



Asian Bamboo

SUSTAINABLE GROWTH

2008 Annual Report



KEY INGREDIENTS FOR SUSTAINABLE GROWTH

REPUTATION

The four circles represent the key ingredients for our sustainable growth. At the bottom, we have the 'bamboo trend', which is the label we have put on the rapid growth in demand we have for all our products. We have made this circle the largest, as we believe that this trend is the most important aspect of our success.

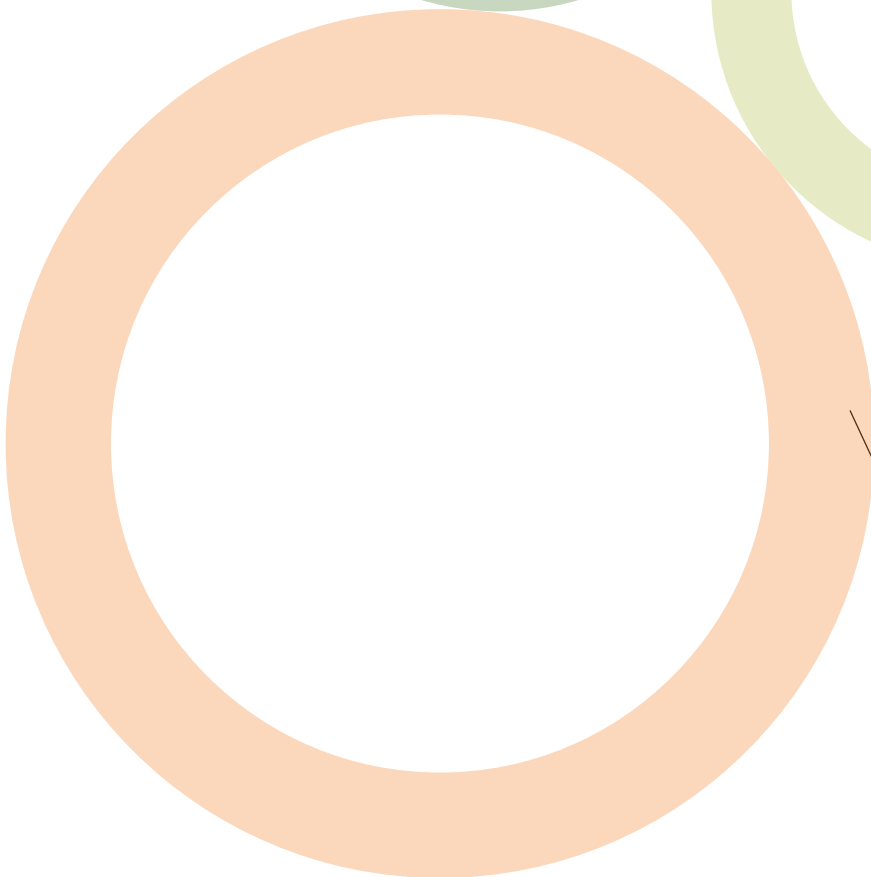
Then, we have two circles of similar size representing our industry expertise and our integrated business model. All industry participants are benefitting from the 'bamboo trend', however it is through our industry expertise and integrated business model that we have managed to develop into the largest and most successful company in the industry.

Finally, we have our reputation. As we are involved in long-term negotiations for land leases, which involve the livelihood of thousands of people and are carefully monitored by the government on all levels, it is crucial for us to be a responsible partner. Over the years, we have built a reputation for trust and excellence.

INTEGRATED
BUSINESS MODEL

INDUSTRY
EXPERTISE

THE BAMBOO
TREND



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ASIAN BAMBOO AT A GLANCE

OPERATIONAL DATA

<i>In kEUR unless otherwise stated</i>	2008	2007	Change
Revenue	43,831	14,748	197%
Cost of sales	(23,076)	(7,222)	220%
Gross profit	20,755	7,526	176%
Gross profit margin	47%	51%	
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	13,658	10,443	31%
Net profit	27,297	15,626	75%
Adjusted net profit*	21,193	6,748	214%
Adjusted net profit margin*	48%	46%	
EPS (EUR)†	2.14	1.23	74%
Adjusted net profit per share (EUR)*/†	1.66	0.53	213%

* Adjusted for changes in the fair value of biological assets and taxes thereon

† Computed on the basis of 12,750,000 shares

CASH FLOW

<i>In kEUR unless otherwise stated</i>	2008	2007	Change
Net cash generated from operating activities	20,215	2,221	810%
Cash flow used in investing activities	(60,828)	(5,554)	995%
Net increase / (decrease) in cash and cash equivalents	(41,261)	67,648	N/A

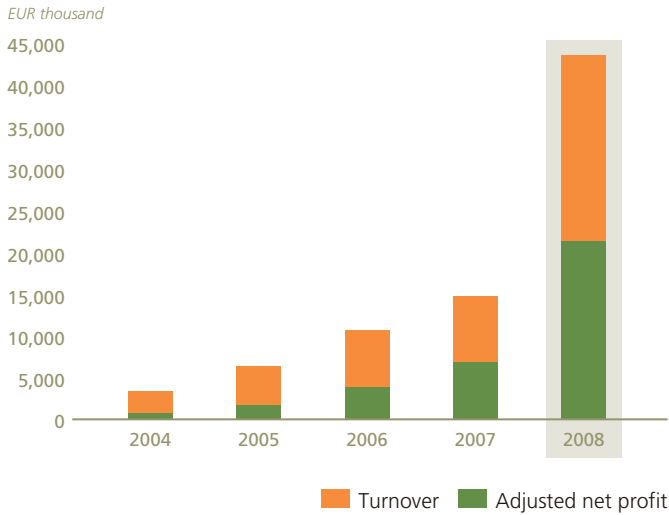
BALANCE SHEET AND OTHER SELECTED DATA

<i>In kEUR unless otherwise stated</i>	2008	2007	Change
Cash and cash equivalents	25,481	68,564	(63%)
Biological assets	116,312	49,477	135%
Total assets	170,632	127,542	34%
Current liabilities	1,465	4,755	(69%)
Non-current liabilities	13,932	5,483	154%
Shareholders equity	155,235	117,304	32%
Total liabilities and equity	170,632	127,542	34%
Size of mature plantations (ha)	18,368	5,876	245%
Size of immature plantations (ha)	8,261	8,773	(28%)
Total size of plantations (ha)	26,629	14,649	82%
Number of employees	724	294	146%

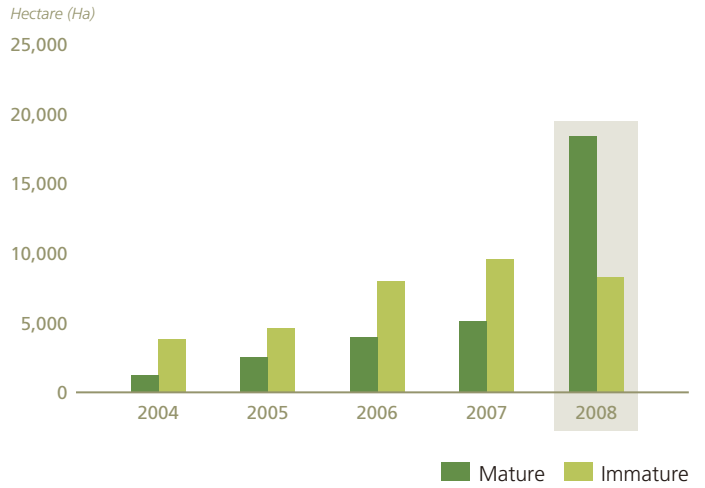
OVERVIEW

FINANCIAL AND OPERATIONAL HIGHLIGHTS

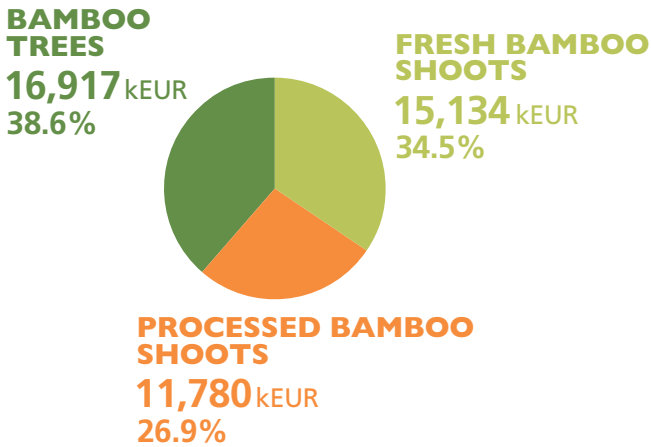
TURNOVER AND ADJUSTED NET PROFIT



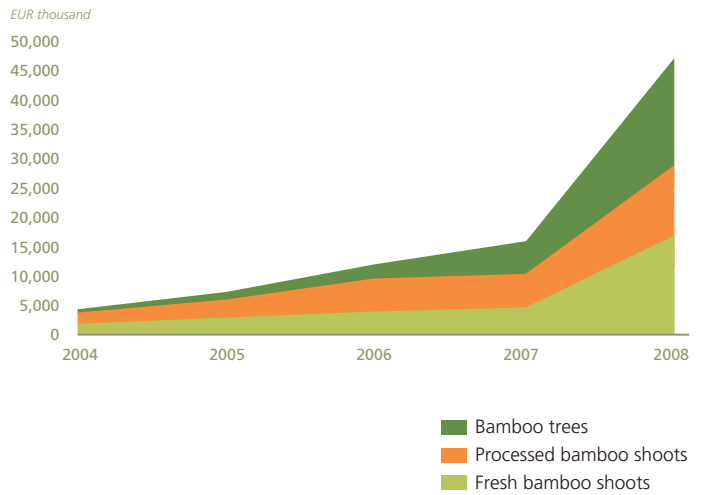
PLANTATION SIZE



PRODUCT MIX IN 2008



TURNOVER GROWTH



THE YEAR IN SUMMARY

21 JAN

LAND LEASE CONTRACT

Several 20-year leases for mature bamboo plantations covering a total of 6,000 ha signed

Severe snow storms hit China

28 FEB

PRELIMINARY RESULTS ANNOUNCEMENT

The company announced preliminary FY 2007 results and gave turnover and profit guidance for FY 2008

18 MAR

MANAGEMENT RESIGNATION

Mr Chan Wai-Leung, former CFO of the company, resigned for personal health and family reasons, Mr Jiang Haiyan, CMO of the company, was appointed as Interim CFO

01 APR

DIRECTORS' DEALINGS

Mr Lin Zuojun purchased shares in the open market and agreed to extend the lock in period of his personal shares to 15 November 2009

15 APR

SUPERVISORY BOARD MEETING

29 APR

ANNUAL REPORT

11 MAY

CSR

Mr Lin participated in the Olympic torch relay in Fuzhou



14 MAY

CSR

Mr Lin led Asian Bamboo in making donations to support survivors of the Sichuan earthquake

19 MAY

DIRECTORS' DEALINGS

Mr Lin acquired shares in the open market

29 MAY

Q1 2008 REPORT

01 JUN
MANAGEMENT
APPOINTMENT

Mr Qiu Hai was appointed financial controller



28 JUN
MANAGEMENT
APPOINTMENT

Mr Peter Sjovall was appointed as CFO and a Member of the Management Board. Mr Jiang Haiyan, former CMO and Interim CFO, was promoted to COO

01 JUL
CSR

'Xinrixian Help Fund' established to support employees in need

18 JUL
SUPERVISORY BOARD
MEETING

21 JUL
AGM

The company's first AGM was held in Hamburg

15 AUG
NATIONAL KEY FLAGSHIP
AND LAND LEASE CONTRACT

Fujian Xinrixian Group Co. Ltd, the operating company within the group, was named as a 'National Key Flagship Enterprise', guaranteeing tax exemption for a period of at least four years

A 20-year land lease agreement for a bamboo plantation of 1,913 ha in Sanming is signed

29 AUG
Q2 2008 REPORT

01-12 SEP
ROAD SHOW

A major road show with investor and media meetings in Hong Kong, Singapore, Vienna, Amsterdam, Brussels, Zurich, Geneva, London, Hamburg, Munich and Frankfurt

21 SEP
SUPERVISORY BOARD
MEETING

03 NOV
SHAREHOLDER
ANNOUNCEMENT

Dexia Asset Management announced it owns 3.02% of the company's shares

03-04 NOV
DIRECTORS' DEALINGS

Mr Lin acquired shares in the open market

10-12 NOV
GERMAN EQUITY FORUM

The company participated in the German Equity Forum 2008

21 NOV
Q3 2008 REPORT

04 DEC
SUPERVISORY BOARD
MEETING

STRENGTH

Bamboo flooring has gained in popularity in recent years, both in China and overseas. Since 2004, production of bamboo flooring in China has grown four-fold to around 20 million square metres per year. Around half China's bamboo flooring production is exported.



THE BAMBOO TREND

Due to its strength, beauty and environmental friendliness, bamboo is now used in a variety of applications and has become a global symbol of environmental sustainability.

CEO'S LETTER TO SHAREHOLDERS



Dear fellow shareholders,

I am pleased to report that our Company performed well in 2008. We increased our turnover by EUR 29.1 million, or 197%, to EUR 43.8 million and our adjusted net profit by EUR 14.5 million, or 214%, to EUR 21.2 million. Despite the challenging macro-economic environment we exceeded our adjusted net profit guidance, which was set in late February 2008, by EUR 3.2 million, or 18%. The total size of our plantations increased by 11,980 hectare (ha), or 82%, to 26,629 ha. Sales of all our product categories increased and we made progress towards building up our own brand name and deepening our involvement in the value-added industries which use bamboo as a raw material.

There are a few key factors, both internal and external, supporting our development. Most importantly, in recent years we have benefitted from a change in consumer sentiment towards both organically grown vegetables and sustainable materials.

In addition, due to a shortage of hard woods, manufacturers of furniture, flooring and pulp and paper are looking for alternative materials and bamboo is a suitable substitute. These two factors have contributed to a significant increase in demand for both bamboo shoots and bamboo trees, which has in turn led to higher prices as the supply situation is relatively stable.

Furthermore, our company has been leading the development of an integrated bamboo industry. We started off as a distributor and are now nearly a fully integrated company, being involved in every aspect of the value chain. Following our strategic partnership with Shaowu Zhongzhu Pulp and Paper Co. Ltd. ('Zhongzhu'), we are becoming a major supplier of bamboo trees to the pulp and paper industry. We believe that the

consumption of bamboo trees in the value added industries in general and in the pulp and paper industry in particular, will be a key growth driver for the demand for bamboo trees and will lead to higher prices in the future. To give an example, in order to produce 100,000 tons of bamboo based pulp and paper, which is only a fraction of the total annual pulp and paper production in China of around 60 million tons, you need around 10 million bamboo trees, which is more than our total sales of bamboo trees in 2008.

Our integrated business model creates significant advantages in addition to the volume growth and the obvious economies of scale. For example, based on the market situation, we can adjust the harvesting volumes of bamboo shoots and bamboo trees to maximise our return. Furthermore, we can work with our different sales channels in order to maximise total demand for bamboo shoots. As regards to the trees, we can also channel bamboo trees of different quality to the most suitable industry. For example, straighter and thicker trees can be sold to flooring and furniture manufacturers, where the quality of the tree is important, whereas the lower quality trees can be sold for pulp and paper production.

With our solid industry expertise and our growing reputation for excellence and fairness built up over nearly 20 years of operations and through our extensive co-operation with the Fujian Agriculture and Forestry University, we are well positioned to execute our business plan and continue to create shareholder value. In this context, we were pleased to be named a National Key Flagship Enterprise by the Chinese government which, in addition to being a great honour, also guarantees us tax exempt status for a period of at least four years.

為股東創造價值、為雇員創造機會、為社會創造效益

'Creating shareholder value, opportunities for our employees and benefits to the society.'

Lin Zuojun 2009

In line with the growth of our business, we have strengthened the management team by appointing Mr Peter Sjovall as Chief Financial Officer (CFO), Mr Qiu Hai as financial controller and promoting Mr Jiang Haiyan to Chief Operations Officer (COO). Both Mr Sjovall and Mr Qiu are highly experienced professionals who contribute valuable specialist knowledge to our finance department. I am convinced that we now have the right team in place to execute our growth strategy.

I am pleased to announce that the Management Board and the Supervisory Board will propose a dividend for the year of EUR 20 cents per share which will be distributed in 2009, equalling a pay-out ratio of around 12% of our adjusted net profits. By proposing this dividend we have taken our cash flow as well as our future investment needs into consideration.

We are planning significant investments in the next two years through the leasing of around 10,000 hectares of land, which will require an investment of approximately EUR 50 million. In addition, we may commit capital to our deepening involvement in the value-added industries. Therefore, we have chosen to use most of the cash flow generated this year to further expand our business. In the future, if our free cash- flow continues to strengthen, the dividend pay-out ratio may be raised.

Looking ahead, we expect the effects of the credit problems in the US and Europe to slowly abate and that growth in China will rebound in the medium term. During the next three years, we are expecting to generate output from an additional 17,000 ha of mature plantations and this we believe, together with our other management initiatives, will secure future growth.

Overall, we expect the average prices for our products to at least remain stable in 2009, which, in combination with a 20-25% increase in the size of our plantations, is likely to result in a turnover of EUR 55 million and an adjusted net profit of at least 40%.

Finally, I would like to take this opportunity to thank you for your support of our Company throughout these very challenging times and we look forward to continuing to deliver strong results and solidifying our leading position further in 2009.

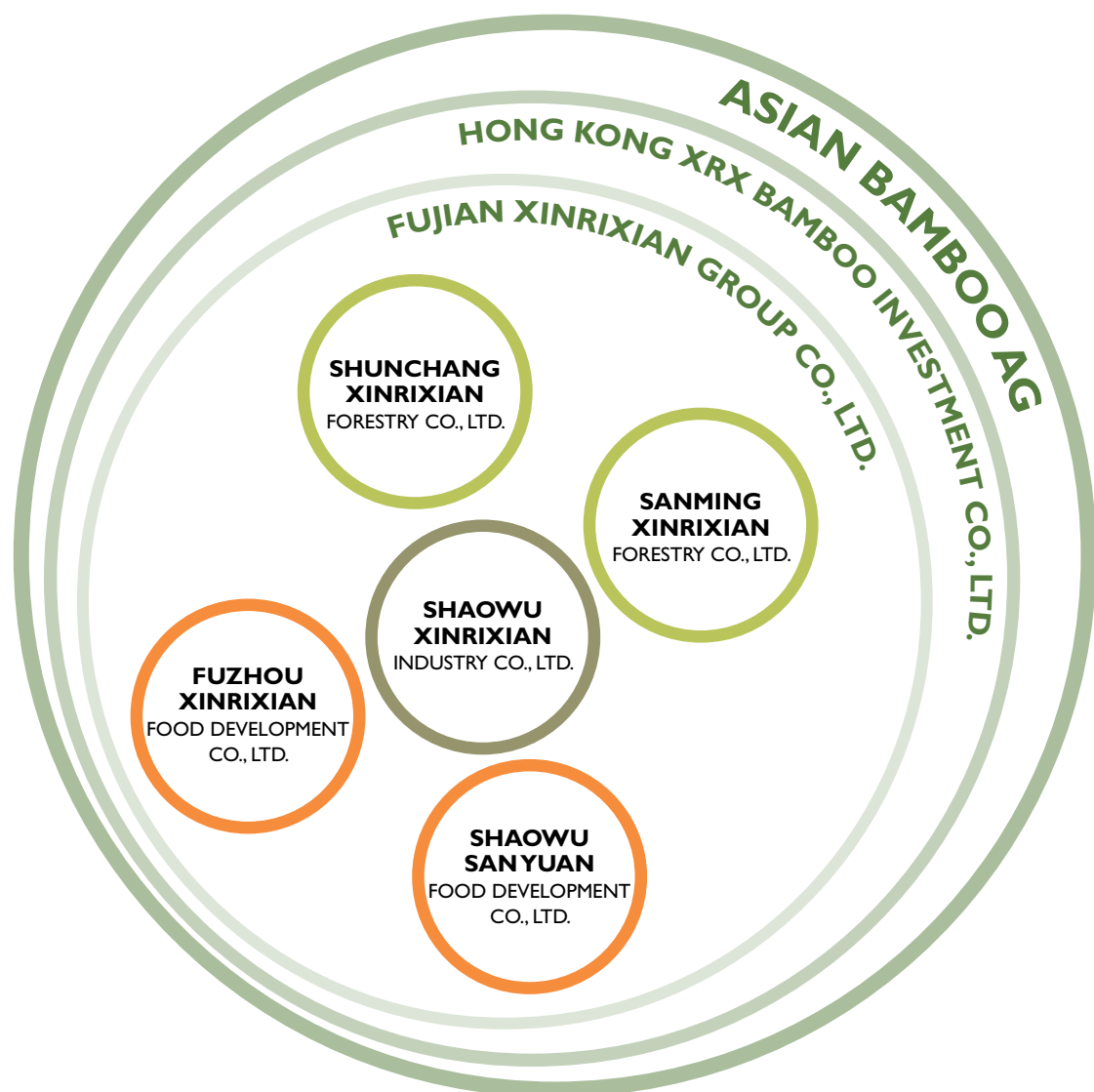


LIN ZUOJUN
FOUNDER AND CEO

CORPORATE STRUCTURE

Asian Bamboo AG ('Asian Bamboo'), the group holding company, was incorporated on 13 September 2007 as a German stock corporation operating under German law. Asian Bamboo owns 100% of Hong Kong XRX Bamboo Investment Co., Ltd., which in turn owns 100% of Fujian Xinrixian Group Co., Ltd. ('Xinrixian', renamed from Fujian Xinrixian Food Development Co., Ltd on 6 March 2008). The operating business of Asian Bamboo Group is exclusively carried out by Xinrixian, a limited liability company established in 1993 under the laws of the PRC.

During the year, four new subsidiaries, all 100% owned by Xinrixian, have been formed in line with the Group's aim of decentralising decision making. Following the transfer of assets previously held by Xinrixian, all our plantations are now held by these subsidiaries.



SUPERVISORY AND MANAGEMENT BOARD



FROM LEFT TO RIGHT

WOLFGANG JENSEN
DEPUTY CHAIRMAN OF
THE SUPERVISORY BOARD

PAN CHAORAN
MEMBER OF THE
SUPERVISORY BOARD

JIANG HAIYAN
COO AND MEMBER OF
THE MANAGEMENT BOARD

PETER SJOVALL
CFO AND MEMBER OF
THE MANAGEMENT BOARD

LIN ZUOJUN
CEO AND CHAIRMAN OF
THE MANAGEMENT BOARD

HANS-JOACHIM ZWARG
CHAIRMAN OF THE
SUPERVISORY BOARD

LIN ZUOJUN

CEO AND CHAIRMAN OF THE MANAGEMENT BOARD

Mr Lin is the founder and CEO of Asian Bamboo. 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.

As the CEO of the Company, he is responsible for the overall management and strategic development of the Group.

Mr Lin graduated from Fuzhou University with a degree in management and economics.

JIANG HAIYAN, RICHARD

COO

Mr Jiang has more than 15 years of sales, marketing and general management experience in Hong Kong and China. He joined Asian Bamboo as chief marketing officer in April 2006 and was promoted to COO in June 2008.

As the COO of the company, Mr Jiang is responsible for the daily operations of the group. He studied at the Peking University and obtained an MBA degree from the University of Northern Virginia. In addition, he has attended classes at Tsinghua University where he received a Certificate in Operations Management.

PETER SJOVALL

CFO

Mr Sjovall has more than 13 years of experience in the financial markets, financial communication and management in Hong Kong and China. Prior to joining Asian Bamboo, he was a Director with the Brunswick Group in Hong Kong advising multinationals and Chinese companies on M&A and listing related matters.

As the CFO of the Company, Mr Sjovall is directly responsible for the Finance Department as well as Investor Relations. He is an MBA-graduate from the Stockholm School of Economics and speaks English, Mandarin, German and Swedish.

HANS-JOACHIM ZWARG

CHAIRMAN OF THE SUPERVISORY BOARD

Mr Zwarg has more than 30 years experience of business and management. He was a member of the board and CFO of Phoenix AG from 1992 to 2005 and prior to that he held various senior positions within the Beiersdorf Group. Over the last five years, Mr Zwarg held additional positions in the following administrative and supervisory bodies:

- Member of the Supervisory Board of HanseYachts AG.
- Chairman of the Supervisory Board of ZhongDe Waste Technology AG.
- Chairman of the Supervisory Board of Elbe Partners Industries AG.

He obtained a degree in business administration from the Georg-August-University, Göttingen, Germany in 1975.

WOLFGANG JENSEN

DEPUTY CHAIRMAN OF THE SUPERVISORY BOARD

Since 1998, Mr Jensen has been Managing Director of the Investment Banking Division at Sal. Oppenheim jr. & Cie. KGaA. At the same time he practises as a lawyer.

Over the last five years, he has not held any additional positions on administrative, management and supervisory bodies outside Asian Bamboo Group.

Mr Jensen studied law at the Johann Wolfgang GoetheUniversität, Frankfurt am Main and has passed the second legal state examination (2. juristisches Staatsexamen).

PAN CHAORAN

MEMBER OF THE SUPERVISORY BOARD

Mr Pan is a food technology and science expert. He currently serves as an Administrative Director of the Fujian and Taiwan Food Technology Association, Vice Secretary General and Administrative Director of the Fujian Beverage Association and is also a representative of the 12th Fuzhou People's Congress.

Over the last five years, Mr Pan has not held any additional positions on administrative, management and supervisory bodies outside Asian Bamboo Group.

REPORT OF THE SUPERVISORY BOARD



Dear shareholders of Asian Bamboo AG,

Asian Bamboo completed its first full business year on 31 December 2008.

SUPERVISION OF THE MANAGEMENT BOARD

In accordance with statutory law, the Articles of Association, the by-laws and the German Corporate Governance Code, the Supervisory Board supervised and advised the Management Board during the financial year 2008. The Management Board kept us informed regularly, timely, and comprehensively, both orally and in writing, regarding the business strategy, corporate planning, the course of business, risk management, and the Company's situation and profitability. The Management Board's reports complied with section 90 of the German Stock Corporation Act (Aktiengesetz/AktG). The Supervisory Board received information about all business developments of major importance and all dealings which require the prior consent of the Supervisory Board were scrutinised by the Supervisory Board. Furthermore, the Chairman of the Supervisory Board communicated regularly with the Management Board.

MEETINGS OF THE SUPERVISORY BOARD

In 2008, the Supervisory Board convened four ordinary meetings, of which two were held in China and two in Europe.

At all meetings, the use of the IPO proceeds were discussed and the Management Board presented the latest financial and corporate developments, including year to date financial performance, cash flow predictions, summary of key corporate activities and development and investment plans, to the Supervisory Board. In addition, the following specific issues were discussed at the meetings:

At the meeting on 15 April 2008, the members of the Supervisory Board discussed the draft individual and consolidated financial statement of Asian Bamboo AG as at 31 December 2007. The Supervisory Board approved the unqualified individual and consolidated financial statement of the Company, as presented, by resolution on 28 April 2008. Furthermore, the Supervisory Board reviewed the business development of the current business year and discussed the established risk management system. The Management Board and the Supervisory Board discussed the short and mid-term business plans for the years 2008 – 2012.

The meeting on 18 July 2008 dealt with the business development and the capital expenditure plans. Relevant risk factors were identified and discussed in relation to the Company's risk management system.

The key subjects of the meeting on 21 September 2008 were auditing issues, group structure and the utilisation of profits.

At the meeting on 4 December 2008, the impact of the recent economic development, capital expenditure and investment plans for the years 2009-2011 were discussed and the financial calendar for FY 2009 was adopted.

With the exception of the meeting on 18 July 2008, when Mr Pan Chaoran was unable to attend, all members of the Supervisory Board and the Management Board attended all meetings. In addition, telephone conferences were convened for the purpose of information sharing and discussions regarding the ongoing business development as well as corporate governance.

As the Supervisory Board comprised only three members in the business year 2008, no committees were constituted.

GERMAN CORPORATE GOVERNANCE CODE

The Management Board and the Supervisory Board are committed to good Corporate Governance as an integral part of the Company's management. Please refer to the detailed analysis of the Corporate Governance of Asian Bamboo on pages 16-18.

PERSONNEL MATTERS

On 18 March 2008, Mr Chan Wai-Leung, Chief Financial Officer and a member of the Management Board, resigned from office for personal and health related reasons and the Supervisory Board appointed Mr Jiang Haiyan, a member of the Management Board, as interim-Chief Financial Officer. On 28 June 2008, the Supervisory Board appointed Mr Peter Sjøvall as Chief Financial Officer and a member of the Management Board and promoted Mr Jiang Haiyan to Chief Operating officer.

FINANCIAL STATEMENTS 2008

The auditors, BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft, audited and issued an unqualified audit opinion for the annual financial statements, the consolidated financial statements and the management reports for Asian Bamboo AG and the Group. The Management Board also prepared a report regarding dealings with related parties, as required by § 312 Aktiengesetz (German Stock Corporation Act, AktG), for which the auditors issued the following unqualified audit opinion: 'There were no transactions with related parties or other measures to the disadvantage of Asian Bamboo AG and its subsidiaries.'

The annual financial statements of Asian Bamboo AG, the consolidated financial statements, the management reports for Asian Bamboo AG and the Group, the report regarding dealings with related parties and the auditors' reports were distributed to all members of the Supervisory Board. The auditors reported on the key findings of their audit and were available to answer questions and provide supplemental information at the Supervisory Board meeting on 7 April. Our own examination of the financial statements, the management reports for Asian Bamboo AG and the Group, the report regarding dealings with related parties including the concluding declaration by the Management Board, and the auditors' reports did not raise any issues and we agreed with the auditors' findings and approved the annual financial statements of Asian Bamboo AG and the consolidated financial statements prepared by the Management Board for the year ending 31 December 2008. The annual financial statements of Asian Bamboo AG are thus adopted. We also endorsed the Management Board's proposal to distribute parts of the net profit in the amount of EUR 2.55 million to the shareholders.

The Supervisory Board would like to take the opportunity to thank all customers and shareholders for their trust in Asian Bamboo and all employees and the Management Board for their excellent work.

On behalf of the Supervisory Board
Hamburg, Germany, 10 April 2009



HANS JOACHIM ZWARG

CHAIRMAN OF THE SUPERVISORY BOARD

CORPORATE GOVERNANCE

Asian Bamboo AG is committed to the principles of good and responsible corporate governance. Our aim is to gain and maintain the trust of our shareholders, customers and employees by a close and constructive co-operation between the Supervisory Board and Management Board.

MANAGEMENT BOARD

The Management Board of Asian Bamboo AG currently comprises three members who are jointly responsible for the management of the Company. The members of the Management Board inform the Supervisory Board regularly and comprehensively on the Company's strategy, planning, business development and risk management. Likewise, the Chairman of the Supervisory Board maintains frequent contact with the members of the Management Board. For certain business transactions and measures as more specifically set forth in the by-laws for the Management Board, the Management Board must obtain the Supervisory Board's prior consent. Members of the Management Board are currently Mr Lin Zuojun, Mr Jiang Haiyan and Mr Peter Sjovall.

SUPERVISORY BOARD

The Supervisory Board of Asian Bamboo AG comprises three members. The task of the Supervisory Board is above all to control and advise the Management Board. It is furthermore 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. Members of the Supervisory Board are Mr Hans-Joachim Zwarg (chairman), Mr Wolfgang Jensen (deputy chairman) and Mr Pan Chaoran.

REMUNERATION OF MANAGEMENT BOARD AND SUPERVISORY BOARD

The Remuneration Report explains the structure and amount of 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 group management report and the consolidated financial statements.

In 2008 the members of the Management Board of Asian Bamboo AG received the following fixed remuneration:

Mr Lin Zuojun	KEUR 196
Mr Jiang Haiyan	KEUR 92
Mr Peter Sjovall <i>period 1 July to 31 December 2008</i>	KEUR 78
Mr Chan Wai-Leung <i>period 1 January to 18 March 2008</i>	KEUR 36

In May 2008, Asian Bamboo AG granted 60,000 Stock Appreciation Rights ('SARs') each to Peter Sjovall and Jiang Haiyan. The SARs are linked to the performance of Asian Bamboo's share price and are a way for the Company to align the interests of these key employees with those of all shareholders. The SARs expire on 15 April 2011 and can be exercised, in full or in part, between 15 April 2010 and 15 April 2011, assuming that the stipulated performance target has been met.

The performance target is as follows: The annual EBIT of the Group must either have increased by at least 10% for two consecutive years or by 15% on average for two years between 15 April 2008 and 15 April 2011.

If the performance target has been met and the SARs are exercised before expiration, the Company will pay, in cash, the difference between the Exercise Price and the Base Price times the number of SARs which are being exercised.

The Exercise Price is the 20-day average of the Company's closing share price at Xetra-Trade before the date of exercising the SARs.

The Base Price of each SAR is EUR 8.00. It was calculated as a 9% premium to the average closing share price of EUR 7.35 for the five trading days prior to the Supervisory Board meeting held on 15 April 2008, when the SAR scheme was approved by the Supervisory Board.

On 21 July 2008 the annual shareholders' meeting agreed the following remuneration for the members of the Supervisory Board:

Mr Hans-Joachim Zwarg (Chairman)	KEUR 83
Mr Wolfgang Jensen (Deputy chairman)	KEUR 42
Mr Pan Chaoran	KEUR 15



Asian Bamboo's management team in Fuzhou, China

The chairman and the deputy chairman of the Supervisory Board receive a basic remuneration of EUR 60,000 and EUR 25,000 per calendar year respectively. Every additional member of the Supervisory Board receives a basic remuneration of EUR 7,500 per calendar year. In addition to the basic remuneration, every member of the Supervisory Board receives an attendance fee of EUR 2,500 for participating in the ordinary Supervisory Board meetings.

Furthermore, the Members of the Supervisory Board are reimbursed for expenses and disbursements related to the exercise of their duties as Supervisory Board members as well as the VAT payable on the remuneration for members of the Supervisory Board, insofar as they are entitled to invoice VAT separately to the Company.

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 about all matters of the Company. Every share in Asian Bamboo AG is entitled to one vote.

SHAREHOLDINGS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The members of the Management Board directly or indirectly hold 56.95% of the shares in Asian Bamboo AG.

The members of the Supervisory Board do not hold any shares in Asian Bamboo AG.

FINANCIAL REPORTING AND ANNUAL AUDIT

The annual consolidated financial statements of Asian Bamboo AG-Group are prepared pursuant to the International Financial Reporting Standards (IFRS) and the individual financial statements are prepared according to the German accounting rules in accordance with the German Commercial Code (HGB). BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft has been appointed by the general shareholders' meeting as auditor and has audited the consolidated and individual financial statements. The auditors attended the Supervisory Board's meeting on the individual and consolidated financial statements and reported on the main results of their audit.

TRANSPARENCY

Shareholders, analysts, investors and the general public are informed regularly of the main business activities of Asian Bamboo AG.

The website of Asian Bamboo AG, www.asian-bamboo.de, is the main communication medium. The articles of association, financial reports, information about the AGM, financial calendar events, dates for publication of financial reports and details of the Company's business activities are available on the website. Insider information, as defined in §13 WpHG, is disclosed in ad hoc announcements. Directors' Dealings and voting rights notifications of shareholders according to the German securities trading act are immediately published by the Company.

The legal requirements for the release of announcements as well as the obligation for the transmission of information and documents to the Federal Financial Supervisory Authority (BaFin) and the public registers are being complied with.

DIRECTORS' DEALINGS

During the year, Mr Lin Zuojun made a number of share purchases through his investment company Green Resources Enterprise Holding Ltd., of which he is the sole shareholder. The dates, quantities and prices of his purchases were:

Date/2008	Shares	Average price
26 March	7,000	8.02
27 March	6,000	7.99
28 March	6,000	7.94
31 March	1,000	7.86
13 May	5,000	8.95
14 May	10,000	9.07
15 May	4,000	9.43
16 May	4,400	9.81
03 November	5,000	7.38
04 November	300	7.33

COMPLIANCE STATEMENT

Except for the following, Asian Bamboo AG complies with the recommendations of the German Corporate Governance Code as amended on 6 June 2008:

The variable monetary compensation elements for members of the Management Board do not provide for a cap for extraordinary unforeseen developments. To this extent, the Company deviates from section 4.2.3 paragraph 3 sentence 4 of the German Corporate Governance Code.

The Company has not introduced an age limit for the members of the Management Board and therefore deviates from the recommendation in Clause 5.1.2 paragraph 2, sentence 3 of the German Corporate Governance Code.

The recommendations of Clause 5.2 paragraph 2 and Clause 5.3 do not apply, as the Supervisory Board only consists of three members and therefore has no committees.

The Company deviates from the recommendation of clause 5.4.1, sentence 2 of the German Corporate Governance Codex, as there is no age limit for members of the Supervisory Board.

The Company deviates from the recommendation in section 5.4.6 paragraph 2, sentence 1, as the Company's Supervisory Board members do not receive a performance related remuneration, but a fixed remuneration.

The D&O insurance policies do not provide for an excess for members of the Management Board and the Supervisory Board.

The Company deviates to this extent from the recommendation in Clause 3.8 paragraph 2 of the German Corporate Governance Codex.

The Company has not met the 45 day time line for the publication of the interim reports as recommended under clause 7.1.2 sentence 4 of the German Corporate Governance Code. However, the Company aims to adhere to this time limit in the future.

The Company has not met the 90 day time line for the publication of the consolidated financial statements as recommended under clause 7.1.2 sentence 4 of the German Corporate Governance Code. However, the Company aims to adhere to this time limit in the future.

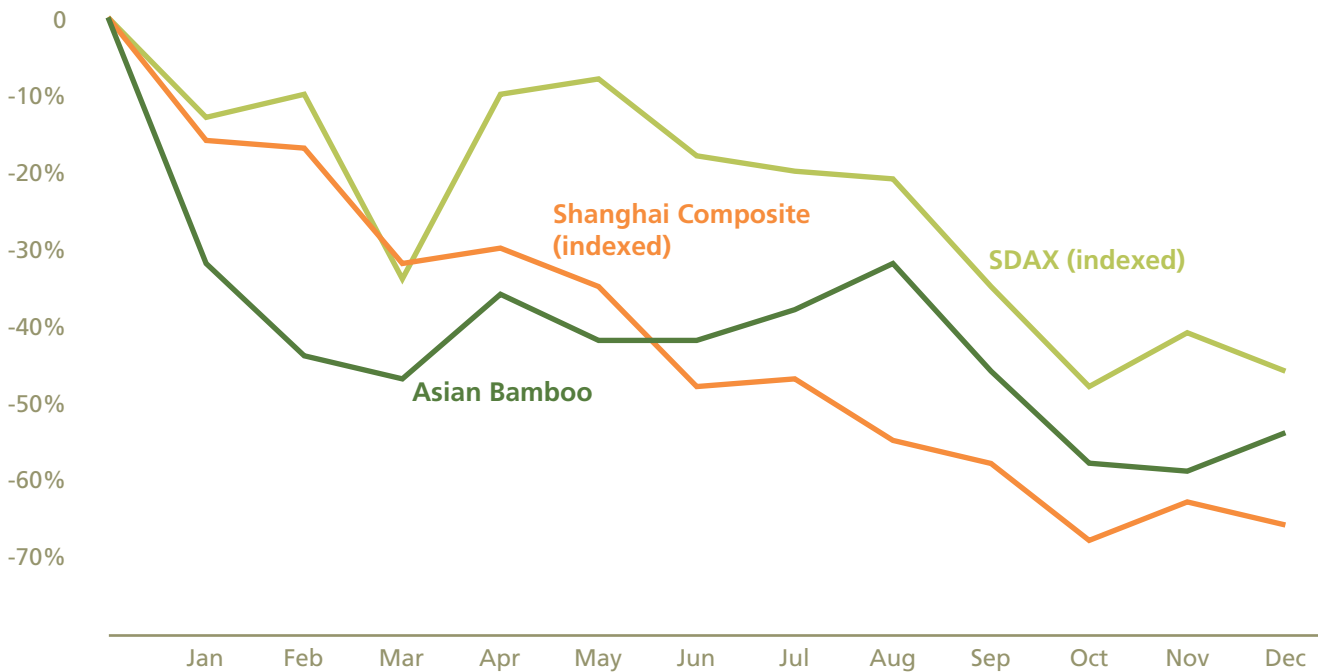
Asian Bamboo AG
Hamburg, Germany 31 March 2009

THE SUPERVISORY BOARD THE MANAGEMENT BOARD

ASIAN BAMBOO STOCK AND INVESTOR RELATIONS

SHARE PRICE AND RELEVANT INDEX COMPARISON CHART

Jan – Dec



The year 2008 was one of the worst on record for the global stock markets with all major indexes posting sharp losses for the year.

The weak performance was mainly driven by a fear of corporate insolvencies following the demise of several large financial institutions, an overall credit contraction, and the deteriorating outlook for consumer spending as a result of job losses and overall uncertainty about the economy. During the year, our stock was down by 58%, roughly in-line with the SDAX-index.

Despite the challenging environment, we successfully conducted a number of investor relations activities including road shows, participation in the German Equity Forum, conference calls in connection with our results announcements and meetings with the media (see pages 20-21).

During the year, we visited investors in Frankfurt, Amsterdam, Brussels, Zurich, Geneva, Vienna, London, Hong Kong, Shanghai and Singapore. In addition, our annual report won a Silver award under the 'Cover Photo/Design: Agricultural/ Agri-Business category' in the 2008 ARC Awards and a 'Silver' in the 22nd Annual International MERCURY 2008/09 Award Competition under the category 'Annual Reports – Overall Presentation: Food Manufacturing.'

In 2009, we will place particular importance on broadening our shareholder base, particularly in the UK and in Asia, and increasing the number of research reports written about us.

Headline: **Stock in focus: Asian Bamboo**
 Publication: **Frankfurter Allgemeine**
Sonntagszeitung
 Date: **12 Oct 2008**

Headline: **The business sprouts**
 Publication: **Der Aktionär**
 Date: **29 Oct 2008**



Headline: **Low valuation attracts**
 Publication: **Börse Online**
 Date: **16 Oct 2008**

Headline: **Renewable profits**
 Publication: **Euro am Sonntag**
 Date: **14 Dec 2008**

MEDIA RELATIONS

As a relatively newly listed company, it is of great importance to promote our company and our unique business model. Therefore media relations play an important role alongside our investor relations activities.

There have been a number of in depth and analytical articles published, describing our company's environmentally friendly business model and our growth potential. For example, we were 'Stock in focus' in 'Frankfurter Allgemeine Zeitung'

on 12 October. Other publications which wrote about us were; 'Platow Brief', 'Boerse Online', 'Nebenwerte Journal', 'Der Aktionär', 'Euro am Sonntag', 'The Hong Kong Economic Journal' and 'The Economist.' Above you can see some examples of our media coverage.

We will continue to build on our good relationships with the media in order to secure fair and balanced coverage of our company with the aim of widening the knowledge of and interest in our Company.

Headline: **An attractive Chinese agricultural stock with a P/E of 5.7**
 Publication: **Nebenwerte Journal**
 Date: **15 Oct 2008**

Headline: **China's green economy catches global attention and Asian Bamboo sparkles in Germany**
 Publication: **HK Economic Journal**
 Date: **02 Mar 2009**



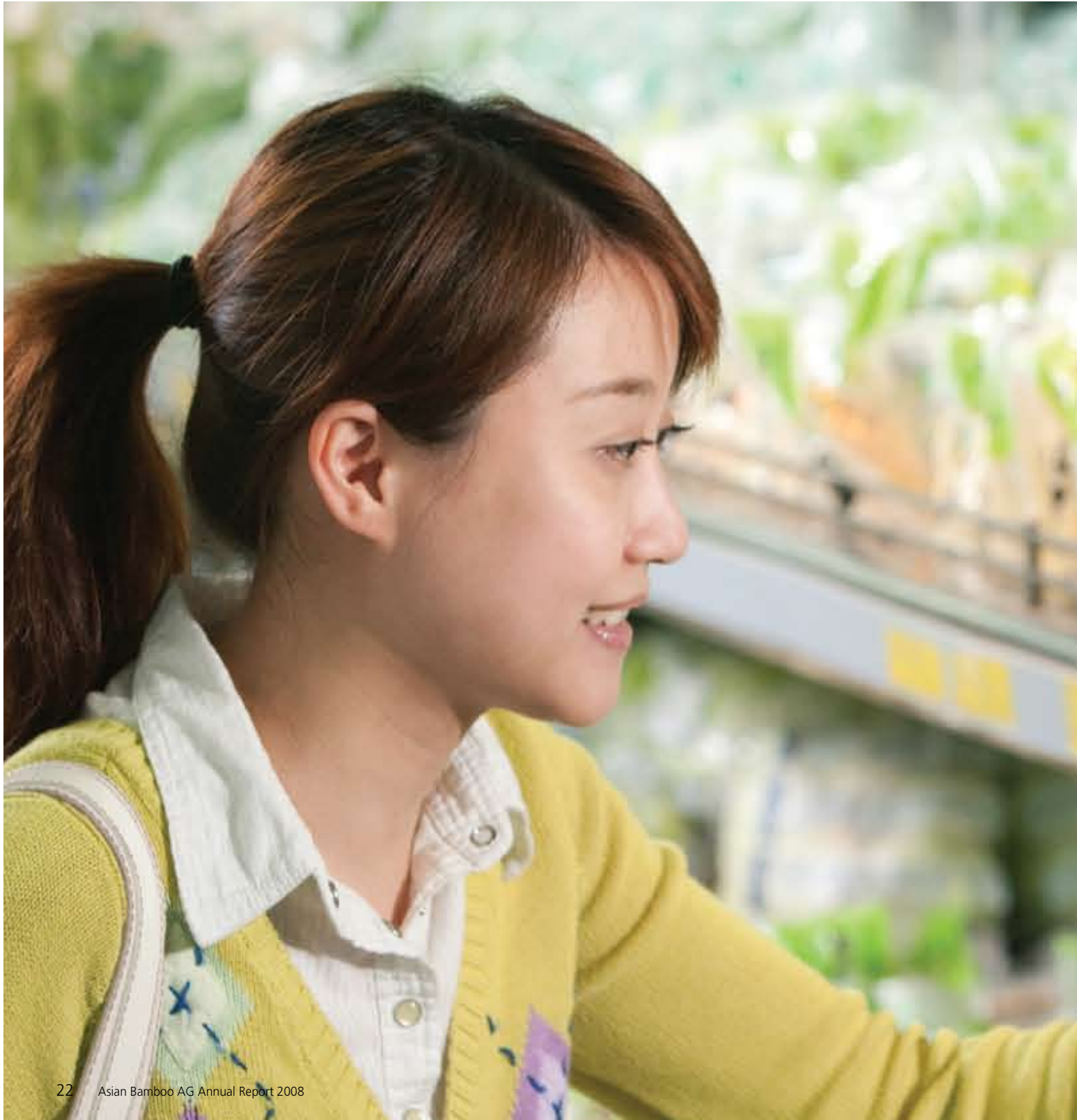
Headline: **Rapid earnings growth and a low P/E**
 Publication: **HK Economic Journal**
 Date: **02 Mar 2009**



Headline: **Green shoots**
 Publication: **The Economist**
 Date: **21 Mar 2009**

FLEXIBILITY

In recent years, organic bamboo shoots have grown in popularity due to an increase in demand for healthy and nutritious food in China. The bamboo shoot is called the 'King of forest vegetables.'



INTEGRATED BUSINESS MODEL

We are involved in nearly all aspects of the value chain, from plantation management to distribution and the production of bamboo based products. Our integrated business model creates synergies and economies of scale and is a vital part of our long-term strategy.



OUR PLANTATIONS



LOCATION

All our plantations are located in Fujian Province, the province with the highest concentration of bamboo resources in China.

Bamboo naturally grows at higher altitudes and often on slopes. Therefore many of our plantations are located in the Wuyi Mountain area in the north-western part of Fujian province.



OUTPUT

As we are harvesting both winter shoots, spring shoots and bamboo trees every year, we are able to generate a high return from our plantations. The winter and spring shoots are harvested annually, whereas the bamboo trees are normally harvested during the second or third year after the quality of the tree has improved. Hence, the turnover rate for the entire plantation is three years.

In 2008, we generated a total turnover of **EUR 2,386 per hectare** of mature land.



1 HECTARE

Bamboo trees	+ Processed shoots	+ Spring shoots	+ Winter shoots	= Total turnover
EUR 921	EUR 641	EUR 495	EUR 329	EUR 2,386
38.6%	26.9%	20.7%	13.8%	100%

PLANTATION GROWTH AND MANAGEMENT

Our plantations are the foundation of our business and increasing the size of our mature plantations is the single most important factor influencing our turnover and profit growth. As you can see in the chart below, our turnover and adjusted net profit numbers are closely correlated to the total size of our mature plantations. Since 2004, we have increased our total plantation site more than five fold and today we possess a total 26,629 ha (399,430 mu) of plantations, of which 18,367 ha (275,500 mu) are mature. The balance of 8,262 ha (123,930 mu) are immature plantations, which do not generate any output. It takes 3 – 6 years of cultivation to turn an immature plantation into a mature plantation and most of our immature plantations will turn mature in 2009 and 2010.

Our plantations are 100% organic as the bamboo leaves function as a natural fertiliser. The bamboo shoots grow out of the roots whilst winter shoots and spring shoots grow independently, i.e. we can harvest both a winter shoot and a spring shoot out of the same root. Spring shoots which are not harvested grow into trees. We have specialists evaluating the optimal harvesting mix where we also take market trends and demand into consideration.

On the next two pages, we show how the growth cycle of the bamboo plant and our integrated business model are linked together.

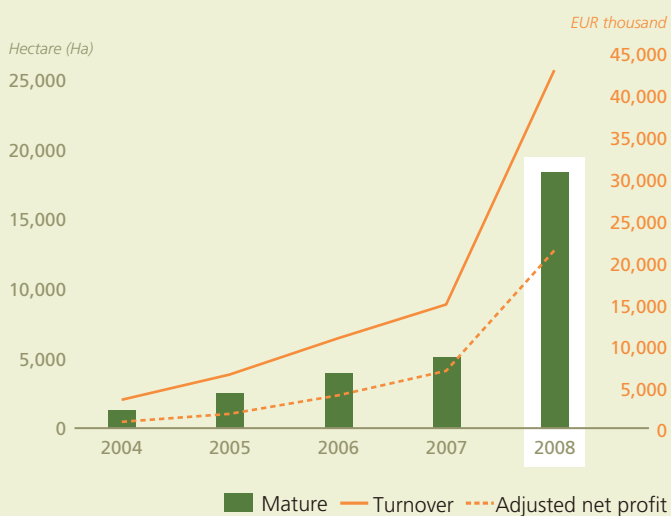


Bamboo tree harvesting at one of our plantations in Shunchang

Asian Bamboo plantation list

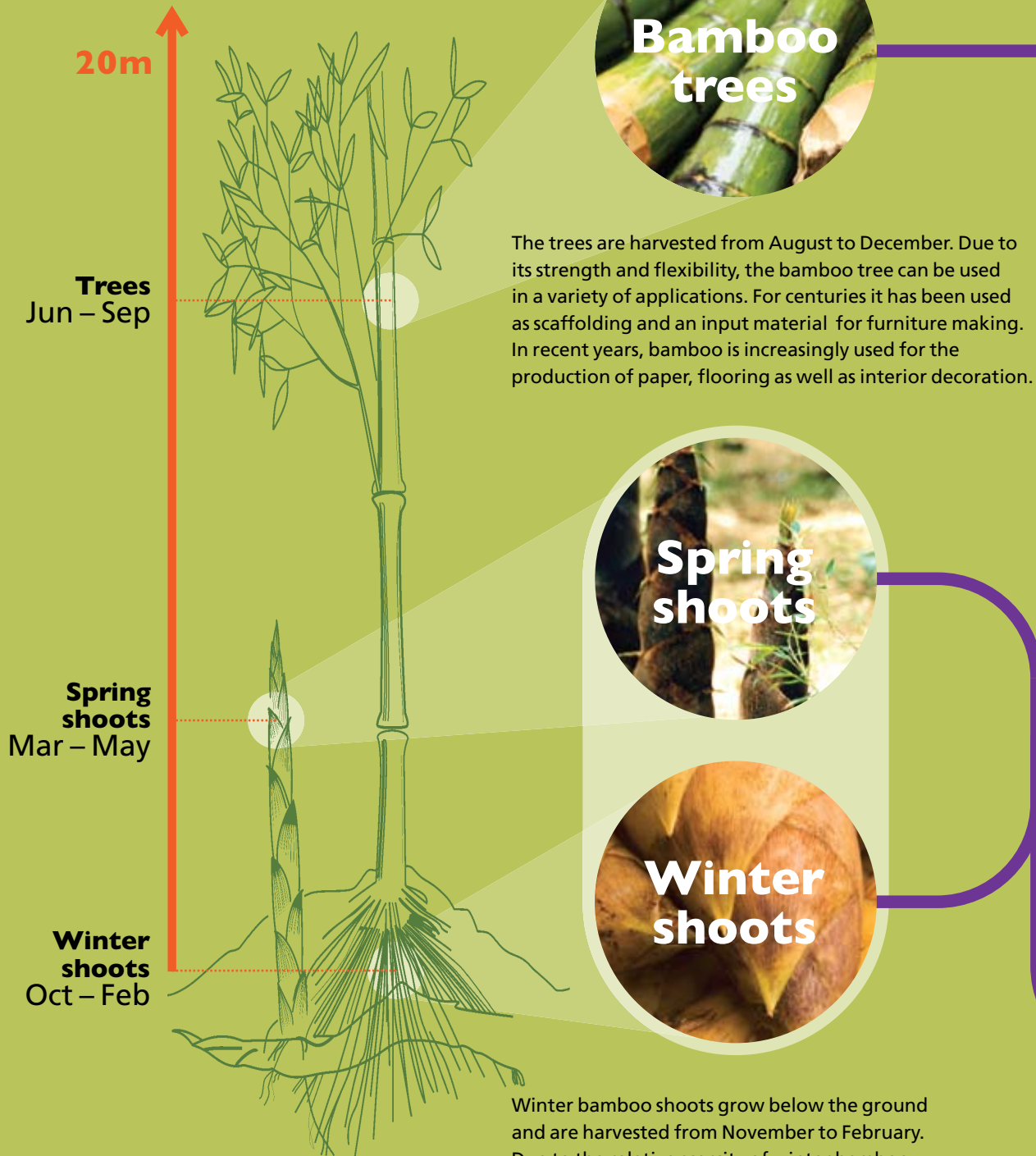
Location	Area (Ha)	Status
1 SHAOWU	15,942	Mature
2 SHUNCHANG	2,425	Mature
3 SHUNCHANG	1,949	Immature
4 GUANGZE	2,715	Immature
5 WUYI MOUNTAIN	1,685	Immature
6 SANMING	1,913	Immature
TOTAL	26,629	

TOTAL MATURE PLANTATION SIZE, TURNOVER AND ADJUSTED NET PROFIT



INTEGRATED BUSINESS MODEL

Plantation



Bamboo is one of the fastest growing species in the world. It grows from a shoot to a 20 metre high tree within a couple of months. At its fastest pace, the bamboo tree grows 120 cm in one day.

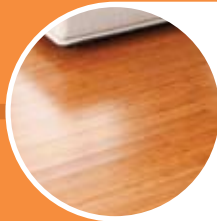
Industry

Businesses of main interest



Paper

Bamboo is used to make high quality paper for writing and copying. We estimate that the cost of using bamboo as an input material is 30% lower than that of traditional hard woods.



Flooring

Due to its strength, beauty and environmental friendliness, bamboo flooring has grown in popularity in recent years. Around half of the bamboo flooring production in China is being exported to Europe and North America.

Other key businesses



Construction

Traditionally, bamboo has been used as scaffolding material. Recently, it has become popular for use in interior decoration.



Furniture

Moso Bamboo is used for a variety of items in the furniture sector, such as chairs, tables, curtains, mats etc.

Agriculture

Processing line



Domestic Agricultural market

Our fresh products are sold through wholesale markets such as the Agricultural Product Trading Centres in many cities. This is our most important sales channel.

Processed shoots

Bamboo shoots which are not sold fresh are processed at our factories in Mawei (Fuzhou) and Shaowu. The bamboo shoots go through a cooking and sterilisation process and are then cut, sliced or shredded before either being canned or vacuum sealed. Our processed products contain no additives and strictly comply with the international quality control system (ISO9001:2000).

Export to Japan

Bamboo shoots are popular in Japan and we have been exporting to the Japanese market for more than 10 years. We estimate that Asian Bamboo is the largest Chinese exporter of bamboo shoots to Japan. We have obtained the Japanese organic food certification 'JAS'.

The domestic market

Beginning in 2007, we started selling our processed bamboo shoots in China and today this business accounts for roughly half of our processed bamboo sales. Industrial buyers, who reprocess our fine-processed bamboo shoots and sell under their own brand names, account for the largest part of our sales. However, we also sell our products to supermarkets under the brand name of 'XRX'.

BUSINESS ANALYSIS

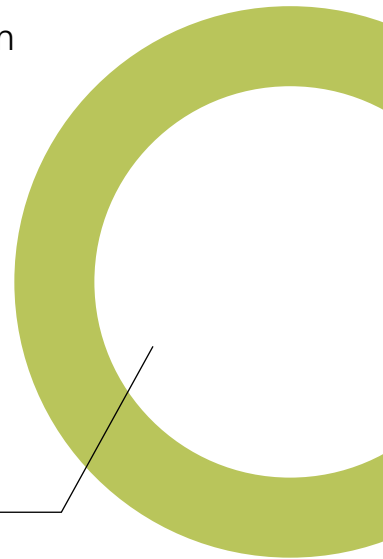
On the previous pages, we have described both our plantations and our integrated business model. On these two pages, we outline the key factors influencing our success in recent years. We have been greatly helped by the 'Bamboo trend', but our management initiatives, such as moving towards an integrated business model, our excellent track record and reputation have also played an important role. As a result, we have created significant intangible barriers of entry which put us in a favourable position for the future. Therefore, we believe that our high margins can be sustained by continuing to grow our company and execute our integrated business strategy.

INTEGRATED BUSINESS MODEL

- Economies of scale
- Harvesting and distribution optimisation
- Diversified and scaleable distribution channels

INDUSTRY EXPERTISE

- Negotiating and securing land leases and plantation labour
- Plantation management
- Maintaining and expanding distribution channels
- Research and development





REPUTATION

- National Key Flagship Enterprise
- Organic food accreditations in China, Japan, Europe and the US
- 'HACCP' and 'ISO9001' certified
- Main board listed company on the Frankfurt Stock Exchange

THE BAMBOO TREND

- Consumer preference for sustainable materials
- The substitution effect
- Consumer preference for bamboo shoots
- Government support

A–A-FRAME HOUSES, ACTIVATED CHARCOAL, ACUPUNCTURE NEEDLES, AIRPLANE WING MEMPHRODISIAC, ARBORS, ARROWS AND ARROW TIPS, ASHTRAYS, AWNINGS B–BABY CARRIAGES BLINDS, BLOWGUNS AND DARTS, BOARDS, BOAT HOODS, BOATS, BOLTS, BOOKCASES, BOOKS, BRUSH POTS, BUCKETS, BUTTONS C – CABLES, CAGES, **CHOPSTICKS**, CANDLESTICKS, CANES, CIGARETTE HOLDERS, **CLOTHES**, RACKS, CLUBS, COLANDERS, COMBS, COOKING VESSELS, CHICKEN FOR BACTERIA, CUPS, CURTAINS D–DAMS, DEFENSIVE FORTIFICATIONS, DEODORIZERS, DESKS, DIPS PANS E–EGGCUPS F–FANS, FENCES, FENDERS, FERTILIZER, FIESTA ASSISTANT, FIFES, FIREARMS, FIRE SHOWERPOTS, FLUTES, FLYING ART, **FURNITURE**, FORAGE, FORMS, FRAMES, FRUIT PICKERS, FUEL GUTTERS, GYPSYVANS H–HAIRPINS, HAMPERS, HANDLES, HATS, HAWSERS, HAY AND FORAGE, HE HUMMERS I–ICELESS COOLERS, INCENSE STICKS, INSECT CAGES, IRRIGATION WATERWHEELS AND LADDERS, LADLES, LAMPS, LAMPSHADES, LANDING DOCKS, LANDSCAPING, LANTERNS, LATHING RIMBAS, MARKERS, MASTS, MATTANGS, MATTING, MATTRESSES, MEDICINES, MILLS, MOBILES, MUSH NAPKIN RINGS, NET FLOATS, NETS, NEEDLES, NETSUKE O–ORGANS, ORNAMENTS, OUTRIGGERS, C PAPER CUTTERS, **PAPER PULP**, PEGS, PEN AND PENCIL HOLDERS, PENS, PILLOWS, PINS, PIPES, PLANT MALLET, POSTS, PRINTING PADS, PROPELLERS, PROPS, PUNISHMENTS R–RACKS, RAFTS, RAINCOATS REEDS, REINFORCEMENT FOR CONCRETE AND ADOBE, RINGS, RITUAL OBJECTS, ROPES, RUG PO DRILLING, SANDALS, **SCAFFOLDING**, SCALES, SCARECROWS, SCOOPS, SCRATCHERS, SCREENS INGS, SHEATHS, SHIELDS, SHINGLES, SHIP DESIGN, SHOEHORNS, **SHOOTS FOR FOOD**, SHOE SO SKEWERS FOR COOKING, SKI POLES, SLIDE RULES, SLUICES, SNOW FENCES, SPEARS, SPLINTS, SPO STRING, SUGAR, SUNNING FLOORING T – TABASHEER, TABLES, TALLIES, TEA HOUSES, TEA STRAINERS, TOYS, TRAILERS, TRANSPORT, TRAPS U–UMBRELLAS V–VALIHA (MUSICAL INSTRUMENT) W–W AGE, WATERWHEELS, WAXES, WEAPONS, WEAVING SHUTTLES AND LOOMS, WEIRS, WELL SWEEP WINNOWING MACHINES, WRITING BRUSHES X–XYLOPHONES Y–YURTS Z–ZITHERS



THE BAMBOO TREND

Both our two key business segments – bamboo shoots and bamboo trees – have seen healthy demand growth in recent years. The key factors behind the positive development are:

- Consumer preference for sustainable material
- The substitution effect
- Consumer preference for bamboo shoots
- Government support

Consumer preference for sustainable materials

As a result of a change in sentiment and behaviour, consumers are now increasingly choosing products produced using sustainable materials, if given the option. Hence, bamboo, which has developed into a global symbol of sustainable materials due to its fast and renewable growth, is a popular choice for environmentally concerned consumers. As a consequence,

we have experienced growing demand for flooring, paper and textiles produced with bamboo as a raw material.

As you can see above, bamboo can be used for the production of a surprisingly large number of products. Therefore we believe that the use of bamboo trees will expand into many new industries in the future.

The substitution effect

In recent years, there has been a remarkable increase in demand for hard woods in China as a result of high single digit growth in consumption of furniture, flooring and paper as well as a booming construction industry. Rising prices for traditional hard woods have led to a search for alternatives. Due to its low cost, high quality and environmental friendliness, bamboo is increasingly being used as a substitute for traditional hard woods.

BERS AND STRESS SKIN FOR FUSELAGE, ALARMS, ALCOHOL, ANCHORS, ANTENNA SUPPORTS,
 S, BAGPIPES, BARRELS, BASKETS, BEADS, BEANPOLES, BEDS, BEEHIVES, BEER, BICYCLES, BILGE PUMPS,
 BOOMS, BOTTLES, BOWLS, BOWS (ARCHERY) , BOXES, BRACELETS, BRIDGES, BROOMS, BRUSHES,
 ANTEENS, CARTS, CASTANETS CATALYST, CAULKING, **CHARCOAL**, CHAIRS, CHISELS, CHURCHES,
 KEN COOPS, COUCHES, COW BELLS, CRADLES, CRATES, CRIBS, CROSSES, CRUTCHES, CULTURES
 DIESEL FUEL, DIKES, DIRIGIBLE, DOLLS, DOMES, DOWEL PINS, DREDGE (FISHING), DROUGES, DUST-
 STARTERS, FIREWOOD, FIREWORKS, FISHNETS, FISH POLES, FLAGPOLES, FLAILS, **FLOORING** FLOATS,
 GABIONS, GAMES, GARMENTS, GATES, GRAIN, GRAIN STORAGE, GRATERS, GREENHOUSES, GUNS,
 DGES, HELMETS, HEN HOUSES, HINGES, HOOPS, HOOKAHS, HOUSE PLANTS, HOUSES, HUMIDORS,
 D PIPES J-JACKETS, JARS, JEWELRY, JOSS STICKS, JUNKS K-KIOSK, KITES L-LAQUERWARE,
 , LAUNDRY POLES, LEVEES, LIGHT BULB FILAMENT, LOFTS, LOOMS M-MA-
 ROOM CULTURE, MUSICAL INSTRUMENTS, MAHJONG TILES N-NAILS,
 OX CART BEDS, OX GOADS, OYSTER CULTIVATION P- PACKAGING,
 T STAKE, PLATES, PLYBAMBOO, POISON, POLES, POLO BALLS, POLO
 TS, RAIN SPOUTS, RAKES, RATTLES, RAYON, RECORD NEEDLES,
 OLES, RULERS S-SAILCOVERS, SAILS, SAILSTAYS, SAKE, SALT WELL
 , SCRUBBERS, SEDAN CHAIRS, SHADES, SHAKUHA- CHIS, SHAV-
 LES, SHOVELS, SHUTTLES FOR WEAVING, SIEVES, SILK INDUSTRY,
 OOTS, SPRAY GUNS, SPRINGS, STAKES, STAVES, STICKS, STILTS, STOOLS,
 ERS, TEA WHISKS, TENTS, TEMPORARY STRUCTURES, TILES, TORTURES, TOW-
 AGONS, WALKING STICKS, WALLS, WAR, WATER JUGS, WATER PISTOLS, WATER STOR-
 PS, WHEELBARROW, WHETSTONES, WHIPS, WHISTLES, WINDBREAKS, WINDMILLS, WINE STORAGE,



Consumer preference for bamboo shoots

As bamboo shoots are organically grown, delicious and nutritious, we have seen a sharp increase in demand in recent years. Our plantations are 100% organic and we have been accredited with organic product labels in China, Japan, Europe and the US.

In addition, bamboo shoots, which have traditionally mainly been eaten in the south-eastern parts of China, are gaining in popularity all across the country as a result of rising living standards and a growing interest in quality food. The growth has been particularly strong in the Beijing area, where we estimate that the consumption has increased by 100 times, in terms of volume, during the last 20 years.

Government support

Although government support has not had a direct impact on demand for bamboo, we believe that it has had an indirect impact. The central government is concerned with protecting natural resources, improving the ecological balance, boosting economic development in rural areas and increasing farmers' incomes. Therefore, the government at various levels has been supportive during our land lease negotiations and by implementing favourable policies towards the agriculture industry such as tax incentives. Without this support, it would be more difficult for us to create an integrated business and to generate the necessary economies of scale.



THE INTEGRATED BUSINESS MODEL

Today, we are the largest company of its kind and the only fully integrated bamboo company. Most other industry participants are small farmers or small companies.

In addition to turnover and profit growth, our integrated business model creates advantages in the following areas:

- Economies of scale
- Harvesting and distribution optimisation
- Diversified and scaleable distribution channels

Economies of scale

Our administrative expenses, costs for R&D and brand building are fixed costs. As our business continues to grow, we can invest more heavily in these areas and further solidify our leading position. In line with an increase in volumes, the fixed costs per product decrease, which supports our margins and profits.

Harvesting and distribution optimisation

We can, based upon the market situation, adjust the harvesting volumes of bamboo shoots and bamboo trees to maximise our return. In addition, we can also channel bamboo trees of different quality to the most suitable industries. For example, straighter and thicker trees can be sold to flooring and furniture manufacturers, where the quality of the tree is important, whereas lower quality trees can be used for pulp and paper production.

Diversified and scaleable distribution channels

In recent years, a major part of our growth has been derived from expanding distribution channels. Today, we are selling to the domestic fresh market wholesale, directly to industrial users and supermarkets, in addition to selling to agricultural markets. We have been expanding all our distribution channels which gives us a diversified distribution base.



INDUSTRY EXPERTISE

Our founder and CEO, Mr Lin Zuojun, has more than 18 years of experience in the bamboo business in Fujian province and he has developed strong relationships with local governments and industry peers throughout the years. In addition, we have employed experts and experienced people in all aspects of our business. We are also closely co-operating with the Fujian Agriculture and Forestry University.

The key areas of our industry expertise are in:

- Negotiating and securing land leases and securing plantation labour
- Plantation management
- Maintaining and expanding distribution channels
- Research and development

Negotiating and securing land leases and securing plantation labour

Our strength and experience in negotiating land lease contracts with farming communities, which is a complicated and arduous task, is of particular importance.

Plantation management

Key areas are cultivation knowledge and harvesting decisions. Over the years, we have developed models for maximising the output from our plantations and with our extensive distribution network, we can instantly detect changes in consumer behaviour or industrial demand.

Maintaining and expanding distribution channels

Developing our distribution channels is as important as growing our plantations. Five years ago, most of our revenue was generated from exports to Japan, whereas today that business accounts for only around 15% of our turnover. Longer term, we aim at developing our own brand name for sales of bamboo shoots in supermarkets.

Research and development

We have recently strengthened our R&D capabilities by constructing a research centre at the campus of Fujian Agriculture and Forestry University. It is the first comprehensive research centre involved in the bamboo industry and it takes full advantages of the rich research resources of the university. The key research areas are in food science, bamboo forest cultivation, fine-processing of bamboo shoots and biotechnology. All research projects are evaluated on their commercial as well as scientific value added and we apply the findings to our operations.



REPUTATION

Our business involves complex negotiations with local governments as well as indirectly employing thousands of farmers, so our reputation is of paramount importance. In order to safeguard our and the counterparties' interests, it is crucial that there is a high degree of trust between the parties. Our growing reputation for excellence and fairness is increasingly supporting our development.

In this context, we were pleased to be named a National Key Flagship Enterprise by the Chinese government, which, in addition to being a great honour, also makes us tax exempt for a period of at least four years. To be named a National Key Flagship Enterprise, a company must contribute to the development of the agriculture industry and help raise farmers' incomes.

Today, food quality and safety issues are of great importance. Our plantations are located in remote, pollution free areas, therefore our products are 100% organic. We have obtained organic food accreditations from leading programmes in China, Japan, Europe and the US (see below). In addition, we have obtained 'HACCP' and 'ISO9001'. HACCP is an abbreviation of 'Hazard Analysis and Critical Control Point', which is a management system in which food safety is addressed through the analysis and control of biological, chemical and physical hazards from raw materials production, procurement and handling, to manufacturing, distribution and consumption of the finished product. ISO9001 is an international quality management award given for conformity with the management standards developed and published by the International Organization of Standardization.

Our listing on the main board of the Frankfurt Stock Exchange and our adherence to the stringent German listing rules, gives a degree of comfort to investors and other financial market participants, which we believe will be helpful as we deepen our involvement with the international financial markets.

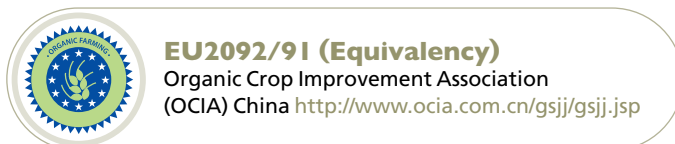
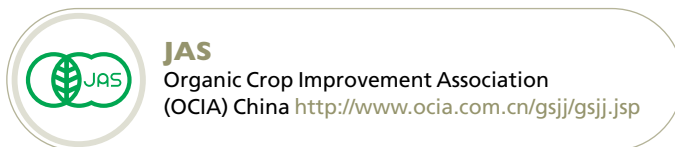


Certificate of Provincial Key Flagship Enterprise of Fujian Province, China



Certificate of National Key Flagship Enterprise of China

ORGANIC FOOD ACCREDITATION



KEY GROWTH DRIVERS FOR THE FUTURE

We expect the following factors to be the key growth drivers in the future:

- Increasing the size of our mature plantations
- Deepening our involvement in the value added industries
- Brand building and expansion of distribution channels
- Maximising our product mix

INCREASING THE SIZE OF OUR MATURE PLANTATIONS

At the moment, we have around 7,000 ha of immature land, which will mature over the next three years. In addition, we plan to add 10,000 ha of mature plantations in order to reach our goal of having a total of 35,000 ha by 2010.

One ha currently yields an average turnover and net profit of around EUR 2,400 and EUR 1,000, respectively, resulting in an increase in turnover and adjusted net profit of EUR 41 million and EUR 17 million from the new plantation leases and immature plantations reaching maturity, assuming that there are no changes to the current yield numbers.

PLANNED INCREASE IN THE TOTAL SIZE OF OUR MATURE PLANTATIONS IN THE NEXT THREE YEARS

Currently immature plantations maturing	7,000 ha
Planned plantation leases	10,000 ha
Total	17,000 ha

DEEPENING OUR INVOLVEMENT IN THE VALUE ADDED INDUSTRIES

Following our strategic partnership with Shaowu Zhongzhu Pulp and Paper Co. Ltd ('Zhongzhu'), we are becoming a major supplier of bamboo trees to the pulp and paper industry. We believe that the consumption of bamboo trees in the value added industries in general and in the pulp and paper industry in particular, will be a key growth driver for the demand for bamboo trees and will lead to higher prices in the future.

According to third party estimates, bamboo based pulp and paper costs 30% less to produce than traditional pulp and paper. However, production in China accounts for less than 1% of the total pulp and paper production of around 60 million tons

Maximising our product mix
Shifting our product mix in favour of high margin products such as bamboo trees and fresh bamboo shoots, thereby increasing our profitability

Brand building and expansion of distribution channels

- Expanding the geographical coverage of sales of our fresh bamboo shoots
- Increasing sales of processed shoots to domestic industrial buyers
- Direct sales to supermarkets under own brand name 'XRX'

Deepening our involvement in the value-added industries

- Strategic partnership with Shaowu Zhongzhu in the bamboo based pulp and paper industry
- Possible entry into bamboo flooring in the future

Increasing the size of our mature plantations

- Planning to lease at least an additional 10,000 ha of mature plantations in the next two years
- 7,000 ha of currently immature plantations maturing in the next two years

annually. Therefore we see a great opportunity in this market, particularly as the increase in production of bamboo based pulp and paper is supported by the government.

The other industry we are looking into is bamboo flooring. Initially, we planned to enter this industry in 2009, however, due to the appreciation of the Rmb and weaker export demand in general, we have put our plans on hold. Bamboo flooring is gaining market share and is expected to account for around 10% of the Chinese market. Demand is driven both by domestic consumption and exports, with more than 50% of the total production in China being exported.

BRAND BUILDING AND EXPANSION OF DISTRIBUTION CHANNELS

Traditionally, our two most important sales channels have been the Japanese export market and the domestic fresh wholesale market. However, particularly during the last two years, we have successfully been adding new sales channels such as domestic industrial buyers and direct sales to supermarkets, which has helped increase overall sales and decreased the reliance on any particular market. Despite the decrease in the relative importance



An outdoor advertisement for our products at a major supermarket in Fuzhou, China

of sales of processed bamboo shoots, sales have risen in absolute terms, as you can see in the chart to the right. This is mainly a result of increasing sales to industrial buyers, who reprocess our fine-processed bamboo shoots and sell them under their own brand names. We have also begun selling directly to supermarkets, with the dual aim of both promoting our 'XRX'-brand name and learning more about consumer preferences and purchasing habits. Our products are currently sold in 27 supermarkets.

Overall, our most important sales channels are the fresh wholesale markets, which are located in most large cities. Demand for fresh bamboo shoots has risen in line with increasing disposable incomes and awareness of food quality. We expect demand for fresh and processed shoot to continue to grow and that will give us the opportunity to increase the geographical coverage of our sales and improve our distribution channels.

MAXIMISING OUR PRODUCT MIX

As a result of our integrated business model, we have a variety of choices when it comes to harvesting and distribution. In line with demand patterns, we can adjust our product mix of trees, fresh shoots and processed shoots accordingly.

In recent years, we have been shifting our product mix in favour of fresh shoots and bamboo trees, thereby expanding our margins significantly. Although sales of all product categories have

increased, processed shoots now account for 27% of our total sales compared to 58% in 2004. During the same period, bamboo trees have grown from around 18% of the product mix to 39% and fresh bamboo shoots from around 24% to 34%.

MAXIMISING OUR PRODUCT MIX



TENACITY

Bamboo plantations are a renewable resource producing both food and wood. We currently manage around 3% of the bamboo resources in Fujian province, which gives us ample room to grow. This picture was taken at one of our plantations in Shunchang.





INDUSTRY EXPERTISE

Through our extensive networks, we have the ability to secure new land leases, retain low cost labour and expand our distribution channels. We are co-operating closely with academic institutions and have recently built a research centre on Fujian Agriculture and Forestry University's campus.

RESEARCH AND DEVELOPMENT

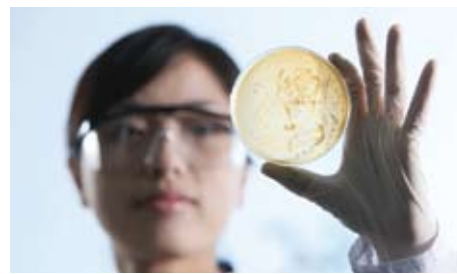


Xinrixian Research Centre in Fuzhou, China

In order to maintain our competitiveness, Asian Bamboo Group places great emphasis on research and development. During the second half of the year, we completed the construction of Xinrixian Research Centre (see picture above). It is the first comprehensive research centre of its kind involved in the bamboo industry. Located at Fujian Agriculture and Forestry University, we are able to take full advantage of the university's excellent research resources. The construction of the research centre was funded by a donation made by Mr Lin Zuojun in his personal capacity.

Our research centre has engaged experts from Fujian Agriculture and Forestry University, Fujian University, Fujian Forestry Academy and the Fujian Paper Association. In addition, George Srzednicki, a world renowned specialist in food processing and preservation, acts as a technical consultant. The key research areas of the centre are in food science, bamboo forest cultivation, fine-processing of bamboo shoots and biotechnology. By the end of 2008, three of our projects 'The Processing Techniques of Bamboo Shoots', 'The Application Study on Preservation Technologies of Bamboo Shoots' and 'A Study on the Modification of the Dietary fibers of Bamboo Shoots' have all received provincial support.

Asian Bamboo Group's R&D expenses amounted to approximately kEUR 24 (2007 = kEUR 24).



Staff at our research centre conduct food safety tests

CORPORATE AND SOCIAL RESPONSIBILITY



Mr Lin Zuojun and employees at the head office in Fuzhou, China

EMPLOYEE RELATIONS

A large part of our company's growth is a result of our employees' skill and hard work. Our employees are a vital resource for the further growth of our company and we put great emphasis on creating a stimulating and fair working environment.

Our compensation is tied to experience and performance and we provide training and personal development programmes for employees at all levels.

The Group has not experienced any strikes, labour disputes or difficulties in the recruitment and retention of experienced staff. Therefore, the management team believes that the Group has a good working relationship with its employees.

As a result of the addition of the new fine processing factory for bamboo shoots and the expansion of the administration in line with our growing operations and the implementation of an internal control system, the number of full-time employees increased to 724 as at the end of the year (2007=294).



Welfare contribution

In accordance with applicable PRC regulations on social insurance, we participate in a pension contribution plan, a medical insurance plan, an unemployment plan, a maternity insurance plan, and a work-related injury insurance plan for our employees, as required by local government.

Employee development

The Group believes that our junior management will provide the basis for future growth. Therefore, training for junior management staff is closely monitored by the senior management of the Group and professional institutions are brought in to provide job training. The courses cover corporate culture, management theory, managerial skills and simulative training. As a result, we have a young management team sharing a common goal of further developing our leading position in the bamboo industry.

In light of the relatively low level of skill among farmers in China, the Group has engaged specialists in the bamboo industry to provide them with flexible and practical training which combines relevant modern technology with practical applications. In this way, the farmers gain access to the latest technical know-how and cultivation technology. As a result, the overall economic benefits of cultivating moso bamboo have been greatly improved.



A picture taken at Asian Bamboo's annual employee gathering in January 2009

Communication

We further enhanced the internal communication during the year. A number of 'Advice and Feedback Meetings' have been held and we set up the 'Chief Executives' Mailbox' in order to encourage feedback from employees at all levels. In addition, our internal newspaper, 'The bamboo road', containing articles linked to corporate news, our corporate values, political and economic developments and employee news, is published at regular intervals.

Remuneration policies

Employee remuneration packages are determined with reference to their experience, qualifications, competence, individual performance, responsibilities in the Group and comparable market statistics. The packages include basic salaries, discretionary bonus, subsidies and, for the senior management, stock appreciation rights. Offering stock appreciation rights to the senior management is a motivating factor towards building long term shareholder value.

OUR CONTRIBUTION TO SOCIETY

The Chinese government has in various policy documents repeatedly stressed that the development of the agriculture

industry and the rural areas are of special importance. While the Group has been growing and creating value for shareholders, we as a corporate citizen are well aware that our wealth originates from society and we have a responsibility to take on social responsibilities and fulfil our role as a corporate citizen. We are directly and indirectly employing thousands of people and we are playing an important role in the development of the agriculture industry in Fujian province, working closely with local governments at all levels. In recognition of our efforts to support the development of the domestic agriculture industry, as well as our contribution to the government's efforts to raise farmers' incomes, we were named as a National Key Flagship Enterprise in late August. In addition to being a great honour, it also guarantees us tax exemption for a period of at least four years.

Improving the Income of Bamboo Farmers

The Group continues to closely follow the government's strategic development plan on agriculture and supports the development of the countryside. By entering into long-term lease contracts, employing thousands of people and modernising the bamboo industry, we are supporting the local governments in dealing with employment and livelihood issues.

The Group provides significant employment opportunities in the areas where we operate, maintaining the stability of the rural communities, increasing farmers' incomes and boosting economic development in rural areas, thereby playing a leading role as a National Flagship Enterprise in the agriculture sector.

Food safety

Nowadays, consumers all over the world are increasingly paying attention to food safety issues, especially regarding the usage of chemical pesticides and fertilisers. Therefore, food quality and safety is one of our top priorities. The location and cultivation of our bamboo plantations and the processing of the organic bamboo shoots are all in strict accordance with the highest food safety standards. We have obtained organic food accreditations in China, Japan, Europe and the US.



These pictures were taken at our processing plant in Mawei (Fuzhou). The bamboo shoots arrive less than 16 hours after being harvested and go through a sterilisation and cooking process without losing their natural taste and nutritional value.

Environmental protection

Moso bamboo forests are the foundation of the Group, therefore it is vital to protect the land and the environment. In order to increase the output of organic bamboo shoots and achieve sustainable development, the Group adopts a policy of 'Close to Nature Forest Management.'

Apart from this, documents are mainly delivered by emails within the Group in order to use less paper, and the Group uses bamboo paper for office copying and printing paper.

Fund raising and charitable activities

During the year, we took part in a number of fund raising and charitable activities:

In February 2008, just before the Chinese New Year, we commenced the 'Give Warmth, Show Your Love' campaign. The Group sent cash and festive goods to poor rural families, offering our good wishes.

On 12 May 2008, a strong earthquake hit the Wenchuan district in Sichuan Province. The Group and its employees immediately donated funds to the Sichuan Earthquake victims and helped them overcome the disaster.

On 1 July 2008, the Children's Day, the Group donated books and stationery supplies to the village primary schools where our plantations are located.

On 1 July 2008, the Group established the 'Xinrixian Help Fund' from which employees and bamboo farmers can apply for financial support in case of emergency. The charity is funded through voluntary contributions from the management and employees.

In August 2008, the construction work of Xinrixian Research Centre, on the campus of Fujian Agriculture and Forestry University was completed. Mr Lin Zuojun, the founder and chairman of Asian Bamboo, donated an area of nearly four thousand square metres, which is one of the largest donations the university has ever received.

ENDURANCE

Following the establishment of our research centre, we have launched several research projects with the aim of increasing efficiencies in cultivation and processing.



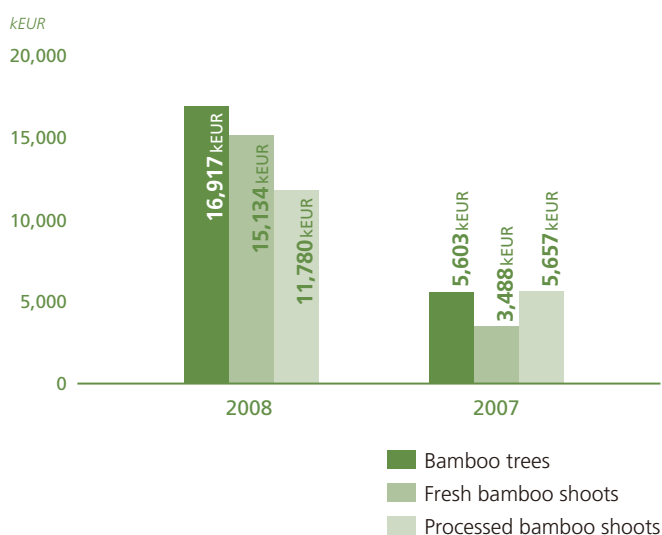


REPUTATION

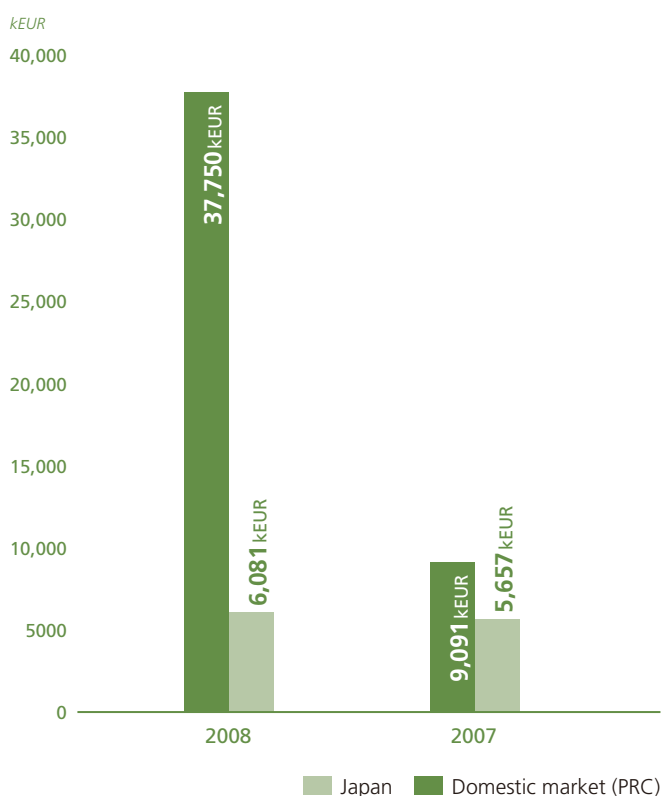
Our growing reputation for excellence and fairness is increasingly supporting our development. Our recent nomination as a National Key Flagship Enterprise is evidence of our contribution to the modernisation and development of the Chinese agriculture industry.

FINANCIAL REVIEW

PRODUCT SALES BREAKDOWN



GEOGRAPHICAL SALES BREAKDOWN



OPERATIONAL REVIEW

Revenue

Revenue increased by EUR 29.1 million, or 197%, to EUR 43.8 million (EUR 14.7 million in 2007), mainly due to an increase in the size of mature plantations during the year.

During the year, we enjoyed significantly higher prices for fresh bamboo shoots and largely stable prices for our other products.

Cost of sales

Cost of sales increased to EUR 23.1 million from EUR 7.2 million in 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 in line with the increase in output.

Gross profit and gross margin

The gross profit was EUR 20.8 million as compared to EUR 7.5 million in 2007. The gross margin decreased to 47% in 2008 from 51% in 2007, mainly due to an increase in depreciation charges following the large increase in plantation size during the year.

Other operating income

Other operating income of kEUR 68 in 2008 is mainly related to grants received by local government to improve agricultural industrialisation.

Selling and distribution expense

Selling and distribution expenses mainly comprise expenses in connection with our export business and handling charges for the delivery of bamboo trees. Selling and distribution expense increased by 70% to kEUR 243 (2007 = kEUR 143) during the year.

Administrative expenses

Administrative expenses comprise salaries, social contribution payments and expenses for research and development. Administrative expenses increased to EUR 1.3 million (2007 = kEUR 219), mainly due to higher salary and overheads due to an increase in the number of full time employees as we expanded operations throughout the year.

Other operating expense

Other operating expenses comprise costs in connection with our listing status. During the year, we have had costs for auditing, financial market communications, financial market support, Annual General meeting, Supervisory Board meetings and legal advice.

Other operating expenses amounted to EUR 1.9 million (2007 = kEUR 251).

Finance net

During the year, we received interest income of EUR 1.2 million on our cash balance. In addition, we generated foreign exchange profits of kEUR 857 when we, for accounting purposes, converted our assets from RMB to EUR, as the RMB strengthened against the EUR throughout the year.

Interest income from fair value of long-term financial assets was EUR 2.2 million, up from kEUR 32 a year ago.

Finance costs result mainly from the discounting of deposits made for the contracted plantations during the respective reporting period. In 2008, finance costs amounted to kEUR 591.

Our finance net for the year was EUR 3.6 million compared to a net cost of kEUR 234 a year ago.

Income tax

According to PRC tax regulations, agriculture enterprises selling trees and preliminary agricultural products are fully tax exempt. As a result, our operating subsidiaries are only paying income tax on the profit generated from sales of processed products, not on the profit generated from the sales of fresh shoots and bamboo trees.

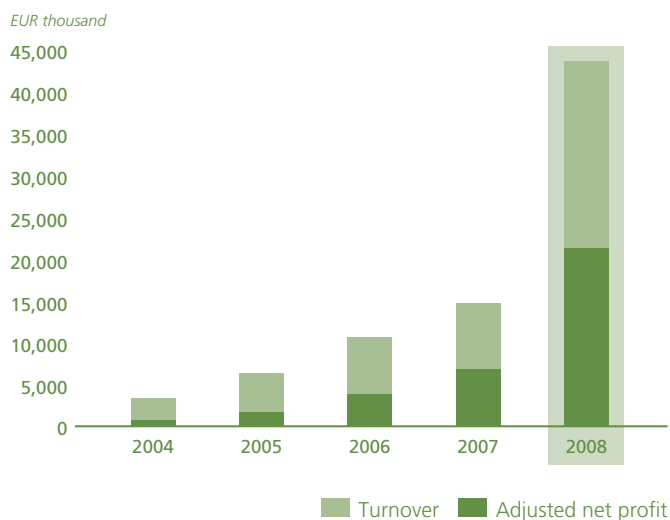
In addition to tax on profits generated from our operations, income tax also comprises deferred tax liabilities calculated on gains in biological assets. In 2008, we increased the applied rate for the calculation of deferred tax liabilities from 15% to 25% due to changes in taxation laws. Consequently, there was a large increase in deferred tax liabilities during the year, both from the recalculation of previously booked deferred tax liabilities and from the deferred tax liabilities calculated on gains in biological assets throughout the year.

In total, our deferred tax liabilities increased by EUR 5.3 million to EUR 6.9 million (2007=1.6 million). Total income tax was EUR 7.4 million (2007 = EUR 1.6 million).

Profit for the period

The profit for the period increased by EUR 11.7 million, or 75%, to EUR 27.3 million (2007 = EUR 15.6 million). This is mainly due to a EUR 13.2 million increase in gross profits, a EUR 3.2 million increase in gains in the estimated fair value of biological assets minus a EUR 5.8 million increase in income taxes.

TURNOVER AND ADJUSTED NET PROFIT



ADJUSTED NET PROFIT AND ADJUSTED NET PROFIT MARGIN

The adjusted net profit for the period is excluding gains in fair value of biological assets and taxes thereon.

The adjusted net profit for the year increased by EUR 14.5 million, or 214%, to EUR 21.2 million (2007 = EUR 6.7 million). This is mainly due to an increase in output as a result of an increase in size of plantations in 2008.

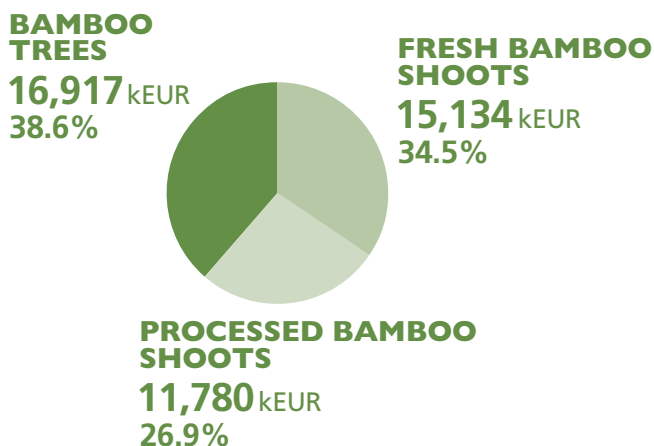
The adjusted net profit margin was 48% compared to 46% a year ago.

BIOLOGICAL ASSETS VALUATION

In line with the rules in IAS 41, we have appointed Jones Lang LaSalle Sallmanns Limited ('Sallmanns'), a firm experienced in conducting financial valuations for listed companies, to provide an independent opinion on the fair value of our mature biological assets as at the end of the year. In order to ensure the accuracy of the valuation, Sallmanns has conducted interviews and discussions with the management and third party experts. In addition, they have conducted desk research by going through public information and written material.

Sallmanns has applied the discounted cash flow method to derive the fair value and has applied conservative assumptions such as a discount rate of 30%. The gain arising from changes in fair value of the biological assets was 13.7 million in 2008 (2007 = EUR 10.4 million). The gain this year is mainly a result of immature plantations being reassessed as mature during the year.

PRODUCT MIX IN 2008



FINANCIAL POSITION

Total assets increased by EUR 43 million or 34% to EUR 171 million at the end of 2008 (2007 = EUR128 million), mainly as a result of an increase in the value of biological assets.

Total equity increased by EUR 38 million or 32% to EUR 155 million (2007 = EUR 117 million) mainly as a result of an increase in retained earnings by EUR 25 million.

Total trade receivables were kEUR 582 .

The net decrease in cash and cash equivalents for the year was EUR 43 million as we signed contracts for around 12,000 ha of mature land during the year. At the end of 2008, we had EUR 25 million in cash as compared to EUR 68 million at the of 2007 shortly after the listing and fund raising.

Net cash generated from operating activities was EUR 20.2 million (2007 = EUR 2.2 million).

The net cash outflow from investing activities amounted to EUR 60.8 million (2007 = EUR 5.6 million), which was almost entirely used for securing land lease agreements.

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

REPORTING DATE

On 18 February , we entered into a strategic partnership with Shaowu Zhongzhu Pulp and Paper Co. Ltd. ('Shaowu Zhongzhu'). Shaowu Zhongzhu is one of the leading bamboo based pulp and paper producers in China with an annual production capacity of around 100,000 tons. The company is located in Shaowu city in Fujian province, close to many of Asian Bamboo's plantations.

As part of the strategic partnership, Asian Bamboo will be the prime supplier of bamboo trees used as raw material for the production of the company's pulp and paper. It is estimated that Shaowu Zhongzhu will use around 300,000 tons of bamboo trees as input material for its pulp and paper production in 2009. In addition, Asian Bamboo will support Shaowu Zhongzhu's business development by providing management support and expertise.

Apart from this agreement, no events have occurred after the end of the fiscal year which would have a material effect on Asian Bamboo Group's business development.



Shaowu Zhongzhu's pulp and paper factory

STATEMENTS AND REPORT PURSUANT TO SECTION 315 PARAGRAPH 4 HGB (GERMAN COMMERCIAL CODE)

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 in Asian Bamboo AG.

Direct or indirect participation in shares with more than 10% of the voting rights

Green Resources Enterprise Holding Limited, an entity that is wholly owned by Mr Lin Zuojun, who is chairman of the Management Board of Asian Bamboo, holds 56.95 % of the shares in Asian Bamboo AG, providing it with a corresponding amount of votes.

Appointment and dismissal of Management Board members

The Management Board of Asian Bamboo AG currently comprises three members appointed by the Supervisory Board pursuant to section 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 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.

Amendments of the articles of association

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

Authority of Management Board to Issue Shares

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 6.375 million new no par value bearer shares 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 is excluded.

Share buy-back authorisation

The Company is authorised to buy back shares in Asian Bamboo AG. The authorisation is given for the purchase of shares with a total share capital of EUR 1.275 million. The authorisation can be used in full or in part on one or several occasions and it is valid until 31 December 2009. The Management Board can choose to purchase shares in the open market or launch a general tender to all shareholders. If shares are purchased in the open market, the price paid shall not deviate by more than 10% from the opening price in Xetra-Trade (or a comparable system to Xetra) on the day of the purchase at the Frankfurt Stock Exchange.

In addition to the general authorisation to buy back shares, the Company is also authorised to buy back shares with the help of derivative instruments.

RISK REPORT

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 shareholder 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. In addition, our Supervisory Board, our auditor and other third party consultants help us to prepare for and hedge against various risks to minimise the potentially negative impact on our company.

In addition, our largest shareholder, Mr Lin Zuojun, is the CEO of the company and has a day-to-day involvement in the business. He is supervising the overall development of the group as well as closely monitoring the sales and profit development in order to safeguard his and other shareholders' interests.

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. Generally, as our company has no debt and very wide margins, we are in a solid position.

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 WITH RELATED PARTIES

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: 'There were no transactions with related parties or other measures to the disadvantage of Asian Bamboo AG and its subsidiaries.'

OUTLOOK

MACRO-ECONOMIC OUTLOOK

During 2008, the global economy fell into a recession and judging from recent economic statistics, it is likely that the recession will go on for at least another year. The Chinese economy has fared relatively better, but growth numbers for 2009 and 2010 are likely to be below previous years' levels.

Fortunately, our two business areas, bamboo shoots and bamboo trees, are driven by solid end-user demand and we have not seen any significant downward pressure on prices. Therefore, we believe that the impact on our business caused by the general economic slowdown will be relatively modest.

In 2009, we expect prices for our products prices to at least remain stable or increase moderately. Longer term, we believe that our products will experience significant price increases due to the favourable demand and supply situation and the growth in demand for organically grown vegetables and cost efficient wood material such as bamboo trees.

Bamboo trees

We have recently seen a slowdown in construction activities in China, which is leading to slower demand growth and pricing for our bamboo trees. However, the weaker demand from the construction industry is, at least to some degree, being offset by stronger demand from other sectors such as bamboo based pulp and paper. Recently we entered in to a strategic partnership with Shaowu Zhongzhu, one of the leading manufacturers of bamboo based pulp and paper, and we expect to supply a significant amount of bamboo trees to this business in the coming years. The total amount will depend on demand and pricing in other sectors using bamboo as an input material. We will channel our products to the areas where the demand and prices are the strongest.

Bamboo shoots

We continue to see strong demand for our organically grown bamboo shoots as consumers are becoming increasingly conscious of food quality issues and bamboo shoots are gaining in popularity, particularly in the northern parts of China.

In addition, we are expanding our distribution network for fresh and processed organic bamboo shoots within China to reap the benefits of the continued rise in living standards.

We are consistently expanding our distribution channels including wholesale, supermarkets, fresh markets and export markets.

Overall business growth and profitability outlook

We intend to expand the size of our plantations to more than 35,000 ha by the end of 2010 by leasing another 3,000 ha and 7,000 ha of plantations in 2009 and 2010, respectively. Our land lease expansion programme is on track and the prices at which we have secured land have been at or below our expectations.

Due to a large increase in volumes as a result of new land leases and parts of our immature plantations becoming mature, we see the Company's turnover reaching EUR 55 million in 2009. We expect an adjusted net profit margin of at least 40% in 2009.

In 2010, we expect a larger increase in turnover as we are planning to lease around 7,000 ha of plantations during the year and we expect to be able to maintain our margins at current levels.

Hamburg, Germany, 31 March 2009
Asian Bamboo AG

THE MANAGEMENT BOARD

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

for the period ending 31 December 2008

	Note	31 Dec 2008 kEUR	31 Dec 2007 kEUR
ASSETS			
Non-current assets			
Property, plant and equipment	2.4, 9, 12	3,008	2,074
Land use rights	2.5, 9, 13	334	298
Biological assets	2.6, 14	116,312	49,477
Long-term prepayments		16,073	–
Deposits for leaseholds	15, 23, 25	1,426	651
Deferred tax	20.2 a)	998	705
		138,151	53,205
Current assets			
Inventories	2.10, 16	634	395
Trade receivables	2.9, 16, 17, 25	582	526
Other receivables and prepayments	17, 25	5,784	4,441
Amounts due from related parties	24, 25	–	411
Cash and cash equivalents	2.8, 19, 24, 25	25,481	68,564
		32,481	74,337
Total assets		170,632	127,542
EQUITY AND LIABILITIES			
Share capital	1, 20	12,750	12,750
Capital reserve		68,426	69,070
Statutory reserve	20	3,470	1,306
Retained earnings	20.2 c)	61,264	36,131
Foreign exchange difference		9,325	(1,953)
Total equity		155,235	117,304
Non-current liabilities			
Deferred tax liabilities	11	13,932	5,483
Current liabilities			
Trade payable	21, 24, 25	143	56
Other payables, accruals and provisions	2.11, 2.12, 24, 25	787	4,488
Amounts due to related parties	24, 25	–	203
Income tax payable	11, 25	535	8
		1,465	4,755
Total liabilities		15,397	10,238
Total liabilities and equity		170,632	127,542

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME AND EXPENSES

for the period from 1 January to 31 December 2008

	Note	2008 kEUR	2007 kEUR
Revenue	2.14, 3	43,831	14,748
Cost of sales		(23,076)	(7,222)
Gross Profit		20,755	7,526
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	2.2, 5	13,658	10,443
Other operating income	6	68	123
Selling and distribution expenses		(243)	(143)
Administrative expenses	7	(1,332)	(219)
Other operating expenses		(1,870)	(251)
Profit from operations		31,036	17,479
Finance income	2.14, 10, 19	4,236	267
Finance costs	10	(591)	(501)
Profit before income tax		34,681	17,245
Income tax	2.18, 11	(7,384)	(1,619)
Profit for the period		27,297	15,626
Earnings per share (undiluted and diluted)		2.14*	1.23*

* Computed on the basis of 12,750,000 shares

STATEMENT OF RECOGNISED CONSOLIDATED INCOME AND EXPENSES

for the period from 1 January to 31 December 2008

	2008 kEUR	2007 kEUR
Profit after tax	27,297	15,626
Foreign currency translation/changes in value recognised directly in equity	11,277	(1,818)
Earnings after taxes and changes in value recognised directly in equity	38,574	13,808

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOW

for the period from 1 January to 31 December 2008

	Note	2008 kEUR	2007 kEUR
Profit before income tax		34,681	17,245
Adjustments for:			
Amortisation of intangible assets	13	7	7
Allowance for doubtful trade debts		(21)	(51)
Depreciation of property, plant and equipment	12	202	166
Depreciation of biological assets	14	1,939	–
Gain/loss on disposal of property, plant and equipment		8	1
Interest income	10	(3,379)	(267)
Interest expense	10	589	498
Revaluation gain of biological assets	5	(13,658)	(10,443)
Operating cash flow before working capital changes		20,368	7,156
Working capital changes:			
(Increase)/decrease in:			
Inventories		(173)	108
Trade receivables		34	108
Other receivables and prepayments		(1,105)	(2,991)
Amounts due from related parties		902	(411)
Increase/(decrease) in:			
Trade payables		80	(148)
Other payables and accruals		(3,572)	(597)
Amounts due to related parties		900	203
Cash generated from/(used in) operations		17,433	3,428
Interest received	10	3,379	267
Interest expense	10	(589)	(498)
Income tax	11	(8)	(261)
Net cash generated from operating activities		20,215	2,936
Cash flow from investing activities			
Purchase of biological assets/long-term prepayments	14	(59,316)	(5,207)
Purchase of land use rights	13	(5)	(12)
Purchase of land, property, plant and equipment	12	(866)	(332)
Deposits for leaseholds		(640)	(3)
Cash flow used in investing activities		(60,828)	(5,554)
Cash flow from financing activities			
Capital injection		–	4,750
Proceeds from IPO	20	–	76,000
IPO charges netted with equity	20	(643)	(7,645)
Loans due to related parties paid back		–	(2,838)
Cash flow from financing activities		(643)	70,267
Net increase in cash and cash equivalents		(41,256)	67,648
Cash at beginning of year		68,564	561
Foreign exchange difference		(1,827)	355
Cash at end of period	19	25,481	68,564

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period from 1 January to 31 December 2008

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 1 January to 31 December 2008

	Share capital kEUR	Capital reserves kEUR	Statutory reserves kEUR	Retained earnings kEUR	Foreign exchange difference kEUR	Total equity kEUR
Balance as at 1 January 2007	8,000	–	603	21,208	(134)	29,677
Capital injection	4,750	–	–	–	–	4,750
Proceeds from IPO	–	76,000	–	–	–	76,000
IPO expenses charged to capital reserves	–	(7,645)	–	–	–	(7,645)
Deferred taxes on IPO charges	–	715	–	–	–	715
Net profit	–	–	–	15,626	–	15,626
Transfer to the statutory reserves	–	–	703	(703)	–	–
Foreign currency translation reserve	–	–	–	–	(1,818)	(1,818)
Balance as at 31 December 2007 / 1 January 2008	12,750	69,070	1,306	36,131	(1,952)	117,305
Net profit for the period	–	–	–	27,297	–	27,297
Subsequent IPO charges	–	(644)	–	–	–	(644)
Transfer to the statutory reserves	–	–	2,164	(2,164)	–	–
Foreign currency translation reserve	–	–	–	–	11,277	11,277
Balance as at 31 December 2008	12,750	68,426	3,470	61,264	9,325	155,235

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period from 1 January to 31 December 2008

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) was formed by means of a notarial deed of incorporation (Gründungsurkunde) dated 13 September 2007.

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

Business purpose of the company

The Company's business purpose (Unternehmensgegenstand) is to operate bamboo plantations, which includes cultivation, harvesting and processing of the output from the plantations consisting of bamboo shoots and bamboo trees.

Group structure of the Asian Bamboo Group

The operational business of Asian Bamboo Group is exclusively carried out by Fujian Xinrixian Group Co., Ltd. ('Xinrixian'), a limited liability company formed under the laws of PRC, and its subsidiaries. All shares in Xinrixian are held by Hong Kong XRX Bamboo Investment Co., Ltd., 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.

The following subsidiaries were consolidated:

	Direct and indirect share	Equity 31 Dec 2008 kEUR ¹	Results 2008 kEUR ¹
Hong Kong XRX Bamboo Investment Co., Ltd., Hong Kong	100%	111	9,311
Fujian Xinrixian Group Co., Ltd., Fuzhou, China (PRC)	100%	67,025	1,199
Shaowu Sanyuan Food Development Co., Ltd., Shaowu, China (PRC)	100%	522	266
Fuzhou Xinrixian Food Development Co., Ltd., Fuzhou, China (PRC)	100%	506	(19)
Shaowu Xinrixian Industry Co., Ltd., Shaowu, China (PRC)	100%	26,072	18,347
Shunchang Xinrixian Forestry Co., Ltd., Shunchang, China (PRC)	100%	9,465	7,813
Sanming Xinrixian Forestry Co., Ltd., Jiangle County, China (PRC)*	100%	3,124	(33)

¹ as reflected in the IFRS financial statements

* Name changed from Taining Xinrixian Forestry Co. Ltd. on 2 March 2009

During the year, four new subsidiaries have been formed in line with the Group's aim of decentralising decision making. Following the transfer of assets previously held in Fujian Xinrixian Food Development Co., Ltd, all our plantations are now held in these subsidiaries. Consequently, on 6 March 2008, we changed the name of Fujian Xinrixian Food Development Co., Ltd to Fujian Xinrixian Group Co., Ltd. to better reflect its holding company status.

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 China to countries outside China require a formal approval from the State Administration of Foreign Exchange ('SAFE').

1.2 Basis of preparation

The consolidated financial information, especially with regard to 2007 (prior year), 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 had 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 total equity. No goodwill arose in respect of the acquisitions.

1. BACKGROUND AND BASIS OF PREPARATION (continued)

1.2 Basis of preparation (continued)

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) in consideration of the aforementioned scope of the consolidated financial statements.

The consolidated financial statements were generally prepared using the historic cost convention. Exceptions to this rule may relate to financial instruments assigned to the 'available for sale' category, if any, 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 summarised 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. Changes of accounting regulations or new accounting regulations which became effective in 2008 do not relate to the Group or are without any material impact. The Group did not exercise any options to apply Standards and Interpretations prior to their effective date.

The amounts are reflected in rounded thousand EUR if not otherwise stated.

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 a 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 was in existence throughout the reporting period of 2007 (prior year) 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 remain 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 costs 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 judgments

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Significant accounting estimates and judgments (continued)

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, which account for 68% of total assets as at 31 December 2008. There are a number of variables affecting plantation values such as size, maturity, location and payment terms. As forest estate transactions in China are infrequent, it is extremely unlikely that we would be able to find transactions for comparable plantations. Therefore, we have chosen to value our immature plantations by the costs of cultivation and 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. The period used in the calculation of the fair value has been limited by the expiration date of the land lease rights which in most cases have a duration of up to 20 years. Future cash flows were discounted at a current market-determined pre-tax rate of 30% per annum.

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 EUR 13.7 million in 2008 (2007 = EUR 10.4 million).

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.

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 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 at the balance sheet date.

Exchange differences arising from 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 measured in currencies other than EUR are translated from RMB respective HKD (HKD 1 = RMB 0.8818 as at 31 December 2008) into EUR as follows:

	2008	2007
Year end	9.4956	10.7524
Average	10.2236	10.4178

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Functional and presentation currency (continued)

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.

Property, plant and equipment in the course of construction for production or administrative purposes are 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 amortise the cost of the assets over their estimated useful lives, using the straight-line method, as follows:

Machinery equipment	10 years
Motor vehicles	10 years
House building	10 to 20 years
Office equipment	5 years

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

The gain or loss arising from the disposal or retirement of an item of 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. Depreciation is mainly charged to cost of sales.

2.5 Land use rights

Land use rights are stated at cost less accumulated amortisation 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. Amortisation of land use rights is calculated on a straight-line basis over the period of the land use rights 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 heterocyclus pubescens*) and are stated at fair value less estimated point-of-sale costs.

There are a number of variables affecting plantation values such as size, maturity, location and payment terms. As forest estate transactions in China are infrequent, it is extremely unlikely that we would be able to find transactions for comparable plantations. Therefore, we have chosen to value our immature plantations by the costs of cultivation and 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. The period used in the calculation of the fair value has been limited by the expiration date of the land lease rights which in most cases have a duration of up to 20 years. Future cash flows were discounted at a current market-determined pre-tax rate of 30% per annum.

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 provisions are made at that time.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Biological assets (continued)

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 from 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 from initial recognition of agricultural produce at fair value less estimated point-of-sale costs is recognised in the income statement.

2.7 Impairment of non-financial assets, if any

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.

An 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. Reversal 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 deposited in interest-bearing bank accounts.

2.9 Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised 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 manufacturing 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.12 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) 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, if any, relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to the income statement over the expected useful life of the relevant asset by equal annual instalments.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 are incurred.

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 ceases to exist when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another financial liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the original liability ceases to exist and the difference in the respective carrying amounts is recognised in the income statement.

2.18 Taxation

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, 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 utilised 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; or

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Taxation (continued)

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 utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised 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 utilised. 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.

As far as the subsidiaries in PRC are concerned the Group applies the following policy to account for deferred taxes:

Effective 1 January 2008, the subsidiaries in PRC, dealing with agricultural products, are tax free ('Regulation for the Implementation of the Enterprise Income Tax Law of the People's Republic of China' of 6 December 2007, section 86, published by the State Council, effective 1 January 2008).

Shaowu Xinrixian, Shunchang Xinrixian and Sanming Xinrixian, are agricultural production operators, and are exempt from income tax on income arising from the cultivation of bamboo shoots and bamboo trees under China's income tax law. In 2008, Fujian Xinrixian was engaged in the 'finished' processing of bamboo shoots and cannot be exempt from income tax. According to a circular (Guofa (2007) No. 39) issued by the State Council, for five years Fujian Xinrixian qualifies for transitional tax rates at 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012. The rough processing of bamboo shoots by Sanyuan Xinrixian does not fall within the scope of tax exemption and should be subject to income tax at the statutory rate of 25%.

In 2007, the subsidiaries were subject to the deemed profit method that resulted in a fixed amount to be paid.

As the above mentioned tax exemption has to formally approved by the local tax authorities every year, the above tax exemption rules only apply when sufficient approval documentation is available. Thus, long-term temporary differences between local and IFRS books are levied with a tax rate of 25% to account for deferred income taxes.

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 Breakdown of sales according to products:

	2008 kEUR	2007 kEUR
Bamboo trees	16,917	5,603
Fresh bamboo shoots	15,042	3,488
Processed bamboo shoots	11,872	5,657
	43,831	14,748

3.2 Breakdown of sales according to geographical regions:

	2008 kEUR	2007 kEUR
Domestic market (PRC)	37,750	9,091
Japanese market	6,081	5,657
	43,831	14,748

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 62 (2007 = kEUR 123) relate to grants received by central and local government to improve agricultural industrialisation.

7. RESEARCH AND DEVELOPMENT

Research and development expenses amounted to kEUR 24 in 2008 (2007 = kEUR 24).

8. HEADCOUNT AND PAY-ROLL EXPENSES

	2008	2007
Management and administration	178	23
Research and development	8	4
Manufacturing	514	249
Sales	24	18
	724	294

The payroll costs are as follows:

	2008 kEUR	2007 kEUR
Wages and salaries	1,987	615
Social security costs	172	148
Welfare	46	73
	2,205	836

9. AMORTISATION OF INTANGIBLE ASSETS AND DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT:

	2008 kEUR	2007 kEUR
Amortisation of intangible assets (land-use rights)	7	7
Depreciation of property, plant and equipment	202	166
	209	173

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

10. FINANCE INCOME/FINANCE EXPENSES

	2008 kEUR	2007 kEUR
Finance income		
Interest income from bank balances	1,213	235
Foreign exchange profits	857	–
Interest income from fair value of long-term financial assets	2,166	32
	4,236	267

	2008 kEUR	2007 kEUR
Finance expenses		
Interest expense for discount of long-term financial assets	589	498
Bank charges	2	3
	591	501

11. TAXATION

11.1 Major components of income tax expense

The amount of taxation charged to the income statements represents:

	2008 kEUR	2007 kEUR
Current income tax	502	31
Deferred income tax induced by timing difference and on tax loss carry forwards	6,882	1,588
Income tax recognised in profit and loss statement	7,384	1,619

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:

	2008 kEUR	2007 kEUR
Profit/(loss) before income tax	34,681	17,245
Calculated income tax rate of 25% ¹ (in 2007 15%)	8,670	2,590
Effect of increase in calculated income tax rate from 15% (2007) to 25% (2008)	3,845 ²	–
Tax reduction due to preferential tax treatment	(4,866)	(971)
Deferred tax due to changed estimate of tax loss carry forwards	(293)	–
Non deductible expenses at AG level	179	–
Other, net	(151)	–
Income tax expense recognised in profit and loss statement	7,384	1,619
Actual group tax rate	21.3%	9.4%

¹ The Enterprise Income Tax Law of the People's Republic of China, adopted at the 5th Session of the 10th National People's Congress of the People's Republic of China on 16 March 2007 came into effect on 1 January 2008. According to Article 4 the enterprise income tax shall be levied at the rate of 25%.

² relates to deferred taxes

11.3 Taxation payable

Taxation payable in the consolidated balance sheet represents:

	2008 kEUR	2007 kEUR
Balance of provision relating to previous years	8	7
Income Tax provision for the year	394	31
Income tax paid	(8)	(30)
Income tax Asian Bamboo AG	111	–
Currency translation differences	30	–
At the end of the year	535	8

11. TAXATION (continued)

11.4 Deferred taxation

	2008 kEUR	2007 kEUR
At beginning of year	5,483	4,135
Provision for deferred tax	7,114	1,579
Currency translation differences	1,335	(231)
Deferred tax liabilities at end of year	13,932	5,483

Net tax assets/liabilities by type of temporary difference:

	2008 kEUR	2007 kEUR
Tax assets		
Long-term financial assets	2,059	116
Accounts receivables	8	4
	2,067	120
Tax liabilities		
Biological assets	15,999	5,603
Net assets/(liability)	(13,932)	(5,483)

Deferred tax assets of kEUR 998 (2007 = kEUR 705) have been accounted for at Asian Bamboo AG on tax loss carry forwards. The amount of tax loss carry forwards, on which deferred tax assets have not been accounted for, amount to EUR 2.5 million. In 2008, Asian Bamboo AG used EUR 1.5 million of its losses carried forward from 2007.

NOTES TO THE BALANCE SHEET

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings kEUR	Machines kEUR	Office equipment kEUR	Motor vehicles kEUR	Construction in progress kEUR	Total kEUR
Cost						
At 31 December 2007/1 January 2008	1,808	479	30	151	207	2,675
Additions	4	239	82	163	378	866
Disposals	18	23	2	48	–	91
Exchange difference	242	81	8	28	55	414
At 31 December 2008	2,036	776	118	294	640	3,864
Accumulated depreciation						
At 31 December 2007/1 January 2008	369	197	10	25	–	601
Depreciation charged for the year	97	69	12	24	–	202
Disposals	5	9	1	24	–	39
Exchange difference	56	31	2	3	–	92
At 31 December 2008	517	288	23	28	–	856
Net carrying amount:						
At 31 December 2007	1,439	282	20	126	207	2,074
At 31 December 2008	1,519	488	95	266	640	3,008

13. LAND USE RIGHTS

	2008 kEUR	2007 kEUR
Cost		
Balance at the beginning of financial year	339	342
Additions	5	12
Exchange difference	46	(15)
Balance at the end of financial year	390	339
Accumulated amortisation		
Balance at the beginning of financial year	41	36
Amortisation for the financial year	7	7
Exchange difference	8	(2)
Balance at the end of financial year	56	41
Net book value		
Balance at the beginning of financial year	298	306
Balance at the end of financial year	334	298

Land use rights have a lease period of 50 years.

14. BIOLOGICAL ASSETS

The development of biological assets can be summarised as follows:

	Immature		Mature		Total	
	Area ha	Book Value kEUR	Area ha	Book Value kEUR	Area ha	Book Value kEUR
Fair value as at 31 December 2007/ 1 January 2008						
Immature plantations	8,773	11,130	–	–	8,773	11,130
Mature plantations			5,876	38,347		
Valuation changes Shaowu plantations	–	–		(12,653)	–	–
Depreciation	–	–	–	(90)	5,876	25,605
Additions						
Taining plantations acquired	1,913	7,298	–	–	1,913	7,298
Shaowu plantations acquired	–	–	10,067	36,976	–	–
Depreciation	–	–	–	(1,849)	–	–
Gain arising from changes in fair value less estimated point-of-sale costs	–	–	–	17,123	10,067	52,250
Intra transfer Shunchang plantations to mature	(2,425)	(3,375)	2,425	3,375	–	–
Gain arising from changes in fair value less estimated point-of-sale costs	–	–	–	9,187	–	9,187
Changes due to currency translation	–	1,774	–	9,068	–	10,842
Fair value as at 31 December 2008	8,261	16,827	18,368	99,485	26,629	116,312

The valuation loss, as outlined above of EUR 12.7 million, is mainly due to a higher discount rate of 30% used in 2008, compared to 27% in 2007, with a net effect of approximately EUR 3.8 million and the assumed one-off payments of approximately EUR 5.2 million to cover future land lease obligations.

The development on a condensed basis:

	Immature		Mature		Total	
	Area ha	Book Value kEUR	Area ha	Book Value kEUR	Area ha	Book Value kEUR
Total costs as at 31 December 2007/ 1 January 2008	8,773	11,130	5,876	995	14,649	12,125
Accumulated valuation gains as at 31 December 2007/1 January 2008	–	–	–	37,352	–	37,352
Fair value as at 31 December 2007 1 January 2008	8,773	11,130	5,876	38,347	14,649	49,477
Additions 2008 at cost	1,913	7,298	10,067	36,976	11,980	44,274
Reclassifications 2008 at cost	(2,425)	(3,375)	2,425	3,375	–	–
Valuation gains/losses 2008, net	–	–	–	13,658	–	13,658
Depreciation 2008	–	–	–	(1,939)	–	(1,939)
Changes due to currency translation	–	1,774	–	9,068	–	10,842
Fair value as at 31 December 2008	8,261	16,827	18,368	99,485	26,629	116,312

14. BIOLOGICAL ASSETS (continued)

The development on a condensed basis:

	Immature		Mature		Total	
	Area ha	Book Value kEUR	Area ha	Book Value kEUR	Area ha	Book Value kEUR
Total costs as at 31 December 2007/ 1 January 2008	8,773	11,130	5,876	995	14,649	12,125
Additions 2008 at cost	1,913	7,298	10,067	36,976	11,980	44,274
Reclassifications 2008 at cost	(2,425)	(3,375)	2,425	3,375	–	–
Changes due to currency translation	–	1,774	–	3,226	–	5,000
Total costs as at 31 December 2008	8,261	16,827	18,368	44,572	26,629	61,399
Depreciation	–	–	–	(1,939)	–	(1,939)
Changes due to currency translation	–	–	–	(149)	–	(149)
Total accumulated depreciation	–	–	–	(2,088)	–	(2,088)
Accumulated valuation gains as at 31 December 2007/1 January 2008	–	–	–	37,352	–	37,352
Gains	–	–	–	26,310	–	26,310
Losses	–	–	–	(12,652)	–	(12,652)
Changes due to currency translation	–	–	–	5,991	–	5,991
Total accumulated valuation gains as at 31 December 2008	–	–	–	57,001	–	57,001
Net book value at 31 December 2008	8,261	16,827	18,368	99,485	26,629	116,312

Output of agricultural production for the year 2007 to 2008:

	2008 pcs./mt	2007 pcs./mt
Bamboo trees (pieces)	9,702,224	3,147,216
Winter shoots (metric tons)	8,516	3,738
Spring shoots (metric tons)	37,014	4,742

The biological assets, including immature and mature bamboo plantations, were stated at fair values less estimated point-of-sale costs as at 31 December 2008.

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 net 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:

- Based on historical numbers, the yield of mature land was estimated at 525 trees, 450 kg of winter shoots and 4,500 kg of spring shoots per ha.
- The sales prices are assumed to be EUR 1.74 (2007 = EUR 1.78) per tree, EUR 0.71 (2007 = EUR 0.61) per kg of winter shoots and EUR 0.20 (2007 = EUR 0.14) per kg of spring shoots.
- Costs of harvest were estimated to be EUR 0.30 (2007 = EUR 0.24) per tree, EUR 0.07 (2007 = EUR 0.05) per kg of winter shoots and EUR 0.05 (2007 = EUR 0.04) per kg of spring shoots.
- Inflation rate was forecast at 3% p. a. (2007 = 3% p. a.)

14. BIOLOGICAL ASSETS (continued)

- Due to the nature of bamboo, bamboo trees as well as bamboo shoots have to be regarded as fruits of the bamboo plant. The period used in the calculation of the fair value was limited by the expiration dates of the land lease rights (in most cases around 20 years).
- Future cash flows were discounted at a current market-determined pre-tax rate of 30% (2007 = 27%). In cases in which the assumed purchase price for mature land was lower than the computed cash value, the company used the lower value.
- The cash-flow computations generally consider leasing fees on a lump sum basis.
- 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 leasing of land use rights and are repayable at the end of the lease period. The longest lease period has a duration of around 30 years.

	2008	2007
	kEUR	kEUR
Cost		
Balance at the beginning of financial year, paid deposits	1,420	1,485
Additions (paid deposits)	1,286	–
Exchange difference	287	(65)
Balance at the end of financial year	2,993	1,420
Accumulated amortisation		
Balance at the beginning of financial year	769	837
Interest expense	681	–
Interest income	34	34
Exchange difference	151	(34)
Balance at the end of financial year	1,567	769
Net book value		
Balance at the beginning of financial year	651	648
Balance at the end of financial year	1,426	651

Long-term prepayments for leasing obligations:

	2008	2007
	kEUR	kEUR
Beginning balance as at 1 January 2008	–	–
Additions	15,042	–
Dissolutions	114	–
Changes due to currency translation	1,145	–
Ending balance as at 31 December 2008	16,073	–

16. INVENTORIES

	2008	2007
	kEUR	kEUR
Agricultural materials	380	296
Packing materials	49	20
Finished Goods	205	79
	634	395

The current year's expenses for materials included in cost of sales amounted to EUR 8.3 million (2007 = EUR 2.2 million).

17. TRADE AND OTHER RECEIVABLES

	2008	2007
	kEUR	kEUR
Trade receivables	590	554
Allowance for trade receivables	(8)	(28)
	582	526
Other receivables and prepayments	5,784	4,441

Other receivables and prepayments include EUR 1.9 million prepayments for future land leases and a non-interest bearing short term loan of EUR 2.1 million to Shaowu Zhongzhu with which a strategic alliance has been agreed upon in February 2009.

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

	2008	2007
	kEUR	kEUR
Cash on hand	14	14
Cash deposited in interest-bearing bank accounts	25,467	68,550
	25,481	68,564
– thereof in Germany	9,844	48,838
– thereof in China and Hong Kong	15,637	19,726

20. EQUITY

20.1 Paid-in Capital

The capital stock of the Parent Company amounts to EUR 12.75 million and is divided into 12.75 million no par value bearer shares with a nominal 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 25 October 2012 once or several times by up to EUR 6.375 million through the issuance of up to 6.375 million new no par value bearer shares of EUR 1 each.

Furthermore, the Company is authorised to buy shares of Asian Bamboo AG ('own shares') of up to an amount equalling EUR 1.275 million of the currently issued share capital. The authorisation has been granted until 31 December 2009. The Company is allowed to acquire these shares by means of equity derivatives.

20.2 Reserves and Retained Earnings

a) Capital reserves

The amount reflects proceeds from the IPO less IPO expenses. In 2008 subsequent IPO charges expenses of kEUR 644 were charged to capital reserves.

b) Statutory reserves

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 subsidiaries.

c) Retained earnings

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

21. TRADE AND OTHER PAYABLES

	2008 kEUR	2007 kEUR
Trade payables	143	56
VAT payable	276	6
Other tax payables	(11)	1
Accrued payroll	271	63
Welfare expenses payable	–	108
Other payable and accruals	251	4,310
Other payables and accruals	787	4,488
Amounts due to related parties	–	203
Income tax payable	535	8
	1,465	4,755

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 NOTES

22. COMMITMENTS AND CONTINGENCIES

22.1 Operating lease commitments

The Group leases land and various factory and office buildings under operating lease agreements. The leases have varying terms (e.g. inflation adjustments every 5 years) and renewal rights. There are no restrictions placed upon the Group by entering into these leases. The operating lease payments are recognised as expenses in the income statement as follows:

	2008	2007
	kEUR	kEUR
Land lease recognised as current expense	4,563	1,516
Building lease recognised as current expense	26	25
Lease payment recognised as expense	4,589	1,541

Future minimum lease payments under operating leases as at 31 December 2008 are as follows:

	2008	2007
	kEUR	kEUR
Within 1 year	1,502	49,208
After 1 year but within 5 years	24,604	20,638
After 5 years	63,440	60,496
	89,546	130,342

a) Lease of buildings

	2008	2007
	kEUR	kEUR
Within 1 year	28	24
After 1 year but within 5 years	83	90
After 5 years	–	8
	111	122

b) Lease of land:

	2008	2007
	kEUR	kEUR
Not later than one year	1,474	49,184
Later than one year but not later than five years	24,521	20,548
Later than five years	63,440	60,487
	89,435	130,219

23. CONTINGENT LIABILITIES

As of 31 December 2008 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 Island	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.

24.3 Due from/to related parties

	2008 kEUR	2007 kEUR
Due to related parties		
non-trade	-	203

	2008 kEUR	2007 kEUR
Due from related parties	-	411

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 2008 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 2008 kEUR	Amounts recognised in balance sheet according to IAS 39 at amortised cost kEUR	Amounts recognised in the balance sheet according to IAS 39 at fair value kEUR	Carrying Amount 31 Dec 2007 kEUR	Amounts recognised in balance sheet according to IAS 39 at amortised cost kEUR	Amounts recognised in the balance sheet according to IAS 39 at fair value kEUR
Deposits for leaseholds	HtM	1,426	1,426	0	651	651	0
Long-term prepayments	HtM	16,073	16,073	0	0	0	0
Trade receivables	LaR	582	582	0	526	526	0
Other receivables and prepayments	LaR	5,784	5,784	0	4,441	4,441	0
Amounts due from related parties	LaR	0	0	0	411	411	0
Cash and cash equivalents	LaR	25,481	25,481	0	68,564	68,564	0
Trade payables	FIAC	143	143	0	56	56	0
Other payables	FIAC	251	251	0	4,308	4,308	0
Amounts due to related parties	FIAC	0	0	0	203	203	0
Of which: aggregated by category in accordance with IAS 39							
Long-term financial investments (HtM)		17,499	17,499	0	651	651	0
Cash and receivables (loans and receivables, LaR)		31,847	31,847	0	73,942	73,942	0
Financial liabilities measured at amortised cost (FLAC)		394	394	0	4,567	4,567	0

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.

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 kEUR	Net gain (loss)	
		2008 kEUR	2007 kEUR
Long-term financial investments (HtM)	1,577	1,577	(466)
Cash and receivables	1,213	2,070	235
	2,790	3,647	(231)

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

The existing financial instruments, with the exception of long-term prepayments, 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 shows 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's income and operating cash flows are substantially independent from changes in interest rates.

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 from 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. 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.

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, in view of the good profit situation, there is no real liquidity risk.

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 actual results reach forecast earnings, there are no other risks than potential damages caused by diseases, fire or similar extraordinary developments events. These risks are compensated for by the relatively high discount rate of 30%, which has been used to compute the cash value.

As there are no commercially viable insurance instruments available, the Company is not insured against potential losses that may incur in connection with such extraordinary incidents. However, management will review the situation continuously and may revise this policy in the future.

27. ADDITIONAL COMMENTS ON CAPITAL MANAGEMENT

The company's target is to achieve profitable growth mainly by contracting more bamboo resources and to cover additional steps along the value chain of bamboo trees. Surplus cash will generate interest rate income while being deposited at reputable financial institutions.

28. NOTES TO THE CASH FLOW STATEMENT

The cash flow statement has been prepared in accordance with IAS 7 and is classified into net cash flows from operating, investing, and financing activities. 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 (COO), merchant, Fuzhou, PRC

Mr. Peter Sjovall (CFO, appointed on 28 June 2008), merchant, Hong Kong

Mr. Chan Wai-Leung (CFO, resigned on 18 March 2008), merchant, Hong Kong

Supervisory Board:

Mr. Hans-Joachim Zwarg (Chairman), merchant, Sierksdorf/Germany

Mr. Wolfgang Jensen (Deputy Chairman), banker, Bad Homburg/Germany

Mr. Pan Chaoran, professor, Fuzhou, PRC (China)

Mr. Zwarg is a member of the Supervisory Boards of Hanse Yachts AG, Greifswald, Germany, ZhongDe Waste Technology AG, Hamburg, Germany (Chairman) and Elbe Partners Industries AG, Hamburg, Germany (Chairman).

30. REMUNERATION OF THE EXECUTIVE AND SUPERVISORY BOARDS

Management board:

The following fixed remuneration has been paid:

Executive Board:

Mr. Lin Zuojun: kEUR 196

Mr. Jiang Haiyan: kEUR 92

Mr. Peter Sjovall: kEUR 78 (period 1 July to 31 December 2008)

Mr. Chan Wai-Leung: kEUR 36 (period 1 January to 18 March 2008)

Supervisory Board:

Mr. Hans-Joachim Zwarg: kEUR 83

Mr. Wolfgang Jensen: kEUR 42

Mr. Pan Chaoran: kEUR 15

30. REMUNERATION OF THE EXECUTIVE AND SUPERVISORY BOARDS (continued)

In May 2008, Asian Bamboo AG granted 60,000 Stock Appreciation Rights ("SARs") each to Peter Sjovall and Jiang Haiyan. The SARs are linked to the performance of Asian Bamboo's share price and are a way for the Company to align the interests of these key employees with those of all shareholders. The SARs expire on 15 April 2011 and can be exercised, in full or in part, between 15 April 2010 and 15 April 2011, assuming that the stipulated performance target has been met.

The performance target is as follows: The annual EBIT of the Group must either have increased by at least 10% for two consecutive years or by 15% on average for two years between 15 April 2008 and 15 April 2011.

If the performance target has been met and the SARs are exercised before expiration, the Company will pay, in cash, the difference between the Exercise Price and the Base Price times the number of SARs which are being exercised.

The Exercise Price is the 20-day average of the Company's closing share price at Xetra-Trade before the date of exercising the SARs.

The Base Price of each SAR is EUR 8.00. It was calculated as a 9% premium to the average closing share price of EUR 7.35 for the five trading days prior to the Supervisory Board meeting held on 15 April 2008, when the SAR scheme was approved by the Supervisory Board.

As at 31 December 2008, the Xetra share price of the Asian Bamboo stock was EUR 6.15. As the share price, at the end of the year, was significantly below the base price and as there is no certainty that the performance target will be met, no value has been put on the Company's exposure to the SARs at the end of 2008.

31. AUDIT

BDO Deutsche Warentreuhand AG ('BDO') had been appointed as the auditors of Asian Bamboo AG and the Group for the financial business year 2008. The following table gives an overview of total fees reflected in the income statement 2008:

Audit:	KEUR 272
Other assurance services:	KEUR 111

32. DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

The Management Board and the Supervisory Board of Asian Bamboo AG submitted their Declaration of Compliance with the recommendations of the Government Commission on the German Corporate Governance Code in accordance with section 161 Aktiengesetz (German Stock Corporation Act, AktG) on 21 July 2008 and made it accessible to shareholders on the Company's website at www.asian-bamboo.com.

33. SHAREHOLDINGS IN ASIAN BAMBOO AG

Dexia Asset Management Luxembourg S.A., Luxembourg, has notified us pursuant to article 21, section 1 of the Wertpapierhandelsgesetz (German Securities Trading Act (WpHG)) on 3 November 2008 that its voting rights in Asian Bamboo AG exceeded the 3% threshold on 8 October 2008, and amounted to 3.02% as of that date (385,181 voting rights). Of this amount, 3.02% are attributable to it pursuant to article 22, section 1 of the WpHG.

Green Resources Enterprise Holding Ltd., Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands, gave us notice pursuant to article 21, section 1 of the Wertpapierhandelsgesetz (German Securities Trading Act (WpHG)) that its voting rights in Asian Bamboo AG as at 31 December 2008 amounted to 56.95% (7,252,000 voting rights).

Mr. Lin Zuojun, Xintiandi Plaza, No. 157, Wusi Road, Fuzhou 350003, PRC, gave us notice pursuant to article 21, section 1 and article 22, section 1, of the Wertpapierhandelsgesetz (German Securities Trading Act (WpHG)) that his voting rights, and votes attributable to him through his shareholding in Green Resources Enterprise Holding Ltd., in Asian Bamboo AG as at 31 December 2008 amounted to 56.95% (7,252,000 voting rights).

34. REPORT ON EVENTS SUBSEQUENT TO THE REPORTING DATE

On 18 February, we entered into a strategic partnership with Shaowu Zhongzhu Pulp and Paper Co. Ltd. ('Shaowu Zhongzhu'). Shaowu Zhongzhu is one of the leading bamboo based pulp and paper producers in China with an annual production capacity of around 100,000 tons. The company is located in Shaowu city in Fujian province, close to many of Asian Bamboo's plantations.

As part of the strategic partnership, Asian Bamboo will be the prime supplier of bamboo trees used as raw material for the production of the company's pulp and paper. It is estimated that Shaowu Zhongzhu will use around 300,000 tons of bamboo trees as input material for its pulp and paper production in 2009. In addition, Asian Bamboo will support Shaowu Zhongzhu's business development by providing management support and expertise.

Except for this agreement, no events have occurred, after the end of the fiscal year, which would have a material effect on Asian Bamboo Group's business development.

35. PROPOSAL ON THE UTILISATION OF ASIAN BAMBOO AG'S NET RETAINED EARNINGS

The German financial statements reflect retained earnings of EUR 11.2 million. At the Annual General Meeting, the Management Board and the Supervisory Board will propose to distribute a dividend of EUR 2.55 million (EUR 20 cents per share) and to carry forward the remaining amount of EUR 8.65 million.

36. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of the Group dated on 31 March 2009.

Hamburg, Germany, 31 March 2009
On behalf of the management



LIN ZUOJUN
Chairman



JIANG HAIYAN
COO



PETER SJOVALL
CFO

CONSOLIDATED FINANCIAL STATEMENTS

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 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, Germany, 31 March 2009
On behalf of the management



LIN ZUOJUN
Chairman



JIANG HAIYAN
COO



PETER SJOVALL
CFO

CONSOLIDATED FINANCIAL STATEMENTS

AUDITORS' REPORT

We have audited the consolidated financial statements prepared by Asian Bamboo AG, Hamburg, comprising the balance sheet, the income statement, the statement of recognized consolidated income and expenses, the notes to the consolidated financial statements, the cash flow statement and the group management report for the business year from January 1, 2008 to December 31, 2008. 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 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 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, Germany, 6 April 2009
BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

SGD. DR. ZEMKE
auditor

SGD. DR. ROLFF
auditor

FINANCIAL CALENDAR

14 May

Interim Report Q1

5 June

Annual General Meeting
Hamburg, Germany

13 August

Interim Report Q2

6 November

Interim Report Q3

9-11 November

Investors' and Analysts' Conference, German Equity Forum,
Frankfurt am Main, Germany

CONTACT

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

Designed by Sedgwick Richardson

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