and administration	113	162
Research and development	12	12
BOT Operation and manufacturing	219	183
Sales and marketing	28	34
Total	372	391

In 2013 ZhongDe Group had 372 employees (2012: 391). In total, the reduction by 19 employees in comparison to financial year 2012 is indicative of the lower business performance aligned with the delays in the current projects.

In 2013, ZhongDe Group's personnel structure changed: In line with the company's strategic shift to large-size energy-from-waste plant projects, the headcount of staff in manufacturing of small-size incinerator and in sales and marketing has been reduced: The sales and marketing department has 28 employees in comparison to 34 employees in 2012. The sector management and administration has been working with 113 employees (2012: 162 employees) and is reduced by 49 employees. On the other hand, the number of employees in the BOT operation and manufacturing has been increased from 183 employees in financial year 2012 by 36 employees to 219 employees in 2013, as ZhongDe Group is focused on the completion of current EPC and BOT projects. The headcount in the research and development department remained stable with 12 employees.

SUBSEQUENT EVENTS

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

RISKS AND OPPORTUNITIES AND THEIR MANAGEMENT OF ZHONGDE GROUP AND ZHONGDE WASTE TECHNOLOGY AG

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 Executive Board as well as the members at the top management level are directly involved in all major projects and important day-to-day activities. Risks are defined as the possible occurrence of internal and external events which may adversely affect the achievement of short-term or strategic goals. Being able to recognise risks early and to consider opportunities, analyse them and reduce risks with

appropriate strategies is an important element of the operating activities of ZhongDe's management team. Therefore, risks to the business of both an internal and external nature are identified regularly as part of risk management procedures with the aim of taking appropriate countermeasures as soon as possible. Accordingly, a structured risk management process is a major task for the Executive 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.

Risks Management System

The methods used for risk survey extend from analyses of markets through close contacts with customers, subcontractors and suppliers as well as other interest-related parties to observing risk indicators in an economic and socio-political environment. Risks will be assessed particularly with regard to the level of threat for the Group or its development. If deemed necessary, potential loss levels are calculated. The possible non-recurring or recurring impact on Group's objectives will then be processed in preparation for the adoption of decisions. ZhongDe will thus endeavour to systematically counter risks and consistently exploit opportunities. The Executive Board has defined Group-wide principles as well as guidelines for its risk management.

Risk management has been structured in such ways that direct responsibility for early detection, analysis, control and communication of risks rests with the Executive Board. The Supervisory Board will be briefed by the Executive 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 Executive Board and, in special cases, of the Supervisory Board, too.

Step by step, ZhongDe is improving its internal control and risk management system. In 2014, ZhongDe is planning to assign a risk manager in each department to identify access, analyse and manage the risks in their fields. ZhongDe also plans to combine the risk management system with a new project construction controlling software, which is intended to be introduced in 2014 as stated in section 6.

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.

On the June 28, 2013, the FREP (German Financial Reporting Enforcement Panel) has completed its examination of the financial statements of ZhongDe Waste Technology AG as of and for the year ended December 31, 2011 in accordance with § 342 b (2) sentence 3 no.1 German Commercial Code (HGB). Based on the issues examined, the responsible Chamber of FREP has decided that the financial reporting for fiscal year 2011 on the whole is not erroneous.

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 Executive Board. The Executive 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 Executive 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.

Major Risks and Opportunities

Management assessed that the following risk and opportunities are essential:

Risks from increasing market competition

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

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

Based on expectations of a continued increase in demand for energy-from-waste plants and resulting public BOT projects, which are expected to play a part in solving China's waste and environmental problems, the management currently considers the market risk for ZhongDe Group to be low.

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

As the Group's sales growth depends on its ability to secure new orders for new EPC and BOT contracts for energy-from-waste projects and the construction of solid-waste incinerators, it will be important being prepared for such intensified level of competition, if new domestic or international suppliers entered the relevant Chinese market. ZhongDe Group therefore maintains and enlarges its sales and marketing capacities to monitor market developments in China, further improve ZhongDe's market presence in China and ensure that ZhongDe will participate in all public tenders for expected profitable energy-from-waste projects.

Opportunities from China's economic situation

In 2013, the economy of China has kept stable growth with an average growth rate of 7.7%. Such a GDP rate and the related taxation increase should ensure the government's has the financial capacity to realize its ambitious objective of "Beautiful China" through huge investments in the environment protection industries. This creates a tremendous opportunity for the energy-from-waste industry in which ZhongDe Group operates. Having proven its competence in this sector, management expects to participate in this development by signing more contracts with governmental authorities.

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

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

Market and branding opportunities

The increasing demand for energy-from-waste plants has generally created huge potential opportunities in China for ZhongDe Group and its competitors. ZhongDe's energy-from-waste plants enjoy a very good reputation in the Chinese market due to the successful completion of the Datong energy-from-waste project. As most of our customers are city government-related bodies, the completion of projects in the timeframe agreed upon and with operational key performance indicators of our energy-from-waste plants fulfilled is important to ZhongDe Group's ability to gain future business from such city government-related bodies. Accordingly, quality control will remain a high priority for all activities within our business model to maintain our solid reputation within the Chinese market.

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

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

The ZhongDe Group's Management Board members realize the importance of communicating with the public, investors and governments about the energy-from-waste industries in a professional attitude. The board members keep on participating many public relation and investor relation activities, such as the video interviews by German Stock Exchange, German

media, Chinese magazine, newspapers, internet media, German Capital Forum, MKK, energy-from-waste summit meetings in China, and actively seek to engage in dialogue with analysts and investors. With these activities the management would like to increase the awareness of ZhongDe Group within the financial community and communicate a transparent picture of business development to investors and interested parties.

Risks from dependency on governmental approvals and licenses

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

Risks and Opportunities in Human Resources

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

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

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

Risks and opportunities related to Engineering and Construction phase

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

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

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

The ZhongDe Group's profitability could be adversely affected by rising procurement costs or falling prices. Close ties with suppliers of special components and materials are needed for the construction of energy-from-waste incinerators and for the EPC and BOT projects.

ZhongDe is exposed to the risk of dependency on suppliers. Therefore, the management regularly analyse the dependency on individual suppliers and pursue avenues to forge links with alternative suppliers. A database of suppliers was prepared in order to safeguard supplies and quality while simultaneously reducing costs.

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

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

The related opportunities are that ZhongDe has the four years experiences of communicating with local authorities and of Engineering and Construction in several BOT and EPC projects and has learned some lessons and accumulated valuable experience.

Risks and opportunities related to operation phase

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

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

Warranty risks

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

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

Financial risks

Refinancing of Loans

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

Changes in financial condition and financial result

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

Future financing structure at ZhongDe and its suppliers

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

Beside these direct effects on ZhongDe, a general credit tightening in China may affect ZhongDe's subcontractors or suppliers. This could lead to an increased need for working capital within the ZhongDe Group and also possible supply disruption caused

by subcontractors or suppliers with insufficient capital to support their own business activities. Therefore, ZhongDe is monitoring its existing subcontractors or suppliers closely and continues exploring alternative sources in order to avoid dependency on a limited number of subcontractors or suppliers. The same issue, however, would also affect ZhongDe's competitors on the Chinese market, which may lead to less liquid competitors being forced into bankruptcy or becoming target of acquisition or being consolidated. Considering its favourable financial structure, such a development may have beneficial consequences for ZhongDe Group.

Default and collection risk of receivables

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

Further financial risks

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

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

Risks affecting the consolidated results of the Group

The intangible assets from service concession arrangements relating to the projects in Zhoukou and Xianning have been depreciated due to impairment as at the end of 2013 (for Zhoukou also at the end of 2012). 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. The impairment calculated for the project in Zhoukou amounting to € 4.6 million in total was attributed by € 2.2 to the intangible asset of the project which was depreciated in total. The exceeding amount represents future economic losses which, based on the underlying accounting model (IFRIC 12), are accounted for in the period they will incur.

Risks and opportunities specific to ZhongDe Waste Technology AG

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

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

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

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

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

Assessment of Overall Risk Situation

The overall risk is assessed on the basis of the risk management system in conjunction with the planning, management and control systems used. The main potential risks to the future development of the ZhongDe Waste Technology Group are posed in particular by risks arising from the development of environmental protection and related laws, the ability to attract and retain capable project managers and ZhongDe's ability to finance its investments in such projects, especially for 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.

THE LOOK BACK ON 2013 AND FORECAST

Looking back on the financial year 2013 the BOT-projects Zhoukou, Xianning und Kunming could not be finalized due to the circumstances described above. ZhongDe successfully closed in 2013 one of the two new projects being in negotiations at year end 2012. The construction in Lanzhou has been started although there are still further preparation works outstanding.

The EBIT improved by € 5.1 million to € -7.4 million due to the sale of the site in Beijing Miyun, which contributed to the result by € 10.3 million. The result of the year is still negative and amounted to € -8.3 million. The cash position has improved due to new loans.

Until end of financial year 2013 ZhongDe Group is still in a challenging transition period. The Miyun site was successfully sold, which provided the Group with a cash inflow to be used for its current BOT and EPC projects as well as for investments in future projects. Nevertheless, some targets were not achieved, including the goal to sell the Feicheng project at the end of 2013, which is now scheduled for 2016 after the improvements required by the customer are completed.

Looking ahead to 2014 and 2015, we expect to further benefit from the favourable political and economic environment for eco-friendly waste disposal, as well as from the growing demand for our energy-from-waste-plants, both in China and throughout Asia. The new government of China has set the target of "Beautiful China" and continuously strives to reduce the pollution and protect the environment in China. It has chosen the energy-from-waste as the most important way of municipal and industry solid waste disposal. According to the "12th Five Year Plan" up to 31.5 billion Euros will be invested in the energy-from-waste industry. In consequence, the energy-from-waste industry shows a huge market potential and a bright future in China.

The increasing demand for energy-from-waste-plants favours ZhongDe's business environment. The management is in strong negotiations concerning new projects and is confident that more contracts will be closed in 2014 and coming year. 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.

Two of ZhongDe's BOT projects, one located in Zhoukou and one in Xianning, have entered into trial operation and are expected to be completed in 2014. Management plans to complete the construction of Kunming project and to begin its trial operation in 2015. All these projects will then start to generate cash-inflows from guaranteed payments. As these cash-inflows mainly cover the PoC-receivables without affecting the result of the group, revenues will be generated and will contribute to the result of the Group as soon as the projects generate cash-inflows from by-products such as electricity. In addition ZhongDe Group expects to finalize the completion of the EPC-projects in Dingzhou und Zhucheng with financial year 2015.

Due to the completion of several projects ZhongDe Group expects a rapid growth in revenues in the financial year 2014. Due to the uncertainty relating to delays caused by governmental requirements, the availability of suppliers and the foreign exchange fluctuation of the RMB/Euro exchange rate, all forecasts contain some uncertainty. For 2014 ZhongDe's management expects a growth in net income, without considering extraordinary effects by for example impairments.

As a non-financial key performance indicator management expects that the number of employees will increase slightly within 2014 due to increased construction activities and the trial operation of plants. In other departments the number of employees will remain stable or be reduced slightly in accordance with cost saving measures.

Building on our experience gained in the course of completing the projects, we are improving our project controlling by implementing a new accounting and budgeting software. We plan to implement a new project construction controlling software for transferring our knowledge to the construction at the facility in Lanzhou.

In summary, we expect that the next year will be still a transition period, during which ZhongDe finalizes existing projects, commences its operations and starts the project in Lanzhou. For 2014, an improvement of the operating result, although still leading to a loss before taxes, is to be expected, while the Group's cash position is stabilizing. As the construction in Lanzhou starts to progress further revenues will be realizable in the upcoming years with improvements in the Group's profitability and further improving the liquidity of the Group. Contrary please note that these expectations are subject to uncertainty even if currently we do not have any information as to any contrary development.

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 net profits in the next two years, with a balanced to positive operating cash flow in 2014 and beyond. This is in line with the forecast of the figures for 2013, which have been reached as predicted.

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

Subscribed Share Capital

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

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

According to the Company's Articles of Association (Satzung) each share confers one voting right. 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 held 400,000 treasury shares. Pursuant to Section 71b of the German Stock Corporation Act, the Company is not entitled to any voting or other rights with respect to these treasury shares. The Executive Board is not aware of any other restrictions regarding voting rights or the right to transfer shares in ZhongDe Waste Technology AG.

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 in ZhongDe Waste Technology AG, providing him with a corresponding amount of voting rights. The Company has no knowledge of any other shareholders having shares in excess of 10% of the share capital.

Shares with Exclusive Rights

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

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.

Appointment and Dismissal of Executive Board Members and Amendments of the Articles of Association

Pursuant to section 84 of the German Stock Corporation Act (AktG), the Supervisory Board appoints the members of the 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) (sec. 85 AktG). This office would, however, be terminated as soon as the deficiency is rectified, e.g. as soon as the supervisory board has appointed a missing executive board member. Dismissal of an executive board member is permissible only for good cause (sec. 84 para. 3 sentences 1 and 3 AktG). Good causes include 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 comprises two members. Pursuant to sec. 8 para 2 of the Articles of Association of ZhongDe Waste Technology AG, the Supervisory Board may appoint a chairman as well as a deputy chairman of the Executive Board.

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

Authority of the Executive Board to Issue Shares

The Executive Board is authorised by the Annual General Shareholders' Meeting on 28 June 2013 to increase the share capital of the Company with the consent of the Supervisory Board until 31 July 2018 once or several times by up to €6,500,000.00 by issuance of up to 6,500,000 new no par value bearer shares against contributions in cash or in kind (Authorised Capital 2013). In each case ordinary shares and/or preference shares may be issued. The 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 on 28 June 2013 to issue option warrants and/or convertible bonds ("bonds") with a term of up to 15 years and in a maximum total nominal amount of up to € 100,000,000 in return for option or conversion rights for the acquisition of up to totally 6,000,000 shares. Said authorization is valid until 27 June 2108. Shareholders are generally entitled to subscription rights on the bonds. However, the Executive Board is authorised,

subject to Supervisory Board approval, to exclude the shareholders' subscription rights in certain cases. The terms of the bonds may also provide for anti-dilution protection in favour of the creditors of the bonds.

In order to serve the bonds, conditional capital in an amount of each € 6,000,000.00 by issuance of each up to 6,000,000 new no par value bearer shares were created (Conditional Capital). The conditional capital increase serves the purpose of granting shares to bearers or creditors of option or convertible bonds, which are issued in accordance with the authorization of the Annual General Shareholders' Meeting on 28 June 2013 by the Company up until 27 June 2018 to the extent that the issue occurs in return for cash. They are to be carried out only to the extent that option or conversion rights in respect of the above-mentioned bonds are used or conversion obligation in respect of such bonds are used and to the extent that no other forms of fulfilment are used.

The Executive Board was also authorised by the Annual General Shareholders' Meeting as of 28 June 2013 to acquire up to 10% of the share capital existing at the time of the annual general meeting (equals 1,300,000 treasury shares) until 27 June 2018. During this period, 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 by (i) offering the shares to third parties as consideration within the scope of acquisitions of participations or companies, (ii) selling the shares while excluding the shareholders' subscription rights against cash consideration that is not significantly lower than the stock market price of the shares at the time of the sale, (iii) serving conversion or subscription rights from convertible bonds or (iv) redeeming the shares while decreasing the share capital.

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.

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.

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.

REMUNERATION REPORT

Remuneration of the Management Board

According to Sections 87 para. 1, 107 para. 3 sentence 3 of the German Stock Corporation Act (Aktiengesetz), the Supervisory Board determines the remuneration of the Executive Board. The members of the Executive Board of ZhongDe Waste Technology AG have only concluded service agreements with Chinese subsidiaries but not with ZhongDe Waste Technology AG itself. In addition, the current service agreements with the members of the Executive Board were entered into before the Act on the Adequacy of Remuneration of Members of the Executive Board as of 5 August 2009 (Gesetz über die Angemessenheit der Vorstandsvergütung, VorstAG) has become effective. Nevertheless, the remuneration of the members of the Executive Board of the Company is measured at and in accordance with the economic and financial situation of ZhongDe Waste Technology AG as well as the size of the Company and its fields of business activity. Currently, the remuneration of the members of the Executive Board merely consists of a fixed salary.

In 2013, the members of the Executive Board of the ZhongDe Waste Technology AG have received the following remuneration:

in k€	2013	2012
Zefeng Chen	30	29
Jiuhua Wang	24	23
Total	54	52

Remuneration of the Supervisory Board

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

The chairman of the Supervisory Board receives a basic remuneration of € 60,000.00 per calendar year. The other members of the Supervisory Board receive a basic remuneration of € 45,000.00 per calendar year. In addition to the basic remuneration, members of the Supervisory Board receive an annual performance related remuneration of € 100.00 per each cent of the profit per share exceeding € 2.00, as disclosed in the current consolidated financial statements. The cap for the performance related remuneration is an amount of earnings per share of € 3.50. 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 shall be paid on a pro rata temporise basis. Furthermore, the members of the Supervisory Board receive reimbursements for expenses with regard to their office as member of the Supervisory Board as well as the amount of VAT due on their remuneration, if applicable.

In the financial year 2013, the members of the Supervisory Board have received the following remuneration:

in k€	2013	2012
Gerrit Kaufhold (Chairman of the Supervisory Board since 30 August 2012)	60	20
Hans-Joachim Zwarg (Chairman of the Supervisory Board until 30 August 2012)	0	40
Prof. Dr. Bernd Neukirchen (Deputy Chairman of the Supervisory Board)	45	45
Feng-Chang Chang	45	45
Total	150	150

CORPORATE GOVERNANCE CODE

The Executive Board and the Supervisory Board submitted their Declaration of Compliance with the recommendations of the Government Commission on the German Corporate Governance Code in accordance with section 161 Aktiengesetz (German Stock Corporation Act) on 22 April 2014 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 am Main, 23 April 2014



Zefeng Chen
Chairman of the
Executive Board (CEO)



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

62	Consolidated Statement of Comprehensive Income
63	Consolidated Statement of Financial Position
64	Consolidated Statement of Cash Flow
66	Consolidated Statement of Changes in Equity
67	Notes to the Consolidated Financial Statements

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

of ZhongDe Waste Technology AG for the period from 1 January to 31 December 2013

in k€	Notes	2013	2012
Revenues	2.24, 4	12,310	24,758
Cost of sales	5	-12,521	-23,175
Gross Profit		-211	1,583
Other operating income	6	10,500	1,165
Selling and distribution expenses	7	-824	-1,890
Administrative expenses	8	-3,821	-3,726
Research and development expenses	2.9	-184	-222
Other operating expenses	9	-12,897	-9,478
Loss from operations		-7,437	-12,568
Finance income	2.16, 11, 30	2,267	2,437
Finance costs	2.16, 12	-3,794	-2,789
Loss before tax		-8,964	-12,920
Income tax expense	2.27, 26	704	690
Loss for the year		-8,260	-12,230
Items that maybe reclassified subsequently to profit or loss:			
Foreign exchange differences		-1,545	-679
Other comprehensive Income		-1,545	-679
Total comprehensive Income		-9,805	-12,909
Loss attributable to owners of the parent		-8,260	-12,230
Total comprehensive income attributable to owners of the parent		-9,805	-12,909
Earnings per share (diluted and undiluted)	2.28	-0.66	-0.97
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 2013

in k€	Notes	31.12.2013	31.12.2012
Assets			
<i>Non-current assets</i>			
Intangible assets	2.9, 13	6,353	16,411
Prepayments on land use right	2.10, 14	0	3,484
Property, plant and equipment	2.11, 15	517	805
Construction in progress	2.8, 2.11, 16	0	0
Receivables from BOT	2.14, 17	60,659	47,070
Deferred tax assets	2.27, 26	0	172
		67,529	67,942
<i>Current assets</i>			
Inventories	2.15, 18	3,605	2,387
Trade receivables	2.17, 19	720	201
Other receivables and prepayments	2.17, 19	35,546	21,390
Amounts due from related parties	29.2b)	20	47
Other financial assets		11,258	1,216
Cash and cash equivalents	2.18, 20	110,076	100,309
Assets held for sale	2.3, 2.19	0	7,249
		161,225	132,799
Total assets		228,754	200,741
Liabilities and Equity			
<i>Capital and Reserves</i>			
Issued capital	21.1	13,000	13,000
Own shares	21.2	-4,608	-4,608
Capital reserves	21.3a)	62,914	62,914
Chinese statutory reserves	21.3b)	8,062	7,972
Retained earnings	21.3c)	1,237	9,587
Foreign exchange difference	21.4	22,349	23,894
Total equity		102,954	112,759
<i>Liabilities</i>			
Long-term liabilities			
Long term-loans	22	66,109	47,927
Deferred tax liabilities	2.27, 23, 26	833	1,786
		66,942	49,713
Current liabilities			
Trade payables	24	19,554	15,784
Other payables and prepayments	24	27,623	13,081
Provisions	2.21, 25	3,168	2,725
Amounts due to related parties	29.2b)	1	215
Tax liabilities	2.27, 26	0	251
Other financial liabilities	24	8,512	4,984
Liabilities associated with assets held for sale	2.19	0	1,229
		58,858	38,269
Total liabilities		125,800	87,982
Total liabilities and equity		228,754	200,741

Consolidated Statement of Cash Flow

of ZhongDe Waste Technology AG for the period from 1 January to 31 December 2013 and the same period in the previous year

in k€	2013	2012
Loss before income tax	-8,964	-12,920
<i>Adjustments for:</i>		
Amortization of intangible assets	11,396	7,452
Expensing of land use rights	62	24
Allowance for doubtful trade debts	-83	168
Changes of provision for warranty	0	-106
Depreciation of property, plant and equipment	255	455
Gains on disposal of consolidated companies	-10,302	0
Gains/losses property, plant and equipment	0	26
Interest income/exchange gains	-2,267	-2,437
Interest expense/exchange losses	3,794	2,789
Operating cash flows before working capital changes	-6,109	-4,549
Working capital changes:		
<i>(-)Increase)/(+)decrease in:</i>		
Inventories	-1,282	-601
Trade receivables	-392	963
Other receivables and prepayments and other financial assets	-24,346	-3,835
Amounts due from related parties	27	259
POC receivables from BOT-projects	-8,451	-24,451
<i>(+)Increase)/(-)decrease in:</i>		
Trade payables	4,058	-1,909
Other payables and prepayments, provisions and other financial liabilities	24,574	-1,641
Amounts due to related parties	-215	211
Cash used in operations	-12,136	-35,553
Interest received	341	570
Interest paid	-5,002	-4,243
Income tax paid	-609	-483
Net cash used in operating activities	-17,406	-39,709

in k€	2013	2012
Cash flow from investing activities		
Proceeds from disposal of consolidated companies	4,893	0
Purchase property, plant, equipment, intangible assets, land use rights	-143	-1,017
Cash flow generated from/used in investing activities	4,750	-1,017
Cash flow from financing activities		
Increase of borrowings	27,252	24,345
Repayments of loans	-5,872	-5,123
Cash repayments of financial assets (BOT projects)	2,829	5,070
Cash flow from financing activities	24,209	24,292
Net increase (+)/decrease (-) in cash and cash equivalents	11,553	-16,434
Cash at beginning of year	100,313	117,308
Foreign exchange differences	-1,790	-561
Cash and cash equivalents at end of period (Note 20)	110,076	100,313
Of which: included in assets held for sale	0	4
Of which: Cash as per Consolidated Balance Sheet	110,076	100,309

Please refer to note 32 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 2013

in k€	Number of shares outstanding	Share capital AG	Own shares	Capital Reserves	Chinese statutory reserves	Retained earnings	Currency translation reserve (other comprehensive income)	Total equity
Notes	21.1	21.1	21.2	21.3 a)	21.3 b)	21.3 c)	21.4	
Balance as of January 1, 2012	12,600,000	13,000	-4,608	62,914	7,972	21,817	24,573	125,668
Total comprehensive income	0	0	0	0	0	-12,230	-679	-12,909
Balance as of January 1, 2013	12,600,000	13,000	-4,608	62,914	7,972	9,587	23,894	112,759
Total comprehensive income	0	0	0	0	0	-8,260	-1,545	-9,805
Appropriation of current year's income	0	0	0	0	90	-90	0	0
Balance as of December 31, 2013	12,600,000	13,000	-4,608	62,914	8,062	1,237	22,349	102,954

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 2013

| 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. 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. Furthermore, as a general contractor of EPC projects, the ZhongDe Group is responsible for the design, engineering, procurement, construction and installation of waste incinerators with a power generation with the above mentioned techniques (energy-from-waste). In addition to the above EPC-role, the ZhongDe Group also produces and operates the energy-from-waste plants as an investor of BOT projects. The work and services required in connection with EPC and BOT projects are not carried out by the ZhongDe Group itself but by subcontractors. The production and sale of waste incinerators is still very slow with the result that neither in 2012 nor in 2013 incinerators were completed or sold.

Group structure

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

in k€	Interest (direct/indirect)	Equity 31.12.2013	Results 2013
ZhongDe (China) Environmental Protection Co. Ltd., Beijing, PRC	Direct 100%	3,088	-482
Chung Hua Environmental Protection Assets (Holdings) Group Ltd., Hong Kong	Direct 100%	32,449	-2,801
Fujian FengQuan Environmental Protection Holding Ltd., Fuzhou, PRC	Indirect 100%	70,945	478
Zhoukou FengQuan Environmental Protection Electric Power Co., Ltd., Zhoukou, PRC	Indirect 100%	3,846	-1,329
Feicheng FengQuan Waste Disposal Co., Ltd., Feicheng, PRC	Indirect 100%	1,064	-69
Xianning ZhongDe Environmental Protection Electric Power Co., Ltd., Xinjiang, PRC	Indirect 100%	15,325	-731
Kunming FengDe Environmental Protection Electric Power Co., Ltd., Kunming, PRC	Indirect 100%	6,184	-3,039
Lanzhou FengQuan Environmental Electric Power Co., Ltd., Lanzhou, PRC	Indirect 100%	11,615	-334

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 or EPC-projects. ZhongDe Waste Technology AG also holds 100% of the shares in ZhongDe (China) Environmental Protection Co. Ltd. (“ZhongDe (China)”), which was established in 2010. This subsidiary is mainly responsible for handling project acquisition, project planning and other administrative duties at the site in Beijing. Furthermore the current EPC-project in Dingzhou and the planned EPC-project in Wuhai are operated in this subsidiary.

Beijing ZhongDe Environmental Protection Technology Co. Ltd., Beijing was sold as at 25 December 2013 and therefore, the company is since then no longer member of ZhongDe Group. For further details we refer to Note 2.5.

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 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS) and 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 (€ thousand or k€) except where otherwise indicated. Because the calculations of the individual items included are based on the full figures, rounding differences may occur where amounts are shown in thousands of Euros. The financial statements of the individual consolidated companies are prepared as of the closing date for the Group financial statements.

The Consolidated Financial Statements for the reporting period ended 31 December 2013 (including comparative information relating to the accounting year 2012) were approved and authorised for issue by the Management Board as at 23 April 2014. They will be approved by the Supervisory Board on its meeting as at 24 April 2014.

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

The significant accounting policies and measurement bases that have been applied in the preparation of these Consolidated Financial Statements as of 31 December 2013 are summarised below.

With the exception of the changes in the accounting policies as set out below, the Consolidated Financial Statements have been prepared in accordance with the accounting policies adopted in the Consolidated Financial Statements for the year ended 31 December 2012. With reference to changes in estimates under Note 2.7 the accounting policies have been applied consistently for the purpose of preparation of these Consolidated Financial Statements.

An overview of new standards, amendments and interpretations applicable for the first time in the 2013 financial year, is given in Note 1.3.

| 1.3 | Standards, Interpretations and Amendments to Standards applicable for the first time in the 2013 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 2013 reporting period:

- IFRS 1 (Amendments) – Severe Hyperinflation and Removal of Fixed Dates for first time Adopters
- IAS 12 (Amendments) – Deferred tax: Recovery of Underlying Assets
- IAS 1 (Amendments) – Presentation of Items of Other Comprehensive Income
- IAS 19 (Amendments) – Employee benefits
- IFRS 1 (Amendments) – Government Loans
- IFRS 13 – Fair Value Measurement
- IFRIC Interpretation 20 – Stripping Costs in the Production Phase of a Surface Mine
- IFRS 7 (Amendments) – Disclosures – Offsetting Financial Assets and Financial Liabilities
- Annual Improvements to IFRSs 2009–2011 cycle

No material effect arose on the consolidated statement of financial position, consolidated statement of cash flows or consolidated statement of comprehensive income 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 2013 financial year, and were therefore not applied by the ZhongDe Group:

Standard	Text	First time application in the EU
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosures of Interests in other entities	1 January 2014
IAS 27	Separate Financial Statements	1 January 2014
IAS 28	Investments in Associates and Joint Ventures	1 January 2014
IAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
Transition Guidance	Amendments to IFRS 10, IFRS 11 and IFRS 12	1 January 2014
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities	1 January 2014
IFRS 9	Financial Instruments and Subsequent Amendments (Amendments to IFRS 9 and IFRS 7)	unknown
IAS 19 (Amendments) Defined Benefit Plans	Employee Contributions	unknown
IFRS 14	Regulatory Deferral Accounts	unknown
IFRIC 21	Levies	unknown
Annual Improvements to IFRSs 2010 – 2011 cycle		unknown
Annual Improvements to IFRSs 2011 – 2013 Cycle		unknown

The aforementioned standards and interpretations are to be applied in the Consolidated Financial Statements of the ZhongDe Group from the 2014 financial year or later. Aside from additional or modified disclosure requirements ZhongDe Group currently expects from the first-time application of these standards, interpretations and amendments only marginal effect on the consolidated financial statements.

| 2 | Accounting Policies

| 2.1 | Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiary undertakings drawn up to 31 December 2013. Subsidiaries are all entities over which the parent company has the power to control the financial and operating policies. All subsidiaries have an annual reporting date of 31 December.

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

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

| 2.2 | Functional and presentation currency

a) Functional currency

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

b) Foreign currency transactions

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

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

Foreign currency translation

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

Development of exchange rates (1 € / foreign currency rate)	ISO-Code	Average rate		Ending rate	
		2013	2012	2013	2012
Chinese Yuan	CNY	8.1646	8.1052	8.3491	8.2207
Hong Kong-Dollar	HKD	10.3016	9.9663	10.6933	10.2260

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

All resulting exchange differences are recognised without effect on profit and loss in other comprehensive income in the currency translation reserve, a separate component of equity.

| 2.3 | Non-current assets held for sale (disposal group)

ZhongDe AG's interests in Feicheng FengQuan Waste Disposal Co. Ltd., which operates the Feicheng BOO-project are held by Fujian FengQuan Environmental Protection Holding Ltd. As this project does not fit to the strategic change to BOT projects, the management generally has the intention to sell the project. Last year management expected to sell the project within the next year and therefore the assets and liabilities were reported in accordance with IFRS 5 as non-current assets held for sale (comprising a disposal group) since 31 December 2012. Within 2013 the potential buyer requested to increase the capacity of waste-disposal and to upgrade the waste-disposal into an energy-from-waste plant. Therefore management had to postpone the sale until these works are completed and currently expects to close the transaction until 2016. Accordingly assets and liabilities of the Feicheng project, which have been shown as held for sale as at 31 December 2012, have been reclassified to their original balance sheet positions at year end.

The recognition as non-current assets held for sale in 2012 financial year and its reversal in financial year 2013 had no impact on the Group's Statement of Comprehensive Income. In the segment reporting stated in Note 3 the Feicheng project is allocated to the BOT segment.

As of 31 December 2012, the disposal group was attributable to the following balance sheet items before its reclassification to “assets held for sale” or “liabilities associated with assets held for sale”:

in k€	31.12.2012
Receivables from BOT	7,134
Fixed Assets	33
Trade receivables	59
Cash	4
Other assets	19
Total assets	7,249
Deferred Taxes	477
Trade payables	654
Other payables and accruals	7
Provisions	91
Total Liabilities	1,229

| 2.4 | Service concession arrangements

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

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

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

| 2.5 | Disposal of subsidiary and deconsolidation

As at 25 December 2013 ZhongDe Group sold its shares in Beijing ZhongDe Environmental Protection Technology Co. Ltd. at a purchase price of k€ 6,124. At the date of disposal, the carrying amounts of the assets and liabilities of the entity sold are as follows:

in k€	25.12.2013
Property, plant and equipment	137
Prepayments on land use right	3,446
Total non-current assets	3,583
Other receivables and prepayments	967
Cash and cash equivalents	6
Total current assets	973
Trade payables	-613
Other payables and prepayments	-7,915
Tax liabilities	-206
Total current liabilities	-8,734
Total net assets	-4,178

The gain from disposal can be reconciled as follows:

in k€	25.12.2013
Consideration	6,124
Total net assets	-4,178
Gain from disposal	10,302

The gain from disposal of the entity amounting to k€ 10,302 is included in other operating income. At year end cash received from the transaction amounted to k€ 4,893 and a portion of k€ 1,231 was outstanding. We refer to Note 6.

| 2.6 | Significant accounting estimates and judgments

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

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

a) Allowance for trade receivables

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

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

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

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

The carrying amount of allowance for doubtful receivables was k€ 512 (2012: k€ 603).

b) Depreciation of property, plant and equipment

The cost of equipment used for the manufacturing process is depreciated on a straight-line basis over its estimated useful life. The management estimates the useful life of equipment to be between 5 and 10 years, according to life expectations in comparable industries. The carrying amount of the Group's equipment at 31 December 2013 was k€ 517 (2012: k€ 805). As changes in the expected level of usage and technological developments could affect the economic useful life and the residual value of these assets, future depreciation charges could be revised.

c) Provision for warranty

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

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

As at 31 December 2013 no warranty provision were set up (2012: k€ 0).

d) Provisions for contractual penalties

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

The cumulative carrying amount of these provisions was k€ 2,391 (2012: k€ 1,936) at the balance sheet date.

e) Partial revenue recognition on construction contracts

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

If total revenues and/or costs for projects are not reliably estimatable and the stage of completion appears to be not reliably measurable, the zero profit-method has to be applied. Under the zero-profit-method revenues are only recognised to the extent costs incurred are recoverable on the referring project. For further information we refer to Note 2.7.

POC-revenues amount to k€ 12,230 (2012: k€ 24,677).

f) Measurement of fair value of BOT projects

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

g) Measurement of BOT Intangible and Receivables

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

h) Impairment Test

The impairment test of nonfinancial assets requires assumptions about the future cash flows during the planning period, and possibly beyond it, as well as about the discount rate to be applied, which are based on estimates about the extent and probability of occurrence and future events.

As far as possible, estimates are derived from past experience. All other data is subject to the best estimate of the management on the expected development of the Group which is included in its budget. More detailed information on impairment tests and the measurement parameters used for those test are disclosed in Note 2, Note 12 and Note 13.

| 2.7 | Changes in Accounting Estimates

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

Due to this change in accounting estimate the Group realised k€ 1,474 less revenues in 2013. The application of the zero-profit-method will be required for all BOT-projects until completion in the following years until ZhongDe has finally installed an improved project-controlling system. This method leads to a deferred accounting at completion date for the margin resulting from the construction relating to the BOT-projects.

Accounting policies and valuation methods

| 2.8 | Intangible assets

a) Software

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

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

b) Research and development costs

The costs associated with research and development decreased compared to the previous year by k€ 38 to k€ 184. Research costs, if any, are expensed in the period in which they incur. Development costs are only capitalised if all the cumulative recognition criteria listed in IAS 38 are fulfilled, if the research phase can be clearly distinguished from the development phase and if the costs arising can be directly allocated to the individual project phases. No development costs were capitalised as per IAS 38 because the relevant criteria were not met. In particular, it is impossible to distinguish clearly between research and development activities due to countless interdependencies (circular process).

c) Service concession rights

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

Service concession rights are amortised over the agreed period of use, which according to the terms of the contracts is generally 30 years. Amortization begins when the infrastructure is put into service, which is expected to be in 2014 for the next BOT projects. During the production phase a capitalized intangible asset is tested annually for impairment and later at any time a triggering event for an impairment incurs. The service concession rights, capitalised as intangible assets, are of key importance for the financial statements. They are explained in detail under note 13.

All intangible assets have a definite useful life.

| 2.9 | Prepayments on Land Use Rights

In September 2012 ZhongDe was granted land use rights for the facility in Beijing against a payment of k€ 916. The payments for this land use right are presented as prepayments for land use rights and expensed over the lease term of 50 years, so that no land-use rights are disclosed by year end.

| 2.10 | Property, plant and equipment

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

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

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

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The gain or loss arising from the disposal or retirement of an item of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

| 2.11 | Impairment of non-financial assets

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

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

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

The group performed impairment tests for the intangible assets from service concession agreements not yet available for use. The impairment test for the entities in Zhoukou and Xianning (both cash generating units), which both relate to the BOT segment, documented that based on actual assumptions and knowledge the expected discounted cashflows in the operating period do not cover the assets capitalized. The recoverable amount of the cash generating unit was calculated as value in use at an interest before tax of 11.7%. Accordingly the intangible asset for the service concession rights had to be written down by € 2.2 million (2012: € 7.4 million) for Zhoukou and € 9.2 million (2012: € nil) for Xianning.

| 2.12 | Receivables from BOT projects

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

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

| 2.13 | Inventories

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

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

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

| 2.14 | Financial Instruments

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

a) Financial assets

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

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

b) Financial Liabilities

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

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

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

| 2.15 | Trade and other receivables

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

| 2.16 | Cash and cash equivalents

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

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

| 2.17 | Non-current assets held for sale and associated liabilities

Non-current assets held for sale and associated liabilities are measured in accordance with IFRS 5 and reported as current assets/liabilities. To be classified as held for sale, assets must be available for immediate sale and their sale must be highly probable. Assets held for sale can be individual non-current assets, groups of assets held for sale (disposal groups) or discontinued operations. Liabilities that are disposed of with assets in a single transaction are part of a disposal group and are likewise reported separately under current liabilities as "liabilities associated with assets held for sale". Non-current assets held for sale cease to be depreciated or amortized, and are measured at their carrying amount or at fair value less costs to sell, whichever is lower. Gains or losses arising on the measurement of individual assets held for sale or of disposal groups are reported under result of the year until their ultimate disposal. Based on the negotiation with the potential buyer of the project in Feicheng, ZhongDe is asked to upgrade the project for electricity generation and an increase of waste capacity before the final agreement will be signed. As the project is not ready for sale in its current conditions the disposal group is reclassified to ongoing business in 2013.

| 2.18 | Capital and Reserves

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

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

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

| 2.19 | Provisions

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

If the provisions are long term, they are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. As at 31 December 2013 all provisions are classified as current as they are due to reach maturity within a year.

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

| 2.20 | 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.

| 2.21 | Order backlog

The order backlog regarding incinerators and EPC projects is calculated based on the contractual amounts less any amounts of work already completed.

Regarding BOT projects the order backlog is stated at the fair value of the construction of the energy-from-waste plants less the revenues accounted for according to the actual stage of completion. The fair value of the constructions is derived from the originally budgeted costs plus a margin based on a project that has already been realized (cost-plus method).

| 2.22 | Revenue recognition

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

a) Sales of goods

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

b) Rendering service

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

c) Long-term construction contract revenue

As long as revenues and/or costs for long-term construction contracts can reliably be estimated the relating revenues are accounted for under the percentage of completion method where revenue is recognised as the performance of the contract progresses. The contract progress is determined based on the percentage of costs incurred to date compared to the actual total estimated cost for each contract. This stage of completion is applied on the share of revenue recognisable until the reporting date. Total recognisable revenue refers to the contract price (incinerators and EPC-projects) or the fair value of the construction costs (BOT-projects). If the revenues and/or costs cannot be estimated or are no longer reliably estimable, revenues for those projects are recognized under zero-profit-method. This is applied since the second quarter 2013. Please also refer to Note 2.6 f) Measurement of fair value of construction services of BOT projects and Note 2.7 Changes in Accounting Policies.

d) Interest income

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

| 2.23| Pension scheme

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

| 2.24| Borrowing costs

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

All other borrowing costs are expensed as incurred.

| 2.25| Taxation

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

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

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

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

| 2.26 | Earnings per Share

Earnings per share for 2013 amounted to € -0.66 (2012: € -0.97). 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 2013 amounted to 12,600,000 shares (31 December 2012: 12,600,000 shares). Basic and diluted earnings per share are the same.

in k€	2013	2012
Calculation of earnings per share		
Result attributable to owners of the parent	-8,260	-12,230
Average number of shares	12,600,000	12,600,000
Basic and diluted earnings per share	-0.66	-0.97

The management board is authorised to increase the share capital of the Company with the consent of the supervisory board until 31 July 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.

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

b) Geographical business

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

c) Allocation basis

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

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

The following table presents revenue and results information regarding the Group's business segments for the financial year ended 31 December 2013. All revenues in the total amount of k€ 12,310 (2012: k€ 24,758) are from external customers.

|3.2| Segments

in k€	BOT-Projects		EPC-Projects		Incinerators		Group	
	2013	2012	2013	2012	2013	2012	2013	2012
Revenues	8,620	24,451	3,690	307	0	0	12,310	24,758
Intercompany revenues	0	0	0	0	0	0	0	0
Total revenue for reportable segments	8,620	24,451	3,690	307	0	0	12,310	24,758
Total gross profit from reportable segments	-1,794	1,603	1,583	-2	0	-18	-211	1,583
Order intake	0	139,026	45,838	0	0	1,529	45,838	140,555
Order Back-log	142,151	163,005	79,785	90,180	4,115	4,180	226,051	257,365

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

in k€	2013	2012
Total gross profit for reportable segments	-211	1,583
Consolidation	0	0
Total profit or loss for the Group	-211	1,583
Unallocated income and expenses of the Group	-7,226	-14,151
EBIT	-7,437	-12,568
Finance income	2,267	2,437
Finance expense	-3,794	-2,789
Loss before tax	-8,964	-12,920
Income tax	704	690
Loss (-) for the year	-8,260	-12,230

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 € 8.6 million (2012: € 24.4 million) were achieved with four customers. The following table presents the total amount revenues from each customer with whom the Group achieved more than 10% of total sales on BOT and EPC projects including their relevant segments:

in million €	Segment	Revenue	
		2013	2012
BOT Xianning	BOT	5.1	14.7
BOT Kunming	BOT	3.1	8.0
EPC Zhucheng	EPC	2.3	0.2
EPC Dingzhou	EPC	1.4	0.1

Notes on the Statement of Comprehensive Income

| 4 | Revenues

Revenue amounts to € 12.3 million (2012: € 24.8 million). Thereof € 12.2 million (2012: € 24.7 million) have been accounted for under the PoC-method (Percentage of Completion). Thereof € 3.7 million (2012: € 0.3 million) refer to EPC projects and € 8.5 million (2012: € 24.4 million) to BOT projects, which are accounted for under IFRIC 12. These PoC-revenues generated profits amounting to € 0.1 million (2012: € 1.5 million) by costs incurred amounting to € 12.1 million (2012: € 23.2 million). Thereof € 1.6 million (2012: € 0.3 million) refer to EPC projects and € 10.5 million (2012: € 22.9 million) to BOT projects. A breakdown of revenue by segment can be found in the segment reporting. Sales of k€ 80 (2012: k€ 81) relate to operating revenues from the project in Feicheng.

As disclosed in Note 2.7, since 1 April 2013 the revenues on four BOT projects are accounted for under the zero-profit method. The application of the zero-profit method leads to a reduction of revenues amounting to € 1.5 million.

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

As the purchase price is fixed this results in an increase in sales by € 1.3 million in 2013.

| 5 | Cost of Sales

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

in k€	2013		2012	
	k€	%	k€	%
Subcontractors services	12,069	96.4	22,042	95.1
Personnel expenses	859	6.9	972	4.2
Materials	210	1.7	134	0.6
Trial run	-671	-5.4	0	0.0
Others	54	0.4	27	0.1
Total Cost of Sales	12,521	100.0	23,175	100.0

Cost of sales decreased from k€ 23,175 in 2012 by k€ 10,654 to k€ 12,521 in 2013. The decrease is mainly attributable to lower construction activity within financial year 2013. The gross profit margin amounts to -1.6% (2012: 6.4%) mainly due to increased budgeted costs relating to the current BOT projects. Therefore the lower stage of completion had to be applied.

As the Group acts as General Contractor the predominant part of Cost of Sales relates to subcontractors' services.

| 6 | Other operating income

Other operating income mainly relates to the sale of the subsidiary Beijing ZhongDe Environmental Protection Technology Co. Ltd., which contributed k€ 10,302 million to the operating income in financial year 2013, please refer to Note 2.5.

|7| Selling and distribution expenses

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

in k€	2013	2012
Provisions for delay	404	204
Personnel expenses	292	365
Entertainment expenses	50	632
Travel expenses	47	325
Conference expenses	3	21
Car using fee	1	111
Others	26	232
	824	1,890

|8| Administrative expenses

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

in k€	2013	2012
Personnel expenses	1,600	1,635
Entertainment expenses	326	311
Rent	318	387
Office expenses	318	346
Depreciation and Amortization	304	448
Travel expenses	221	45
Vehicle use fee	190	110
Other taxes	106	63
Consulting Fees	74	230
Other expenses	363	151
	3,821	3,726

| 9 | Other operating expenses

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

in k€	2013	2012
Impairment of intangible assets	11,368	7,427
Financial statements and audit costs	715	689
Investor relations costs	225	310
Legal and advisory costs	177	293
Supervisory board costs	149	151
Consulting fees	0	106
Others	262	502
	12,897	9,478

The impairment of intangible assets relate to the projects in Zhoukou and Xianning. Please also refer to Note 2.12.

| 10 | Selected information and the nature of expenses

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

in k€	2013	2012
Staff costs	2,900	3,131
Depreciation of property, plant and equipment	255	455
Addition/Release of Allowance for doubtful trade debts	-83	168
Expensing of land use rights	62	24
Amortization of intangible assets	11,396	7,452

| 11 | Finance Income

in k€	2013	2012
Interest income	2,261	2,355
Exchange gains	6	82
	2,267	2,437

A portion of € 0.3 million (2012: € 0.5 million) within interest income relates to interest from cash at banks as well as to interest from receivables from BOT projects amounting to € 1.9 million (2012: € 1.9 million). Interest income from receivables from BOT-projects has been calculated under the effective interest method.

| 12 | Finance Costs

in k€	2013	2012
Bank charges	6	6
Exchange loss	58	278
Interest expense	3,730	2,505
	3,794	2,789

In 2013 borrowing costs of € 4.9 million (2012: € 4.0 million) incurred. Thereof € 1.2 million (2012: € 1.5 million) were capitalised and € 3.7 million (2012: € 2.5 million) were accounted for within finance costs. As financing is arranged for each individual BOT project, the actual financing costs are capitalised in line with IFRIC 12.22 to the extent that they are incurred for an intangible from a service concession right.

Notes on the Consolidated Statement of Financial Position

| 13 | Intangible Assets

in k€	Software	Trademark, Patent	Service concession rights	Total
Cost				
At 1 January 2013	230	85	23,529	23,844
Additions	65	0	3,572	3,637
Disposal	0	0	-172	-172
Reclassification	0	0	-2,097	-2,097
Exchange difference	-5	-1	-391	-397
At 31 December 2013	280	84	24,441	24,816
Accumulated amortization and impairment				
At 1 January 2013	91	19	7,323	7,433
Amortization	28	0	0	28
Impairment	0	0	11,368	11,368
Exchange difference	-2	0	-364	-366
At 31 December 2013	117	19	18,327	18,463
Net carrying amount				
At 1 January 2013	139	66	16,206	16,411
At 31 December 2013	173	65	6,115	6,353
Exchange difference	-3	-1	-27	-31

in k€	Software	Trademark, Patent	Service concession rights	Total
Cost				
At 1 January 2012	232	48	15,587	15,867
Additions	0	38	9,318	9,356
Reclassification	0	0	-1,146	-1,146
Exchange difference	-2	-1	-230	-233
At 31 December 2012	230	85	23,529	23,844
Accumulated amortization and impairment				
At 1 January 2012	67	18	0	85
Amortization	25	0	0	25
Impairment	0	0	7,427	7,427
Exchange difference	-1	1	-104	-104
At 31 December 2012	91	19	7,323	7,433
Net carrying amount				
At 1 January 2012	165	30	15,587	15,782
At 31 December 2012	139	66	16,206	16,411
Exchange difference	-1	-2	-126	-129

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 2.8.

Intangible assets from service concessions are qualifying assets in the meaning of IAS 23 (Borrowing Costs). Accordingly proportional borrowing costs of € 1.2 million have been capitalized in 2013 (2012: € 1.5 million). The borrowing costs were determined on the basis of interest rates between 7.5% and 8.0% (2012: between 7.4% and 9.0%). Depreciation on intangible assets is presented as administrative costs. Impairments are presented as other expenses. Please refer to note 9.

Reclassifications relate to a shift from intangible assets to BOT receivables under the IFRIC 12 model mainly due to changes in accounting estimated. Prior year figures are grouped accordingly.

The following important intangible assets which 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.

| 14 | Prepayments on Land use right

in k€	Land under operating leasing and land development fees
Cost	
At 1 January 2013	3,508
Additions	0
Disposals	-3,532
Reclassification	0
Exchange difference	24
At 31 December 2013	0
Accumulated depreciation and impairment	
At 1 January 2013	24
Depreciation charged for the year	62
Disposals	-86
Exchange difference	0
At 31 December 2013	0
Net carrying amount	
At 1 January 2013	3,484
At 31 December 2013	0
Exchange difference	24

in k€	Land under operating leasing and land development fees
Cost	
At 1 January 2012	0
Additions	916
Disposals	0
Reclassification	2,714
Exchange difference	-122
At 31 December 2012	3,508
Accumulated depreciation and impairment	
At 1 January 2012	0
Depreciation charged for the year	24
Disposals	0
Exchange difference	0
At 31 December 2012	24
Net carrying amount	
At 1 January 2012	0
At 31 December 2012	3,484
Exchange difference	-122

In accordance with the sale of the subsidiary Beijing ZhongDe Environmental Protection Technology Co. Ltd. by 25 December 2013 the relating land-use right is disposed. We refer to Note 2.9.

| 15 | Property, Plant and Equipment

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

The reclassifications exclusively relate to assets held for sale.

in k€	Machine equipment	Vehicle	Electronic equipment	Total
Cost				
At 1 January 2012	785	1,607	606	2,998
Additions	0	24	40	64
Disposals	-6	-62	-10	-78
Reclassifications	-3	-23	-32	-58
Exchange difference	-8	-21	-5	-34
At 31 December 2012	768	1,525	599	2,892
Accumulated depreciation and impairment				
At 1 January 2012	469	941	330	1,740
Depreciation charged for the year	56	290	109	455
Disposals	-2	-41	-9	-52
Reclassifications	-1	-4	-20	-25
Exchange difference	-4	-17	-10	-31
At 31 December 2012	518	1,169	400	2,087
Net carrying amount				
At 1 January 2012	316	666	276	1,258
At 31 December 2012	250	356	199	805
Exchange difference	-4	-4	5	-3

| 16 | Construction in Progress

in k€	Construction in progress
Cost	
At 1 January 2013	6,146
Additions	0
Disposals	-6,146
Exchange difference	0
At 31 December 2013	0
Accumulated depreciation and impairment	
At 1 January 2013	6,146
Depreciation charged for the year	0
Disposals	-6,146
Exchange difference	0
At 31 December 2013	0
Net carrying amount	
At 1 January 2013	0
At 31 December 2013	0
Exchange difference	0

in k€	Construction in progress
Cost:	
At 1 January 2012	6,146
Additions	0
Disposals	0
Exchange difference	0
At 31 December 2012	6,146
Accumulated depreciation and impairment:	
At 1 January 2012	6,146
Depreciation charged for the year	0
Disposals	0
Exchange difference	0
At 31 December 2012	6,146
Net carrying amount:	
At 1 January 2012	0
At 31 December 2012	0
Exchange difference	0

In accordance with the sale of the subsidiary Beijing ZhongDe Environmental Protection Technology Co. Ltd. by 25 December 2013 the relating asset from construction-in-progress is disposed. We refer to Note. 2.5.

| 17 | Receivables from BOT projects

in k€	Receivables from BOT
Cost	
At 1 January 2013	47,070
Additions	8,104
Disposals	-2,748
Reclassification	2,097
Reclassification of assets held for sale	7,134
Exchange difference	-998
At 31 December 2013	60,659
Cost	
At 1 January 2012	40,181
Additions	18,373
Disposals	-4,989
Reclassification	1,146
Reclassification of assets held for sale	-7,134
Exchange difference	-507
At 31 December 2012	47,070

Due to the decision to postpone the sale of the Feicheng project to financial year 2016, the relating BOT receivables are reclassified from assets held-for-sale. For further information we refer to Note 2.3. The reclassification relates to a shift from intangible assets to BOT receivables under the IFRIC 12 model mainly due to changes in accounting estimated. Prior year figures are also grouped accordingly. We also refer to Note 14.

| 18 | Inventories

in k€	31.12.2013	31.12.2012
Raw materials and consumables	343	372
Finished goods	1,922	1,952
Work in process	1,344	68
Reclassification	0	-1
Less: Stock provision	-4	-4
	3,605	2,387

Inventories only relate to the segment incinerators. Finished goods presented are based on a customer purchase order. The relating incinerators are planned to be sold in the mid of 2014. During 2013 there were no inventories recorded in the profit and loss statement (previous year: k€ 0).

| 19 | Trade Receivables, Other Receivables and prepayments and Other financial assets

in k€	31.12.2013	31.12.2012
Trade receivables		
Trade receivables	1,232	804
Allowance for trade receivables	-512	-603
	720	201
Other receivables and prepayments		
VAT receivable	2,461	2,024
Other receivables	777	663
Interest receivable	226	13
Advance to suppliers/subcontractors	32,082	18,690
	35,546	21,390
Allowance for other receivables and prepayments	0	0
	35,546	21,390
Other financial assets		
Loans granted to customers	3,354	1,216
Other financial assets	7,904	0
	11,258	1,216
Allowance for other financial assets	0	0
	11,258	1,216
	47,524	22,807

All trade receivables are non-interest bearing. They are recognised at their original invoice amounts, which represent their fair values on initial recognition. The due dates are as follows:

in k€	31.12.2013	31.12.2012
Neither impaired nor due past as of balance sheet date	0	0
Overdue and not impaired	720	201
Due		
Within 30 days	271	0
31-90 days	111	0
91-180 days	111	0
181-360 days	221	0
361-1,080 days	302	804
More than 1,080 days	216	0
	1,232	804

Allowance for doubtful receivables

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

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

in k€	2013	2012
At 1 January	603	441
Additions	0	168
Releases	-83	0
Exchange difference	-8	-6
At 31 December	512	603

Other financial assets

Other financial assets refer to amounts due from the buyer of the subsidiary Beijing ZhongDe Environmental Protection Technology Co. Ltd. and were completely paid until end of March 2014.

| 20 | Cash and Cash Equivalents

in k€	31.12.2013	31.12.2012
Cash at banks and in hand (relates to the cash fund)	110,076	100,309
thereof restricted in use (relates to the cash fund)	1,617	0
	110,076	100,309
Thereof in Germany	26	21
Thereof in China	110,050	100,288

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%.

| 21 | Equity

| 21.1 | 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. The amount of shares issued and fully paid as at beginning of the financial year 2013 and as at end of the financial year 2013 amount to € 13 million. Within 2013 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 31 July 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.

| 21.2 | Own Shares

As of 31 December 2013 treasury stocks of the parent company amounted to k€ 4,608 (2012: k€ 4,608) and are divided into 400,000 shares (2012: 400,000 shares) with a notional amount of € 1.00 each. The number of outstanding shares at 1 January 2013 and 31 December 2013 amounts to 12,600,000; or an average of 12,600,000 in 2013 and 2012.

| 21.3 | 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€ 8,062 (2012: k€ 7,972) relates to the subsidiary Fujian FengQuan Environmental Protection Holding Ltd. According to the legal regulations of the PRC, a corporate enterprise has to allocate at least 10% of its annual net profit to the statutory reserve until this amount to at least 50% of the paid-in capital. The Chinese statutory reserve can be used for loss compensation or for a capital increase as long as the reserve does not fall below 25% of the paid-in capital. As Fujian FengQuan Environmental Protection Holding Ltd. realise a positive result in 2013 an addition of k€ 90 has been made to this reserve.

c) Retained earnings

Retained earnings comprise the cumulative net gains and losses recognised in the consolidated statement of income and expense and amount to k€ 1,237 (2012: k€ 9,587). In accordance with the resolution of the shareholders' meeting on 28 June 2013, no dividend was paid for 2012.

| 21.4 | 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.

| 22 | Long Term Loans

The principal conditions of loans are as follows:

	Bank Name	Starting Date	Contract Amount in k€ 2013 (2012) kRMB 2013 (2012)	Amount used in k€ 2013 (2012) kRMB 2013 (2012)	Carrying Amount in k€ 2013 (2012) kRMB 2013 (2012)	Effective Interest Rate
Kunming BOT Loan 1	Huarong Financial Leasing Ltd.	22.10.2010	14,373 (14,597) 120,000 (120,000)	8,949 (9,089) 74,720 (74,720)	2,509 (4,710) 20,952 (38,716)	11.58%
Kunming BOT Loan 2	China Merchants Bank	29.04.2011	21,559 (21,896) 180,000 (180,000)	21,559 (20,680) 180,000 (170,000)	21,559 (20,596) 180,000 (169,314)	8.07%
Xianning BOT Loan 1	Huarong Financial Leasing Ltd.	22.10.2010	10,780 (10,948) 90,000 (90,000)	7,045 (7,155) 58,820 (58,820)	2,097 (4,076) 17,506 (31,404)	11.95%
Xianning BOT Loan 2	Bank of China	06.12.2011	14,133 (14,354) 118,000 (118,000)	14,133 (12,833) 118,000 (105,500)	13,774 (12,520) 115,000 (105,030)	8.20%
Zhoukou BOT Loan	Bank of China	18.04.2011	11,977 (12,165) 100,000 (100,000)	11,977 (12,165) 100,000 (100,000)	9,110 (11,009) 76,063 (90,500)	7.45%
Lanzhou BOT Loan	Bank of China	28.11.2013	23,955 (0) 200,000 (0)	23,955 (0) 200,000 (0)	23,955 (0) 200,000 (0)	8.30%
Total			96,777 (73,960) 808,000 (608,000)	87,619 (61,922) 731,540 (509,040)	73,004 (52,911) 609,521 (434,964)	8.74%

As far as repayments become due within 12 months loans are disclosed as current under other financial liabilities (€ 6.9 million, 2012: € 5.0 million).

Receivables from BOT as well as intangible assets relating to service concessions arrangements are stated as property, plant and equipment in the statutory accounts of Chinese companies. 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.

| 23 | Deferred Taxes

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

in k€	31.12.2013		31.12.2012	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Service concession rights	0	1,300	0	3,448
Other intangible assets	48	3	51	0
Property, plant and equipment	1,174	0	1,235	0
Construction in progress	15,534	0	14,418	0
Receivables from BOT	0	14,400	0	12,963
Inventories	198	0	557	0
Trade receivables	66	95	151	13
Trade and other payables	203	2,298	345	2,444
Provisions	40	0	0	0
Losses carried forward	0	0	20	0
Total	17,263	18,096	16,777	18,868
Reclassification	0	0	-1,319	-1,796
Netting	-17,263	-17,263	-15,286	-15,286
	0	833	172	1,786

Prior year's reclassification relate to deferred tax assets and liabilities held for sale.

| 24 | Trade payables, other payables and prepayments and other financial liabilities

in k€	31.12.2013	31.12.2012
Current liabilities		
Trade payables	19,554	15,784
Other Payables and prepayments		
POC liability	3,430	6,187
Advance from customers	20,452	2,274
Accrued Payroll Expenses	283	313
VAT payable	1	1,855
Other tax payables	1,034	988
Other payables	2,423	1,464
	27,623	13,081
Other Financial liabilities		
Notes payables	1,617	0
Current portion of long-term loans	6,895	4,984
	8,512	4,984
	55,689	33,849

All trade payables are non-interest bearing. As in prior year trade and other payables and prepayments have not been discounted due to their short duration. Management considers the carrying amounts recognised in the balance sheet to be a reasonable approximation of their fair value. Trade payables include retentions amounting to k€ 510 (2012: k€ 674).

Advance from customers mainly relate to prepayments made by the customer of the EPC project in Wuhai (k€ 14,924; 2012: k€ 0) and advances for incinerators (k€ 3,478; 2012: k€ 2,274).

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

in k€	31.12.2013	31.12.2012
Receivables from PoC	2,078	3,878
Advanced payments received	-5,269	-10,065
	-3,191	-6,187
thereof gross amount due from/to customers for contract work as a(n)		
- asset	238	0
- liability	-3,430	-6,187

| 25 | Provisions

in k€	Warranty	Staff bonus and welfare fund	Penalties	Total
At January 1, 2012	106	795	1,840	2,741
Additions	0	0	204	204
Utilised	0	0	0	0
Released	-107	0	0	-107
Reclassification to liabilities associated with assets held for sale	0	0	-91	-91
Exchange differences	1	-6	-17	-22
At January 1, 2013	0	789	1,936	2,725
Additions	0	0	404	404
Utilised	0	0	0	0
Released	0	0	0	0
Reclassification from liabilities associated with assets held for sale	0	0	92	92
Exchange differences	0	-12	-41	-53
At December 31, 2013	0	777	2,391	3,168

| 25.1 | Warranty

Provisions for warranty claims are based on current sales figures for incinerators and available information as well as expectations about warranty claims during the one-year warranty period for all products sold.

| 25.2 | 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.

| 25.3 | 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).

| 26 | Income Tax

The major components of income tax expense are as follows:

in k€	2013	2012
Current income tax	-550	-401
Deferred income tax induced by		
- tax rate changes	-39	610
- temporary differences	1,313	484
- tax loss carry forwards	-20	-3
	1,254	1,091
Income taxes according to profit and loss statement	704	690

The reconciliation of tax expenses is as follows:

in k€	2013	2012
Profit before income tax	-8,964	-12,920
Tax rate	25%	25%
Expected tax income expense	-2,241	-3,230
Tax rate differential	1,266	651
Non deductible expenses	609	688
Tax-exempted income	-287	-542
Not recognized deferred tax assets		
- resulting from tax losses of the period	407	1,203
- resulting from temporary differences	1,809	330
Tax benefits relating to previously unrecognised		
- taxes losses	-345	0
- temporary differences	-1,899	0
Tax payments for prior years	0	50
Other terms	-23	160
	-704	-690
Group tax rate	7.85%	5.34%

The position “Other terms” reported in 2012 has been split into “not recognized deferred tax assets resulting from temporary differences” and “other terms”. The prior year figures have been grouped accordingly.

The general Chinese tax rate amounts to 25%. Due to the fact that several subsidiaries are regularly granted tax holidays or tax reductions the average tax rate of the group’s subsidiaries is lower than 25%. Fujian FengQuan Environmental Protection Holding Ltd. received the qualification as “High-tech enterprise” associated with a reduction of the normal corporate tax rate from 25% to 15% for the years 2012 to November 2015. Due to their tax classification as “High-tech enterprise” the tax rate of ZhongDe (China) Environmental Protection Co. Ltd. also amounts to 15%. 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 2013 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 Technologie AG is subject to corporation tax at a rate of 15% plus a 5.5% solidarity surcharge (Solidaritätszuschlag) thereon (in total 15.825%). In addition, ZhongDe Waste Technologie AG is subject to trade tax (Gewerbesteuer) with their income subject to certain adjustments for trade tax purposes. The trade tax depends on the municipalities in which the corporation maintains permanent establishments. As at 31 December 2013, the effective trade tax rate for Frankfurt is 16.1% of the trade taxable income (Gewerbeertrag).

Utilization of previously unrecognized tax losses of prior periods reduced the current income tax in 2013 by k€ 345 (2012: € nil). As at 31 December 2013 tax losses carried forward on which deferred tax assets have not been accounted for amount to € 12.2 million (2012: € 11.9 million). The tax losses can be carried forward for a limited period of one to five years. The deferred tax expense arising from the write-down of deferred tax assets amounted to k€ 307 (2012: k€ 23).

The amount of deferred tax expense was reduced by € 1.9 million (2012: € nil) mainly due to the reversal of deductible temporary differences for which no deferred tax assets were accrued in previous years. For deductible temporary differences of € 10.9 million (2012: € 10.0 million) deferred tax assets have not been set up.

No deferred tax liabilities relating to taxable temporary differences amounting to € 0.8 million (2012: € 1.1 million) regarding to shares in Group companies have been set up, as neither a reversal of these outside basis differences is expected in the foreseeable future.

| 27 | Employee Benefits

| 27.1 | Number of Employees

	2013	2012
Average number of employees of the Group		
Management and administration	113	162
Research and development	12	12
Manufacture	219	183
Sales and distribution	28	34
	372	391

in k€	2013	2012
The average payroll costs of these employees		
Wages and salaries	2,173	2,410
Social security costs	528	592
Welfare	199	129
	2,900	3,131

| 27.2 | Retirement benefit plans

The eligible employees of the Group, who are citizens of the PRC, are members of a state managed retirement benefit scheme operated by the local government. The Group is required to contribute a certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. The amount of the Group's obligation is limited. It is therefore a defined-contribution commitment. Expenses of k€ 218 were recognized in 2013 and of k€ 271 in 2012.

| 28 | Commitments and Contingencies

| 28.1 | Operating lease commitments

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

in k€	2013	2012
Lease payment recognized as expense	412	452

Future minimum lease payments payable under non-cancellable operation leases as at 31 December, 2013 are as follows:

in k€	31.12.2013	31.12.2012
Not later than one year	344	341
Later than one year but not later than five years	582	744
Later than five years	650	785
	1,576	1,870

| 28.2 | 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 Hongkong 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 2013 contingent liabilities only amount to € 0.2 million.

| 29 | 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.

| 29.1 | Related party information

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

| 29.2 | 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€	2013	2012
Related parties		
Rental, water and electricity fee	140	154
Purchase of goods	0	0

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

b) Due from/to related parties

in k€	31.12.2013	31.12.2012
Due from related parties		
Other receivables	20	47
	20	47
Allowance for other receivables	0	0
	20	47
Due to related parties		
Trade payables	1	215
	1	215

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

c) Key management remuneration

in k€	2013	2012
Key management of the Group	90	106

in k€	2013	2012
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 2013 or 2012. All remuneration is paid by and from the Mainland China entities. For more information on remuneration, please refer to the combined management report.

| 30 | 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 Dec 31, 2013	Amounts recognised in balance sheet according to IAS 39 at amortized cost	Carrying Amount Dec 31, 2012	Amounts recognised in balance sheet according to IAS 39 at amortized cost
Trade receivables	LaR	720	720	201	201
Receivables from BOT	LaR	60,659	60,659	47,070	47,070
Other receivables and other financial assets	LaR	11,258	11,258	1,892	1,892
Amounts due from related parties	LaR	20	20	47	47
Cash and cash equivalents	LaR	110,076	110,076	100,309	100,309
Long-term loans	FLAC	66,109	66,109	47,927	47,927
Trade payables	FLAC	19,553	19,553	15,784	15,784
Other payables	FLAC	2,423	2,423	1,777	1,777
Amounts due to related parties	FLAC	1	1	215	215
Other financial liabilities: notes payables	FLAC	1,617	1,617	0	0
Other financial liabilities: Share of long-term loans due in the short term	FLAC	6,895	6,895	4,984	4,984
Of which: aggregated by category in accordance with IAS 39					
Total Loans and receivables	LaR	182,733	182,733	149,519	149,519
Total Financial liabilities measured at amortised cost	FLAC	96,598	96,598	70,687	70,687

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 in k€	From interest	Net gain (loss)	
		2013	2012
Loans and receivables			
- interest income using the effective interest method	1,926	1,926	1,867
- other interest income	335	335	488
- impairment loss (-)/reversal of impairment loss (+)	0	83	-168
	2,261	2,344	2,187
Financial liabilities measured at amortized cost			
- interest expense using the effective interest method	-3,730	-3,730	-2,505
	-3,730	-3,730	-2,505

Interest from financial instruments is recognised in finance income and costs. Net gains and losses from financial instruments are presented under administration expenses.

| 31 | 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.

a) Credit risk (default risk)

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

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

The carrying amount of financial assets recorded in the financial statements net of any allowance for doubtful receivables, represents the Group's maximum exposure to credit risk. The carrying amount of financial assets as of 31 December 2013 is k€ 182,733 (2012: k€ 149,519). All material financial assets are due from Chinese public contract partners.

b) Interest rate risk

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

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

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

in k€	Profit of the year		Equity	
	+1%	-1%	+1%	-1%
31 December 2013	-545	545	-545	545
31 December 2012	-434	434	-434	434

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 effect 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.

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

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

in k€	31.12.2012				
	2013	2014	2015 to 2017	2018 or later	Total
Bank loans	4,984	6,841	16,834	24,252	52,911
Total	4,984	6,841	16,834	24,252	52,911

| 32 | 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.

| 33 | 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 2013, the shareholders' equity rate of the ZhongDe Group was 45% (2012: 56%). The return on shareholders' equity – the ratio of the share of consolidated income of the ZhongDe Group's shareholders and the shareholders' equity on the report date – amounted to -10.8% and -8.0% in the 2012 and 2013 financial years, respectively.

| 34 | Members of the Executive and Supervisory Boards

Executive Board

Mr Zefeng Chen	CEO, Fuzhou, PRC, merchant
Mr Wang Jihua	CFO, Beijing, PRC, merchant

Supervisory Board

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

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

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

| 35 | Remuneration of the Executive and Supervisory Boards

Management Board

For the fiscal year 2013, 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€	2013	2012
Zefeng Chen	30	29
Jiuhua Wang	24	23
	54	52

Supervisory Board (only Fixed Remunerations)

in k€	2013	2012
Hans-Joachim Zwarg (until 30 August 2012)	0	40
Gerrit Kaufhold (since 30 August 2012)	60	20
Prof. Dr. Bernd Neukirchen	45	45
Feng-Chang Chang	45	45
	150	150

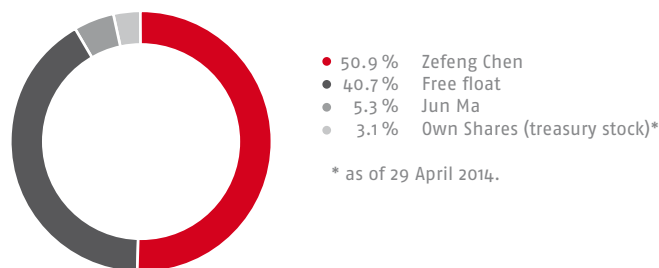
| 36 | Declaration of Compliance with the German Corporate Governance Code

Corporate Governance Code

The Executive Board and the Supervisory Board submitted their Declaration of Compliance with the recommendations of the Government Commission on the German Corporate Governance Code in accordance with section 161 Aktiengesetz (German Stock Corporation Act) on 22 April 2014. 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.

| 37 | Shareholdings in ZhongDe Waste Technology AG

The shareholdings in ZhongDe Waste Technology AG are as follows:



| 38 | Audit

Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf (“GT”) has been elected as the auditors of ZhongDe Waste Technology AG and the Group for fiscal year 2013. The following table gives an overview of the fees for the auditor charged (including out-of-pocket expenses and VAT, if any) for the business year:

in k€	2013	2012
Audit services	525	296
thereof related to prior year	277	0
Other assurance services	114	0
Other services	0	0

| 39 | Proposal on the Utilisation of ZhongDe Waste Technology AG's Net Profit

At the Annual General Meeting, the Executive Board and Supervisory Board will propose that no dividends will be paid out for the 2013 financial year.

| 40 | Events after the Balance Sheet Date

We are not aware of any events after the balance sheet date.

Frankfurt am Main, 23 April 2014



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 am Main, 23 April 2014



Zefeng Chen
Chairman of the
Executive Board (CEO)



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

Auditor's Opinion

We have audited the consolidated financial statements prepared by ZhongDe Waste Technology AG, Frankfurt am Main, – comprising a consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows 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 2013. 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 2013 comply with IFRS, as adopted by the EU, and the additional requirements of the German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined management report of the Group and ZhongDe Waste Technology AG is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitable presents the opportunities and risks of future development.

Hamburg, 23 April 2014

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).

Bag filter tubeplate hole:

used for fixing the bag and its keel.

Beijing ZhongDe:

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

BOO:

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

BOOT:

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

BOT:

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

BT project:

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

Catalytic oxidation:

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

Consumer price index (CPI):

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

Contingency waste incinerators:

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

Double-loop pyrolysis technology:

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

EIA:

“Environmental Impact Assessment”.

EPC:

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

Five-Year Planning:

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

Fluidised bed waste incinerator:

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

Fujian FengQuan:

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

Grate incinerator:

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

HGB

Handelsgesetzbuch (German Commercial Code).

IASB:

International Accounting Standards Board, London, United Kingdom.

IFRIC:

International Financial Reporting Interpretations Committee.

IFRSIC:

Interpretations of the International Financial Reporting Standards Interpretations Committee.

IPO:

Initial Public Offering.

MEP:

Ministry of Environmental Protection.

Municipal waste gasification power generation:

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

MW:

1MW=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

29 April 2014

Publication of Annual Report 2013

28 May 2014

Interim report on the 1st quarter 2014

26 June 2014

Annual General Meeting

28 August 2014

Interim report on the 1st half of 2014

24 – 26 November 2014

German Equity Forum, Frankfurt/Main

28 November 2014

Interim report on the 3rd quarter 2014

All dates are provisional and may be subject to change.
