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Asian Bamboo AG

Asian Bamboo AG



HEALTHY GROWTH

Annual Report 2007

Annual Report 2007

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Our mission

We are on track to becoming the leading bamboo plantation company in China. This has been achieved by adopting an aggressive land lease expansion programme and providing healthy and organic bamboo shoots to consumers and high quality bamboo trees to various industries such as construction and furniture, bamboo flooring and paper pulp. Recently we have begun our vertical integration process by constructing a bamboo flooring factory, which is scheduled to commence production in early 2009. Our ultimate goal is to be a good and responsible employer and corporate citizen and above all to create shareholder value.

A photograph of a dense bamboo forest. The image is filled with numerous tall, slender bamboo stalks that rise vertically, creating a strong sense of height and depth. The stalks are a vibrant green color, and their segmented nature is clearly visible. The background is a thick canopy of bamboo leaves, which are also green, creating a lush and textured environment. The lighting is bright, suggesting a sunny day, and the overall atmosphere is one of natural beauty and tranquility.

Bamboo –
a wonder of nature



Bamboo – a wonder of nature

Moso Bamboo – our resource

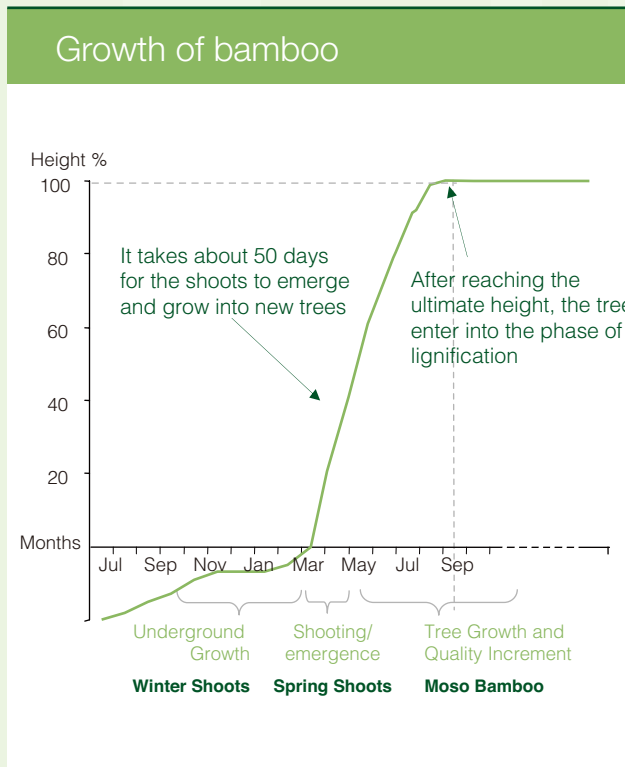
Bamboos are perennial evergreen plants in the grass family Poaceae, belonging to the subfamily of Bambusoideae. There are between 60 to 90 genera and between 1,100 and 1,500 species of bamboo worldwide. China is home to one of the world's largest bamboo growing areas with a total bamboo forest of around 4,830,667 hectares ("ha"), representing 38% of the world's total bamboo area, with 39 genera and 500 species.

Bamboo spreads mainly through its rhizomes, which can spread widely underground and sprout new culms which break through the surface. Moso Bamboo is a monopodial bamboo. The natural habitat of Moso Bamboo is found in tropical and subtropical regions between 46 N and 47 S latitude, reaching elevations as high as 4,000 m. Moso Bamboo is one of the fastest growing plants, growing up to 119 cm in 24 hours and to a height of 24 m in 40 to 50 days.

Apart from being a popular Chinese cuisine, Moso Bamboo is the most widespread commercially used bamboo species. It is used in a variety of applications including furniture, flooring, paper, clothing, chopsticks, medicine, beauty and health products as well as scaffolding and construction purposes. Bamboo-based products and solutions are carbon-neutral and thus environmentally friendly.

Moso Bamboo forests account for 3,372,000 ha in China, representing 70% of China's total bamboo area. Among all Chinese provinces, Fujian has the largest bamboo area with Moso Bamboo covering a total of 835,800 ha.

Growing of bamboo shoots and trees



Harvesting options

Jun - Sept

Mar - May

Oct - Feb

Trees - the optimal harvesting time is in the autumn and the winter when insects are inactive

Spring shoots - shooting time with sufficient rainfall

Winter shoots - the most delicious part of bamboo, need to be unearthed with demands for more harvesting effort

Flexible choice of harvesting options: If winter shoots are not harvested, they turn into spring shoots and come out of the ground. If spring shoots are also not harvested, they grow into trees which can be harvested as Moso Bamboo.

Winter shoots, spring shoots and bamboo trees are the commercial products of Asian Bamboo AG

The high turnover rate of mature bamboo resources means that one quarter of all trees can be exploited annually without damaging the sustainable development of the resource.

Bamboo – a wonder of nature



FLOORING



FURNITURE



CONSTRUCTION



PAPER

BAMBOO TREES

Bamboo is the most ecological choice when it comes to building materials and is gaining in popularity as a result of the sustainability-trend in modern architecture.

Bamboo outperforms other materials: ideal substitute for timber

VALUE CHAIN OF MOSO BAMBOO



Bamboo produces several times the quantity of biomass compared to traditional hard or soft wood.

It has a high resistance to pressure, tension and bending and its extreme hardness makes bamboo a superior building material of superior quality which is even harder than oak.

OUTSOURCED



PROCESSING

MARKET

Bamboo requires only 0.02% of the energy resources (in mega-joules/m³) used by steel, 12% of the resources used by concrete and 40% of the resources used by lumber to obtain one unit of building material with an identical load capacity. It is the most ecological choice when it comes to building materials and is gaining in popularity as a result of the sustainability-trend in modern architecture.

Bamboo – a wonder of nature



ORGANIC BAMBOO SHOOTS

Bamboo shoots have a delicious taste
and are rich in nutrients

Nutritional value of organic bamboo shoots

VALUE CHAIN OF ORGANIC BAMBOO SHOOTS

COVERED



CULTIVATION

HARVESTING

WHOLESALE

Nutritional comparison with other vegetables

- Bamboo shoots have a **high content of water and fiber**, which makes it a filling vegetable and therefore the ideal choice for weight reduction
- Being **very high in protein**, bamboo shoots are a good vegetable to integrate in fitness regime dedicated to put on muscles and keep fit
- **Low in saturated fat and cholesterol** bamboo shoots fit the current health-food-trend
- Useful in the **treatment of respiratory diseases**
- Suitable for diabetics due to **low level of fructose**
- Potassium is a **heart-healthy mineral**. It helps to maintain normal blood pressure and steady heart beat
- Excellent source of Dietary Fiber, Vitamin C, Thiamin, Vitamin B6, Potassium, Zinc, Copper and Manganese

OUTSOURCED



PROCESSING

MARKET

Key nutritional facts

		% Daily Value recommended
Calories	27 kcal	1 %
Protein	2.6 g	5 %
Total Fat	0.3 g	0 %
Saturated Fat	0.1 g	0 %
Cholesterol	0 g	0 %
Sodium	4.0 mg	0 %
Vitamin C	4.0 mg	7 %
Thiamin	0.2 mg	10 %

		% Daily Value recommended
Vitamin B6	0.2 mg	12 %
Phosphorus	59.0 mg	6 %
Potassium	533.0 mg	15 %
Manganese	0.3 mg	13 %
Zinc	1.1 mg	7 %
Copper	0.2 mg	9 %

* Values per 100g

Source: Nutrition Data

A traditional forest vegetable, bamboo shoots have a delicious taste, are rich in nutrients and are among the five most popular healthcare foods in the world.

A vertical photograph of a lush bamboo forest. The bamboo stalks are tall and slender, with a light green color. The background is filled with a dense canopy of bamboo leaves, creating a soft, dappled light effect. The overall tone is bright and natural.

Asian Bamboo
at a glance



Asian Bamboo at a glance

Formation of the company and Group structure

The company was incorporated on 13 September 2007. It is a German stock corporation operating under the German law. The legal and business name of the Company is "Asian Bamboo AG".



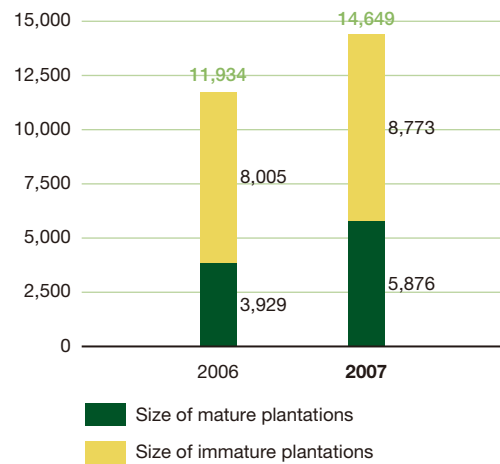
The operational business of Asian Bamboo Group is exclusively carried out by Xinrixian, a limited liability company established in 1993 under the laws of the PRC.

Key financials

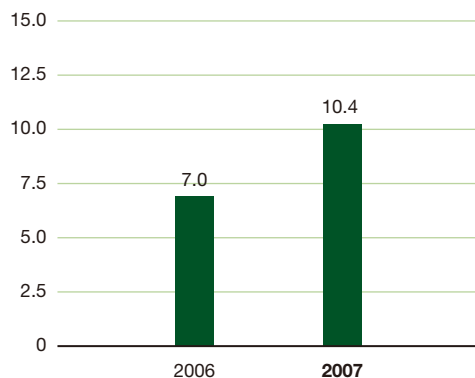
Sales, gross profits and adjusted net profit (kEUR)



Total size of plantations (ha)



Gains in value of biological assets (EUR million)



Map of plantations



Asian Bamboo Plantations

New land lease contracts (in ha)

The Group increased the amount of leased land by 40,720 mu (approximately 2,714 ha), or 23%, to a total of 219,730 mu (approximately 14,649 ha) by the end of 2007 compared to 179,010 mu (approximately 11,934 ha) at the end of 2006.

The total amount of mature land, at the end of 2007, reached 76,340 mu (approximately 5,876 ha), which is an increase of 29.5% compared to 58,930 mu (approximately 3,929 ha) at the end of 2006.

The total number of plantations in production, at the end of 2007, increased to 15 from 13 in 2006 and they are located on hills in five different areas which are all well known locations for growing bamboo.

In addition, further land lease contracts have been signed and at the time of the printing of the Annual Report, we have 18 plantations with a total size of approximately 24,700 ha and it is our goal to reach 35,000 ha by 2010.



Strategy and Corporate Governance



Strategy and Corporate Governance

CEO statement

HEALTHY GROW

Dear shareholder,

First of all I would like to thank you for your continuous support. We are a young company with great growth ambitions and I appreciate that you share our vision of developing Asian Bamboo into the largest resource-based bamboo producer in China. We are excited about the huge growth potential and will endeavour to create long-term shareholder value.

FINANCIAL AND BUSINESS PERFORMANCE


The bamboo industry is benefiting from the use of Moso Bamboo in a growing number of applications including flooring, construction and furniture as a result of rising living standards. Furthermore, there is a global trend towards organic food, which has led to increasing demand for our fresh and processed bamboo shoots.

Consequently our strategy of aggressively leasing new land helped us tap the growing demand and led to a turnover increase of 35% in 2007. Our adjusted net profit grew even more than the rise in turnover, by 71.5%, to a record of EUR 6.748 million, due to increasing volumes and a change of our product mix in favour of bamboo trees, which enjoys a higher margin than bamboo shoots. In 2007, we derived 38% of our revenue from bamboo trees compared to 23% in 2006 and we plan to further increase the share of revenue from bamboo trees in the coming years.



Lin Zuojun, CEO

CEO statement



WE ARE EXTREMELY WELL POSITIONED TO BENEFIT FROM THE CONTINUED GROWTH OF THE CHINESE BAMBOO INDUSTRY

In connection with the listing of our company on the Frankfurt Stock Exchange, we raised a net of EUR 69 million to fund future expansion, particularly new land lease agreements. Parts of the proceeds have already been used and we are currently in negotiations to sign further land lease contracts. At the time of publication of this annual report, we have 18 plantations located in Fujian province with a total size of approximately 24,700 ha and it is our goal to reach a total plantation size of 35,000 ha by 2010.

STRATEGY AND OUTLOOK

Our prime target is to grow the company into a comprehensive resource base for Moso Bamboo by aggressively securing land lease contracts. In addition to the direct sale of bamboo shoots and bamboo trees, we intend to extend our value chain by setting up our own bamboo flooring plant with a planned production capacity of 1 million square meters per year. Production is scheduled to commence in early 2009.



Furthermore, we intend to expand our distribution network for bamboo shoots to reap the benefits of the continued rise in living standards. We are adopting a four channel distribution strategy, including exports to Japan, sales to domestic institutional customers, domestic wholesale markets and end-sale supermarkets. We estimate that in 2008 the domestic sales volume of our fine-processed organic bamboo shoots will increase by 10 times compared to 2007.

I am proud to say that in my view our company has significant competitive advantages over our competitors as we have attractive plantations, a strong sourcing position and an established distribution network both domestically and for exports to Japan, the largest market for bamboo shoots outside China. Our experienced management team has created an enviable track record and following our listing we have access to the global financial markets and a leading global advisory team. In summary, we are extremely well-positioned to benefit from the continued growth of the Chinese bamboo industry.

Yours sincerely,

Lin Zuojun
CEO

Strategy and Corporate Governance

Supervisory board and board of management



Lin Zuojun
CEO and Chairman



Jiang Haiyan
CMO and CFO

LIN ZUOJUN, CEO AND CHAIRMAN

Mr. Lin is the founder and CEO of Xinrixian Food Development Co., Ltd. (Asian Bamboo AG).

He has more than 17 years experience in the bamboo industry. Before founding the company he was involved in trading bamboo shoots and related products.

Mr. Lin holds a college degree in management & economics.

JIANG HAIYAN, CMO AND CFO

Mr. Jiang holds a MBA degree from the University of Northern Virginia, USA.

He has more than 15 years of sales and marketing experience in different manufacturing and trading companies.

Before joining Xinrixian as chief marketing officer in April 2006, Mr. Jiang was vice general manager at Welluck (HK) Limited and marketing manager at Polano Apparel & Footwear Co., Ltd.

HANS-JOACHIM ZWARG, CHAIRMAN OF SUPERVISORY BOARD

After receiving a degree in business administration from the Georg-August-University, Göttingen in 1975, Mr. Zwarg was employed with Fischer und Partner, Taxes and Auditing, Hamburg from 1975 to 1980. In 1980 he joined Beiersdorf AG, Hamburg where he served as deputy head of internal auditing and director of Tesa-France, Paris, until 1981 and from 1981 to 1983 as director for technical coordination.

During his employment with Beiersdorf AG, Mr. Zwarg was the managing director of Medical-Latex SDN BHD, Malaysia from 1983 to 1986 and served as managing director for Varitex GmbH, Emmerich from 1986 to 1990. In 1990 he was appointed as director of Beiersdorf AG and served as director for Group controlling until 1991 and from 1991 to 1992 as director for business development medical. In 1992, Mr. Zwarg joined Phoenix AG, Hamburg as a member of the board and chief financial officer (CFO) and stayed in this position until the takeover of Phoenix Group by Contitech AG in 2005.

Over the last five years, Mr. Zwarg held additional mandates in the following administrative and supervisory bodies:

- Until 31 December 2005 Mr. Zwarg was a member of the advisory committee of the Gerling Gruppe.



Mr. Hans-Joachim Zwarg
Chairman of Supervisory Board



Mr. Wolfgang Jensen



Mr. Pan Chaoran

- Mr. Zwarg is a member of the supervisory board of HanseYachts AG.
- Mr. Zwarg is the chairman of the supervisory board of ZhongDe Waste Technology AG.

WOLFGANG JENSEN

Mr. Jensen is, since 1998, Managing Director of the Investment Banking Division at Sal. Oppenheim jr. & Cie. KGaA. At the same time he practices as a lawyer.

After having passed his second legal state examination, he joined the Corporate Finance Department of Deutsche Bank in 1983. In 1995, Mr. Jensen joined Deutsche Morgan Grenfell as a Director, where he was entrusted with the counseling of key German clients. In addition, he was also responsible for managing national and international investment banking transactions.

Mr. Wolfgang Jensen has not held, over the last five years, and does not hold any additional mandates on administrative, management and supervisory bodies outside Asian Bamboo Group.

PAN CHAORAN

Mr. Pan Chaoran is a food technology and science expert and academic. He currently serves as administrative director of Fujian and Taiwan Food Technology Association, administrative director of Fujian Food Science and Technology Association, vice secretary general and administrative director of Fujian Beverage Association as well as representative of the 12th Fuzhou People's Congress.

Except as described above, Mr. Pan Chaoran has not held over the last five years and does not hold any additional mandates on administrative, management and supervisory bodies outside Asian Bamboo Group.

Strategy and Corporate Governance

Report of the Supervisory Board for the financial year 2007

Dear shareholders of Asian Bamboo AG,

The first financial year of Asian Bamboo AG, following its formation and successful initial public offering, has ended on 31 December 2007. The year was heavily influenced by the initial public offering ("IPO") of the Company on the Prime Standard of the Frankfurt Stock Exchange, making Asian Bamboo the second Chinese company ever admitted on the German Prime Standard market.

SUPERVISION OF THE MANAGEMENT BOARD

In accordance with the statutory law, the Articles of Association, the Rules of Procedure and the German Corporate Governance Code, the Supervisory Board has supervised and advised the Management Board during the first financial year on a regular basis. The Management Board informed us regularly, extensively and in a timely manner at the Supervisory Board meetings as well as by verbal and written reports. The reports of the Management Board were in compliance with the guidelines according to section 90 AktG (German stock corporation act). We were provided with information on the Company's business policy, business and financial position, profitability, and business planning, including finance, investment and personnel planning as well as all major decisions and transactions. The Supervisory Board was involved in all decisions of fundamental importance at an early stage.

Furthermore, the Chairman of the Supervisory Board communicated regularly with the Management Board. There was an extensive exchange of information and opinions between the Supervisory Board and the Management Board and the Supervisory Board was kept informed about the current business situation, major business transactions and all major decisions made by the Management Board as well as of the development of the business volume and the business results.


MEETINGS OF THE SUPERVISORY BOARD

The members of the Supervisory Board convened to one ordinary physical meeting on 4 December 2007 in Fuzhou/China. There were six extraordinary meetings of the Supervisory Board on 18 September 2007, 25 October 2007, 31 October 2007, 7 November 2007, 9 November 2007, 14 November 2007 and 23 November 2007 which were held by telephone conferences.

All members of the Supervisory Board attended all meetings. Due to the fact that the Supervisory Board comprises only three members, it did not constitute any committees.

At the ordinary meeting of the Supervisory Board the current business development, the risk factors of the business and the Company's strategic direction were discussed in depth. The investment and divestments and its strategic effects during the reporting period were deliberated. Particularly, the following topics were dealt with such as the business strategy, planning, business development and the economic situation, use of the IPO offering proceeds, investment planning for the financial years 2008-2011 and the adoption of the financial calendar.

The extraordinary meetings of the Supervisory Board dealt with the following topics with regard to the formation of the Company in 2007 and the IPO including the election of the chairman and the deputy chairman of the Supervisory Board and members of the Management Board, the approval of the IPO, the underwriting agreement and pricing agreement, the determination of the price range, the adoption of the Rules of Procedure for the Supervisory Board and the Management Board, the amendment of the wording of the articles of association with regard to the increased share capital (IPO capital increase).



The Rules of Procedure of the Management Board and of the Supervisory Board provide for the approval of the Supervisory Board for all decisions of the Management Board which are of high importance for the financial status, profitability and risk situation of the Company or which do not belong to the usual business operations of the Company. The members of the Management Board were available for further enquiries. All submissions were approved. There were no objections against the conduct of the Management Board.

The exchange of opinions about the business development and the situation of the Company were completed by extensive deliberations on the planning for finance, investments and personnel. Further more there were conflicts of interests discussed. The Supervisory Board is not aware of any conflicts of interests.

CORPORATE GOVERNANCE

The “Corporate Governance” of Asian Bamboo AG is reported in a separate chapter of this annual report. The Management Board and Supervisory Board will submit a current declaration of compliance according to section 161 AktG and make this available on the company website.

PERSONNEL MATTERS

By means of the deed of incorporation (Grundungsurkunde) the founders of the Company elected Mr. Pan Chaoran, Wang Shougang and Zhang Sujia as members of the first Supervisory Board. Except for Mr. Pan Chaoran, the aforesaid members of the first Supervisory Board, who had been appointed until the expiration of the General Shareholders’ Meeting ratifying the Management Board and the Supervisory Board for the fiscal year 2007, all resigned from their offices by submitting resignation letters dated 29 October 2007.

Strategy and Corporate Governance

Report of the Supervisory Board for the financial year 2007

On 29 October 2007, the General Shareholders' Meeting elected Mr. Hans-Joachim Zwarg (Chairman) and Mr. Wolfgang Jensen (Deputy Chairman) as members of the Supervisory Board for a period until the expiration of the General Shareholders' Meeting ratifying the Management Board and the Supervisory Board for the fiscal year 2007.

FINANCIAL STATEMENTS 2007

The (individual) financial statements of Asian Bamboo AG were prepared in accordance with the German generally accepted accounting principles as provided for in the German Commercial Code (Handelsgesetzbuch/HGB). The consolidated financial statements of Asian Bamboo AG were prepared in accordance with International Financial Reporting Standards (IFRS). The individual financial statements and the consolidated financial statements including the combined group management report and the independency report were audited by BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft and certified without qualification.

The individual and the consolidated financial statements, the combined group management report and the independency report, the proposal of the management board regarding the appropriation of retained earnings as well as the auditor's reports were submitted to the Supervisory Board in a timely manner. They were examined in detail at the annual financial statements meeting and were discussed in the presence of the auditor who reported on the material results of the audit and was available for questions and the provision of supplementary information. The Supervisory Board approved the results of the audit of the auditor, which did not contain any objections.

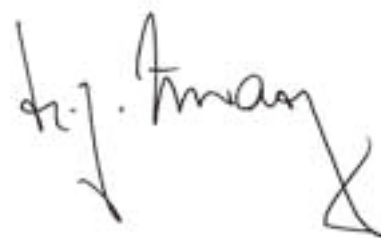
The Supervisory Board has audited pursuant to section 171 AktG (German stock corporation act) the individual and consolidated financial statements and the combined group management report as well as the independency report set up by the Management Board taking into account the convenience of the accounting policy. Due to the final result of its audit, the Supervisory Board did not raise any objections. The Supervisory Board is in complete agreement with the evaluation by the Management Board contained in the consolidated management report and adopted the individual and the consolidated financial statements. The financial statements of Asian Bamboo AG were thus established.

Asian Bamboo AG reported in its individual financial statement a net profit for the business year 2007 of EUR 15.6 million.

The Supervisory Board would like to thank all of the Company's customers and shareholders for the trust placed in Asian Bamboo as well as all the employees and the Executive Board for their excellent work.

Hamburg, 28 April 2008

On behalf of the Supervisory Board



Hans-Joachim Zwarg

Chairman

Corporate Governance at Asian Bamboo AG

ASIAN BAMBOO AG IS COMMITTED TO THE PRINCIPLES OF GOOD AND RESPONSIBLE CORPORATE GOVERNANCE

Asian Bamboo AG is committed to the principles of good and responsible corporate governance.

We endeavour to earn the trust of our shareholders, clients and employees through close and constructive co-operation between the Supervisory Board and the Management Board. This close co-operation has been established through open corporate communications, a strong focus on customer relations and diligent accounting and auditing procedures.

MANAGEMENT BOARD

The Management Board of Asian Bamboo AG currently comprises two members and is jointly responsible for the management of the company. The members of the Management Board report to the Supervisory Board frequently and comprehensively about the Company's strategy, planning, business development and risk management. In particular, the Chairmen of the Management and Supervisory Boards are in frequent contact. For certain business transactions and measures as more specifically set forth in the Rules of Procedure for the Management Board, the Management Board must obtain the Supervisory Board's prior consent.

SUPERVISORY BOARD

The Supervisory Board comprises three members. The task of the Supervisory Board is above all to control and advise the Management Board. It is also responsible for the election of the members of the Management Board, the determination of their remuneration as well as the review and approval of the annual financial statements of the company.

COMPENSATION OF MANAGEMENT BOARD AND SUPERVISORY BOARD

The remuneration of the Management Board and the Supervisory Board is reported in the compensation report, which is part of the management report (Lagebericht).

GENERAL SHAREHOLDERS' MEETING

Our shareholders exercise their basic rights they are entitled to by law at the annual general shareholders' meeting. They have the opportunity to speak to all agenda items and to ask questions concerning all matters of the company. Every share of Asian Bamboo AG represents one vote.

FINANCIAL REPORTING AND ANNUAL AUDIT

The consolidated financial statements of Asian Bamboo AG-Group are prepared pursuant to International Financial Reporting Standards (IFRS) and the individual financial statements are prepared according to the German accounting rules as of HGB (German commercial code). BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft has audited the consolidated and individual financial statements. The auditors attended the Supervisory Board's meeting on the separate and consolidated financial statements and reported on the main results of their audit.

TRANSPARENCY

Shareholders, analysts, investors and the general public are kept informed by Asian Bamboo AG about the company's business plans on a regular basis.

The website of Asian Bamboo AG at www.asian-bamboo.de is the main information medium. Besides the articles of association and information about the Management Board and Supervisory Board, there are documents available regarding the general shareholders' meeting, financial reports and details of the Company's business activities. Information about company representatives is published promptly as Ad-hoc announcements. As soon as the company is aware that a shareholder has reached, exceeded or fallen below key thresholds of the voting rights of the company, the Management Board makes an immediate announcement. The due dates for regular financial reporting are published on the Company's website.

The Company complies with the legal requirements for the release of announcements as well as its obligations concerning the transmission of information and documents to the Federal financial supervisory authority (BaFin) and the public registers.

DIRECTORS' DEALINGS

There were no directors' dealings disclosed to the company in the financial year 2007.


COMPLIANCE STATEMENT

Asian Bamboo AG will generally comply with the recommendations of the German corporate governance code as amended on 14 June 2007.

Hamburg, 28 April 2008
Asian Bamboo AG



Lin Zuojun,
CEO
Management Board



Hans-Joachim Zwarg
Chairman
Supervisory Board

Asian Bamboo stock

Our Company was listed on 16 November at an IPO-price of EUR 17. The share price closed on 28 December at EUR 14.77, down approximately 13.1% since the IPO.

Table (EUR)

Year end closing price	14.77
High	18.80
Low	12.50
Number of shares	12,750,000
Market capitalisation as of 28 December 2007	188,317,500

A photograph of a lush bamboo forest. The bamboo stalks are tall, straight, and green, with distinct nodes. The ground is covered in a thick layer of brown, dried bamboo leaves and debris. Two men in green work uniforms are visible in the lower half of the frame. One man on the left is bent over, using a long-handled tool to clear the ground. Another man on the right is also bent over, working in the same manner. The background is filled with more bamboo stalks, creating a sense of depth and a dense canopy of green leaves at the top.

Combined Group and Asian Bamboo AG management report

Business and environment

China's wood processing industry is being constrained by raw material shortages. This loss of forestry resources is mainly due to the increased worldwide consumption of wood and the widespread deforestation caused mainly by the substitution of forests with agricultural land. As a result of the shortage of wood in China, efforts are being made to find substitutes and the PRC government is promoting the increased use of bamboo. One element of this policy is the exemption of bamboo from the 5% consumption tax that is levied on wood floorings. The expansion of the bamboo industry has accelerated and is considered to be one of the four fastest growing industries in China's forest sector.

The Chinese bamboo industry has expanded at a rapid pace in recent years. China's annual production output for bamboo trees has risen from 187 million trees in 1990 to 1.3 billion trees in 2006 (Source: Chinese State Forestry Administration, 2006).

There are three key areas of usage for bamboo tree:

- Construction and furniture
- Bamboo flooring
- Paper pulp

CONSTRUCTION AND FURNITURE

Moso Bamboo is used for scaffolding in the construction industry as well as for a variety of items in the furniture sector, such as chairs, tables, curtains, mats etc. In 2006, construction works for residential property projects with a total area of 635 million square metres ("sqm") were commenced compared to 437 million sqm in 2003 (Source: National Bureau of Statistics China, China Statistical Yearbook 2006). At the same time, China's furniture industry has seen a sharp increase over the last ten years. Total sales of furniture have risen from RMB7 billion in 1995 to RMB42 billion in 2005 (Source: China National Furniture Association, Consumer Customs, China Statistics Bureau). These developments have been triggered by a growing urbanisation as well as government support for residential housing. In 1998, the PRC Ministry of Construction launched a Construction and Residential Housing Reform

programme which aims to increase average living space per capita from 8 sqm in 1998 to 15 to 18 sqm in 2010 (Source: Zhu/Taylor/Feng, 2004).

BAMBOO FLOORING

China's wood flooring industry has grown from a total production output of 100 million sqm in 2000 to 330 million sqm in 2006. In 2006, 200 million sqm, or 60.6% of the total wood flooring output, consisted of laminated flooring, 45 million sqm, or 13.6% of solid wood flooring, 60 million sqm, or 18.2% of engineered flooring, and 25 million sqm, or 7.6% of bamboo flooring (Source: China National Forest Product Industry Association, 2007). The production of bamboo flooring has recently risen at an even sharper pace, increasing by more than 300% from 6 million sqm in 2005 to 25 million sqm in 2006. (Source: China National Forest Product Industry Association, 2007). About 60% of the bamboo flooring produced in China is exported to Europe, the US and other countries like Japan or South Korea (Source: White Book of Bamboo Flooring in China, 2007).

PAPER PULP

Bamboo is one of the raw materials used to produce non-wood paper pulp. Historically, non-wood paper pulp was produced from products such as grass and other agricultural residues and, to a much lesser extent, bamboo. However, as the production of pulp from grass and other agricultural residues, is a major source of water pollution, the Chinese government closed down small-scale non-wood pulp mills using these raw materials. As a result, the non-wood pulp portion of total domestic paper pulp consumption decreased from 40% in 2000 to 24.2% in 2005 (Source: Cao, 2006).

The PRC government is actively promoting non-wood paper pulp production from bamboo. During the 10th Five-Year plan (2000-2005), the Chinese Government set a target to increase bamboo pulp capacity by 0.7m tons and bamboo pulp output by 0.6m tons. During the 11th Five-Year plan (2006-2010), the government is aiming to further increase bamboo pulp capacity by 1.2 million

Business and environment

tons and bamboo pulp output by 1 million tons (Source: China Academy of Forestry, 2004). Another reason for the expected increase in the use of bamboo as a raw material for paper pulp is that the unit cost for manufacturing one ton of paper pulp from bamboo is 30% lower than that of pine, while the paper quality is almost the same (Source: Chen, 2003).

Asian Bamboo supplies bamboo trees to all these industries and we see particular potential in bamboo flooring business. Therefore we have decided to invest in our own bamboo flooring factory, which is planned to commence production in early 2009. With the exception of the bamboo which will go to our own production plant, all other harvested bamboo trees are being sold to middlemen.

ORGANIC BAMBOO SHOOTS

This product category is comprised of fresh spring bamboo shoots, winter bamboo shoots and dried bamboo shoots.

The worldwide market for organic food is growing rapidly with retail sales estimated at USD33 billion in 2005 (Source: Willer/Yussefi, 2007) The increased standard of living in wealthy countries has led to greater consumer demand for healthy and high quality products. However, production of organic crops has not kept pace with demand resulting in an undersupply of organic produce in many sectors, e. g. organic fruit and vegetables, meat products, beverages and ingredients. The organic food market in Asia is also developing at a rapid pace. Since 2001, organic food revenues have doubled to reach

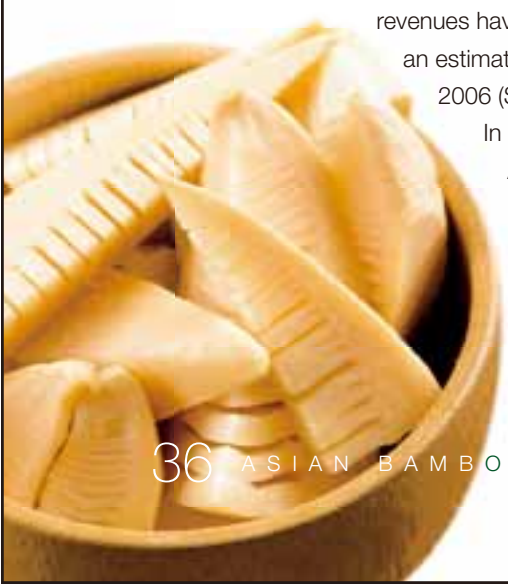
an estimated USD800 million in 2006 (Source: Sahota, 2006).

In 2005, the share of the Asian organic food market amounted to approximately 2.2% of global revenues.

The Chinese organic food market has only recently started to develop but has gained considerable momentum since the 1990s. This is highlighted by the growing number of Chinese enterprises engaged in this emerging market, the development of a wide variety of organic food products as well as increasing production and trade volumes. Over the same period of time, the total number of Chinese enterprises engaged in the organic food market has increased from 463 to 2,047 (Source: Wang/Sun/Adams/Omar, 2006). Total revenues generated through exports of organic products from China reached USD 350 million in 2004 (Source: Willer/Yussefi, 2007). China's global ranking has risen from sixteenth to third worldwide in terms of total land under organic management (Source: Willer/Yussefi, 2005; Willer/Yussefi, 2007). The China Organic Food Certification Center (COFCC) targets a market share of 8% for organic food in the next 8-10 years (currently, organic food market in China has a market share of only 0.2%). The Company believes that the following key drivers will sustain a continued and sound growth in the Chinese organic food market: strong governmental support: higher public awareness: increasing purchasing power and the rising standard of living.

Japan is by far the biggest market in Asia for organic food products and the market continues to generate strong growth. Annual exports of packaged bamboo shoot products from China to Japan reached 113,377 tons (10,307,043 tins of 11 kg each) in 2006 (Source: Japan Association for the Promotion of International Trade: Statistics of bamboo shoots import from China). There are also a small number of Japanese companies engaged in the production of bamboo shoots. However, the comparatively high labour costs in Japan result in a higher price for bamboo shoots produced in Japan.

We have already established strong relationships with distributors and end-customers in Japan and we estimate that our market share of Chinese exports of process bamboo shoots to Japan is around 5%. Our fresh bamboo shoots are all being sold in China and we have recently entered into direct contracts with supermarkets.



Results of operations – Group

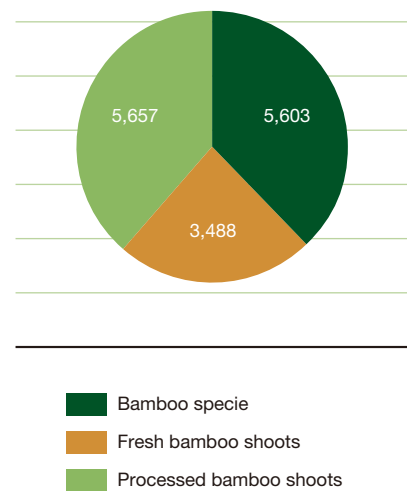
Revenues increased from EUR 10,9 million in 2006 to EUR 14,7 million in 2007, an increase of 35.5%, mainly due to the rise in revenues from the sale of bamboo trees, which increased by 127%. The increase was attributable to a higher actual price per bamboo tree, EUR 1.78 in 2007 compared to EUR 1.51 in 2006, and the increase in the total volume of trees sold, 3,147,216 in 2007 compared to 1,637,301 in 2006. Increased sales in 2007 were the result of the Company changing the harvesting mix in favour of bamboo trees, as well as increasing the total size of the company's mature plantations in 2007, compared to the previous year.

Cost of sales increased from EUR 6 million in fiscal year 2006 to EUR 7.2 million in fiscal year 2007. The increase is primarily the result of an increase in harvesting and rough processing fees, forest lease fees, salaries and the cost of packaging material.

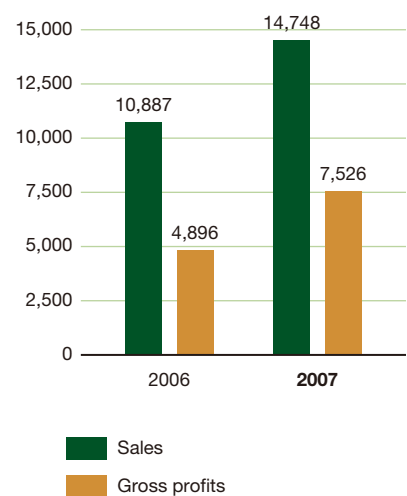
The gross profit margin increased from 45% in 2006 to 51% in 2007, due to the addition of mature bamboo plantation acreage and the change in product mix in favour of bamboo trees which contributed 38% of the total sales volume in 2007, compared to 23% during the same period in 2006. Asian Bamboo Group earns significantly higher gross profit margins on bamboo trees and fresh bamboo shoots than on processed bamboo shoots. In addition, the average selling price ("ASP") on bamboo trees also increased from an average of EUR 1.51 in 2006 to EUR 1.78 in 2007.

The number of employees increased from 269 in 2006 to 294 in 2007, mainly within the processing factory due to the increased production volumes.

2007 turnover breakdown (kEUR)



Sales and gross profits (kEUR)



Revenue breakdown by products

As seen in the pie-chart on the previous page, our products fall into three different categories:

- fresh bamboo shoots
- processed bamboo shoots
- bamboo trees

Revenues from fresh bamboo shoots increased by 22% in 2007 to kEUR 3,488 from kEUR 2,877 in 2006. This was the result of an increase of output from 6,624,462, kg in 2006 to 8,191,218 kg in 2007. There was no significant change in the price per unit during this period.

Revenues from processed bamboo shoots increased by 2% in 2007 to EUR 5.657 million, versus EUR 5.543 million in 2006. The relatively small increase in turnover was a result of the shift in harvesting mix in favour of fresh shoots, with 6,210,050 kg of processed shoots sold in 2006 compared to 7,273,024 kg in 2007. A second factor was a 9.3% fall in the average selling price for processed bamboo shoots in 2007 due to higher sales of shoots with lower quality compared to 2006.

Bamboo tree sales climbed to EUR 5,603 million in 2007 from EUR 2,467 million in 2006, an increase of 127%. This increase was primarily the result of an increase in the total sales volume, from 1,637,301 units in 2006 to 3,147,216 units in 2007 as well as a rise in the bamboo tree average selling price from EUR 1.51 in 2006 to EUR 1.78 in 2007. The increase in volume also reflects a rise in the total size of mature plantations from 3,929 ha to 5,876 ha, 49% higher than in 2006.

Bamboo tree revenues amounted to 38% of the total sales volume in 2007 compared to 23% in 2006. This development is in line with the Company's strategy to increase the focus on bamboo trees, as bamboo tree gross margins are higher than the margins earned on bamboo shoots. Furthermore, the company has identified an enormous growth potential in bamboo trees as a viable wood substitute particularly as flooring material.



Explanation of profit and loss items other than revenue and cost of sales

GAIN FROM VALUATION OF BIOLOGICAL ASSETS

According to the rules in IAS 41, the valuation of biological assets at fair value less point-of-sale costs leads to a partial recognition of future proceeds at the time bamboo plantations become mature and are initially measured at fair value derived from future cash flows.

Future reductions in the fair value of biological assets caused by the expiration of underlying land lease rights will have a significant effect on future profit and loss statements. Agricultural produce harvested from the Company's biological assets are measured at their fair value less estimated point-of-sale costs. The fair value of agricultural produce is based on market prices of agricultural produce of similar size and weight or alternative estimates of fair value.

A gain or loss arising from an initial recognition of biological assets at fair value less estimated point-of-sale costs and from a change in fair values less estimated point-of-sale costs are recognised in the income statement.

The gain arising from changes in fair value of the biological assets was 10.4 million in 2007 (2006 = 7.0 million). This gain mainly results from plantations reaching maturity in 2007.

OTHER OPERATING INCOME

Other operating income is mainly related to grants received by local government to improve agricultural industrialisation.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses comprise transportation expenses paid for the delivery of bamboo products to customers.

Selling and distribution expenses decreased by 63% to kEUR 142 (2006 = kEUR 388) in fiscal year 2006. This development mainly results from two factors: First, in the first six months of 2006, Asian Bamboo Group incurred additional expenses for a marketing campaign and, second, in the first six months of 2007 transportation costs were no longer borne by Asian Bamboo Group, but by its domestic customers.

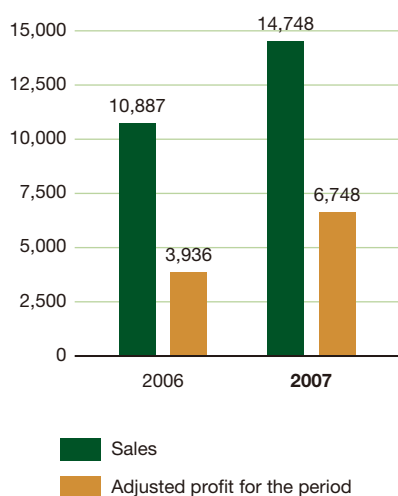
ADMINISTRATIVE EXPENSES

Administrative expenses mainly comprise salaries, social contribution payments and expenses for research and development.

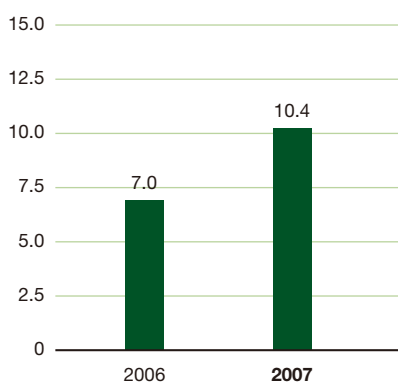
Administrative expenses decreased by 45% to kEUR 219 (2006 = kEUR 399).

Explanation of profit and loss items other than revenue and cost of sales

Sales and adjusted net profit development (kEUR)



Gains on valuations of biological assets (EUR million)



FINANCE COSTS

Finance costs result mainly from the discounting of deposits made for the contracted plantations as well as exchange rate losses during the respective reporting period.

Finance costs increased by 62% to kEUR 500 (2006 = kEUR 309). This increase resulted primarily from exchange losses in connection with the exports of shoots to Japan and interim bank liabilities.

INCOME TAX

The subsidiary, Fujian Xinrixian Food Development Co., Ltd., Fuzhou, PRC, is as a wholly foreign-owned enterprise subject to Foreign Enterprise Income Tax (FEIT) with a tax rate of 15%. However, the subsidiary was entitled to receive a tax benefit of paying FEIT with a fixed amount as granted by tax authorities regardless of the actual profits from 1 January, 2004 to 31 December, 2007:

Income tax comprises current income tax and deferred income tax. The applied rate for the calculation of deferred tax is 15%. The deferred tax is mainly attributable to the gains resulting from the valuation of the biological assets and the discounts on the deposits made for the contracted plantations during the respective reporting period.

Income tax increased by 56% to kEUR 1,619 (2006 = kEUR 1,032) This increase was mainly the result of gains from the valuation of the biological assets and deferred taxes thereon.

The amount of income tax actually payable was kEUR 31 (2006 = kEUR 28).

PROFIT FOR THE PERIOD

Profit for the year increased by 56% to EUR 15.6 million (2006 = 9.8 million).

This is mainly due to a 49% increase in the fair value of biological assets and a 53% increase in gross profits as a result of increasing revenue and a change in the Company's product mix towards higher margin bamboo trees.

ADJUSTED PROFIT FOR THE PERIOD

The adjusted profit for the period shows the profit of the period adjusted for the gain arising from changes in fair value of the biological assets and deferred taxes thereon.

The adjusted profit for the year increased by 71.5% to EUR 6.748 million (2006 = 3.936 million) This is mainly due to an increase in revenue and the change in the Company's product mix towards higher margin bamboo trees.

Balance sheet – Group

Total assets increased by 206% to EUR 127 million at the end of 2007 (2006 = 41 million), mainly as a result of an increase in cash and cash equivalents of EUR 68 million and revaluation gains on biological assets of more than EUR 13 million.

The sharp increase in cash and cash equivalents and in the capital reserve, comes from the fund inflows related to the Company's net EUR 69 million fund raising in connection with the Company's IPO in November.

Total equity increased by 295% to EUR 117.3 million (2006 = 29.7 million) mainly as a result of an increase in capital reserves of EUR 69 million and an increase in retained earnings by EUR 15 million.

Total trade receivables were EUR 525,977. The current ratio was 15.6 and the return on assets was 13.5%

Financial position – Group

The net increase in cash and cash equivalents for the year was EUR 67.6 million (2006 = -1.05 million).

Cash flow from financing activities was EUR 69 million (2006 = 309 thousand) as a result of the Company's fund raising in connection with the IPO.

The net cash outflow from investing activities amounted to EUR 5.5 million (2006 = 5 million), which was mainly used for securing land lease agreements.

Net cash generated from operating activities was EUR 2.9 million (2006 = 3.6 million)

In 2007, cash and cash equivalents increased by EUR 68 million to EUR 68.5 million.

There are contingent liabilities in connection with the recently acquired bamboo plantations, which will have an impact on the future cash position of the Group.

The company had no debt as of 31 December 2007.

Overall the Company's financial position is very strong given the sizeable cash balance, strong cash flow from the operations and absence of debt.

Capital expenditures – Group

In 2007, Asian Bamboo Group invested EUR 5.2 million, of which kEUR 277 was invested in the construction of its second fine processing plant in Shaowu.

Employees Group

The number of employees within the Group increased by 9.3% to 294 (2006 = 269). Total payroll costs were nearly unchanged at kEUR 835 (2006 = kEUR 834). Revenue per employee was approximately kEUR 50.



Remuneration report

The Remuneration Report explains the structure and amount of the remuneration paid to the members of the Management Board and the Supervisory Board. It takes into account the recommendations of the German Corporate Governance Code and the commercial law requirements as amended by the "Gesetz über die Offenlegung der Vorstandsvergütungen (German Act on Disclosure of Management Board Remuneration)". The Remuneration Report forms part of the consolidated financial statements.

COMPENSATION TO THE MANAGEMENT BOARD

Total Remuneration of the Management Board for Activities in the Fiscal Year

Lin Zuojun	kEUR 18
Chan Wai-Leung	kEUR 17
Jiang Haiyan	kEUR 9

COMPENSATION OF THE SUPERVISORY BOARD

Pursuant to the section 1 paragraph 20 of the Articles of Association, compensation for the members of the Supervisory Board shall be determined by the General Shareholders' Meeting. If a member of the Supervisory Board does not serve the entire year, compensation will be paid on a pro-rata basis. The ordinary annual general shareholders' meeting 2008, which ratifies the acts of the supervisory board, will determine the pro-rata compensation for the members of the first Supervisory Board in 2007 according to section 2 paragraph 113 AktG (German stock corporation act). The fixed compensation is due and payable at the end of the fiscal year. The Chairman of the Supervisory Board receives twice the amount of the fixed compensation and the dividend-related compensation and his deputy receives one-and-a-half times the amount.

Every member of the Supervisory Board is reimbursed for expenses incurred in performing the duties of its office. Furthermore, the members of the Supervisory Board are reimbursed for any value-added tax incurred on the reimbursement of expenses or on the Supervisory Board compensation, provided they are entitled to charge the Company for the value-added tax separately and if they exercise this right.

Total Remuneration, which was fixed, of the Supervisory Board for Activities in the Fiscal Year was:

Hans-Joachim Zwarg	kEUR 13
Wolfgang Jensen	kEUR 7
Pan Chaoran	kEUR 5

Research and development

In order to maintain its competitiveness, Asian Bamboo Group places great emphasis on research and development. Asian Bamboo Group's R&D is headed by its CTO, Dr. George Szrednicki, an expert in the field of food processing and preservation, and focuses on the development of new cultivation and preservation techniques for Moso Bamboo. To strengthen its research and development capabilities, Asian Bamboo Group has collaborated and currently collaborates with a number of scientific and academic institutions:

Asian Bamboo Group's R&D expenses for the years 2006 and 2007 amounted to approximately kEUR 90 and kEUR 24, respectively.



Sustainability

AS A RESPONSIBLE EMPLOYER WE ENSURE THAT ALL OUR EMPLOYEES, PARTNERS AND SUPPLIERS ARE TREATED FAIRLY.

Bamboo is a renewable resource which grows extremely quickly. As such, our business has no negative impact on the environment. On the contrary, with the increased use of bamboo, the pressure on other tree species, which grow more slowly, will be alleviated.

As a responsible corporate citizen we ensure that all our employees, partners and suppliers are treated fairly.

The quality of our products is our top priority and we are pleased to note that we have received a wide range of certifications both from domestic and international institutions in recognition of our product quality. Our domestic and Japanese customers are regularly conducting quality inspections to ensure that hygienic and processing standards are being adhered to.

In summary, we manage our business in a sustainable manner and are committed to our ecological and social responsibilities. Our actions are determined not only by our Company's economic success, but also by our active approach to environmental protection and occupational safety, and by our commitment to society. Sustainability is central to our business philosophy.

Risk management

Asian Bamboo Group is exposed to a variety of risks including weather and environment related risks, risks related to land contract agreements, the possibility of changing consumer preferences, currency risks in connection with our export business to Japan, customer related risks and other general business risks. However, entrepreneurial success cannot be achieved without taking risks. Risk management helps us to control the risks associated with the strategic objectives of the business and to maximise our strategic potential. We ensure that opportunities and risks are well-balanced by means of regular strategy reviews. We incur risks only if there is a corresponding opportunity for an appropriate increase in value and if they can be managed using established methods and measures within our organisation.

Our internal finance department develops risk management tools as an integral part of the central and local planning, management and control processes. Our planning and management systems will ensure that our risk situation is closely monitored and transparent.

As the bamboo plantations represent the main asset of the Company, the business is based on a long-term perspective. Following the IPO, the Group has a substantial cash position and the Group has no loan exposure.

Based on our present judgment, no risks with a material influence on the net assets, financial position, and results of operations of the Asian Bamboo Group exist. The current risks which Asian Bamboo Group are exposed to can be regarded as minor in view of our extensive experience of producing and selling bamboo products.



Report by the management board regarding dealings among Group companies

In accordance with § 312 Aktiengesetz (German Stock Corporation Act, AktG), the Management Board has issued a report regarding dealings among Group companies which contains the following concluding declaration: "According to the circumstances known to us at the time the transactions were executed, or measures were implemented or omitted, Asian Bamboo AG received appropriate consideration for every transaction and has not been disadvantaged by the implementation or omission of any measures."

Report on post-balance sheet events

Asian Bamboo has signed another three land lease contracts in 2008 comprising a total of approximately 6,000 ha of mature bamboo forest in Fujian Province. The 20-year contracts (from 1 February, 2008) amount to an average lump-sum lease payment of approximately EUR 4,700 per ha, representing a total sum of approximately EUR 28 million. The signing of these three contracts brings the total number of land lease contracts, signed in 2007 and 2008 year to date, to five. Together, the five contracts increased the totally contracted plantation area by approximately 10,000 ha of mature land. Consequently, Asian Bamboo has almost tripled its mature bamboo resources since the IPO from 5,090 ha to approximately 15,000 ha.

Disclosure requirements in accordance with Section 289 (4) and 315 (4) HGB

SUBSCRIBED CAPITAL

The share capital of the Asian Bamboo AG amounts to EUR 12.75 million and is divided into 12.75 million no par value bearer shares with a notional amount of EUR 1.00 each.

RESTRICTIONS REGARDING VOTING RIGHTS AND THE RIGHT TO TRANSFER SHARES

The management board is not aware of restrictions regarding voting rights and the right to transfer shares.

DIRECT OR INDIRECT PARTICIPATION IN SHARES

In accordance with § 15a Wertpapierhandelsgesetz (German Securities Trading Act, WpHG), the members of the Company's Management Board and Supervisory Board are legally obliged to promptly disclose the acquisition or disposal of shares in Asian Bamboo AG to the Company. Lin Zuojun, CEO, notified the Company in accordance with § 21 (1) Wertpapierhandelsgesetz (German Securities Trading Act, WpHG) that his share of voting rights in our Company has amounted to 56.88% and that these are fully attributable to him in accordance with § 22 (1) sentence 1 no. 1 in conjunction with sentence 3 WpHG (indirect ownership of shares).

APPOINTMENT AND DISMISSAL OF MANAGEMENT BOARD MEMBERS

The Management Board of Asian Bamboo AG currently comprises two members appointed by the Supervisory Board pursuant to § 84 German Stock Corporation Act (AktG) 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 substitute for a missing and required Management Board member upon application by any person with interests meriting protection (e.g. other Management Board members) (§ 85 AktG). This office would, however, then be terminated as soon as the deficiency could be rectified, e.g. as soon as the Supervisory Board has appointed a missing Management Board member. Dismissal of a Management Board

member is permissible only with good cause (section 84 paragraph 3 sentences 1 and 3 AktG). Good cause includes gross negligence of duties, inability to duly perform duties or revocation of confidence by the Annual General Shareholders' Meeting. Pursuant to section 8 paragraph 2 of the articles of association of Asian Bamboo AG, the Supervisory Board may appoint a chairman as well as a deputy chairman of the Management Board. Asian Bamboo AG currently has a chairman and a deputy chairman of the Management Board.

AMENDMENTS OF THE ARTICLES OF ASSOCIATION

The articles of association can only be amended by a resolution of the annual general shareholders' meeting according to section 179 AktG (German stock corporation act). Beside this the Supervisory Board is pursuant to section 18 paragraph 3 of the articles of association entitled to make changes to the articles of association, provided these changes only concern the wording or form.

AUTHORITY OF MANAGEMENT BOARD TO ISSUE SHARES

The authority of the Management Board to issue shares is provided in section 4 paragraph 4 of the articles of association:

The management board is authorised to increase the share capital of the Company with the consent of the Supervisory Board until 25 October 2012 once or several times by up to EUR 6.375 million by issue of up to EUR 6.375 million new bearer shares at no par value in consideration of contributions in cash or in kind (Authorised Capital 2007). 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 are excluded.



Report on Asian Bamboo AG

(German local financial statements according to German Commercial Law, HGB)

The Asian Bamboo AG is the ultimate parent company of the Group and has mainly holding activities.

Key figures:

Net loss for the year 2007:	kEUR 7,061 (mainly incurred in connection with the IPO)
Retained earnings as of 31 Dec. 2007:	EUR 0 (after dissolution of kEUR 7,061 of the capital reserve)
Total assets as of 31 Dec. 2007:	kEUR 81,914 (thereof kEUR 33,000 investments in subsidiary (Hong Kong XRX Bamboo Investment Co., Ltd., Hong Kong, the interim holding company holding all shares of Fujian Xinrixian Food Development Co., Ltd., Fuzhou, PRC) and kEUR 48,835) liquid funds
Total equity as of 31 Dec. 2007:	kEUR 81,689



Outlook

We believe that the bamboo industry will be largely unaffected by the current economic slowdown and credit market problems and will benefit from the general rise in prices of agricultural products driven by strong Chinese and global demand.

In our opinion, demand for organically grown products will continue to increase its market share as consumers become increasingly conscious of food quality issues. Furthermore, the demand for bamboo furniture has boomed during the last few years, fuelled by rising disposable income levels in China, which we believe will continue for many years to come.

For the Group as a whole, we are forecasting a continuation of the current positive business development into 2008 and 2009. Our strategy is to secure long-term agreements of additional bamboo forests in Fujian Province, financed by the IPO funds raised last year. We intend to expand the size of our plantations to more than 35,000 ha by the end of 2010. Moreover, we will also expand our processing capacity for bamboo shoots and trees. As the gross margin we earn on bamboo trees exceeds the margins earned on bamboo shoots, we intend to increase sales of bamboo trees. Evidence of this can already be seen in the split of revenues between the different products in 2007.

In addition to the direct sale of bamboo trees, Asian Bamboo intends to extend its value chain by setting up its own bamboo flooring plant with a planned production capacity of 1 million sqm per year. This is scheduled to commence operations in early 2009. Asian Bamboo intends

to expand its distribution network for organic bamboo shoots within China to reap the benefits of the continual rise in living standards. As a first step, the Company has signed a contract with Fuzhou Yonghui Supermarket Co., Ltd., one of China's leading fresh agricultural food retailers which has 160 outlets in Fujian province and Chongqing. The Company's bamboo shoots are already sold in 16 outlets in the Fuzhou region. Asian Bamboo expects the number of sales outlets to double in 2008.

We expect to maintain our margins at the current levels. However, due to a large increase in volumes as a result of more of our land becoming mature, we see the Company's net profit rising significantly in 2008 and 2009. At the moment, our land lease expansion programme is on track and the prices at which we have secured land have been at or below our expectations.

The Management Board will propose a dividend, in line with the Company's profitability in 2008, to be distributed in 2009.

Hamburg, 28 April 2008
Asian Bamboo AG



Lin Zuojun
Chairman of the
Management Board



Jiang Haiyan
Member of the
Management Board

A close-up, low-angle shot of a bamboo stalk, showing its characteristic segmented structure. The stalk is a vibrant green color and runs diagonally from the bottom left towards the top right. The background is a soft, out-of-focus green, suggesting a dense bamboo forest. The lighting is bright and natural, highlighting the texture of the bamboo.

Consolidated
financial
statements

Consolidated balance sheet

for the year ending 31 December 2007

	Note	31 Dec 2007 EUR	31 Dec 2006 EUR
ASSETS			
Non-current assets			
Property, plant and equipment	2.4, 9, 12	2,074,267	2,001,108
Land use rights	2.5, 9, 13	297,886	306,148
Biological assets	2.6, 14	49,477,160	35,893,364
Deposits for leaseholds	15, 23, 25	650,407	647,945
Deferred tax	20.2 a)	705,000	–
		53,204,721	38,848,565
Current assets			
Inventories	2.10, 16	395,439	503,482
Trade receivables	2.9, 16, 17, 25	525,977	583,719
Other receivables and prepayments	17, 25	4,440,805	1,078,210
Amounts due from related parties	24, 25	411,071	–
Cash and cash equivalents	2.8, 19, 24, 25	68,563,509	560,753
		74,336,802	2,726,164
Total assets		127,541,523	41,574,729
EQUITY AND LIABILITIES			
Share capital	1, 20	12,750,000	8,000,000
Capital reserve		69,069,659	–
Statutory reserve	20	1,306,271	603,250
Retained earnings	20.2 c)	36,130,554	21,208,068
Foreign exchange difference		(1,952,431)	(134,121)
Total equity		117,304,053	29,677,197
Non-current liabilities			
Deferred tax liabilities	11	5,483,194	4,135,479
Current liabilities			
Trade payable	21, 24, 25	56,035	204,257
Other payables, accruals and provisions	2.11, 2.12, 24, 25	4,488,297	4,712,974
Amounts due to related parties	24, 25	202,503	2,838,012
Income tax payable	11, 25	7,440	6,810
		4,754,275	7,762,053
Total liabilities		10,237,469	11,897,532
Total liabilities and equity		127,541,523	41,574,729

Consolidated statement of income and expenses

for the year ending from 31 December 2007

	Note	31 Dec 2007 EUR	31 Dec 2006 EUR
Revenue	2.14, 3	14,748,288	10,887,359
Cost of sales		(7,222,174)	(5,991,491)
Gross Profit		7,526,114	4,895,868
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	2.2, 5	10,442,823	6,992,556
Other operating income	6	122,571	98,142
Selling and distribution expenses		(142,594)	(388,304)
Administrative expenses	7	(218,858)	(399,985)
Other operating expenses		(251,260)	(5,209)
Profit from operations		17,478,797	11,193,068
Finance income	2.14, 10, 19	266,695	27,610
Finance costs	10	(500,463)	(308,626)
Profit before income tax		17,245,029	10,912,052
Income tax	2.18, 11	(1,619,522)	(1,032,429)
Profit for the period		15,625,507	9,879,623
Earnings per share		1.23*	0.77*

* Computed for comparison purposes on the basis of 12,750,000 shares.

Consolidated statement of changes in equity

for the year ending 31 December 2007

	Share capital EUR	Capital reserves EUR	Statutory reserves EUR	Retained earnings EUR	Foreign exchange difference EUR	Total equity EUR
Balance as at 1 January 2006	8,000,000	–	180,595	11,751,100	1,718,693	21,650,388
Net profit	–	–	–	9,879,623	–	9,879,623
Foreign currency translation reserve	–	–	–	–	(1,852,814)	(1,852,814)
Transfer from retained earnings	–	–	422,655	(422,655)	–	–
Balance as at 1 January 2007	8,000,000	–	603,250	21,208,068	(134,121)	29,677,197
Capital injection	4,750,000	–	–	–	–	4,750,000
Proceeds from IPO	–	76,000,000	–	–	–	76,000,000
IPO expenses charged to capital reserves	–	(7,645,341)	–	–	–	(7,645,341)
Deferred taxes on IPO expenses	–	715,000	–	–	–	715,000
Net profit	–	–	–	15,625,507	–	15,625,507
Transfer to the statutory reserves	–	–	703,021	(703,021)	–	–
Foreign currency translation reserve	–	–	–	–	(1,818,310)	(1,818,310)
Balance as at 31 December 2007	12,750,000	69,069,659	1,306,271	36,130,554	(1,952,431)	117,304,053

Consolidated statement of cash flow

for the year ending 31 December 2007

	Note	31 Dec 2007 EUR	31 Dec 2006 EUR
Profit before income tax		17,245,029	10,912,052
Adjustments for:			
Amortization of intangible assets	13	6,977	7,026
Allowance for doubtful trade receivables		(50,577)	52,573
Depreciation of property, plant and equipment	12	165,631	161,930
Gain / loss on disposal of property, plant and equipment		160	70
Interest income	10	(266,695)	(27,610)
Interest expense	10	497,973	308,626
Revaluation gain of biological assets	5	(10,442,823)	(6,992,556)
Operating cash flow before working capital changes		7,155,675	4,422,111
Working capital changes:			
(Increase) / decrease in:			
Inventories		108,043	(280,582)
Trade receivables		108,319	(327,214)
Other receivables and prepayments		(2,990,586)	(792,755)
Amounts due from related parties		(411,071)	–
Increase / (decrease) in:			
Trade payables		(148,222)	179,926
Other payables and accruals		(596,686)	3,377,496
Amounts due to related parties		202,502	(2,626,142)
Cash generated from / (used in) operations		3,427,974	3,952,840
Interest received	10	266,695	27,610
Interest paid	10	(497,973)	(308,626)
Income tax	11	(261,177)	(27,973)
Net cash generated from operating activities		2,935,519	3,643,851
Cash flow from investing activities			
Purchase of biological assets	14	(5,207,272)	(4,847,854)
Purchase of land use rights	13	(12,352)	–
Purchase of land, property, plant and equipment	12	(332,123)	(160,533)
Deposits for leaseholds		(2,462)	–
Cash flow used in investing activities		(5,554,209)	(5,008,387)
Cash flow from financing activities			
Capital injection	1, 20	4,750,000	309,927
Proceeds from IPO	20	76,000,000	–
IPO charges netted with equity	20	(7,645,341)	–
Loans due to related parties paid back		(2,838,012)	–
Cash flow from financing activities		70,266,647	309,927
Net increase in cash and cash equivalents		67,647,957	(1,054,609)
Cash at beginning of year		560,753	1,312,797
Foreign exchange difference		354,799	302,565
Cash at end of period	19	68,563,509	560,753

Notes to the consolidated financial statements for the year ending 31 December 2007

1. Background and basis of preparation

1.1. Formation, business name, registered office, fiscal year and term of the company

The Company (Asian Bamboo AG) has been formed by means of a notarial deed of incorporation (Grundungsurkunde) dated 13 September 2007.

The Company is registered under the registration number HRB 102814 in Hamburg. The legal domicile (Sitz) of the Company is 20355 Hamburg, Stadthausbrücke 1-3 Germany. The Company's fiscal year (Geschäftsjahr) is the calendar year (i.e. 1 January through 31 December); the first business year of the Company is a short business year (Rumpfgeschäftsjahr). The duration of the Company (Dauer der Gesellschaft) is unlimited.

The consolidated financial statements represent a full financial year because of the analogously applied reverse acquisition method; from an business point of view the operating subsidiary Fujian Xinrixian Food Development Co., Ltd., Fuzhou, China (PRC), whose interest have been acquired, has to be regarded as the acquirer and Asian Bamboo AG as the issuing entity has to be regarded as the acquiree. Fujian Xinrixian Food Development Co., Ltd. has a full business year.

Business purpose of the company

The Company's business purpose (Unternehmensgegenstand) is the holding and administration and the disposal of direct and indirect participations of undertakings and participations in the area of the cultivation of bamboo and other agricultural products and the production and distribution of bamboo-based products, including papers and all transactions related thereto and the provision of services for affiliated entities.

Group structure of the Asian Bamboo Group

The operational business of Asian Bamboo Group is exclusively carried out by Fujian Xinrixian Food Development Co., Ltd. ("Xinrixian"), a limited liability company formed under the laws of the PRC with its business address at No. 22 Bonded Zone, Fuzhou, Fujian, China, P.C.: 350015, and registered under the registration number 350000400000091. Xinrixian is registered as a wholly foreign-owned enterprise. The sole shareholder of Xinrixian is XRX Holding, a limited liability company formed under the laws of Hong Kong which is a wholly-owned subsidiary of Asian Bamboo AG.

Xinrixian was established in 1993 under the laws of the PRC with a registered share capital of RMB 300,000. On 17 December 1997 the registered share capital was increased to RMB 1,000,000. On 25 May 2006 the registered share capital was further increased to RMB 4,000,000. The current registered and fully paid share capital of Xinrixian amounts to RMB 260,000,000.00 after a further increase of RMB 256,000,000.00 in late 2007. All shares in Xinrixian are held by Hong Kong XRX Bamboo Investment Co., Ltd. ("XRX Holding"), a limited liability company, formed under the laws of Hong Kong on 31 May 2007 and registered with the Registrar of Companies in Hong Kong under the registration number 1137162. The issued share capital of XRX Holding amounts to HKD 10,000.00 and is divided into 10,000 shares with a nominal value of HKD 1.00 each. The issued share capital of HKD 10,000.00 is fully paid-up.

Upon formation of the Asian Bamboo AG, all shares in XRX Holding were transferred to the Company by means of a share contribution agreement (Einbringungsvertrag) as a contribution in kind (Sacheinlage).

Shaowu Sanyan Food Development Co., Ltd., Fuzhou, PRC, is a fully-owned subsidiary of Xinrixian.

All subsidiaries of Asian Bamboo AG are consolidated. In summary:

	Share	Equity 31 Dec 2007 kEUR	Results 2007 kEUR
Hong Kong XRX Bamboo Investment Co., Ltd., Hong Kong	100%	100	562
Fujian Xinrixian Food Development Co., Ltd., Fuzhou, China (PRC)	100%	67,195	15,659
Shaowu Sanyan Food Development Co., Ltd., Shaowu, China (PRC)	100%	208	(6)

Dividends to be paid by the operating 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 mainland China generally depend on formal approval procedures by Chinese government bodies.

1. Background and basis of preparation (continued)

1.1. Formation, business name, registered office, fiscal year and term of the company (continued)

Development of the share capital

The Company was formed through contribution in kind (Sachgründung) where the founders have contributed all their shares in XRX Holding against the issuance of 8,000,000 no par value bearer shares (Stückaktien) with a nominal amount of the share capital of EUR 1.00 each. The Company's share capital is fully paid in.

On 26 October 2007, the extraordinary shareholders' meeting resolved to increase of the Company's share capital from EUR 8,000,000 by EUR 4,750,000 to EUR 12,750,000 against contributions in cash (Bareinlagen) in return for the issuance of 4,750,000 no par value ordinary bearer shares (Inhaber-Stückaktien) with a notional amount of the share capital of EUR 1.00 each. The registration and effectiveness of that capital increase took place on 14 November 2007.

1.2 Basis of preparation

The consolidated financial information, especially with regard to 2006, has been presented as if Asian Bamboo AG already existed over the whole period in order to have comparable figures. The acquisitions of the sub "Business Combination" of Asian Bamboo AG – which have to be regarded as transactions under common control – have been analogously accounted for in accordance with the principles of reverse acquisition accounting, on the basis that the former majority shareholders of the subsidiaries retain effective control of the Group. Consolidation measures are essentially related to equity elements in the balance sheet and do not materially effect the equity total. No goodwill arose in respect of the acquisitions.

The consolidated financial statements have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS) and / or International Accounting Standards (IAS) as adopted by the International Accounting Standards Board (IASB) and by the EU along with the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) under consideration of aforementioned scope of consolidated financial statements.

The consolidated financial statements were generally prepared using the historic cost convention. Exceptions to this rule relate to financial instruments assigned to the "available for sale" category, which are measured at fair value where such fair value can be reliably determined. The consolidated income statement was prepared using the cost of sales method. Individual line items have been summarized in the income statement and the balance sheet to clarify the presentation. These items are disclosed and explained separately in the notes.

The accounting policies correspond generally to those applied in the previous year. In addition, the Group has applied the following new or revised Standards and Interpretations that are relevant to the business activities of the Group and were required to be applied for the first time in fiscal year 2007:

IAS 1 "Presentation of Financial Statements" – Capital Disclosures

IFRS 7 "Financial Instruments: Disclosures"

IFRIC 10 "Interim Financial Reporting and Impairment"

Apart from additional disclosure requirements, the application of these Standards and Interpretations had no material effects on the consolidated financial statements. The following new or revised Standards and Interpretations relevant for the Asian Bamboo Group's business operations are published as of 31 December 2007, but not yet required to be applied for the business year then ended:

IAS 1 "Presentation of Financial Statements"

IFRS 8 "Segment Reporting"

The Group did not exercise any options to apply Standards and Interpretations prior to their effective date. Apart from additional or modified disclosure requirements, no significant effects on the consolidated financial statements are expected for the first time of adoption.

2. Significant accounting policies

2.1 Basis of consolidation

Subsidiaries are entities controlled by the Company. Control is achieved when the Company has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to acquire benefit from its activities. Investment in subsidiary, if any, is stated in the Company's balance sheet at cost less any impairment losses.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The consolidation is based on the assumption that the Company were existent throughout all reporting periods as parent company.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent Company. Consistent accounting policies are applied for transactions and events in similar circumstances.

All inter-group balances, transactions, income, expenses, profits and losses resulting from inter-group transactions are fully eliminated.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date such control ceases.

Acquisitions of subsidiaries, if any, are accounted for using the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus cost directly attributable to the acquisition. Identified assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identified assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the income statement on the date of acquisition.

2.2 Significant accounting estimates and judgements

The preparation of financial statements in conformity with IFRS as adopted by the EU requires the management to exercise judgement in the process of applying the Group's accounting policies and 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 financial statements and the reported amount of revenue and expenses during the reporting period.

The main areas in which estimates are used are fair value of biological assets, property, plant and equipment and deferred tax. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The financial statements are significantly affected by the valuation of biological assets. Biological assets account for 38,8% of total assets as at 31 December 2007. While management believes that the fair value less estimated point-of-sale costs of immature bamboo plantations is reflected best by the costs of cultivation (IAS 41.24) the valuation of mature bamboo is, due to a lack of an active market for mature bamboo plantations, based on a computation of the present value of expected net cash flows according to IAS 41.10, 41.21 and the assumptions used in this calculation. Details of the valuation are outlined further below. Due to the nature of bamboo, bamboo trees as well as bamboo shoots have to be regarded as fruits of the bamboo plant. This implies that the life cycle of a bamboo plant does not end with the harvest of a bamboo tree after 6 years. Therefore, the period used in the calculation of the fair value was limited by the expiration date of the land lease rights which have a duration of up to 20 years. Future cash flows were discounted at a current market-determined pre-tax rate of 27% p. a.

The applied valuation method follows the accounting practice in the agricultural industry and resulted in a gain arising from the change in fair value of biological assets of kEUR 10,443 in 2007 (kEUR 6,993 in 2006).

The applied valuation method according to IAS 41 leads to a partial recognition of future proceeds at the time bamboo plantations become mature and the biological assets are initially measured at fair value derived from future cash flows.

2. Significant accounting policies (continued)

2.2 Significant accounting estimates and judgments (continued)

Future reductions in the fair value of biological assets caused by the expiration of underlying land lease rights will be charged to profit in future profit and loss statements and will have significant effects.

Estimates that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are mainly connected to the valuation of biological assets. As mentioned before, the valuation is based on a net present value calculation of future cash flows and therefore subject to changes in the applied assumptions regarding market prices of bamboo and bamboo shoots, future harvest yields and risk-adjusted interest rates.

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

2.3 Functional and presentation currency

a) Functional currency

The directors have determined the currency of the primary economic environment in which the Group operates, to be renminbi ("RMB"). Sales and major costs of the providing goods and services including major operating expenses are primarily influenced by fluctuations in RMB.

b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the entities and are recorded on initial recognition in the functional currencies at exchange rates at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date.

Exchange differences arising with the settlement of monetary items or with translating monetary items at the balance sheet date are recognised in the income statement.

The results and financial position of the combined entities which are in measurement currency other than EUR are translated from RMB respective HKD into EUR as follows:

	2007	2006
year end	10.7524	10.2793
average	10.4178	10.0096

HKD 1 = RMB 0.9431

c) Presentation currency

The presentation currency of the Group is EUR. All resulting exchange differences of the translation from RMB to EUR are recognised in the currency translation reserve, a separate component of equity.

2.4 Property, plant and equipment

Property, plant and equipment are recorded at cost, less accumulated depreciation and any impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying amount. Borrowing costs are recognised as an expense.

Property, plant and equipment in the course of construction for production or administrative purposes is carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is charged so as to amortize the cost of the assets over their estimated useful lives, using the straight-line method, as follows:

Machinery equipment	– 5-10 years
Motor vehicles	– 10 years
House building	– 10-20 years
Office equipment	– 5 years

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

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 on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.5 Land use rights

Land use rights are stated at cost less accumulated amortization and impairment losses. Cost represents consideration paid for the right to use the land on which various warehouses, office premises and processing factories are situated. Amortization of land use rights is calculated on a straight-line basis over the period of the land use right of 50 years.

2.6 Biological assets

A biological asset is a living animal or plant managed by an enterprise which is involved in the agricultural activity of the transformation of biological assets for sale, into agricultural produce, or into additional biological assets. The biological assets of the company relate to mature and immature plantations of Moso Bamboo (*phyllostachys heterocycla pubescens*) and are stated at fair value less estimated point-of-sale costs.

While management believes that the fair value less estimated point-of-sale costs of immature bamboo plantations is reflected best by the costs of cultivation (IAS 41.24) the valuation of mature bamboo is based on a computation of the present value of expected net cash flows according to IAS 41.10, 41.21 and the assumptions used in this calculation. Due to the nature of bamboo, bamboo trees as well as bamboo shoots have to be regarded as fruits of the bamboo plant. This implies that the life cycle of a bamboo plant does not end with the harvest of a bamboo tree after 6 years. Therefore, the period used in the calculation of the fair value was limited by the expiration date of the land lease rights which have a duration of up to 20 years. Future cash flows were discounted at a current market-determined pre-tax rate of 27% p. a.

Management reviews the progress of immature Moso Bamboo and immature bamboo shoots on an ongoing basis and should these be deemed to be unsuitable for further cultivation, full provision is made at that time.

According to the rules set forth in IAS 41, the valuation of biological assets at their fair value less point-of-sale costs leads to a partial recognition of future proceeds at the time bamboo plantations become mature and are initially measured at fair values derived from future cash flows. A gain or loss arising on initial recognition of biological assets at fair value less estimated point-of-sale costs and from a change in fair values less estimated point-of-sale costs is recognised in the income statement. Future reductions in the fair value of biological assets caused by the expiration of underlying land lease rights will have a significant effect on future profit and loss statements.

Agricultural produce harvested from the Group's biological assets are measured at their fair value less estimated point-of-sale costs. The fair value of agricultural produce is based on market prices of agricultural produce of similar size and weight or alternative estimates of fair value.

A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is recognised in the income statement.

2. Significant accounting policies (continued)

2.7 Impairment of non-financial assets

The Group assesses at each reporting date 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, management 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 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 prior years. Reverse of an impairment loss is recognised in the income statement. 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 base over its remaining useful life.

2.8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in banks.

2.9 Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortized cost less impairment losses.

2.10 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost incurred in bringing the inventories to their present location and condition is accounted for as follows:

Agricultural materials and packing materials	– purchase cost on a weighted average basis
Finished goods	– costs of direct materials and labour 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 costs necessary to make the sale.

2.11 Financial liabilities and equity

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Significant financial liabilities include trade and other payables.

Trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

2. Significant accounting policies (continued)

2.12 Provisions

Provisions are recognised when the Group has a present obligation 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 when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, 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.

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.

2.13 Operating lease

Leases of assets, including cultivation bases, under which a significant portion of the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to operating profit on a straight-line basis over the period of the respective leases.

When the Group has the 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.

2.14 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

a) Sales of goods

Revenue is recognised upon the transfer of significant risks and rewards of ownership of the goods 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.

b) Rendering service

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

c) 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 yield basis.

2.15 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions attached will be complied with. When the grant relates to an expense item, it is recognised in the income statement over the period necessary to match them on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortized to the income statement over the expected useful life of the relevant asset by equal annual installments.

2.16 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. Contributions to national pension schemes are recognised as an expense in the period in which they incurred.

2. Significant accounting policies (continued)

2.17 Derecognition of financial assets and liabilities

a) *Financial assets*

A financial asset is derecognised when:

- The contractual rights to receive cash flows from the assets have expired;
- The Group retains the contractual rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

b) *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

2.18 Taxation

Income tax for the financial year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that is related to items recognised directly in equity in which case such tax is recognised directly in equity.

Current tax assets and liabilities for the current and prior period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reverse of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carried forward unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carried-forward unused tax credits and unused tax losses can be utilized except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investment in subsidiaries, associated and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

2. Significant accounting policies (continued)

2.18 Taxation (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax 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 taxation authority.

The carrying amount of deferred income 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 utilized. Unrecognised deferred income 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.

2.19 Borrowing costs

Borrowing costs are expensed as incurred. However, borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset.

NOTES TO THE INCOME STATEMENT

3. Sales

Sale of goods represents the invoiced amount of delivered goods net of discounts, returns and valued added tax.

3.1 Split-up of sales according to products:

	2007 EUR	2006 EUR
Split-up of sales according to products		
Fresh bamboo shoots	3,487,730	2,876,748
Bamboo specie	5,603,270	2,467,498
Processed bamboo shoots	5,657,288	5,543,113
	14,748,288	10,887,359

3.2 Split-up of sales according to geographical regions:

	2007 EUR	2006 EUR
Split-up of sales according to sales regions		
Sales in domestic market (PRC)	9,091,000	5,935,577
Sales overseas	5,657,288	4,951,782
	14,748,288	10,887,359

4. Segment information

As the business activities are based on bamboo only there are no different segments.

5. Gain arising from changes in fair value less estimated point-of-sales costs of biological assets

Gain arising from changes in fair value less estimated point-of-sales costs of biological assets result from the revaluation of biological assets. See biological assets (note 14) for further details.

6. Other operating income

Government grants of kEUR 122 (2006 kEUR 92) relate to grants received by central and local government to improve agricultural industrialization.

7. Research and development

Administrative expenses include expenses for research and development of EUR 23,997 for the year 2007 (EUR 89,914 for the year 2006).

8. Personnel expenses / headcount

	2007	2006
Average number of employees of the Group		
Management and administration	23	26
Research and development	4	15
Manufacturing	249	191
Sales	18	37
	294	269

	2007 EUR	2006 EUR
The payroll costs are as follows		
Wages and salaries	614,890	646,080
Social security costs	148,341	127,976
Welfare	72,560	60,660
	835,791	834,716

9. Amortization of intangible assets and depreciation of property, plant and equipment

	2007 EUR	2006 EUR
Amortization of intangible assets (land-use rights)	6,977	7,026
Depreciation of property, plant and equipment	165,631	161,930
of which recognised in:		
– cost of sales / inventories	125,782	122,756
– administrative expenses	39,849	39,174
	172,608	168,956

Amortization of intangible assets relate to the amortization of the costs of land use rights and is completely recognised within administrative expenses.

10. Finance income / finance expenses

Finance income	2007 EUR	2006 EUR
Interest income from bank balances	234,728	5,709
Interest income from fair value of long-term financial assets	31,967	21,901
	266,695	27,610

Finance expenses	2007 EUR	2006 EUR
Interest expense for discount of long-term financial assets	497,973	265,509
Foreign exchange losses	–	39,230
Bank charges	2,490	3,887
	500,463	308,626

11. Taxation

The subsidiary, Fujian Xinrixian Food Development Co., Ltd., Fuzhou, PRC, is as a wholly foreign-owned enterprise subject to Foreign Enterprise Income Tax (FEIT) with a tax rate of 15%.

However, the subsidiary was entitled to receive a tax benefit of paying FEIT with a fixed amount as granted by tax authorities regardless of the actual profits from 1 January 2004 to 31 December 2007:

	2007 EUR	2006 EUR
Income tax (fixed FEIT payable)	30,717	27,973

11. Taxation (continued)

11.1 Major components of income tax expense

The amount of taxation charged to the income statements represents:

	2007 EUR	2006 EUR
Current income tax	30,717	27,973
Deferred income tax induced by time difference	1,588,805	1,004,456
Income tax recognised in profit and loss	1,619,522	1,032,429

11.2 Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of profit / (loss) before income tax multiplied by the applicable corporate tax rate is as follows:

	2007 EUR	2006 EUR
Profit / (loss) before income tax	17,245,029	10,912,052
Tax at respective companies PRC income tax rate of 15%	2,590,219	1,636,808
Effect of reduction in taxation (FEIT tax benefit)	(970,697)	(604,379)
Income tax expense recognised in profit and loss	1,619,522	1,032,429

11.3 Taxation payable

Taxation payable in the consolidated balance sheet represents:

	2007 EUR	2006 EUR
Balance of provision relating to previous years	6,810	5,252
Foreign Enterprise Income Tax provision for the year	30,717	27,973
Income tax paid	(29,757)	(26,232)
Currency translation differences	(330)	(183)
At the end of the year	7,440	6,810

11.4 Deferred taxation

	2007 EUR	2006 EUR
At beginning of year	4,135,479	3,409,061
Provision for deferred tax	1,578,805	1,004,456
Currency translation differences	(231,090)	(278,038)
Deferred tax Liabilities at end of year	5,483,194	4,135,479

11. Taxation (continued)

11.4 Deferred taxation (continued)

Net tax assets / liabilities by type of temporary difference:

	2007 EUR	2006 EUR
Tax assets		
Long-term financial assets	115,403	125,574
Accounts Receivable	4,152	12,031
	119,555	137,605
Tax liabilities		
Biological assets	5,602,749	4,273,084
	5,602,749	4,273,084
Netting		
Net assets / (liability)	119,555	137,605
	5,483,194	4,135,479

NOTES TO THE BALANCE SHEET

12. Property, plant and equipment

	Buildings EUR	Machines EUR	Office equipment EUR	Motor vehicles EUR	Construction in progress EUR	Total EUR
Cost						
At 31 December 2006	1,891,708	492,074	21,874	59,238	–	2,464,894
Additions	–	9,913	12,164	96,808	213,238	332,123
Disposals	–	746	2,455	–	–	3,202
Exchange difference	(83,234)	(21,936)	(1,213)	(5,619)	(6,636)	(118,638)
At 31 December 2007	1,808,474	479,304	30,370	150,427	206,602	2,675,178
Accumulated depreciation and impairment						
At 31 December 2006	290,930	146,427	8,762	17,667	–	463,786
Depreciation charged for the year	94,019	59,701	4,019	7,891	–	165,631
Disposals	–	709	2,332	–	–	3,042
Exchange difference	(15,727)	(8,279)	(436)	(1,023)	–	(25,465)
At 31 December 2007	369,222	197,140	10,012	24,536	–	600,910
Net carrying amount:						
At 31 December 2006	1,600,778	345,647	13,112	41,571	–	2,001,108
At 31 December 2007	1,439,252	282,163	20,358	125,891	206,602	2,074,267

13. Land use rights

	2007 EUR	2006 EUR
Cost		
Balance at the beginning of financial year	342,065	369,332
Additions	12,352	–
Exchange difference	(15,434)	(27,267)
Balance at the end of financial year	338,983	342,065
Accumulated amortization		
Balance at the beginning of financial year	35,917	31,393
Amortisation for the financial year	6,977	7,026
Exchange difference	(1,797)	(2,502)
Balance at the end of financial year	41,097	35,917
Net book value		
Balance at the beginning of financial year	306,148	337,939
Balance at the end of financial year	297,886	306,148

Land use rights have a lease period of 50 years.

14. Biological assets

Biological assets represent immature and mature bamboo plantations. The role of bamboo trees is to supply bamboo shoots through the processes of growth in each production cycle and the production of bamboo specie at the end of the production cycle. The biological assets can be summarized as follows:

	Immature		Mature		Total	
	Area ha	Book Value EUR	Area ha	Book Value EUR	Area ha	Book Value EUR
Fair value as at 31 December 2006	8,005	8,881,136	3,929	27,012,228	11,934	35,893,364
Additions	2,715	5,207,272	–	–	2,715	5,207,272
Intra transfer to mature	(1,947)	(2,482,712)	1,947	2,482,712	–	–
Gain arising from changes in fair value less estimated point-of-sale costs	–	–	–	10,442,823	–	10,442,823
Changes due to currency translation	–	(475,550)	–	(1,590,749)	–	(2,066,299)
Fair value as at 31 December 2007	8,773	11,130,146	5,876	38,347,014	14,649	49,477,160

Output of agricultural production for the year 2006 to 2007:

	2007 pcs. / mt	2006 pcs. / mt
Bamboo specie (pieces)	3,147,216	1,637,301
Winter shoots (metric tons)	3,738	2,957
Spring shoots (metric tons)	14,468	11,201

The biological assets, including immature and mature bamboo plantations, were stated at fair values less estimated point-of-sale costs as at 31 December 2007.

14. Biological assets (continued)

While fair value of immature bamboo plantations are approximated by cost, the fair value less estimated point-of-sale cost of mature bamboo plantations was derived by a present value calculation of net future cash flows. The valuation methodology is in compliance with both IAS 41 and the International Valuation Standards issued by the International Valuation Standard Committee which aim to determine the fair value of a biological asset in its present location and condition. Management was assisted in the calculation of fair value less estimated point-of-sale costs of the mature bamboo plantations at the respective dates by independent valuers of Sallmanns (Far East) Limited, Hong Kong.

The valuation of mature and immature bamboo plantations was based on the following major assumptions:

- Bamboo trees will be chopped and sold after six years. Based on historical numbers, the yield of mature land was estimated with 35 trees, 50 kg of winter shoots and 325 kg of spring shoots per mu (one mu equals 666.66 m²).
- Prices were assumed to remain stable at the current level throughout the projection period. Based on the company's records, the sales prices are assumed to be RMB 18.00 (EUR 1,78) per tree, RMB 6.61 (EUR 0,61) per kg of winter shoots and RMB 1.55 (EUR 0,14) per kg of spring shoots.
- Costs of harvest were estimated to be RMB 2.50 (EUR 0,24) per tree, RMB 0.55 (EUR 0,05) per kg of winter shoots and RMB 0.39 (EUR 0,04) per kg of spring shoots.
- Inflation rate was forecasted at 3% p. a.
- Due to the nature of bamboo, bamboo trees as well as bamboo shoots have to be regarded as fruits of the bamboo plant. This implies that the life cycle of a bamboo plant does not end with the harvest of a bamboo tree after 6 years. Therefore, the period used in the calculation of the fair value was limited by the expiration dates of the land lease rights (up to 20 years).
- Future cash flows were discounted at a current market-determined pre-tax rate of 27%. In cases in which the assumed purchase price for mature land was lower than the computed cash value the company took the lower value.
- It has been assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions during the projection period that would adversely affect the business.

Since all of the company's activities refer to agriculture the financial risk management strategies related to agricultural activity are given under 'Financial Risk Management Objectives and Policies' below.

15. Long-term financial assets

Long-term financial assets comprise deposits related to the operate leasing of land use rights and are repayable at the end of the lease period. The longest lease period has a duration of 20 years.

16. Inventories

	2007 EUR	2006 EUR
Agricultural materials	295,831	433,749
Packing materials	20,648	17,134
Finished Goods	78,960	52,599
	395,439	503,482

The current year's expenses for materials amounted to kEUR 2.210. (2006: kEUR 2.195).

17. Trade and other receivables

	2007 EUR	2006 EUR
Trade receivables	553,660	663,934
Allowance for trade receivables	(27,683)	(80,215)
	525,977	583,719
Other receivables and prepayments	4,440,805	1,078,210

Other receivables and prepayments include EUR 3,006,345 prepayments for future lease payment deposits.

Trade and other receivables are due within 1 year.

18. Trade receivables

All trade receivables are non-interest bearing. They are recognised as their original invoiced amounts which represents their fair values on initial recognition.

19. Cash and cash equivalents

	2007 EUR	2006 EUR
Cash on hand	14,043	420,868
Cash in banks	68,549,466	139,885
	68,563,509	560,753
– thereof in Germany	48,837,598	–
– thereof in China and Hong Kong	19,725,911	560,753

20. Equity

20.1 Paid-in capital

The capital stock of the Parent Company amounts to kEUR 12,750 and is divided into 12,750,000 no par value bearer shares with a notional amount of the share capital of EUR 1 each. Reference is made to the notes under 1.1.

According to the Company's Articles of Association (Satzung), the management board is authorised to increase the share capital of the Company with the consent of the supervisory board until October 25, 2012 once or several times by up to EUR 6,375,000 through the issuance of up to 6,375,000 new no par value bearer shares.

20.2 Reserves and retained earnings

a) Capital reserve

As reflected in the statement of changes of equity the Company received proceeds from the IPO of EUR 76,000,000. IPO expenses of in total EUR 6,930,341 have been directly charged to capital reserves. Deferred income taxes of EUR 715,000 (thereof reflected as deferred tax asset EUR 705,000) have been set-off. The net total increase of capital reserves amounts to EUR 69,069,659 accordingly.

b) Statutory reserve

According to the Group Law of PRC, a company is required each year to transfer 10% of the profit after tax as reported in its PRC statutory financial statements to the statutory common reserve fund, except where the fund has reached 50% of the company's registered capital. This fund can be used to make up for any losses incurred or be converted into paid-up capital, provided that the fund does not fall below 25% of the registered capital. The Statutory reserves relate to the Chinese subsidiary.

c) Retained earnings

The retained earnings comprise the cumulative net gains and losses recognised in the income statement.

21. Trade and other payables

	2007 EUR	2006 EUR
Trade payables	56,035	204,257
VAT payable	5,817	14,977
Other tax payables	1,154	1,294
Accrued payroll	62,696	44,425
Welfare expenses payable	108,560	59,069
Other payable	4,310,069	4,593,209
Other payables and accruals	4,488,296	4,712,974
Amounts due to related parties	202,502	2,838,012
Income tax payable	7,440	6,810
	4,754,275	7,762,053

All items are due within one year.

All trade payables are non-interest bearing.

The fair value of trade and other payables 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.

Other payables mainly relate to the establishment of new bamboo plantations (similar to 2006).

OTHER NOTES

22. Commitments and contingencies

22.1 Operating lease commitments

The Group leases land and various factory and office buildings under cancelable 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 is recognised as expense in the income statement in every financial year as follows:

	2007 EUR	2006 EUR
Land lease recognised as current expense	1,516,349	1,212,927
Building lease recognised as current expense	25,341	26,375
Lease payment recognised as expense	1,541,690	1,239,302

Future minimum lease payments under cancelable operating leases as at 31 December 2007 are as follows:

	2007 EUR	2006 EUR
Not later than one year	49,208,129	1,562,462
Later than one year but not later than five years	20,637,691	19,156,670
Later than five years	60,496,088	67,933,534
	130,341,908	88,652,666

22. Commitments and contingencies (continued)

22.1 Operating lease commitments (continued)

a) Lease of buildings

	2007 EUR	2006 EUR
Within 1 year	24,553	26,375
After 1 year but within 5 years	89,840	113,890
After 5 years	8,370	17,983
	122,763	158,248

b) Lease of land

	2007 EUR	2006 EUR
Within 1 year	49,183,577	1,578,187
After 1 year but within 5 years	20,547,851	19,558,939
After 5 years	60,487,718	69,745,962
	130,219,146	90,883,088

The increase of lease payments due within 1 year is mainly resulting from the recently contracted bamboo plantations.

23. Contingent liabilities

At 31 December 2007 the Group did not have any significant contingent liabilities.

24. Related party 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.

24.1 Related party information

Name of related party	Relationship
Green Resources Enterprise Holding Ltd., Tortola, British Virgin Islands	Majority shareholder of Asian Bamboo AG
Lin Zuojun	CEO, shareholder of Green Resources Enterprise Holdings

24.2 Sale and purchase of goods

No transaction has taken place between the Group and related parties during the financial years.

24. Related party disclosures (continued)

24.3 Due from / to related parties

	2007 EUR	2006 EUR
Due from related parties	411,071	–
Due to related parties		
non-trade	202,502	2,838,012

Non-trade receivables relate to advances to buy new landuse rights.

Non-trade payables due to related parties comprise short-term payables and disbursements for costs that incurred with the establishment of new bamboo plantations.

25. Disclosure of financial instruments

The Group's financial instruments at the closing-days of 2007 comprise cash and liquid resources, some short term debtors and creditors, together with 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:

	Category in accordance with IAS 39	Carrying amount 31 Dec 2007 EUR	Amounts recognised in balance sheet according to IAS 39 at amortised cost EUR	Amounts recognised in the balance sheet according to IAS 39 at fair value EUR	Carrying Amount 31 Dec 2006 EUR	Amounts recognised in balance sheet according to IAS 39 at amortised cost EUR	Amounts recognised in the balance sheet according to IAS 39 at fair value EUR
Deposits for leaseholds	HtM	650,407		650,407	647,945	647,945	647,945
Trade receivables	LaR	525,977	525,977		583,719	583,719	
Other receivables and prepayments	LaR	4,440,805	4,440,805		1,078,210	1,078,210	
Amounts due from related parties	LaR	411,071	411,071		0	0	
Cash and cash equivalents	LaR	68,563,509	68,563,509		560,753	560,753	
Trade payables	FIAC	56,035	56,035		204,257	204,257	
Other payables	FIAC	4,308,070	4,308,070		4,593,209	4,593,209	
Amounts due to related parties	FIAC	202,503	202,503		2,838,012	2,838,012	
Of which: aggregated by category in accordance with IAS 39							
Long-term financial investments (HtM)		650,407		650,407	647,945		647,945
Cash and receivables (loans and receivables, LaR)		73,941,362	73,941,362		2,222,682	2,222,682	
Financial liabilities measured at amortized cost (FLAC)		4,566,608	4,566,608		7,635,478	7,635,478	

Cash and cash equivalents, trade and other receivables as well as amounts due from related parties have short times to maturity (within 1 year). For this reason, their carrying amounts at the reporting date approximate the fair values.

25. Disclosure of financial instruments (continued)

Trade and other financial liabilities generally have short times to maturity (within 1 year); the values approximate the fair values.

Net gain / loss by category:	From interest EUR	Net gain (loss)	
		2007 EUR	2006 EUR
Long-term financial investments (HtM)	31,967	466,006	(243,608)
Cash and receivables	234,728	234,728	5,709
	266,695	231,278	(237,899)

Interest from financial instruments is recognised in finance income and costs.

The existing financial instruments have predominantly short remaining contractual maturities. Therefore, their carrying amounts at the balance sheet date correspond approximately to their fair value.

26. Financial risk management objectives and policies

IFRS 7 requires the disclosure of sensitivity analysis, which show the effects of hypothetical changes in relevant risk variables on profit or loss and equity, to be used in presenting market risk. For the Group, this mainly relates to currency rate risks. The effects are ascertained by applying the hypothetical changes in risk variables to the portfolio of financial instruments at the balance sheet date. It is assumed that the balance at the reporting date is representative for the year as a whole.

As outlined the Group is in general only 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 in interest rates and foreign exchange rates as there is no real requirement to do so from today's point of view considering that the main assets of the company are liquidity and biological assets (long-term assets).

Credit 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 balance sheet 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.

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.

The Group has no significant interest-bearing assets and liabilities. Therefore, the Group's income and operating cash flows are substantially independent from changes in market interest rates.

26. Financial risk management objectives and policies (continued)

Currency risk

Currency risk is the risk of fluctuations in the fair value or future cash flows of a financial instrument as a result of changes in exchange rates. Currency risk within the meaning of IFRS 7 arises through financial instruments which are reported in a currency other than the functional currency. Exchange rate differences arising from the translation of financial statements of subsidiaries into the Group currency are not included. Relevant risk variables are therefore basically all non-functional currencies in which financial instruments are held by the Group. As the Group has trading activities (processed bamboo shoots) with Japan the Group is basically exposed to risks through operational activities when the Japanese currency fluctuates against the RMB (approximately 50% of the Group's sales are denominated in JPY). Management will closely monitor the foreign exchange exposure and will consider hedging any material foreign exchange exposure should the need arise. For the time being the currency risk exposure is rather immaterial (if the JPY fluctuates 10% against the RMB the effect amounts to approx. kEUR 50).

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. However, for the time being in view of the recent IPO and the relating proceeds thereon, and also in view of the good profit situation there is no real liquidity risk as the current liquidity covers about 54% of total assets.

Fair values

The carrying amounts of the financial assets and financial liabilities in the financial statements approximate their fair values.

Biological assets

Biological assets are valued at cost (immature assets) or at cash value (mature assets) as outlined in detail under 2.6 and 14. As long as the forecasted earnings are in line there is no other risk other than potential damages from diseases, fire or similar extraordinary developments incidents. These risks should generally be covered by the relatively high discount rate (27%) to compute the cash value.

Management currently did not insure potential losses that may incur in connection with such extraordinary incidents in view of the relating high costs. However, management will review this policy from year to year and may revise this policy in the future.

27. Additional comments on capital management

The capital management of Asian Bamboo covers equity and liabilities and the management of cash and fixed assets, in particular the biological assets.

The company's targets in connection with the IPO were to continue to achieve profitable growth mainly by contracting more bamboo resources, to cover additional steps along the value chain of bamboo trees and to do this on a sound equity basis being independent from outside financing. All investments, mainly in new bamboo forests, will follow these targets to guarantee a good and long-term related return on investment. As long as the current cash position has not been invested management will keep the liquidity interest bearing in banks having a good reputation.

28. Notes to the cash flow statement

The cash flow statement has been prepared in accordance with IFRS 7 and is classified into net cash flows from operating, investing, and financing activities. Net cash flow from operating activities is presented using the indirect method, while net 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.

29. Members of the executive and supervisory boards

Executive Board:

Mr. Lin Zuojun (CEO), merchant, Fuzhou, PRC

Mr. Jiang Haiyan (CMO), merchant, Fuzhou, PRC

Mr. Chan Wai-Leung (CFO), merchant, Fuzhou, PRC (Resigned on 18 March 2008)

Supervisory Board:

Mr. Hans-Joachim Zwarg (Chairman), merchant, Sierksdorf / Germany, initially appointed: October 2007

Mr. Wolfgang Jensen (Deputy Chairman), banker, Bad Homburg / Germany, initially appointed: October 2007

Mr. Pan Chaoran, Professor, Fuzhou, PRC (China) initially appointed: September 2007

Mr. Wang Shougang, merchant Fuzhou, PRC (China), Resignation: October 2007

Mr. Zhang Sujia, Fuzhou, PRC (China), Resignation: October 2007

Mr. Zwarg is member of the supervisory boards of HanseYachts AG, Greifswald, Germany, and ZhongDe Waste Technology AG, Hamburg, Germany (Chairman).

30. Remuneration of the executive and supervisory boards

Executive board:

The following fixed remuneration have been paid:

Lin Zuojun kEUR 18

Chan Wai-Leung kEUR 17

Jiang Haiyan kEUR 9

Supervisory board:

Mr. Hans-Joachim Zwarg: kEUR 13

Mr. Wolfgang Jensen: kEUR 7

Mr. Pan Chaoran: kEUR 5

31. Audit

BDO Deutsche Warentreuhand AG has been appointed as the auditors of Asian Bamboo AG and the Group for financial business year 2007. The following table gives an overview of the fees of the Group auditors, BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft, recognised as expenses in the fiscal year:

	kEUR
Audit 2007	105
Other assurance services	290
Other Services including reimbursements of insurances	294

32. Shareholdings in Asian Bamboo AG

Green Resources Enterprise Holding Ltd., Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands, gave us notice pursuant to Section 21 Para 1 a Wertpapierhandelsgesetz (German Securities Trading Act (WpHG)) that its voting rights in Asian Bamboo AG as at 15 November 2007) amounted to 56.88% (7,252,000 voting rights).

Mr. Lin Zuojun, Xintiandi Plaza, No. 157, Wusi Rd., Fuzhou 350003, P.R. China, gave us notice pursuant to Section 21 Para 1 WpHG that his voting rights in Asian Bamboo AG as at 15 November 2007 amounted to 56.88% (7,252,000 voting rights).

56.88% of the voting rights (7,252,000 voting rights) were attributable to him in accordance with sec. 22 para. 1 sent. 1 no. 1 of the WpHG.

The attributed voting rights were attributed by Green Resources Enterprise Holding Ltd., Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands.

In accordance with the provisions of the Wertpapierhandelsgesetz (German Securities Trading Act (WpHG)), Asian Bamboo AG received notification (October 2007) that Green Resources Enterprise Holdings Ltd., Road Town, Tortola, British Virgin Islands, own the majority of shares.

Sal. Oppenheim jr. & Cie KGaA, Collogne, Germany, has made notification (January 2008) that as of 31 Dec 2007, all shares in Asian Bamboo AG have been transferred to other parties and, thus, the voting rights amount to 0 (zero) as of that date.

Sal. Oppenheim jr. & Cie S.C.A., Luxemboug, Luxembourg, has made notification (January 2008) that as of 31 Dec 2007, all shares in Asian Bamboo AG have been transferred to other parties and, thus, the voting rights amount to 0 (zero) as of that date.

33. Events after balance sheet date

Asian Bamboo has signed another three land lease contracts comprising a total acreage of approx. 6,000 ha of already mature bamboo forest in the Fujian Province in China. The contracts with a duration of 20 years as of 1 February 2008, envisage an average lump-sum lease payment of around EUR 4,700 per ha which amounts to approximately EUR 28 million for the whole newly contracted acreage. The contracts finalise the remaining three of five non-binding letters of intent and increase the total newly contracted plantation acreage to approximately 10,000 ha of mature land. Together with two new contracts having been closed in December 2007, Asian Bamboo has almost tripled the acreage of its mature bamboo resources since the IPO from 5,090 ha to approximately 15,000 ha.

34. Proposal on the utilization of Asian Bamboo AG's net retained profits / (loss carry forward)

The German financial statements reflect a net result of EUR 0. At the Annual General Meeting, the Executive Board and the Supervisory Board will propose to approve the financial statements.

35. Authorization of financial statements

These financial statements were authorized for issue in accordance with a resolution of the Board of Directors of the Group dated on 28 April 2008.

Hamburg, 28 April 2008
On behalf of the management



Lin Zuojun,
Chairman of the Management Board



Jiang Haiyan
Member of the Management Board

Responsibility statement

“To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group, and the combined group management report includes a fair view of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.”

Hamburg, 28 April 2008



Lin Zuojun

CEO of the Management Board



Jiang Haiyan

Member of the Management Board

Auditors' Report

We have audited the consolidated financial statements prepared by Asian Bamboo AG, Hamburg, comprising the balance sheet, the income statement, the notes to the consolidated financial statements, the cash flow statement, the statement of changes in equity and the combined group management report for the business year from January 1, 2007 to December 31, 2007. The preparation of the consolidated financial statements and group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law under section 315a (1) of the Handelsgesetzbuch (German Commercial Code, HGB) are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the 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 German principles of proper accounting and in the group 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 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 group 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 the consolidated financial statements, 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 group 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 comply with IFRSs as adopted by the EU and the additional requirements of German commercial law under section 315a (1) of the 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 group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, April 28 2008
BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

sgd. Dr. Zemke

auditor

sgd. zu Inn- u. Knyphausen

auditor

FINANCIAL CALENDAR

Date	Event
April 2008	Annual Financial Statement 2007
May 2008	Interim Report Q1 2008
July 2008	Annual General Meeting

CONTACT

This interim report, recent reports, and additional information are available on the internet at: www.asian-bamboo.com and www.asian-bamboo.de

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