



Asian Bamboo

Accelerating growth

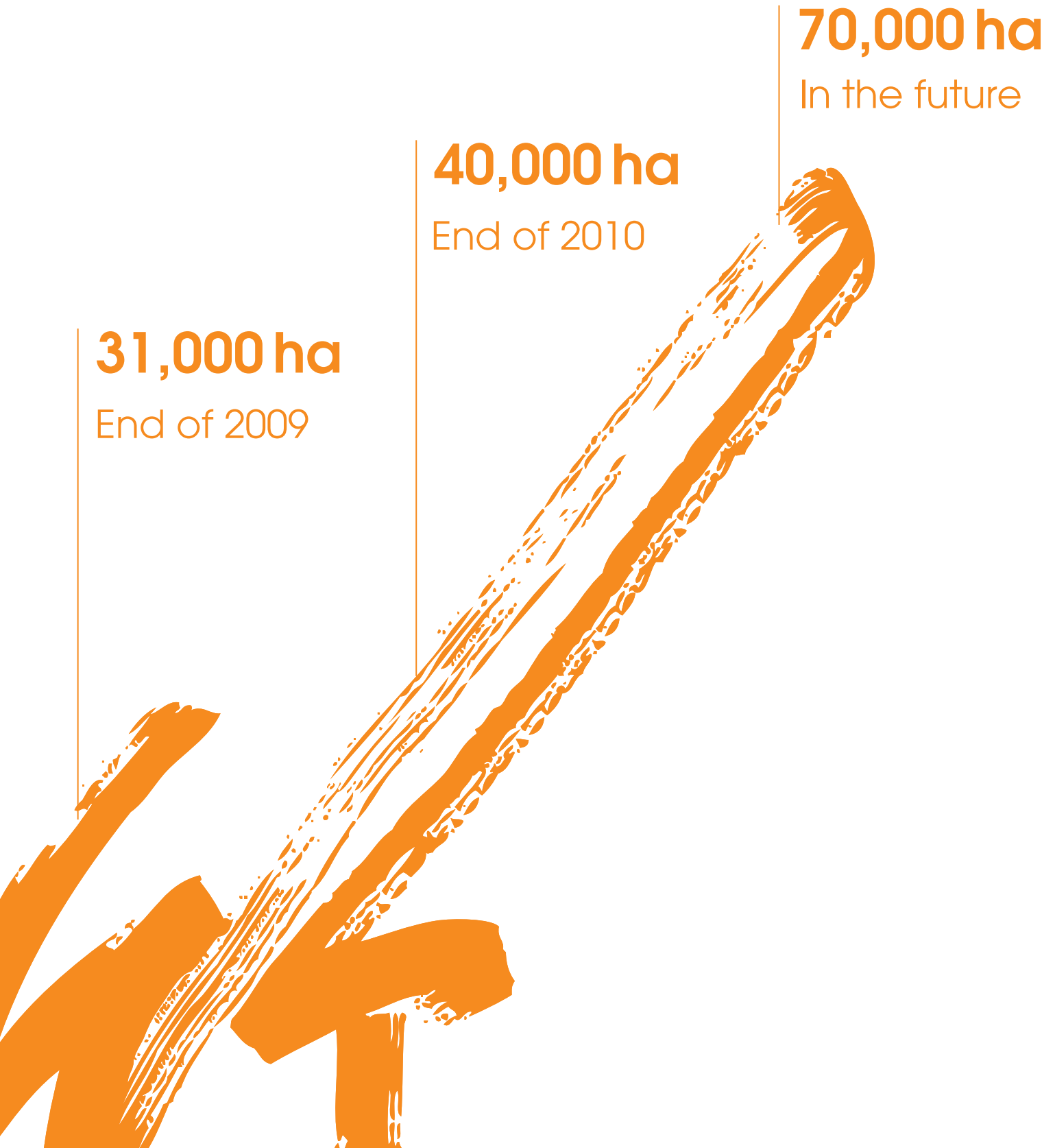
2009 Annual report



竹 [Zhú]

The cover page shows the Chinese character for bamboo—'Zhu'. The character, which has been simplified from the ancient version, essentially shows two stalks of the bamboo plant topped with leaves.

Our previous annual reports have been called 'Healthy growth' and 'Sustainable growth'. We have chosen to call this report 'Accelerating growth' as following the lease of more than 10,000 hectares (ha) of plantations between September 2009 and February 2010, we expect to start harvesting from an additional 18,399 ha of plantations in 2010 and 2011, nearly double the total area harvested from last year.



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Asian Bamboo at a glance

OPERATIONAL DATA

| <i>In kEUR unless otherwise stated</i> | 2009 | 2008 | Change |
|---|---------------|-------------|---------------|
| Revenue | 58,621 | 43,831 | 34% |
| Cost of sales | 30,294 | 23,076 | 31% |
| Gross profit | 28,327 | 20,755 | 36% |
| Gross profit margin | 48% | 47% | |
| Gain arising from changes in fair value less estimated point-of-sale costs of biological assets | 3,966 | 13,658 | -71% |
| Financial net | 5,101 | 3,645 | 40% |
| Income tax | 363 | 7,384 | -95% |
| Profit for the period | 30,822 | 27,297 | 13% |
| Adjusted net profit* | 27,847 | 21,193 | 31% |
| Adjusted net profit margin* | 48% | 48% | |
| EPS (EUR)† | 2.39 | 2.14 | 12% |
| Adjusted net profit per share (EUR)*/† | 2.16 | 1.66 | 30% |

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

† Computed on the basis of 12,896,403 shares

CASH FLOW

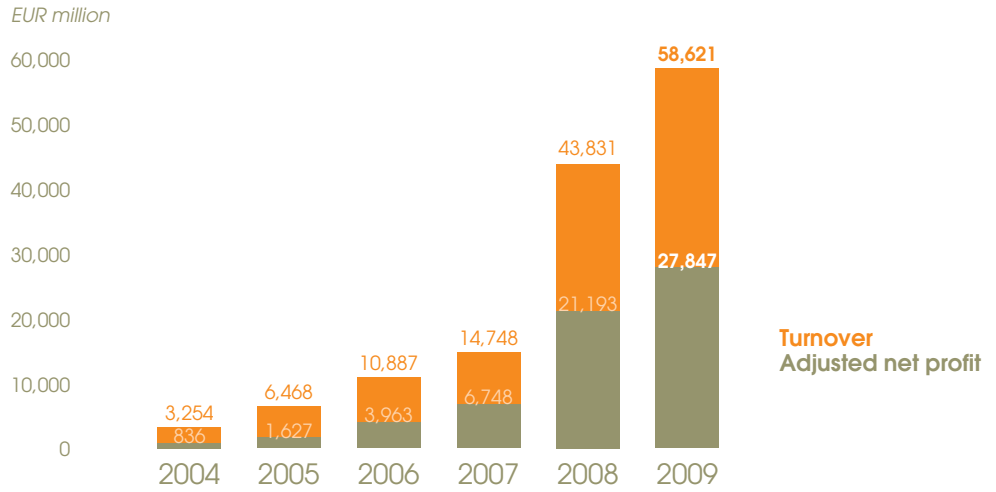
| <i>In kEUR unless otherwise stated</i> | 2009 | 2008 | Change |
|--|---------------|-------------|---------------|
| Net cash generated from operating activities | 35,001 | 20,214 | 73% |
| Cash flow used in investing activities | 15,988 | 44,754 | -64% |
| Net increase / (decrease) in cash and cash equivalents | 2,533 | (41,256) | N/A |

BALANCE SHEET AND OTHER SELECTED DATA

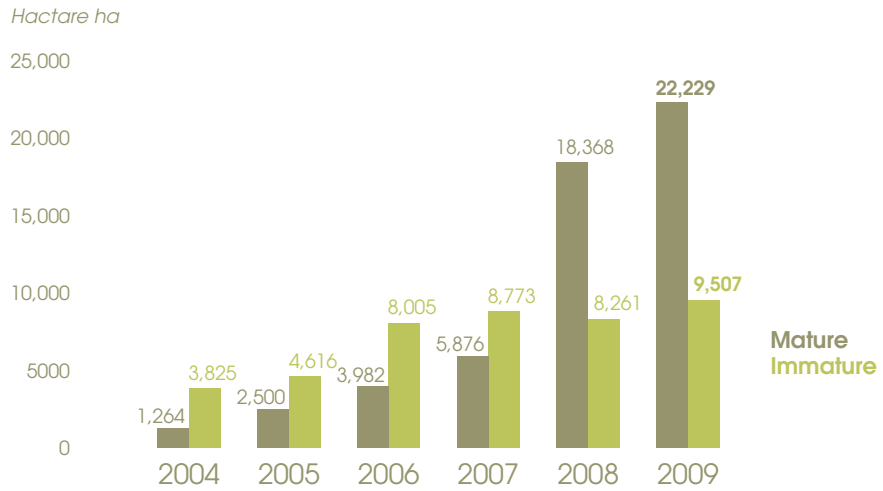
| <i>In kEUR unless otherwise stated</i> | 2009 | 2008 | Change |
|--|----------------|-------------|---------------|
| Biological assets | 128,007 | 116,312 | 10% |
| Long-term prepayments | 49,929 | 16,073 | 211% |
| Cash and cash equivalents | 29,143 | 25,481 | 14% |
| Total assets | 222,084 | 170,632 | 30% |
| Deferred liabilities | 14,419 | 13,932 | 3% |
| Total equity | 201,131 | 155,235 | 30% |
| Total liabilities and equity | 222,084 | 170,632 | 30% |
| Size of mature plantations (ha) | 22,229 | 18,368 | 21% |
| Size of immature plantations (ha) | 9,507 | 8,261 | 15% |
| Total size of plantations (ha) | 31,736 | 26,629 | 19% |
| Number of employees | 816 | 724 | 13% |

Financial and Operational highlights

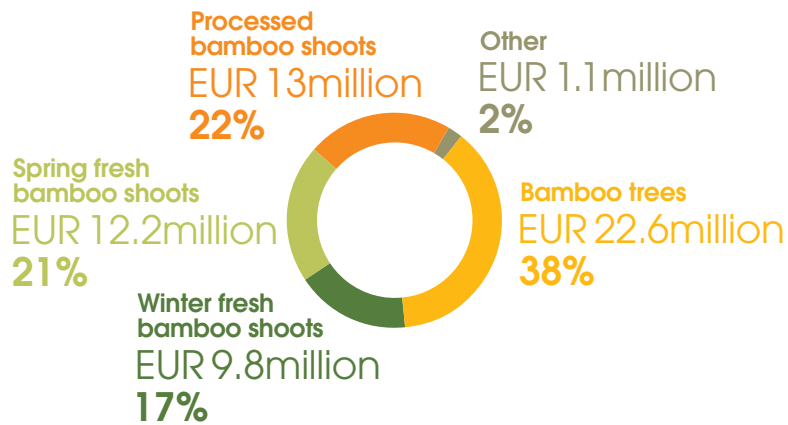
Turnover and adjusted net profit



Plantation size



Product mix in 2009



The year in summary



February

Entered into a strategic partnership with Shaowu Zhongzhu

18

February

Announced preliminary 2008 results and guidance for 2009

27

April

Announced first share buy-back programme

21

May

Announced Q1 2009 results

14

June

Supervisory Board meeting

04

August

Announced Q2 2009 results and raised guidance for 2009

13



September

Supervisory Board meeting
Signed a USD 15 million loan agreement with DEG

15

November

Announced Q3 2009 results

06

November

Selected as the 'Best Agriculture Enterprise Brand in Fujian Province'

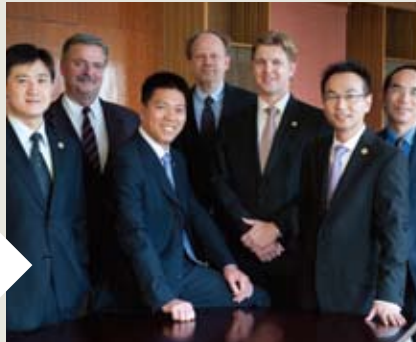
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April

Supervisory Board meeting

07



April

Announced FY 2008 results

17

June

Annual General Meeting
Announced second share buy-back programme

05

August

Obtained GLOBALGAP certification

03



September

Announced a lease of 3,000 ha (Sanming)

22

October

Raised EUR 25.5 million through a capital increase
Terminated the share buy-back programme

22

November

A central government plan for the development of the Chinese forestry industries was announced

03

December

Supervisory Board meeting

10

December

Announced a lease of 2,100 ha (Shaowu)

14

December

Our 'XRX' brand was accredited as 'Famous Trademark of Fujian Province'

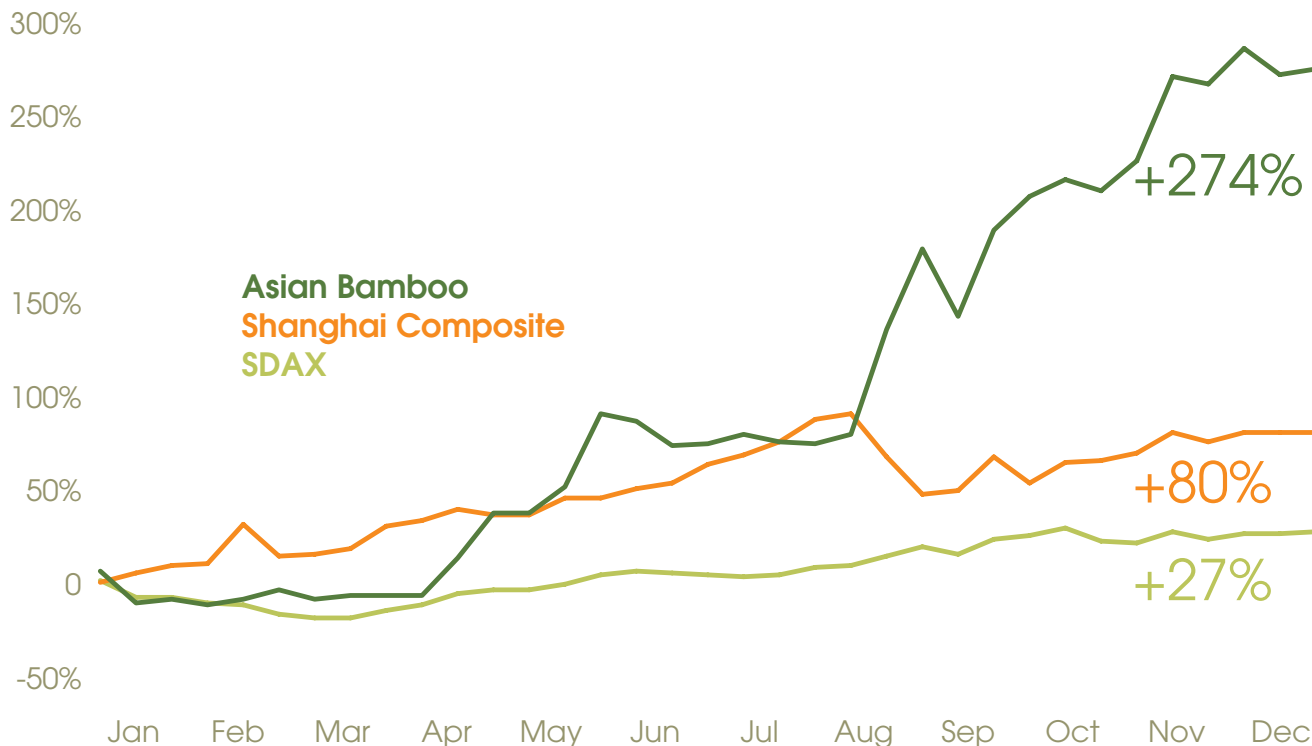
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Asian Bamboo stock and Investor relations

Share price and relevant index comparison chart

Jan - Dec



Supported by solid earnings, improved sentiment in the financial markets and a number of investor relations initiatives, our Company was one of best performing stocks on the main board (Prime Standard) of Deutsche Boerse in 2009, with a gain of 274%.

During the year, we launched two buy-back programmes and bought back a total of 129,900 shares for an average price of EUR 11.81. The stocks are currently kept as treasury stocks and are not included when calculating the EPS for 2009.

The significant paper gain on the purchases is not included in our P&L.

On 8 June 2009, we paid a dividend of EUR 20 cents per share for FY 2008, which roughly equals a pay-out ratio of 12% of the adjusted net profit in 2008. For FY 2009 we will suggest increasing the dividend by 50% to EUR 30 cents, which equals a pay-out ratio of around 15% of the adjusted net profit in 2009. Following the capital increase and placement by Green Resources on 22 October 2009, both the free float of the Company and trading in our stock increased.

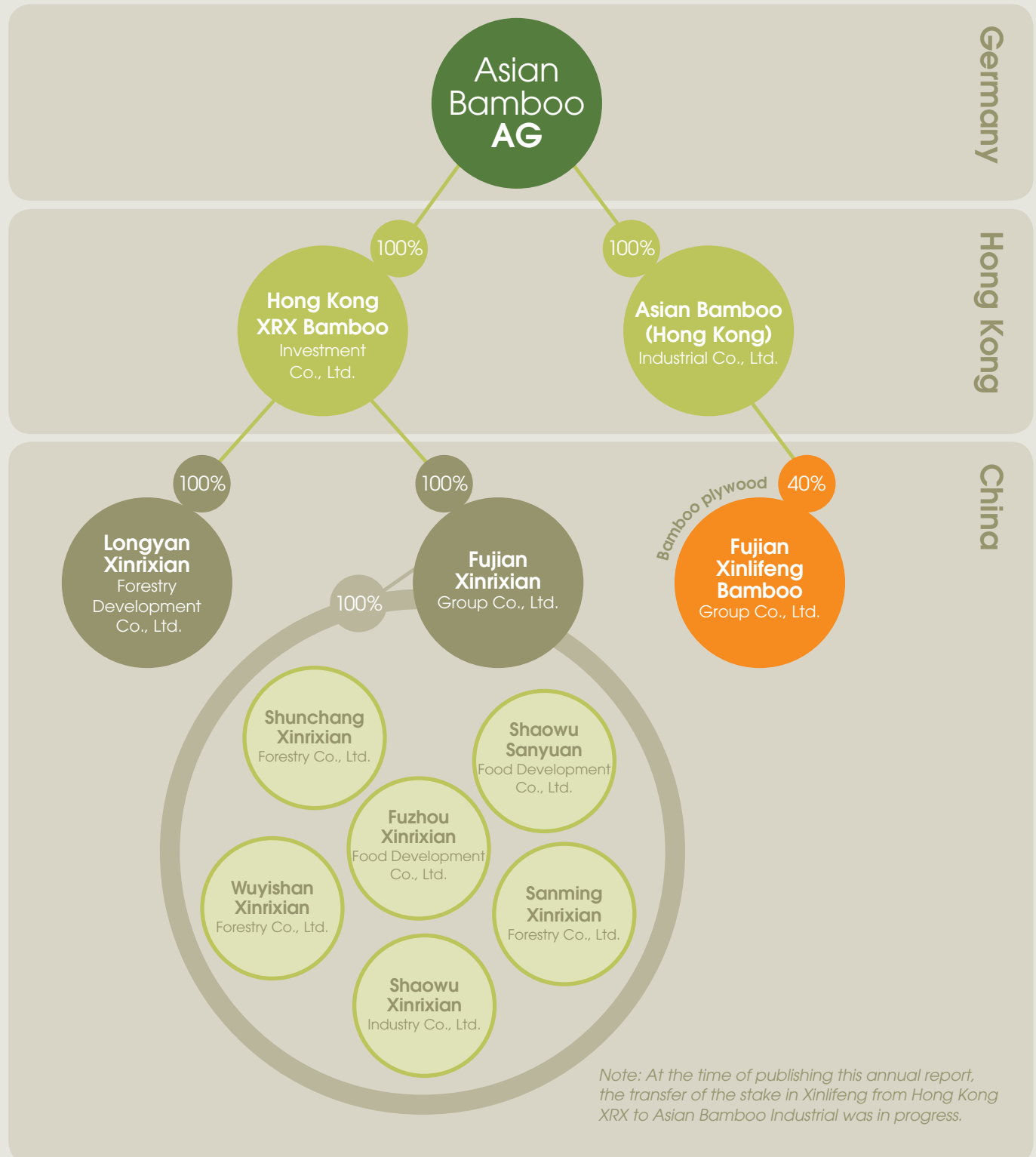
We participated in a number of road shows and conferences throughout the year. In addition, Asian Bamboo continued to receive positive news coverage, particularly in the German media. Furthermore, the following investment banks released research reports on our Company—Bank of China International, Liberum Capital, Sal. Oppenheim, SES Research and Silvia Quandt. The research reports issued by SES Research and Silvia Quandt can be accessed on our web-site.

Our FY 2008 annual report won several awards, including a 'Silver Award for Overall Annual Report' at the 2009 ARC Awards. On 31 December, we launched our improved website at: www.asian-bamboo.com/www.asian-bamboo.de.

As interest in our company from US-based investors has increased, we arranged in partnership with Deutsche Bank for our stock to be traded as an American Depositary Receipt ('ADR') beginning in January 2010. Investor interest in our company and our share price development has been encouraging and we will continue to strengthen our investor relations activities with the aim of further widening our shareholder base and achieving a premium valuation for our stock.

Corporate structure

Asian Bamboo AG, the group holding company, was incorporated on 13 September 2007 as a German stock corporation operating under German law. Directly under Asian Bamboo there are two wholly owned Hong Kong incorporated subsidiaries—Hong Kong XRX Bamboo Investment Co., Ltd. ('Hong Kong XRX'), under which all plantation leases are held, and the newly incorporated Asian Bamboo Industrial (Hong Kong) Co., Ltd. ('Asian Bamboo Industrial'), which is the designated holding company for investments in processing companies. All our operating companies are incorporated in China.



Management and Supervisory Board



Management Board

Jiang Haiyan
Lin Zuojun
Peter Sjovall

Management Board

Lin Zuojun

CEO and Chairman of the Management Board

Mr Lin has spent his entire career in the bamboo industry. In 1992, he started his own company which later developed into Asian Bamboo.

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 spent his entire career in sales, marketing and general management in Hong Kong and China. He joined Asian Bamboo as chief marketing officer in April 2006 and was promoted to COO in June 2008.

Mr Jiang is responsible for the daily operations of the group. He obtained an MBA degree from the University of Northern Virginia while studying at Peking University.

Peter Sjovall

CFO

Mr Sjovall has spent his entire career in financial markets, financial communications and management in Hong Kong and China. He joined Asian Bamboo as CFO in July 2008.

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.

Other key executives

Qiu Hai

Financial controller

Mr Qiu worked for one of the four largest accounting firms for 10 years before joining Asian Bamboo in June 2008.

As the Financial Controller, Mr Qiu is responsible for Internal Auditing and other financial affairs. He holds a BA in from Shanghai University and speaks English fluently.

Lin Yuanyin

Vice president

Mr Lin has more than 30 years of management experience in China. He joined Asian Bamboo in April 2006.



Other key executives

Weng Haifang
Lin Yuanyin
Qui Hai



Supervisory Board

Pan Chaoran
Wolfgang Jensen
Hans-Joachim Zwarg

As Vice President, Mr Lin is primarily involved in the development and administration of our bamboo plantations. He graduated with an associate degree in Enterprise Management from Fuzhou University.

Weng Haifang

General manager

Ms Weng has more than 10 years of experience in administration and human resources management working for publicly listed companies in China. She joined Asian Bamboo in December 2007.

As General Manager, Ms Weng is responsible for our human resources department. She graduated from the Central Radio and Television University with a BA in Economics.

Supervisory Board

Hans-Joachim Zwarg

Chairman of the Supervisory Board

Mr Zwarg has more than 30 years of management experience. He is currently a member of the Supervisory Board of HanseYachts AG and chairman of the Supervisory Board of ZhongDe Waste Technology AG.

Mr Zwarg graduated with a degree in business administration from the Georg-August-University, Göttingen, Germany.

Wolfgang Jensen

Deputy Chairman of the Supervisory Board

Mr Jensen has spent his entire career in the financial markets. Since 1998, he has been a Managing Director of the Investment Banking Division at Sal. Oppenheim jr. & Cie. KGaA.

Mr Jensen studied law at the Johann Wolfgang Goethe Universität, Frankfurt am Main, and passed the Second state law examination (2. juristisches Staatsexamen).

Pan Chaoran

Member of the Supervisory Board

Mr Pan is a food technology and science expert. He works as a professor at the Fujian Agriculture and Forestry University. In addition, he 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 a representative of the 12th Fuzhou People’s Congress.

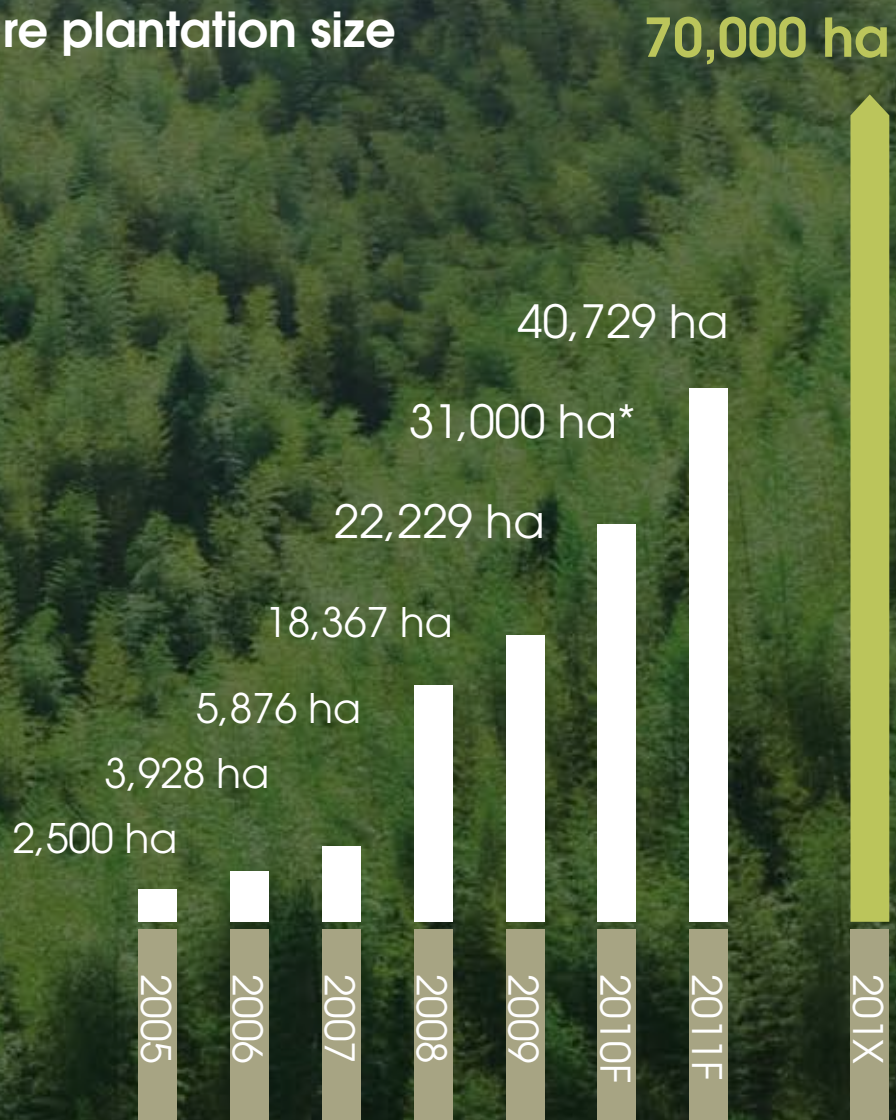
Mr Pan graduated from Jiangnan University with a Bachelor’s Degree in Industrial Fermentation.





Resource based

Total mature plantation size



* Note: The 2010 number is an estimated average mature plantation size during the year



Our plantations are the foundation of our business and increasing our mature plantation size is the single most important factor influencing our revenue and profit growth. Historically, there has been a near perfect correlation between our mature plantation size and our revenue and adjusted net profits. Since 2004 we have increased our total plantation size more than five fold and at the end of Q1 2010, we lease a total of 36,736 ha of plantations. In the longer term we aim to reach a total plantation size of at least 70,000 ha.

CEO's letter to shareholders



'We expect our mature plantation size to increase at a compound annual growth rate of 35% for the years 2010 and 2011.'

Lin Zuojun
CEO and Founder

Dear shareholders,

I am pleased to report strong growth in all aspects of our business in 2009. Our total revenue was up by EUR 14.8 million (34%), year-on-year, to EUR 58.6 million (2008 = EUR 43.8 million). Revenue per hectare increased by EUR 251 (11%) year-on-year to EUR 2,637 (2008 = EUR 2,386). The adjusted net profit was up by EUR 6.7 million (31%), year-on-year, to EUR 27.8 million (2008 = EUR 21.2 million). The adjusted net profit margin for the year was unchanged at 48%.

The solid increase in revenue and adjusted net profit was the result of the additional income derived from 3,862 ha of previously immature plantations which started to generate output and 11% higher revenue per hectare than in 2008. During the year total size of our plantations grew by 5,100 ha (19%) to 31,736 ha (2008 = 26,629 ha) and our mature plantations increased 3,862 ha (21%) to 22,229 ha (2008 = 18,367 ha).

Due to the sharp increase in the Company's share price in the second half of the year, we have booked an unrealised cost for Stock Appreciation Rights issued to certain key employees of EUR 1.8 million. Excluding this non-cash item, the adjusted net profit for the period was up 40% year-on-year to EUR 29.7 million and the adjusted net profit margin was 51%.

Developing our distribution channels has been one of our key priorities. On 18 February 2009 we entered into a strategic partnership with Shaowu Zhongzhu and on 11 January 2010 we acquired a 40% stake in Xinlifeng. In 2009 we sold around 20% of our bamboo tree output to Shaowu Zhongzhu and we expect this to continue in 2010. In addition, we expect to sell around 15% of our bamboo tree output in 2010 to Xinlifeng, which will take our total sales to our partner companies in 2010 to 35%. As for our bamboo shoot business, we plan to continue widening our geographical reach in China and further penetrate our established markets. In order to improve our sales to Japan, we are planning to create a JV with a Japanese partner, which we believe will enhance our image in the Japanese market and strengthen our ability to control the distribution channels.

To strengthen our financial position ahead of a phase of accelerated growth we conducted two major fund raising activities during the year, raising a total of around EUR 35 million. On 15 September we signed an agreement with Deutsche Investitions- und Entwicklungsgesellschaft mbH ('DEG') for a 7-year loan of around EUR 10 million. On 22 October, we raised around EUR 25 million through a capital increase. Following these fund raising activities, our current expansion plans for 2010 and 2011 are fully funded.

For the years 2010 and 2011 we expect to harvest from an additional 9,000 ha of mature plantations each year—around 31,000 ha in 2010 and 40,000 ha in 2011—which is equivalent to a compound annual growth rate of about 35%. Longer term, it is our goal to reach a total mature plantation size of at least 70,000 ha and an annual revenue and adjusted net profit growth rate of at least 30%. As a step towards this goal we have entered into an Investment Co-operation Framework Agreement with Longyan Municipal Government which will enable us to lease an additional 10,000 ha and set up processing companies in the area under attractive terms.

On 5 January 2010, Forbes China Magazine ('Forbes') released its yearly rankings of the fastest growing companies in China. Forbes assessed the performance of more than 8,000 listed and unlisted companies with a turnover of between RMB 5 million and RMB 1 billion based on three-year growth rates in revenue, net profit and return on assets. I was pleased to note that we were ranked as the 17th fastest growing company.

Looking ahead, we expect the Chinese economy to continue its rebound, mainly fuelled by growing domestic consumption. Beginning in December 2009, the Chinese consumer price index ('CPI') began to rise, particularly driven by food inflation. Therefore we expect that the average prices for our products to increase in 2010. Due to a combination of higher product prices and increasing sales to our partner companies, the performance in the first few months of the year has been better than forecast.

The Management Board and Supervisory Board will propose a dividend of EUR 30 cents, up 50% year-on-year, to be distributed in 2010. This equals a pay-out ratio of around 15% of our adjusted net profit, which is in line with the pay-out ratio last year. Finally, I would like to take the opportunity to thank you for your support throughout the year and we look forward to delivering strong results and further solidifying our leading position in the industry in 2010.



Lin Zuojun
CEO and Founder

CFO's interview



‘The return on our investments, and in the end our shareholder value, can only be maximised if longer term environmental and social considerations are taken into account.’

Peter Sjøvall
CFO

We invited Jon Marsh, an experienced journalist and former senior editor at the South China Morning Post, Hong Kong's largest English language newspaper, to conduct an interview with Peter Sjøvall, Asian Bamboo's CFO.

Asian Bamboo has now been listed for two years, could you summarise the experience?

Overall we are pleased with the way things are developing. Operationally our development has been stable despite the financial crisis and economic slowdown and this is now getting noticed by the financial markets. Our planning has always been long term and so far we are ahead of where we expected to be.

You raised funds during the year. Why did you go about it the way you did?

As soon as we met DEG we felt that there was potential for a great partnership. They have a deep understanding of China and their long-term lending strategy fits with our investment cycle.

As for the capital increase, our share price had reached a level where equity based fund raising was accretive and made sense. Furthermore, we felt that a capital increase could give institutional investors an opportunity to participate in our growth story and increase liquidity in our stock.

What are your growth and fund raising plans for the next few years?

Our current investment plans for 2010 and 2011 are fully funded and will result in a compound average growth rate in our mature plantation size of 35%. Thereafter we are forecasting a 30–35% yearly increase in the mature plantation size. We will be working out detailed expansion and financing plans for 2012–13 during the year.

Asian Bamboo's profit margins are unusually high. Do you think they are sustainable at these levels?

We expect our margins to be maintained at the current levels. At the moment we are benefiting from higher product prices and our key cost items, such as leasing and labour costs, are nearly fixed in the short to medium term. As a result of low absolute product prices and the heavy weight of bamboo trees long distance transportation is uneconomical. Therefore, there is limited competition and high entry barriers.

Is there a risk that your customers will ask for price reductions when they see your profitability?

There is an accepted price level in the market which we are aligned with. In addition to our key customers such as Zhongzhu and Xinlifeng, stable delivery and wood quality are more important factors than the absolute price. The fact that we have around 150 customers from a variety of industries also gives us a stronger bargaining position.

Do you see increasing competition?

So far we have not seen any major change to the competitive landscape. However, we believe that we are in the early stages of a long consolidation process in the bamboo industry and realistically there will be more than one company participating in this process. Under any circumstances, it is our goal to continue leading the consolidation process and to further solidify our leading position.

How important is environmental and social sustainability?

Very important! The return on our investments, and in the end our shareholder value, can only be maximised if longer term environmental and social considerations are taken into account. Ever since we began operating, improving the standard of living among the farmers in the countryside has been one of our key objectives.

You have now invested in Xinlifeng, which is your first investment in a processing company. Will there be more to come?

We expect to make additional investments in processing companies, which will be held under Asian Bamboo Industrial. However, I would like to point out that we are very cautious and we only consider investing in companies which are large consumers of bamboo trees, profitable and have great growth opportunities.

Report of the Supervisory Board



Dear shareholders of Asian Bamboo AG,

For most companies, the dominating theme last year was the financial crisis. Against this backdrop, we are pleased to observe that the Management Board, through its proven strategy of aggressively seeking business opportunities while maintaining a conservative balance sheet, successfully steered the Company to new highs and set the foundation for future growth. The Supervisory Board would like to thank all customers and shareholders for their trust in Asian Bamboo and all employees and the Management Board for their excellent work.

Working relationship between the Supervisory Board and the Management Board

In accordance with the statutory laws, the German Corporate Governance Code, the Articles of Association and the by-laws of the Company, the Supervisory Board fulfilled its duties and continuously supervised and advised the Management Board on the overall strategic development and on specific issues such as risk management. The Supervisory Board members received information, particularly about the corporate strategy and planning, investment projects and the equity and debt situation. The Supervisory Board also monitored the financial reporting process, the effectiveness of the internal accounting and control systems and the independence of the auditor.

At the beginning of the year, we defined our supervisory goals for the year. Particular focus was attached to the areas of strategic planning and risk management.

The Management Board and the Supervisory Board met four times during the year. In addition, there was a frequent

exchange of information between the two boards during the year and the Supervisory Board received relevant information from other key executives within the Company and third party experts and also made its own observations.

The Management Board informed the Supervisory Board regularly and comprehensively in a timely fashion, both orally and in writing, about the overall and specific developments of the Company. The Management Board's reports complied with section 90 of the German Stock Corporation Act (Aktiengesetz/ AktG). For all dealings which require the prior consent of the Supervisory Board, we received relevant information which enabled us to make a decision.

Meetings of the Supervisory Board 2009

In 2009, the Supervisory Board convened four meetings of which two were held in China. At all meetings the Management Board presented the latest financial and corporate developments, including year to date financial performance, cash flow predictions, a summary of key corporate activities and development and investment plans. In addition, the following key issues were discussed at the respective meetings:

7 April 2009

- Discussion of the auditor's report and the key aspects of the audit with the auditor present
- Adoption and approval of the individual financial statements as at 31 December 2008 and the management report for 2008
- Approval of the consolidated financial statement as at 31 December 2008 and the group management report

- Decision on the date and place of the 2009 AGM
- Discussion about and approval of the Corporate Governance Declaration and the Corporate Governance Report

4 June 2009

- Launch of the second share buy-back scheme
- Management Board report on discussions with DEG/KfW about a proposed loan agreement
- Preparation for the Annual General Meeting 2009

15 September 2009

- Approval of the DEG/KfW loan agreement
- Approval of a new plantation lease of 3,000 ha
- Discussion about fund raising alternatives

10 December 2009

- Approval of the basic business plan for 2010
- Preparation of the 2009 Annual Report
- Adoption of the financial calendar for 2010
- Approval of a new plantation lease of 2,100 ha
- Approval of the investment in Xinlifeng

All members of the Supervisory Board and the Management Board were present at all meetings during the year. In addition, telephone conferences and extraordinary meetings were convened. As the Supervisory Board comprised only three members in the business year 2009, no committees were constituted.

At the end of October, the Supervisory Board approved a capital increase of EUR 1.275 million. Board member Mr Wolfgang Jensen did not participate in this decision due to a conflict of interest as at the time he was a Managing Director of Sal. Oppenheim jr. & Cie KGaA, a company that was involved in arranging the capital increase.

Personnel Matters 2009

There were no changes in either the Management Board or the Supervisory Board in 2009.

Financial Statements 2009

BDO Warentreuhand AG, Germany, ('BDO') was appointed by the Supervisory Board as the Company's auditor following a decision at the AGM held on 5 June 2009. For the period 1 January–31 December 2009, as prepared by the Management Board, BDO audited the individual financial statements and the management report for Asian Bamboo AG, prepared in accordance with the German Commercial Code (HGB), and the financial statements and the management report for Asian Bamboo group prepared in accordance with the International Financial Reporting Standards ('IFRS') as adopted by the European Union and § 315a of the German Commercial Code (HGB). Following its audit, BDO issued an unqualified statement.

Pursuant to § 312 AktG, the Management Board also prepared a report regarding dealings with related parties for which the auditors issued the following unqualified audit opinion: 'In 2009,

no reports had to be made of any transactions or activities, which were initiated or carried out by the controlling shareholder – Green Resources Enterprise Holding Ltd. – or any company affiliated with the controlling shareholder, which were to the detriment of Asian Bamboo AG'. At the Supervisory Board meeting of 23 March 2010, drafts of the annual financial statements of Asian Bamboo AG and the consolidated financial statements were discussed in detail in the presence of the auditor. The auditor reported on the main results of the audit, the control and risk management system with regards to accounting and answered questions and provided supplemental information. The auditor stated that no conflicts of interest existed and that no other services had been provided.

Following our own examination of the drafts of the annual financial statements and the consolidated financial statements as well as the auditors' report which was presented to us at the Supervisory Board meeting, we raised no objections to the financial statements and the Management Report of Asian Bamboo AG, the consolidated financial statements, the report regarding dealings with related parties which is part of the Management Board's final declaration in this report and the auditors' report. The Supervisory Board monitored the auditing process and the preparations of the financial statements.

By an unanimous decision of the Supervisory Board on 29 March 2010, the audited accounts of Asian Bamboo AG and the consolidated financial statements of 31 December 2009, which contained no material changes to the drafts and were supported by an unqualified Auditor's report, were adopted.

Corporate Governance

At the Supervisory Board meeting on 23 March 2010, the Supervisory Board dealt with the recommendations of the German Corporate Governance Code up until 4 August 2009 and the changes announced on 5 August 2009. The Corporate Governance Declaration was discussed in detail with the Management Board and a declaration was announced in accordance with para § 161 AktG. The joint declaration from the Management Board and Supervisory Board was announced and made available on www.asian-bamboo.de/investor_relations/corporate_governance. The Management Board and Supervisory Board elaborate on the Corporate Governance Declaration in the Corporate Governance section of this annual report on p55.



On behalf of the Supervisory Board
Hamburg, Germany, 29 March 2009

Hans Joachim Zwarg
Chairman of the Supervisory Board

Our corporate and social responsibilities

Organic food accreditations



JAS
Organic Crop Improvement Association (OCIA) China www.ocia.com.cn/gsjj/gsjj.jsp

USDA National Organic Program (NOP)
Organic Crop Improvement Association (OCIA) China www.ocia.com.cn/gsjj/gsjj.jsp

EU2092/91 (Equivalency)
Organic Crop Improvement Association (OCIA) China www.ocia.com.cn/gsjj/gsjj.jsp

OCIA International
Organic Crop Improvement Association (OCIA) China www.ocia.com.cn/gsjj/gsjj.jsp

OFDC
Organic Food Development Center, SEPA of China www.ofdc.org.cn

IFOAM Membership
the International Federation of Organic Agriculture Movements (IFOAM) www.ifoam.org

The key areas of our corporate and social responsibility programme are:

- Food safety
- Human resources management
- Environmental protection
- The farming communities

Food safety

As a producer of organic food, the issue of food safety is one of our top priorities. Our bamboo shoots are 100% organic as we do not use any fertilisers and our plantations are located in remote areas where there are no polluting industries.

We conduct research into cultivation and food preservation at the Xinrixian Research Centre on the campus of Fujian Agriculture and Forestry University.

The bamboo shoots arrive at our processing factories less than 16 hours after being harvested and go through a sterilisation and cooking process without losing their natural taste and nutritional value. The processing of the organic bamboo shoots is in strict accordance with the highest food safety standards and we have obtained organic food accreditations in China, Japan, Europe and the US.

In August 2009, Fujian Xinrixian, a wholly owned subsidiary of Asian Bamboo and the group's operating company, received the GLOBALGAP certification. The certification process was carried out by the renowned Swiss based company SGS. GLOBALGAP (GAP is an abbreviation for Good Agricultural Practices) is a private sector body which sets voluntary international standards for the certification of agricultural products. It is a key reference in the market place and the certification is subject to a three year revision cycle and requires continuous improvements in line with technological and market developments. Fujian Xinrixian is the first company in Fujian Province, and only the second company in China, to have achieved this certification for its bamboo shoots.

Human resources management

Our employees play a vital role in the success of our company. We therefore ensure that all employees are treated fairly and with dignity in an environment which fosters personal and professional development. Our compensation scheme is tied to experience and performance and we provide training and personal development programmes for employees at all levels. In accordance with 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.



Our corporate values, employee benefits, safety arrangements as well as employee and corporate responsibilities towards the environment and society are all summarised in our 67-page employee handbook which is given to all employees when they join our Company. The Group has not experienced any strikes, labour disputes or difficulties in the recruitment and retention of experienced staff. Therefore, the management team concludes that the Group has a good working relationship with its employees.

The Management Board believes that our employees will provide the basis for future growth. Therefore, training for all staff is closely monitored by the senior management of the Group and professional institutions are brought in to provide

specialist expertise. During the year we carried out 66 training sessions in a variety of areas, including occupational health and safety, team spirit and leadership, corporate and social responsibilities and quality control. We also conducted a number of social events such as an 'Outward bound weekend', 'Children's day', 'Summer party' and an 'Annual party'.

Our employees are entitled to receive training organised by the Company and third party institutions within the areas of general business training, specific working skills training and general study and training. The Company contributes 40-50% of the total fee for training which is not arranged by the Company and which is not directly work related.

Furthermore, all employees receive our company newspaper, The Bamboo Road, on a regular basis. It contains articles linked to corporate news, our corporate values, political and economic developments and employee news. In addition, we hold 'Advice and Feedback Meetings' and we have set up the Chief Executive's Mailbox in order to encourage feedback from employees at all levels.

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 team and employees. During the year, 15 employees received financial support from the fund.

Environmental protection

Asian Bamboo is committed to environmental protection and we have adopted a 'Close to Nature Forest Management' policy. We are working with our partners and local villages to not only improve the efficiency of the agriculture industry, but also the living standards of farmers through sustainable growth. All employees are responsible and accountable for operating in an environmentally responsible manner. We do not use any fertilisers and according to an independent third party study carried out by forestry consultants Unique GmbH ('Unique'), a German based company, our yearly harvest volumes are within long-term sustainable ranges.

According to the same study, as a result of our plantation management the average density of bamboo stands has, on average, increased from less than 1,500 culms/ha to 1,965 culms/ha, at the same time as the average culm diameter has increased from less than 8 cm to 9.6 cm. To enhance sustainable management, we have set up a scientific bamboo research centre to develop planning and management systems for the plantations, such as identifying and marking areas of high ecological sensitivity.

The Unique report concluded that: 'The expert team generally received a very positive impression concerning the management of the bamboo plantations by the Company with regard to environmental compliance and performance. Becoming involved in the villages as an important stakeholder in local natural resource management, the Company plays and will play a key role in local rural development.'



The farming communities

The Chinese government has in various policy documents repeatedly stressed the importance of developing the agriculture industry and the rural areas in China. As our business is directly supporting the modernisation of the agriculture industry and helps to increase farmers' income, we are supporting the local governments in achieving their goals. 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 August 2008.

An independent CSR study carried out by the Institute of Contemporary Observation ('ICO'), a firm specialising in social risk management, showed that the farmers in the areas where we operate are pleased with the lease structure, as the compensation received from Asian Bamboo is higher than the revenue they would otherwise generate themselves. On average 70% of the lease payment goes directly to the farmers, with the remaining 30% being used to fund local infrastructure investments, including the construction of roads and hydroelectric power stations. The payments going directly to the farmers are often used to fund housing or education, in turn improving living conditions and enabling future generations to receive better schooling.

In light of the relatively low skill levels among farmers in China, the Group has engaged specialists in the bamboo industry to provide 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 which, in turn, improves the overall economic benefits of cultivating Moso Bamboo. We also support educational efforts in the areas where our plantations are located by donating books and stationery supplies to the village primary schools.

During the year, we made a number of contributions in the areas where we operate, including the financing of the construction of two country roads with a total length of 31 kilometres, repair work on school buildings, donation of school supplies and giving out gifts and festive goods at the Lunar New Year.

On 23 March 2010, we launched the Xinrixian Village Development Fund ('The Fund') in order to further co-ordinate and strengthen our Corporate and Social Responsibility activities. The Fund will financially support worthwhile projects in the regions where we operate, with the aim of improving living conditions and quality of life for farmers in the following key areas:

- Infrastructure projects
- Building and repairing schools
- General aid to underprivileged farmers who are unable to work

Fuzhou Giant Panda Research Centre

In January 2010, Asian Bamboo became a sponsor of Fuzhou Giant Panda Research Centre, the second largest centre for panda protection and research on panda reproduction in China. As a sponsor we will provide financial support and supply fresh bamboo shoots for a period of at least two years. The pandas' diet consists mainly of bamboo and they can eat up to 30 kg of food a day.

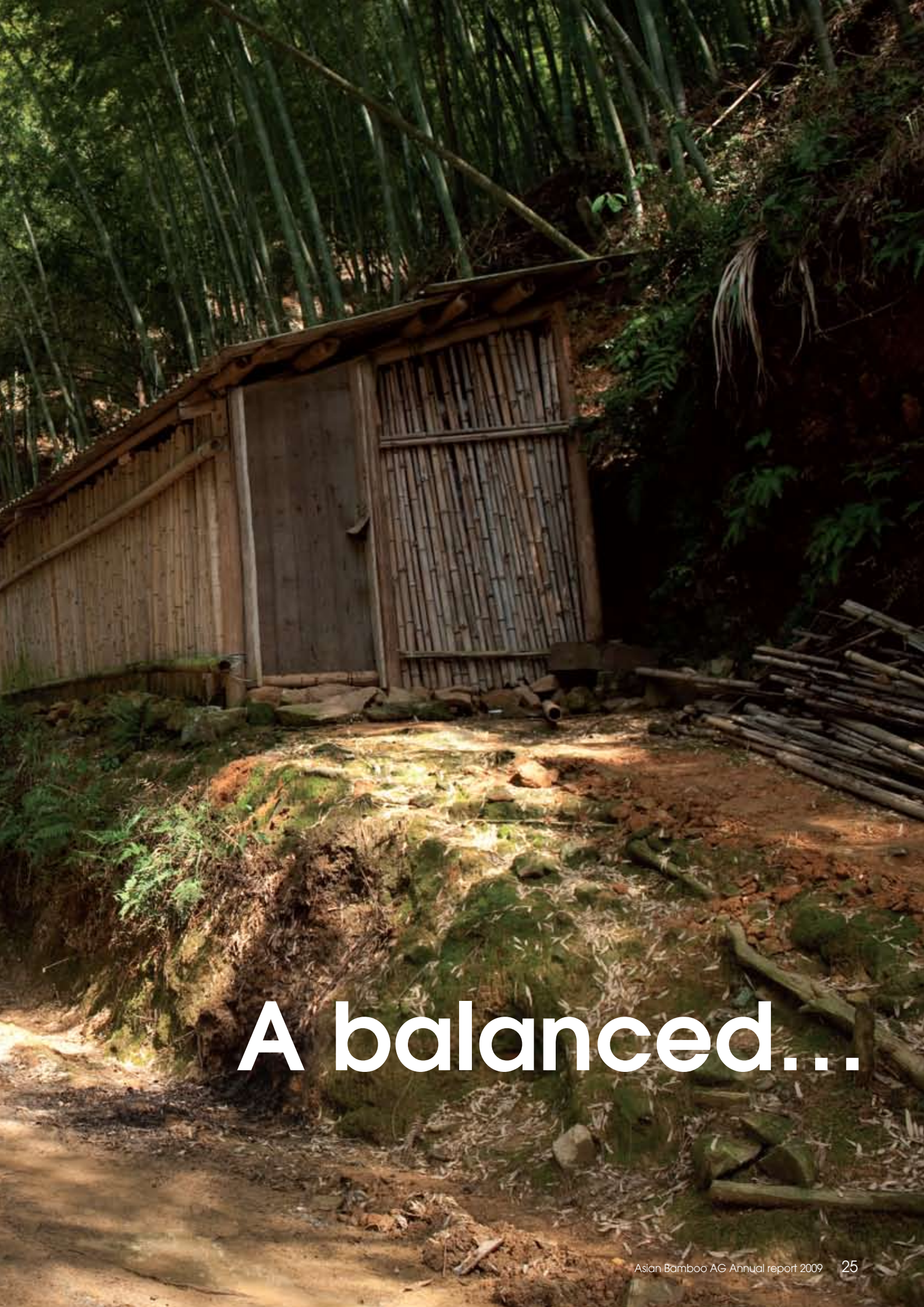
Aiesec Hamburg

We are a corporate partner of Aiesec, an international student organisation that engages in international exchange and internship programmes. We offer two internships at our office in Hamburg and will also sponsor a workshop on 'Corporate and social responsibilities for listed companies' to be held for students at the Hamburg University in the second half of 2010.

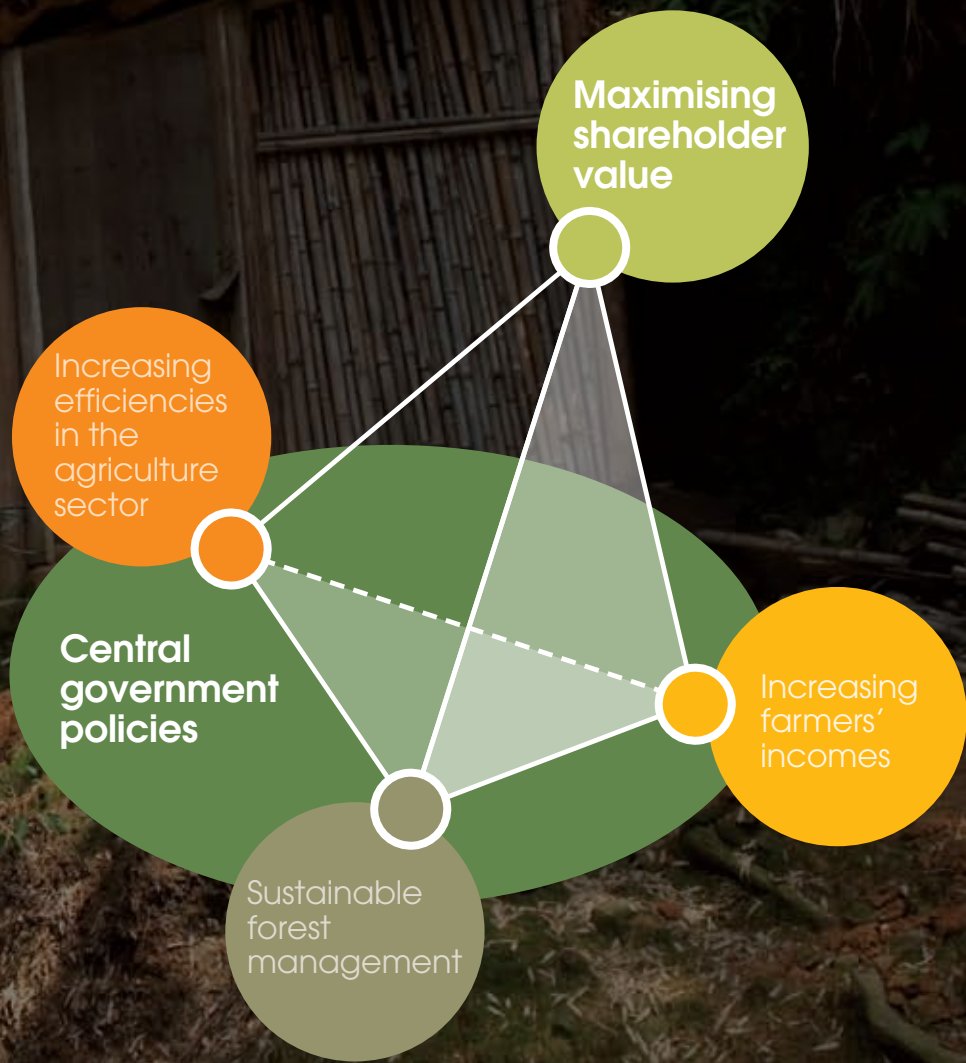


Xiao Qing, a female panda at the research centre, is 15 years old. Her diet consists mainly of tender bamboo leaves and fresh bamboo shoots





A balanced...



approach



As a National Key Flagship Enterprise, Asian Bamboo plays an active role in the development of the agriculture industry and the communities where we operate. By generating operational efficiencies and increasing the yield from our plantations, we can both generate a high return to our shareholders and raise the farmers' incomes. Our 'Close to Nature Forest Management' policy, which is carried out without the use of fertilisers and irrigation, secures the long-term sustainability of the plantations. We are proud to have launched our Xinrixian Village Development Fund, which will provide financial support to the villages where we operate.

Lin Yuanyin
Vice President

Bamboo and our plantations



Bamboo is a perennial evergreen plant in the grass family Poaceae, belonging to the sub-family of Bambusoideae. There are between 1,100 and 1,500 species of bamboo worldwide of which around 500 can be found in China. Moso Bamboo grows up to 120 centimetres in 24 hours and to a height of 24 metres in 40 to 50 days, which makes it one of the fastest growing plants. Bamboo spreads mainly through its rhizomes (roots), which can spread widely underground and sprout new culms (shoots) which break through the surface.

Moso Bamboo is particularly abundant in Fujian Province due to a combination of the province’s mountainous terrain and climate conditions. The total size of the Moso Bamboo forests in Fujian province is around 830,000 ha, equivalent to 28% of China’s total Moso Bamboo forest area (3 million ha).

As a result of the supply of high quality raw material, a critical mass of bamboo-related processing industries has developed in Fujian province. These companies create a web of interlinked business

which generates economies of scale and lower transportation costs. Most of our bamboo trees go to processing factories located close to our plantations. In addition, around 180 million people live in Fujian, Zhejiang, Jiangsu and Shanghai, creating huge demand for locally-grown bamboo shoots.

Most of our plantations are in the north-western part of Fujian, in or near the Wuyi-Daiyun mountain range. The key criteria for selecting the plantations are location, size, soil conditions, tree density, age profile, quality of the trees, price and payment terms. Our plantations are 100% organic as the bamboo leaves function as a natural fertiliser. In addition, we do not use any irrigation.

At the end of 2009, we had a total plantation size of 31,736 ha. Following the lease of 5,000 ha on 1 February 2010, we own long-term leasing rights for 29 bamboo plantations with a total size of 36,736 ha. In the second half of 2010 we plan to lease an additional 4,000 ha, which will take the total plantation size to more than 40,000 ha.

Asian Bamboo plantation list

Mature plantations

| Location | Area (ha) |
|-------------------------|---------------|
| Shaowu ① | 15,942 |
| Sanming ② | 1,913 |
| Shunchang ③ | 4,374 |
| Sub-total mature | 22,229 |

Immature plantations

| Location | Area (ha) |
|---------------------------|--------------|
| Shaowu ① | 2,107 |
| Sanming ③ | 3,000 |
| Wuyishan ④ | 1,685 |
| Guangze ⑤ | 2,715 |
| Sub-total immature | 9,507 |

Total plantation size 31,736 ha

New plantation leases generally generate limited output the first year of the lease as some preparation work needs to be carried out before harvesting can begin. From an accounting point of

view, new leases are therefore classified as immature until they start generating output.

Revenue per hectare (2009)

Bamboo trees + Bamboo shoots



Bamboo trees
EUR 1,015
38%



| | | | | |
|---|---|--|---|--|
| Processed shoots EUR 583 22% | + | Fresh spring shoots EUR 547 21% | + | Fresh winter shoots EUR 442 17% |
| = EUR 1,572 60% | | | | |



Other
EUR 50
2%

Total revenue =
EUR 2,637
(2008 = EUR 2,386)

Note: Fresh spring shoots also include dried shoots

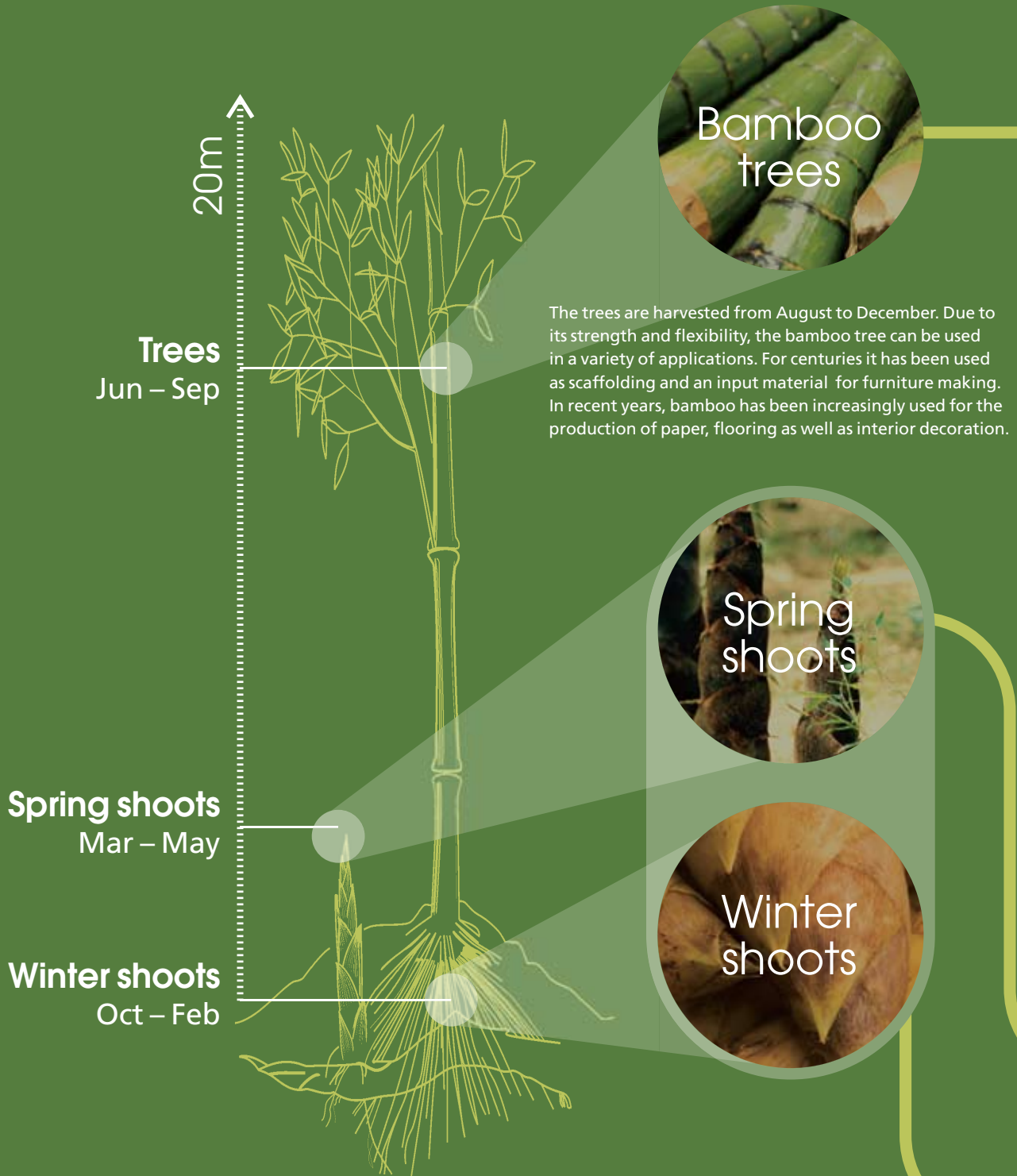
Plantation yield

As we are harvesting 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

third to fifth year after the quality of the tree has improved. Harvesting volumes tend to be stable and the yield numbers are mainly affected by the product mix and product prices. In 2009, we generated a total turnover of EUR 2,637 per hectare of mature land, up EUR 251 (11%) year-on-year (2008 = EUR 2,386).

Our business model

Plantation



We can harvest both a winter shoot and a spring shoot from the same root. Winter shoots are mainly harvested between November and February and spring shoots in March and April. During the summer months spring shoots which have not been harvested grow into 20 metre high trees. At its fastest pace the bamboo tree grows more than 100 cm in one day. Our plantation management is in strict accordance with the organic food requirements and standards of the "GLOBALGAP" (Good Agriculture Practices).

Vertical integration

35%

Partner companies



Shaowu Zhongzhu Paper Mill

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.



Xinlifeng Bamboo plywood

Compared to wood templates, bamboo templates are stronger and more water resistant. Bamboo templates have been used in many significant projects such as the Beijing Oriental Plaza and Beijing Capital Airport.



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.



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.



Miscellaneous

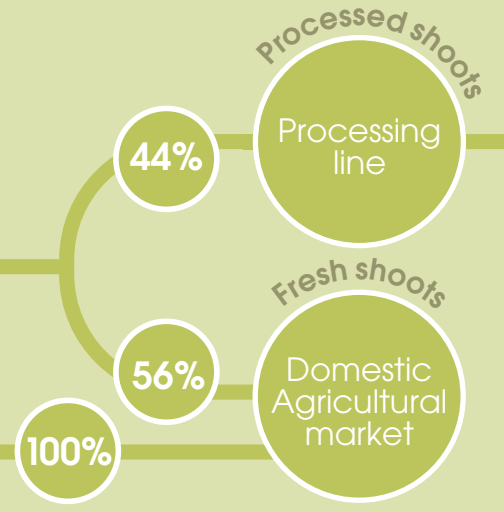
Bamboo wood can be used for a variety of other applications including textiles and charcoal.

65%

Other industries

Industry

Agriculture



Winter shoots

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.



Exports 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

In 2007, we started selling our processed bamboo shoots in China and today this business accounts for more than 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 our own brand name 'XRX'.

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 'HACCP'.





Growing...

Bamboo trees: Sales to our partner companies



together



In parallel with expanding the size of our plantations, we are also growing our distribution channels through partnerships with major processing industries which use bamboo trees as an input material. This means that we are both growing the market for our bamboo trees and securing large sales volumes. We currently have a strategic partnership with Shaowu Zhongzhu (paper mill) and own a minority stake in Xinlifeng, a major producer of bamboo plywood. Both these two companies are new customers, which we expect will take up around 35% of our total bamboo tree production in 2010. Longer term, we expect to add more industrial partnerships and that the percentage of sales of our bamboo trees to our industrial partner companies will reach 50%.

Business review



‘With the exception of export sales to Japan, all aspects of our business performed well in 2009 and we managed to further adjust our product mix in favour of higher margin products.’

Jiang Haiyan
COO

Operational highlights in 2009

- Our plantation lease programme is ahead of schedule and the revenue per ha increased by 11% year-on-year
- Our co-operation with Shaowu Zhongzhu (paper mill) has been mutually very beneficial. During the year we sold around 20% of our total output of bamboo trees to this company
- We were particularly successful in growing our business in Zhejiang province, which took up 20% of our total sales during the year (2008 = 17%).
- We continued to shift our product mix in favour of fresh products, thereby expanding our margins. The percentage of our spring shoot harvest which was sold fresh increased to 54% (2008 = 44%)

Operational goals for 2010

- Secure plantation leases with the aim of reaching our longer term goal of a total plantation size of at least 70,000 ha
- Enter into additional industrial partnerships
- Expansion into Jiangxi and Hunan provinces. Further penetration of existing markets
- Further increase the percentage of spring shoots which are sold fresh to 60% (2009 = 54%)
- Increase the percentage of fresh winter shoots which carry our 'Xinrixian' label to 50% (2009 = 30%)
- Increase sales to the Japanese market by 50% to 600,000 cans (2009 = 400,000 cans)

Market overview

The positive trends which have been supporting our industry in previous years were maintained in 2009. Consumers continued to shift their preferences towards organically grown vegetables and sustainable materials resulting in significantly increasing demand for our products. In addition, the Chinese government continued to support and promote the development of environmentally friendly low-carbon industries.

As a result of improvements in processing technologies, bamboo wood is now increasingly used as a raw material for the construction, transportation, decoration, furniture, light industry, papermaking and textile industries.

During the year, we further solidified our leading position in the industry by generating economies of scale, growing our customer base, integrating vertically and moving our product mix towards higher margin products, which means that our business model and scale become increasingly difficult to duplicate.

Our aggressive expansion pace serves a dual purpose of both maximising shareholder returns in the medium term and cementing our leading market position in the longer term.

We view the following key points as our main areas of differentiation:

- Substantial operational cash flows due to our large business operations and high margins

- Access to international funding, both debt and equity, as a result of our financial and corporate governance track record as a listed company
- An existing stock of long-term and stable customer relationships, with new key relationships being added.
- Owning the leasing rights to 29 high quality plantations with prices locked in at attractive levels
- Ability to negotiate and secure plantation leases and plantation labour based upon our operational and CSR track record
- Outstanding plantation management skills and research and development capabilities
- Experienced, professional, and international management team with diverse backgrounds and complementary skills

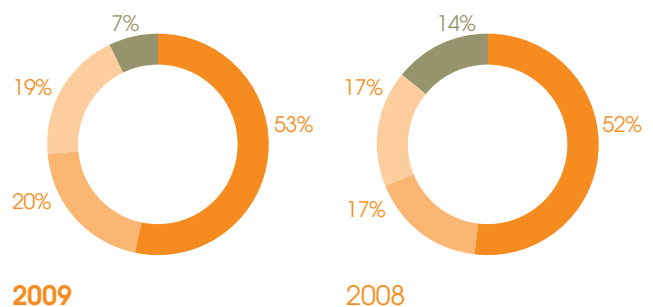
In addition to the awards and certifications we had already received such as National Key Flagship Enterprise, organic food accreditations in China, Japan, EU and the US, 'ISO9001', 'HACCP' and 'GLOBALGAP', we have won a number of additional awards and certifications during 2009 and early 2010, such as:

- Best Agriculture Enterprise Brand in Fujian Province
- Hi-tech Enterprise
- 17th fastest growing company in China (Forbes China Magazine)
- Fujian Famous Brand

Geographical breakdown of our business

Fujian Province continues to be our most important market but we are growing our sales in other Chinese provinces at a faster pace than in Fujian. Our fastest growing markets are Zhejiang Province and Shanghai due to strong demand and our ability to locate agents and wholesalers. In 2010, we aim to enter two new markets, Jiangxi Province and Hunan Province.

| | 2009 | 2008 | Y-O-Y |
|------------------------------------|---------------|--------|------------|
| Fujian Province | 31,357 | 22,740 | 38% |
| Zhejiang Province | 11,943 | 7,634 | 56% |
| Other Chinese cities and provinces | 11,190 | 7,376 | 52% |
| Export | 4,131 | 6,081 | -32% |
| Total | 58,621 | 43,831 | 34% |



Fujian province
Zhejiang province
Other cities and provinces
Export

Our business: Bamboo shoots

DISTRIBUTION OF SPRING SHOOTS

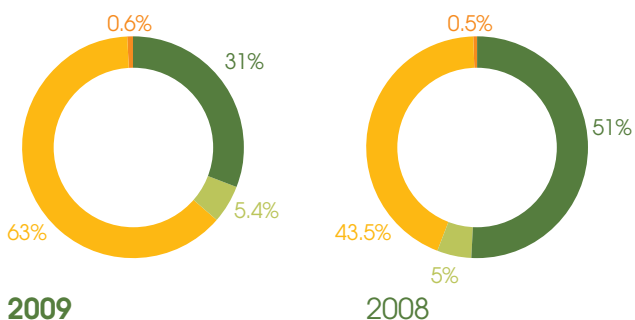
| | 2007 | 2008 | 2009 | 2010F |
|------------|------|------|------|-------|
| Sold fresh | 17% | 44% | 48% | 63% |
| Processed | 83% | 56% | 52% | 37% |

Moso Bamboo shoots, with their great taste and high nutritional content, are widely used in Chinese, Japanese and Asian cuisine. There are three key products, winter shoots, spring shoots and processed shoots. Nearly all of our winter shoots are sold fresh and we process around half of the spring shoot harvest. All our fresh products are sold in China and in 2009 we exported around 40% of our processed shoots.

During the year, we adjusted our product mix in favour of fresh products, which have higher margins. We also shifted sales of processed shoots away from the Japanese market, which experienced a decrease in demand, to the domestic market.

Distribution of fresh bamboo shoots

Our fresh products are mainly sold in cities through wholesale markets such as the Agricultural Product Trading Centres. Around 90% of our fresh winter shoots and spring shoots are sold in the south-eastern provinces of Fujian, Zhejiang, Jiangsu and the city of Shanghai. The Guangdong market is also important, particularly for winter bamboo shoots. Naturally, Fujian province is our most important market overall.



Japan
Domestic industrial buyers
Domestic wholesale
Domestic supermarkets

Distribution of processed bamboo shoots

In the early days we exported all our processed bamboo shoots to Japan but in 2007 we began selling them in China too. Since then, the Chinese market has grown tremendously while the Japanese market has been contracting. Today, our domestic sales greatly exceed our export sales.



Our products are sold in supermarkets in Fuzhou under our brand name 'XRX'

The domestic market

In the domestic market, key sales areas include Beijing in addition to Fujian, Zhejiang, Jiangsu and Shanghai. We have also started to sell processed bamboo shoots in the northern provinces of Liaoning and Shandong.

Through sales agents mainly located in Beijing, Shanghai, Jiangsu and Fujian, we are selling processed shoots to bulk users, including hotels, restaurants and hospital canteens.

Industrial buyers reprocess our fine-processed bamboo shoots and sell them under their own brand names.

We are also 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 32 supermarkets and we expect to increase this number in 2010.

The Japanese market

A small number of Japanese companies produce bamboo shoots but the comparatively high labour costs result in higher prices compared to China. We began exporting to the Japanese market in the early 1990s and estimate that we are the largest Chinese exporter of bamboo shoots to Japan. We have obtained the Japanese organic food certification 'JAS'.

As a percentage of our total processed bamboo shoots, the Japanese market decreased from 50% in 2008 to 31% in 2009. Despite this, we estimate that we maintained our market share. In order to gain market share and reverse the negative trend, we are planning to enter into a JV with a Japanese trading company, which will enable our processed bamboo shoots to be packaged in Japan. We believe the JV will also enable us to better control the Japanese distribution channels. In 2010, we expect to increase our sales to the Japanese market by 50% to 600,000 cans (2008 = 400,000 cans).

Our business: Bamboo trees

All parts of the bamboo tree can be used. For example, the upper, thinner section, can be used for large volume and low value added production such as pulp and paper and chopsticks. Chopsticks are generally made out of white birch or bamboo and are almost entirely produced in China. It is estimated that 123 million pairs of chopsticks are used in China every day, which adds up to a total yearly consumption of 45 billion pairs.

The lower and thicker section can be used in relatively high value added production such as furniture and flooring. With rising disposable incomes in China and a growing interest in bamboo based products all over the world, demand for these types of products is increasing. As we grow our distribution channels, we also improve our ability to maximise the value of our output.

We are increasingly aiming at forging strong relationships with a few key customers. As part of this development, we entered into a strategic co-operation agreement with Shaowu Zhongzhu (paper mill) and invested in Xinlifeng (plywood manufacturer). We believe that by working closely with these companies we can secure the distribution channels for our output and help to grow these industries so that overall demand increases.

Below, we list the key industries we are selling to and also give you some background information about industries which may become more important in the future. We are seeing particularly good potential in the construction and decoration industries.

Key customers and industries

We are primarily supplying bamboo to the following industries:

- Pulp and paper–Shaowu Zhongzhu
- Plywood–Xinlifeng
- Construction and interior decoration
- Flooring
- Furniture

Pulp and paper–Shaowu Zhongzhu

Bamboo has been used for centuries to produce paper in China. The earliest surviving examples, written in ink on string-bound bundles of bamboo strips, date back to the fifth century BC during the Warring States period. Bamboo or wooden strips were the standard writing material during the Han dynasty (206 BC-220 AD). The bamboo tree is rich in slender and elongated fibre, which is a suitable raw material for pulp and paper production. At present, China is able to produce smooth offset paper, tracing paper, cap paper, typing paper and special strength industrial paper.

China is today the second largest paper and pulp market in the world behind the US market. However, China's per capital consumption of 50 kg in 2006 is below the world average of 60 kg and well below developed nations such as the US (310 kg)



Pulp and paper production

and Japan (245 kg). The pulp and paper industry in China has experienced an annual compound growth rate of 8.6% during the past decade. Bamboo based pulp and paper currently accounts for less than 1% of the total industry output.

The PRC government is actively promoting non-wood paper pulp production from bamboo. Third party experts estimate that four tons of bamboo can produce one ton of paperboard and the unit cost for manufacturing one ton of paper pulp from bamboo is 30% lower than that of pine, while the paper quality is almost the same. Relatively younger bamboo and bamboo trees of lower quality, in terms of width and straightness, can be used for pulp and paper production.

Our strategic partner, Shaowu Zhongzhu ('Zhongzhu'), is one of the largest bamboo based pulp and paper companies in China. Its factory, which occupies 858,000 square metres of land, is located in Shaowu city close to many of our plantations. The company has received approval to increase capacity significantly from the current level of 65,000 tons to 150,000 tons. Zhongzhu has a total of 700 employees.

During 2009 we sold around 20% of our total bamboo tree harvest to Zhongzhu and we expect to maintain the same ratio in 2010. As our output in 2010 is increasing, it means that we will sell a larger absolute amount of bamboo trees to Zhongzhu in that year. We supply around 25% of the total raw material needed for Zhongzhu's production. As the quality of the bamboo tree is less important for pulp and paper production, we sell relatively younger bamboo trees and bamboo trees of

lower quality, in terms of width and straightness, to Zhongzhu. These bamboo trees would otherwise be hard to sell to other industries.

Plywood–Xinlifeng

Xinlifeng is a leading producer of bamboo templates in China. Following our investment in the company, it plans to increase annual production capacity from the current level of around 40,000 cubic metres of bamboo plywood to 65,000 cubic metres by the end of 2010. The company is expected to have a turnover of RMB 90 million in 2009 and RMB 150 million in 2010. In the longer term, Xinlifeng aims to increase export sales and the company is currently setting up a sales office in Australia, which will become the company's first market outside China.

Compared to templates made from other types of wood, bamboo templates are stronger and more water resistant. In addition, their smooth surface and large size speed up the building process and bamboo templates have a longer service life as both sides can be used repeatedly. Bamboo templates have been used in many significant construction projects such as Beijing Oriental Plaza, Beijing Capital Airport and the China Millennium Monument. The estimated total size of the bamboo template market in China is around RMB 10 billion, which is equal to around 50% of the total template market size.

Xinlifeng's factories are located in Yong'an and Lianchen in Fujian Province, close to our plantations in Sanming and Longyan. We expect to sell around 15% of our total bamboo tree production in 2010 to Xinlifeng, which is equivalent to around one third of the company's total demand. In the future, we expect that our sales to Xinlifeng will increase in absolute terms.

Construction and interior decoration

Bamboo has long been used as scaffolding and is still used to help build skyscrapers all over Asia. As a rule of thumb, bamboo scaffolding is the preferred choice for building up to 30 storeys, which make up the vast majority of all construction projects. In China, bamboo is used to hold up simple suspension bridges, either by making cables of split bamboo or twisting sufficiently pliable bamboo together.

As a result of advancements in scientific research and improvements in production technology, bamboo wood is being increasingly used in construction (building templates) and interior decoration (veneer and flooring) in China. For example, the Shanghai World Expo, the new headquarters of China's leading real estate company–China Vanke Real Estate–as well as the headquarters of leading internet company Alibaba all contain bamboo veneer and bamboo flooring.



Plywood manufacturing



Bamboo used for scaffolding



Flooring

Flooring

Bamboo can also be cut and laminated into sheets and planks. This process involves cutting stalks into thin strips, planing them flat, boiling and drying the strips which are then glued, pressed and finished. China's wood flooring industry has witnessed a boom since the early 1990s due to robust urban construction, increased expenditure on home decoration and unrelenting demand from the construction industries in developed nations.

Growing awareness of hardwood shortages, the environmental impact of deforestation and forest certification programmes are all contributing to the attractiveness of bamboo as a substitute product in flooring markets. Therefore, bamboo represents one of the fastest-growing segments of the wood flooring industry.

Around half of bamboo flooring production in China is exported, mainly to Europe and North America. Wood-based panels are subdivided into three main categories—plywood (higher value), particleboard and fibreboard.

Furniture

Moso Bamboo is used for a variety of items in the furniture sector, such as chairs, tables, curtains and mats. The Chinese furniture industry has seen a sharp increase in demand over the last ten years as a result of growing urbanisation and government support for residential housing.



Furniture

Secondary industries

Industries with great potential and growing demand are:

- Textiles
- Charcoal

Textiles

As consumers pay more and more attention to health and environmental issues, there is an increasing demand for green and ecological textiles. Bamboo, along with cotton, ramie, wool and silk, is a natural fibre. Bamboo fibre products such as underwear, socks, T-shirts, bath towels, bathrobes, pillows and bed sheets have gained in popularity.

There are two methods by which bamboo can be processed into fibre, both developed in China. The first is a mechanical process similar to that used to process flax or hemp; the stalks are crushed and natural enzymes break them down further, allowing fibres to be combed out. The other follows the process by which rayon is made, where the fibres are broken down with chemicals and extruded mechanically.



Bamboo clothing collection from Shanghai Standard
www.shanghaistandard.com

Bamboo fibre stands out in terms of its breathability and coolness. Because the cross-section of the bamboo fibre is filled with various micro-gaps and micro-holes, it offers outstanding moisture absorption and ventilation and is particularly suitable for tropical climates or summer wear. Tests show that clothes made from bamboo fibre are 1-2 degrees Centigrade cooler than apparel made from other products.

In addition, SGS (Societe Generale de Surveillance S.A), a world leading testing and inspection agency, has confirmed that bamboo fibre is more efficient than cotton at killing off bacteria. Bamboo fibre also contains sodium copper chlorophyllin, an effective deodoriser. According to tests carried out by the Shanghai Institute of Physics, which is part of the Chinese Academy of Sciences, bamboo fibre also prevents UV radiation effectively without causing skin allergies. Anti-UV tests show that the UV penetration rate is only 0.06%, which is 417 times lower than that of cotton.

Charcoal

Bamboo charcoal is made from bamboo trees which are five years or older. The bamboo wood is burned inside an oven at temperatures over 800° C under oxygen-free conditions. Apart from cooking, bamboo charcoal can be used for reducing odours, purifying air and water and also as a dehumidifier. It also has high mineral content, including Calcium, Potassium, Sodium and Iron. Drinking water sterilised with chlorine can be treated with bamboo charcoal to remove the residual chlorine and chlorides. There is also a possibility that bamboo charcoal can replace traditional coal used in power plants and we are currently reviewing the potential of this business.

Research and development

In order to maintain our competitiveness, Asian Bamboo Group places great emphasis on research and development. Much of our research activities centre around our Xinrixian Research Centre, which is located at Fujian Agriculture and Forestry University. It is the first comprehensive research centre involved in the bamboo industry and it was funded through a donation made by Asian Bamboo's founder, 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 Szrednicki, 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.

A kitchen scene featuring white cabinetry with silver handles. Below the cabinets is a dark red backsplash. In the foreground, a white bowl contains several bamboo shoots. To the right, a silver ladle is visible, and a wooden cutting board is partially seen on the left. The word "Appetite..." is overlaid in large white text.

Appetite...





Home market
Very important market
Important market
New market

Population =
180 million people

for success



Bamboo shoots, which have traditionally been eaten mainly in the south-eastern parts of China, are gaining in popularity nationwide. The growth has been particularly strong in the Beijing area, where we estimate consumption has increased 100 times, in terms of volume, during the last 20 years.

We believe that the following key drivers will sustain continued and sound growth in the Chinese bamboo shoot industry—the global organic food trend, higher public awareness of food quality issues, improved distribution and retail networks, better infrastructure and transportation and rising living standards.

Our key markets are in Fujian, Zhejiang, Jiangsu and Shanghai, which combined have a total population of around 1.8 billion people. For winter bamboo shoots, Guangdong province is an important market and for processed bamboo shoots, Beijing and Japan are also of great significance.

Financial review



‘2009 was another year of strong business performance. Overall our revenue increased by 34% to a record EUR 58.6 million, driven by a 21% increase in the size of our mature plantations and a rise in revenue per hectare of 11% year-on-year.’

Qiu Hai
Financial controller

Summary

2009 was another year of strong business performance. Overall our revenue increased by 34% to a record EUR 58.6 million, driven by a 21% increase in the size of our mature plantations and a rise in revenue per hectare of 11% year-on-year. Higher revenue per hectare was primarily the result of a change in the product mix towards fresh products and a positive currency effect as the RMB strengthened against the EUR during the year. The gross profit was one percentage point higher, at 48%, compared to a year ago as we kept our costs under control.

Our adjusted net profit margin was unchanged at 48% compared to last year. However, excluding option expenses, which were zero in 2008, the adjusted net profit margin was up 3 percentage points to 51%.

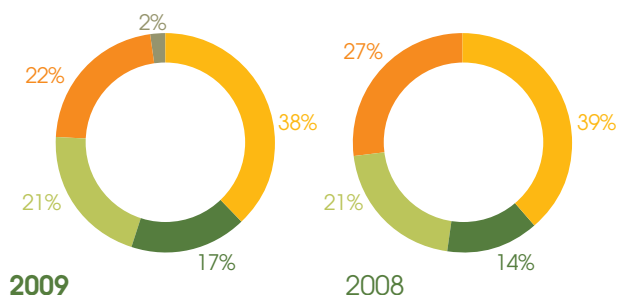
In line with our business growth, we will continue to strengthen the finance department, reporting systems and internal controls.

REVENUE BREAKDOWN

| | 2009 | Mix | 2008 | Mix |
|----------------------------|---------------|------|--------|------|
| Bamboo trees | 22,568 | 38% | 16,917 | 39% |
| Winter fresh bamboo shoots | 9,816 | 17% | 6,047 | 14% |
| Spring fresh bamboo shoots | 12,179 | 21% | 9,087 | 21% |
| Processed bamboo shoots | 12,954 | 22% | 11,780 | 27% |
| Other | 1,104 | 2% | 0 | 0% |
| Total | 58,621 | 100% | 43,831 | 100% |

Revenue analysis

During the year, sales of all product categories increased year-on-year, with sales of fresh winter shoots increasing the most



Bamboo trees
Fresh winter bamboo shoots
Fresh spring bamboo shoots
Processed bamboo shoots
Other

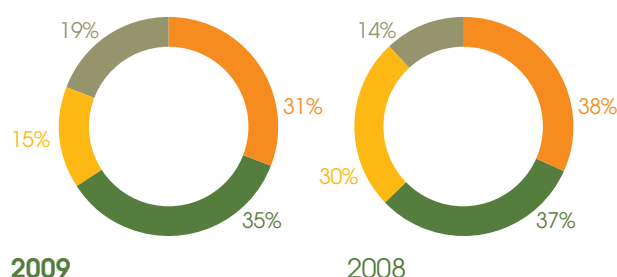
(62%). The reason for the relatively larger increase in sales of fresh winter shoots than for our other products was that the plantations which were leased in late 2007 and early 2008 did not generate any output in Q1 2008 when most of the winter shoots are sold, but did later in the year. In line with our focus on higher margin products, we grew sales of processed bamboo shoots the least, with a relatively modest increase of 10%. Sales of fresh spring shoots and bamboo trees increased by 34% and 33% respectively, in line with our overall revenue increase.

Cost of sales analysis

The key cost of sales are amortisation costs and harvesting costs which both account for around one third of our total cost of sales. Other significant costs are reclamation fees and processing costs. Harvesting costs consist of salaries paid to farmers for their harvesting work and this cost is directly related to the amount of products harvested. Reclamation fees include costs for maintaining soil quality in order to produce high quality organic products. Processing costs mainly comprise salaries for personnel working in our bamboo shoot processing factories and packaging costs. In line with the relatively small increase in sales of processed bamboo shoots, these costs also rose less than other costs.

COST OF SALES BREAKDOWN

| | 2009 | 2008 | Change |
|-----------------------------|---------------|--------|--------|
| Amortisation | 9,533 | 6,889 | 38% |
| Harvesting costs | 10,523 | 7,696 | 37% |
| Reclamation fees | 4,549 | 3,503 | 30% |
| Processing costs and others | 5,689 | 4,988 | 14% |
| Total | 30,294 | 23,076 | 31% |



Amortisation
Harvesting costs
Reclamation fees
Processing costs and others

Amortisation and interest income

In the statement of income and expenses, amortisation costs for Biological assets, Long-term prepayments and Property, plant and equipment, are booked under 'Cost of sales'. The exact amortisation costs for each of these items are stated in the Cash flow statement. As for the Long-term prepayments, we book the amortisation cost as though the leases would have been paid on a yearly basis and under 'Interest income' we book the savings which we achieve by making up-front payments. We calculate the savings on making up-front payments, compared to paying the leases on a yearly basis, as interest income from fair value of long-term financial assets by using a discount rate of 17%. The discount rate of 17% is derived by comparing the lease fees from old agreements with the up-front payments of recent agreements.

As we completed the re-arrangement of our old leases from yearly payments to up-front payments in 2009, and also added some new plantations, both 'Amortisation' and 'Interest income' numbers increased in 2009 compared to 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 used the discounted cash flow method to derive the fair value and applied conservative assumptions, such as a discount rate of 27%, and lowered the output assumptions this year compared to last year. The net gain arising from changes in fair value of the biological assets was EUR 3.9 million

in 2009 (2008 = EUR 13.7 million). This year's net gain is created through gains of EUR 10.5 million from plantations being reassessed as mature during the year and losses of EUR 6.6 million on already mature plantations as lower output assumptions were applied.

Other operating income

Other operating income of kEUR 158 (2008 = kEUR 68) is mainly related to grants received from local government to improve efficiencies in the agriculture industry.

Selling and distribution expenses

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 expenses increased by 100% to kEUR 486 (2008 = kEUR 243) during the year.

Administrative expenses

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

Administrative expenses increased to EUR 4 million (2008 = EUR 1.3 million), mainly due to an increase in the accrued expenses, of EUR 1.8 million, for variable compensation to certain key employees. Details of the variable compensation scheme are disclosed in the following remuneration report. In addition, we increased the number of administrative employees in line with the growth of our business.

Other operating expenses

Other operating expenses comprise costs for the Supervisory Board, financial market support and communication, auditing, AGM and legal advice.

Other operating expenses were unchanged compared to a year ago at EUR 1.9 million (2008 = EUR 1.9 million).

Finance net

During the year, we received interest income of kEUR 598 on our cash balance. In addition, we booked foreign exchange profits of kEUR 353 when we 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 6.3 million, up from EUR 2.2 million a year ago (see explanation above under 'Amortisation').

Our finance net gain for the year was EUR 5.1 million (2008 = EUR 3.6 million).

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 at the moment. The applicable tax rate for sales of processed products was 20% during the year (2008 = 18%).

In addition, we also calculate tax on the gains in the fair value of biological assets. As the gains this year were smaller than last year, the calculated deferred tax also decreased year-on-year. We applied a tax rate of 25% for this calculation. In 2009, total income tax was EUR 0.4 million in (2008 = EUR 7.4 million).

Adjusted net profit, adjusted net profit margin and profit for the period

The profit for the period was up 13% to EUR 30.8 million (2008 = EUR 27.3 million). The reason for the relatively modest increase was the year-on-year decrease in the gains in the fair value of biological assets to EUR 3.9 million (2008 = EUR 13.7 million). The adjusted net profit, which is excluding gains in fair value of biological assets and taxes thereon, was up 31% to EUR 27.8 million (2008 = EUR 21.2 million). The adjusted net profit margin was unchanged year-on-year at 48%.

| <i>In KEUR</i> | 2009 | 2008 | <i>Change</i> |
|---|----------------|---------|---------------|
| Cash and cash equivalents | 29,143 | 25,481 | 14% |
| Biological assets and long term prepayments | 177,936 | 132,385 | 34% |
| Total assets | 222,084 | 170,632 | 30% |
| Total equity | 201,131 | 155,235 | 30% |
| Total liabilities | 20,953 | 15,397 | 36% |

Financial position

Total assets increased by around EUR 51 million (30%) to EUR 222 million (2008 = EUR 171 million). In particular, long-term prepayments increased as we re-arranged old leasing terms from yearly payments to up-front payments.

Cash and cash equivalents increased by EUR 3.6 million (14%) to EUR 29.1 million (2008 = EUR 25.5 million).

Net cash generated from operating activities was EUR 35 million (2008 = EUR 20.2 million).

The total cash outflow used in investing activities was EUR 16 million (2008 = EUR 44.8 million), of which around EUR 15 million was used for plantation leases.

We had no bank loans as of 31 December, as the funds from DEG were first disbursed on 18 January 2010.

Overall, the Company's financial position remains very healthy as we are net cash and have strong operating cash flows.

Fund raising and use of proceeds

To strengthen our financial position ahead of a phase of accelerated growth, we conducted two major fund raising activities during the year, raising a total of around EUR 35 million. On 15 September we signed an agreement with Deutsche Investitions- und Entwicklungsgesellschaft mbH ("DEG") for a 7-year loan of around EUR 10 million. On 22 October, we raised around EUR 25 million through a capital increase. Following these fund raising activities, our current expansion plans for 2010 and 2011 are fully funded. The funds have been used in part to lease new plantations and we expect that all the funds will be deployed within 2010.

Share buy-back

During the year, we launched two buy-back programmes and bought back a total of 129,900 shares for an average price of EUR 11.81. The stocks are currently kept as treasury stocks and are not included when calculating the EPS for 2009. The significant paper gain on the purchases is not included in our statement of income and expenses.

Remuneration report

Management Board

In accordance with 87 para 1, 107, paragraph 3, sentence 3 AktG, the Supervisory Board approves the remuneration of the Management Board members. The agreed remuneration structure is appropriate taking the size, the activity and the economic and financial situation of Asian Bamboo AG into account. The remuneration to the Management Board members consists of a fixed component and for Jiang Haiyan and Peter Sjøvall there is also a performance related variable component in the form of a share appreciation scheme ('SAR').

In 2009 the members of the Management Board received the following fixed remuneration.

Mr Lin Zuojun, CEO, kEUR 294 (2008 = kEUR 196)
Mr Jiang Haiyan, COO, kEUR 147 (2008 = kEUR 92)
Mr Peter Sjøvall, CFO, kEUR 129 (2008 = kEUR 78 for the period 1 July to 31 December)

In May 2008, 60,000 Stock Appreciation Rights ('SARs') were granted each to Peter Sjøvall and Jiang Haiyan by the respective subsidiaries with which their employment contracts were entered

into. The SARs are linked to both the performance of Asian Bamboo's business, through an EBIT target, and the share price. The EBIT target, which has been achieved, was that 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. The SARs expire on 15 April 2011 and can be exercised, in full or in part, between 18 May 2010 and 15 April 2011. The subsidiaries 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.

In line with IFRS we have been using the Black-Scholes option pricing model to derive the option expenses at the end of the year. The result of the computation is to some degree determined by the assumptions:

- a risk-free interest rate of 0.47% for the remaining period of a 0.38 year
- a volatility of 44.89% based upon the last 20 weeks in 2009 and
- that 82% of the time has passed from the date of the SAR agreement to the date when the SARs can be exercised for the first time according to the agreement

According to this calculation, the fair value of all SARs issued was EUR 1.8 million at the end of 2009.

Supervisory Board

The total Supervisory Board remuneration, which was approved by the AGM on 5 June 2009, was kEUR 139 (2008=kEUR 140). The breakdown was:

Mr Hans-Joachim Zwarg (Chairman) kEUR 83 (2008 = kEUR 83)
Mr Wolfgang Jensen (Deputy Chairman) kEUR 42 (2008 = kEUR 42)
Mr Pan Chaoran kEUR 14 (2008 = kEUR 15)

Of the total remuneration paid to the Supervisory Board, kEUR 24 were payments for meeting participation.

Statements and report pursuant to section 289 and 315 paragraph h 4 HGB (German Commercial Code)

Subscribed capital

The subscribed capital (share capital) of Asian Bamboo AG amounts to EUR 14.025 million and is divided into 14.025 million no par value bearer shares with the notional amount of EUR 1.00 each.

Restrictions regarding voting rights and the right to transfer shares

Each share represents one vote. There are no restrictions on any shares and according to the Articles of Association there are also no restrictions on voting rights for shares of the Company. The board is not aware of any agreements between shareholders which provide for restrictions on voting rights.

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

Green Resources Enterprise Holding Limited, an entity wholly owned by Mr Lin Zuojun, who is chairman of the Management Board of Asian Bamboo, holds 48.2% of the shares in Asian Bamboo AG, providing it with a corresponding amount of votes.

Shares with special rights

There are no shares with special control powers.

Voting Rights of Employees

The employees, who hold shares, exercise their (voting) rights directly and unrestricted.

Appointment and dismissal of Management Board members and amendments to the Articles of Association

According to §§ 84, 85 of the German Stock Corporation Act (Aktengesetz/AktG) and § 8 of the Articles of Association of the Company, the Supervisory Board is responsible for the appointment and dismissal of Management Board members.

The Articles of Association of the Company can be changed by the AGM and the changes will take effect once they are registered with the Commercial Register (Handelsregister). The AGM decides changes of the Company's statutes according to §§ 179, 133 AktG and § 26 paragraph 1. with a simple majority of the cast votes unless a majority representing all shares is required.

Exempt from this are the Articles of Association, for which the law explicitly prescribes a greater majority. According to § 18 paragraph 3 of the Articles of Association, the Supervisory Board is authorised to adopt amendments to the articles, which affect only the wording.

Authority of Management Board to buy back and issue shares

Following the partial exercise, the Authorised Capital is currently EUR 5.1 million. According to the Articles of Association, the Management Board, with the consent of the Supervisory Board, is authorised to increase the share capital of the Company once or several times by up to EUR 6.375 million new no par value bearer shares in consideration of contributions in cash or in kind until 25 October 2012 (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 decide that the pre-emption-rights of the shareholders are excluded.

At the AGM on 5 June 2009, agenda item 8, the Management Board was authorised to issue option/warrants and/or convertible bonds to a total value of up to EUR 150 million, which are transferable to not more than 6.375 million shares, up until 31 May 2014.

As approved by the AGM on 5 June 2009, the Management Board of the Company is authorised to buy back up to 1.275 million shares in Asian Bamboo AG up until 30 November 2010. The authorisation can be used in full or in part on one or several occasions. The Management Board can choose to purchase shares in the open market, launch a general tender to all shareholders or through equity derivatives. 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. If the shares are acquired through a general tender, the tender price cannot exceed the average Xetra/Trade price over 4 and 10 days, following the announcement of the tender, by more than 20%. During the year, the Management Board bought back a total of 129,900 shares at an average price of EUR 11.81 for a total consideration of around EUR 1.5 million.

No change of control provision

Agreements with the Company which are under the condition of a change of control following a takeover bid do not exist.

No significant compensation arrangements in the event of a takeover bid

There are no compensation arrangements in place in case of a takeover other than normal contractual arrangements which are in accordance with the legislation and are customary for comparable listed companies. They do not serve the purpose of increasing the difficulty of a takeover attempt.

Internal control

The ultimate responsibility for the Company's development lies with the Management Board which monitors the business development closely through its day-to-day involvement in the business and through internal management reports which are generated on a monthly basis. The internal management reports detail the business development compared to the budget and the previous year's outcome for volumes, prices and costs broken down on our key business segments. Any deviations are analysed and, if necessary, appropriate action is taken.

In addition, third party consultants are being used on a regular basis and an internal control report is written every quarter by an accounting company. Meetings are held regularly at all levels of the organisation where relevant issues are discussed and senior management is informed about developments which influence the business results. Asian Bamboo has a clearly defined organisational structure and decentralised decision making ensures that all employees have a clearly defined role and responsibilities.

Description of the main features of the internal control and risk management system relating to the financial reporting process pursuant to § 289 para. 5

The main features of the internal control and risk management system of Asian Bamboo AG relating to the (group) financial reporting process can be described as follows:

- Asian Bamboo AG and Asian Bamboo Group respectively have a distinct management and company structure. Queries concerning several areas are decided on and managed by the management board. The Management Board is mainly operating at the head office of the operative companies in China (Fuzhou).
- There is a distinct division between the responsibilities of the main areas concerning the financial reporting process, i.e. finance and accounting. The areas of responsibility are clearly assigned. The integrity and responsibility regarding finance and financial reporting are secured by an independent accounting department. Asian Bamboo has inter alia assigned this task to an external auditor.
- Provisions made for the Company's IT-system ensure that the financial systems used are tamper-proof. As far as possible standard software is used.
- The departments and areas involved in the financial reporting system are appropriately equipped in qualitative as well as quantitative respects.
- Accounting data received or passed on is continuously checked with regard to completeness and correctness, e.g. by way of random samples. Programmed validation checks are taken, e.g. within the scope of payment processes.
- All accounting-related processes are ensured through the use of the four-eyes principle.
- Accounting-relevant processes are regularly reviewed by the (impartial) internal audit.

The internal control and risk management system relating to the financial reporting system, the main features of which have been described above, ensures that corporate measures are being recorded, processed and validated financially correct and adopted for the financial reporting. Adequate human resources, the use of adequate software as well as clear-cut legal and inter-company specifications are the basis for a correct, uniform and continuous financial reporting system. The distinct division between the areas of responsibilities as well as various control and review systems as described above in more detail (in particular the validation checks and the four-eyes principle) ensure a correct and responsible accounting. Thereby transactions are recorded, processed and documented in accordance with the legal provisions, the Articles of Association and the internal guidelines and are recorded promptly and correctly for the accounting department. At the same time, it is ensured that the assets and liabilities are determined, declared and valued correctly in the financial statements and the consolidated financial statements. It is also ensured that reliable and relevant information is provided completely and promptly.

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 and risks associated with operating in China.

Our overall risk exposure and the need to take mitigating action are discussed at all Management Board meetings and at some Supervisory Board meetings. Our finance department prepares detailed financial numbers on a monthly basis which show the overall development as well as the breakdown on products and customers.

In addition, our auditor conducts two major audits a year and a third party consultant audits our internal control systems on a quarterly basis. Furthermore, a number of third party reports have been conducted in the areas of legal compliance, environmental sustainability, corporate and social responsibilities and market developments. The results of these studies are carefully analysed and the necessary action, if any, is taken.

We are deeply involved in all aspects of the value chain, hence we are aware of all significant industry developments. In addition, our Management Board, led by our largest shareholder—Mr Lin Zuojun—closely monitors the operational development of the Company in order to safeguard the interests of the shareholders.

In order to minimise the dependence on a few key individuals, we are continuously broadening our management team by hiring quality personnel with specialist knowledge. As our Company grows larger, the operations are becoming more decentralised and more decisions are made at the operational level. We believe that the Company would continue to function well even if there were sudden changes within the Management Board.

With the aim of increasing efficiencies in the agriculture industry as well as raising farmers' incomes, the Chinese government is encouraging investment in the agriculture sector. As a company involved in the agriculture industry, we are currently enjoying preferential tax treatment. Should, however, the tax system change for the worse, we are in a strong financial position and such a change would not have any adverse impact on the overall development of the Group.

Based on our present judgement, 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 trees and shoots.

Report by the Management Board regarding dealings with related parties

In accordance with § 312 of the German Stock Corporation Act (AktG), the Board has prepared a report regarding dealings with related companies which contains the following declaration: 'In 2009, there has not been any dealings, or any other measure which are not transactions but still has an impact on the assets and earnings, between Asian Bamboo AG, its subsidiaries and Green Resources Enterprise Holding Ltd.'

Corporate governance

Since its inception in 2002, the German Corporate Governance Codex ('the Codex') has been used as a benchmark for good corporate governance. The cornerstones of Asian Bamboo's management philosophy, such as responsibility, transparency and sustainability, are both in line with the Codex and help underpin the Company's financial and business success. The Management Board and Supervisory Board are committed to following and supporting the goals and the spirit of the Codex.

Corporate Governance Declaration

On 23 March 2010, the Management Board and Supervisory Board adopted a joint Corporate Governance Declaration ('the Declaration') in accordance with §161 AktG. The Declaration was immediately made available on the Company's web-site under www.asian-bamboo.com/investor-relations/corporate-governance. With the exception of the following, the Company complied with all recommendations of the old version of the Codex released on 6 July 2008 and the amended version of the Codex released on 18 July 2009.

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

The variable compensation as part of the Management Board members' remuneration is based upon a sustainable business development; therefore the Company does not view a cap as either practicable or necessary.

The Company has not introduced an age limit for the members of the Management Board and the Supervisory Board and therefore deviates from the recommendation in Clause 5.1.2 paragraph 2, sentence 3 and clause 5.4.1, sentence 2.

The Company feels that it is sensible to evaluate each board member's suitability solely on merit on a case by case basis.

As the Supervisory Board only consists of three members and therefore does not have any committees, the recommendations of Clause 5.2 paragraph 2 and Clause 5.3 do not apply.

The Company deviates from the recommendation in section 5.4.6 paragraph 2, sentence 1, as the Company's Supervisory Board members only receive a fixed remuneration and no performance related remuneration. The Company believes that the function, and in particular the independence of the members of the Supervisory Board, is best protected by the current remuneration structure.

So far, the Company's D&O insurance policies for the Management and Supervisory Board do not provide for an excess for members of the Management Board and the Supervisory Board as recommended by Clause 3.8 paragraph 2. However, statutory provisions will be met at 1 July 2010 by the latest.

The Company deviates from clause 7.1.2 sentence 2 as it has not met the 90 day time line for the publication of the consolidated financial statements in 2008. As a young and international company, Asian Bamboo places emphasis on applying great care in preparing its financial statements and as a result could not meet the timeline. However, the Company intends to publish the 2009 annual report within the time period.

Information on the practice of corporate governance

Basis for entrepreneurial activity and operations

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 managing our Company in a transparent and responsible manner and through close and constructive co-operation between the Supervisory Board and Management Board.



Asian Bamboo's Management Team: Richard Jiang Haiyan, Peter Sjovall, Lin Yuanyin, Qiu Hai and Lin Zuojun

Our Company serves a dual purpose of both generating profits and creating shareholder value for our shareholders as well as playing a key role in the development of the agriculture sector and the countryside in China.

At our plantations we practise a 'Close to Nature Forest Management' policy, which guarantees sustainability and is described in more detail on p22. Our research and development is carried out at the Xinrixian Research Centre, located on the campus of Fuzhou Agriculture and Forestry University, which is funded by Mr. Lin Zuojun in his private capacity. We treat our employees and business partners with great respect.

Our employee policies are described on p20-22 in this report. Our internal code of conduct is outlined in our employee handbook, which is given to all employees upon joining and its contents are discussed and taught at employee gatherings. All our dealings in China are in strict accordance with Chinese law and follow international conventions. As a listed company, our accounts are audited by a reputable auditor and we disclose significantly more information than required. Furthermore, we are using third party experts to advise and audit other parts of our business.

We are consistently working on improving all aspects of our operations, including occupational health and safety, plantation management and our conduct as a corporate citizen.

Shareholders and Annual General Meeting ('AGM')

Our shareholders exercise their basic legal rights at the AGM. The AGM takes place within the first eight months of the year in accordance with the Company's by-laws. All shares are pari passu and equal one vote at the AGM.

Shareholders have the option of exercising their voting rights in person, through a representative or through the Company's proxy representative. In the invitation to the AGM there are particular explanations about the voting rules and shareholder rights. The applicable AGM related reports and information, including the annual report and agenda, are made available at www.asian-bamboo.com/AGM.



New corporate website

Management Board and Supervisory Board

Management Board ('MB')

In accordance with the laws for German stock corporations, Asian Bamboo has a dual board structure with a Management Board, which is responsible for the management of the Company, and the Supervisory Board, which is responsible for supervising and advising the Management Board. The Management Board and Supervisory Board operate independently and a member of the Management Board cannot be a Supervisory Board member at the same time and vice versa. The two boards work closely together in the best interests of the Company.

The MB of Asian Bamboo AG currently comprises three members, Mr Lin Zuojun, Mr Jiang Haiyan and Mr Peter Sjøvall, who are jointly responsible for the management of the Company including developing the Company's strategy, negotiating key agreements such as plantation leases and other investment agreements, co-ordinating the daily operations as well as financial reporting, fund raising, investor relations and financial reporting to the Supervisory Board.

The company's key activities and financial performance are summarised on a monthly basis and circulated to the management team and the Supervisory Board. In addition, the Management Board meets on a regular basis to make decisions. At these meetings, Mr Qiu Hai, financial controller, and Mr Lin Yuanyin, vice president, are also present. The working relationship between the Management Board and the Supervisory Board is described in detail in the Report of the Supervisory Board on p18 in this annual report.

In accordance with the Codex, Asian Bamboo presents the remuneration of the members of the Management Board and Supervisory Board individually. The basis for the remuneration and the actual remuneration are detailed in the Remuneration Report as part of the Group Management Report (p52 in this annual report).

Supervisory Board ('SB')

The SB of Asian Bamboo AG comprises three members, Mr. Hans-Joachim Zwarg (chairman), Mr. Wolfgang Jensen (deputy chairman) and Mr. Pan Chaoran. The SB is responsible for supervising the Management Board and 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. The Chairman of the Supervisory Board maintains frequent contact with the

members of the Management Board to discuss issues of particular importance.

According to new legislation in Germany (BilMoG), the SB has to audit the quality of the accounting systems and the Chairman of the SB conducted such an audit in February 2010.

The working relationship between the Management Board and the Supervisory Board is good and it is described in detail in the Chairman of the Supervisory Board's report on p18 of this report.

Directors' Dealings

According to §15a of the German Securities Trading Act (WpHG), members of the Management Board and the Supervisory Board, other key employees as well as related people must immediately declare any purchase or disposal of shares in Asian Bamboo AG to the Federal Financial Supervisory Authority (BaFin) as long as the total consideration is larger than EUR 5,000 within one calendar year.

On 22 October, Green Resources Enterprise Holding Ltd. ('Green Resources'), a company wholly owned by Mr. Lin Zuojun, founder and CEO of Asian Bamboo, placed out 500,000 shares in connection with the Company's Capital Increase. Following the placement, Green Resources' holding in the Company decreased to 6,760,700 shares, which is equivalent to 48.2% of the total number of shares. Green Resources agreed not to sell any shares without the consent of Sal. Oppenheim, the sole book runner of the placement, for a period of six months from the completion of the Capital Increase.

The members of the Management Board directly or indirectly hold around 48.2% of the shares in Asian Bamboo AG. The members of the Supervisory Board do not hold any shares in Asian Bamboo AG.

Accounting and Auditing

The annual consolidated financial statements of the Group are prepared pursuant to the International Financial Reporting Standards (IFRS) and the individual financial statements of Asian Bamboo AG are prepared according to the German accounting rules and the German Commercial Code (HGB). BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft was 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, when the individual and consolidated financial statements were approved, and reported on the main results of their audit and answered questions from the Supervisory Board.

Corporate compliance

Compliance with the relevant statutory provisions for its operations and internal company policies is an essential part of Asian Bamboo's corporate governance and it is one of the key duties of all employees and departments.

We have developed a code of conduct, which is described in our employee manual and given to every employee. All business activities in China are carried out in strict compliance with Chinese laws and international conventions.

Risk Management

Asian Bamboo's risk management policies are described in detail in the 'Risk Management' report. They are designed in accordance with statutory provisions to detect significant risks early on so that appropriate measures can be taken in order to minimise the potential impact of these risks so that the Company can continue to flourish. The Risk Management work is supported through the controlling and auditing functions.

Transparency

Shareholders and other interested parties can obtain information about the Company's financial standing and business development through financial reports, analyst reports, press releases, ad hoc announcements and through attending the AGM. Information can be obtained both in English and German on the Company's web-site at www.asian-bamboo.de or www.asian.bamboo.com. The web-site also provides key dates on the financial calendar and information on the share price.

Asian Bamboo AG
Hamburg, Germany 23 March 2010

The Supervisory Board The Management Board

Reports on events subsequent to the reporting date

Investment in Xinlifeng

In early January, Hong Kong XRX Bamboo Investment Co., Ltd. ('Hong Kong XRX') acquired a 40% stake in Fujian Xin Li Feng Bamboo Group Co., Ltd. ('Xinlifeng'), a leading producer of bamboo plywood, for approximately EUR 3 million. The cash contribution from Hong Kong XRX will be used to increase Xinlifeng's production capacity in order to meet increasing demand. The registered capital of Xinlifeng is EUR 7.5 million and the company is debt free.

The Management Board of Asian Bamboo believes that Xinlifeng will buy around 15% of the Company's total output of bamboo trees in 2010. In addition, it expects Xinlifeng will achieve a turnover and net profit of at least EUR 13 million and EUR 1.7 million, respectively. The Management Board of Asian Bamboo believes that the outlook for Xinlifeng is very promising given the strong demand in the construction industry in China and the comparative benefits of using bamboo for producing building templates.

Organisational structure

On 6 January 2010, we created Asian Bamboo (Hong Kong) Industrial Co Ltd., which is the designated holding company for investments in processing companies.

On 1 February 2010, we incorporated Longyan Xinrixian Forestry Development Co., Ltd, which is the holding company for our plantation leases and operations in the Longyan area.

DEG loan

On 18 January 2010 we received USD 15 million, roughly equivalent to EUR 10 million, from DEG as a 7-year term loan. The loan agreement was signed on 15 September 2009.

As part of the loan agreement, Asian Bamboo agreed to, at all times, maintain the following financial ratios on a consolidated basis:

- Debt/Equity ratio not exceeding 1.0
- Net financial Debt to EBITDA (excluding IAS 41 adjustments) Ratio: not exceeding 3.0
- Current Ratio: not less than 1.2
- Debt Service Coverage Ratio (excluding IAS 41 adjustments): not less than 1.5

Plantation leases

On 1 February we announced the lease of 5,000 ha in the Longyan area.

Accrued SAR costs

As Asian Bamboo's share price has continued to rise in the first quarter of 2010, the accrued costs for the Stock Appreciation Rights are higher than at the end of 2009. The accrued SAR cost will be updated in the Q1 2010 financial announcement.

Outlook

Macro-economic outlook

We expect the Chinese economy to continue its rebound in 2010, mainly fuelled by a growth in domestic consumption, which we believe will underpin demand in our two business areas, bamboo shoots and bamboo trees. In addition there are inflationary trends in China, particularly for food items, which, if sustained, will lead to higher revenue and profits for our Company. In the longer term, we believe that the Chinese economy will continue to do well based on the low cost of production and the high productivity of the workforce.

Bamboo trees

In line with the global trend towards use of sustainable materials, and an increase in industrial activity, we expect the demand for bamboo trees to be robust in 2010 and the years thereafter. As our partner companies Zhongzhu and Xinlifeng will purchase a large part of our output, we see the potential for price increases.

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. As a result of demand and supply imbalances, we see prices for our fresh products increasing in 2010.

Operational

We intend to expand the size of our plantations to more than 40,000 ha by the end of 2010 at the latest. Our land lease expansion programme is on track and the prices at which we have secured land have been at or below our expectations. Longer term, we are aiming at a total plantation size of at least 70,000 ha.

Furthermore, 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 markets, supermarkets, fresh markets and export markets.

In order to reverse the negative trend of our sales to Japan, we are planning to enter into a JV with a Japanese trading company so that our processed bamboo shoots will be packaged in Japan. We believe that the JV will also enable us to better control the Japanese distribution channels.

In addition, we will continue to seek partnerships with processing companies using bamboo tree as an input material.

Profitability and dividends

As a result of an average increase in the total size of mature plantations by around 9,000 ha (40%) over the year compared to 2009, a continued increase in demand for the Company's bamboo trees and bamboo shoots and slightly higher product prices, we expect to achieve revenue of more than EUR 75 million and an adjusted net profit margin of at least 45% in 2010. We expect to increase the mature plantation size by around 9,000 ha in 2011 compared to 2010, which we expect will lead to a correlated increase in revenue and adjusted net profit. For the years thereafter, we aim to grow at an annual rate of 30–35%.

Longer term, we believe that the opportunities are far greater than the risks. We expect prices for our products to rise due to the favourable demand and supply situation. Therefore we believe that our current margins can be maintained and as we are planning to increase our plantation size significantly in the future, we believe that our profits will increase correspondingly.

We are paying a dividend of around 15% of our adjusted net profit for 2009 and we expect to maintain a dividend pay-out ratio at around that level while we are in a growth phase. This forecast is based upon certain assumptions and the actual outcome may differ from the forecast.

Hamburg, Germany, 25 March 2009
Asian Bamboo AG

The Management Board

Consolidated financial statements

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Consolidated balance sheet

for the period ending 31 December 2009

| | Note | 31 Dec 2009 kEUR | 31 Dec 2008 kEUR |
|---|--------------------|---------------------|---------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 2.4, 8, 11 | 3,508 | 3,008 |
| Land use rights | 2.5, 8, 12 | 315 | 334 |
| Biological assets | 2.6, 13 | 128,007 | 116,312 |
| Long-term prepayments | 2.7, 14 | 49,929 | 16,073 |
| Deposits for leaseholds | 14, 24 | 1,445 | 1,426 |
| Deferred taxes | 2.18, 10 | 1,852 | 998 |
| | | 185,056 | 138,151 |
| Current assets | | | |
| Inventories | 2.11, 15 | 1,741 | 634 |
| Trade receivables | 2.10, 16, 17, 24 | 1,841 | 582 |
| Other receivables and prepayments | 2.10, 16, 24 | 4,303 | 5,784 |
| Cash and cash equivalents | 2.9, 18, 24 | 29,143 | 25,481 |
| | | 37,028 | 32,481 |
| Total assets | | 222,084 | 170,632 |
| EQUITY AND LIABILITIES | | | |
| Share capital | 1, 19 | 14,025 | 12,750 |
| Capital reserves | 19 | 91,608 | 68,426 |
| Statutory reserves | 19 | 5,414 | 3,470 |
| Own shares | 19 | (1,558) | – |
| Retained earnings | 19 | 87,603 | 61,264 |
| Foreign exchange difference | | 4,039 | 9,325 |
| Total equity | | 201,131 | 155,235 |
| Non-current liabilities | | | |
| Deferred tax liabilities | 2.18, 10.4 | 14,419 | 13,932 |
| Current liabilities | | | |
| Trade payables | 20, 24 | 1,778 | 143 |
| Other payables, accruals and provisions | 2.12, 2.13, 20, 24 | 4,377 | 787 |
| Income tax payables | 10.3 | 379 | 535 |
| Total liabilities | | 20,953 | 15,397 |
| Total liabilities and equity | | 222,084 | 170,632 |

Consolidated statement of income and expenses

for the period from 1 January to 31 December 2009

| | Note | 2009 kEUR | 2008 kEUR |
|---|----------|-----------------|--------------|
| Revenue | 2.15, 3 | 58,621 | 43,831 |
| Cost of sales | | (30,294) | (23,076) |
| Gross Profit | | 28,327 | 20,755 |
| Gain arising from changes in fair value less estimated point-of-sale costs of biological assets | 2.2, 4 | 3,966 | 13,658 |
| Other operating income | 5 | 158 | 68 |
| Selling and distribution expenses | | (486) | (243) |
| Administrative expenses | | (3,986) | (1,332) |
| Other operating expenses | | (1,895) | (1,870) |
| Profit from operations | | 26,084 | 31,036 |
| Finance income | 9 | 6,934 | 4,236 |
| Finance costs | 9 | (1,833) | (591) |
| Profit before income tax | | 31,185 | 34,681 |
| Income tax | 2.18, 10 | (363) | (7,384) |
| Profit for the period | | 30,822 | 27,297 |
| Earning per share (diluted and undiluted) | | 2.39* | 2.14 |

* Computed on the basis of 12,896,403 shares (deducting the own shares considering date of acquisition)

Statement of comprehensive income

for the period from 1 January to 31 December 2009

| | 2009 kEUR | 2008 kEUR |
|---|----------------|--------------|
| Profit after tax | 30,822 | 27,297 |
| Foreign currency translation/changes in value recognised directly in equity | (5,286) | 11,277 |
| Earnings after taxes and changes in value recognised in equity | 25,536 | 38,574 |

Consolidated statement of cash flow

for the period from 1 January to 31 December 2009

| | Note | 2009 kEUR | 2008 kEUR |
|---|--------|-----------------|--------------|
| Profit before income tax | | 31,185 | 34,681 |
| Adjustments for: | | | |
| Amortisation of intangible assets | 8, 12 | 8 | 7 |
| Allowance for doubtful trade debts | | – | (21) |
| Amortisation of long-term prepayments | 14 | 610 | – |
| Depreciation of property, plant and equipment | 8, 11 | 242 | 202 |
| Depreciation of biological assets | 13 | 2,872 | 1,939 |
| Gain/Loss on disposal of property, plant and equipment | | 1 | 8 |
| Accrual stock appreciation rights | | 1,846 | – |
| Interest income | 9 | (598) | (1,213) |
| Interest expense | 9 | 34 | 589 |
| Revaluation gain of biological assets | 4 | (3,966) | (13,658) |
| Operating cash flows before working capital changes | | 32,234 | 22,534 |
| Working capital changes: | | | |
| (Increase)/decrease in: | | | |
| Inventories | | (1,106) | (173) |
| Trade receivables | | (1,260) | 34 |
| Other receivables and prepayments | | 1,481 | (1,105) |
| Amounts due from related parties | | – | 902 |
| Increase/(decrease) in: | | | |
| Trade payables | | 1,635 | 79 |
| Other payables and accruals | | 1,744 | (3,573) |
| Amounts due to related parties | | – | 900 |
| Cash generated from/(used in) operations | | 34,728 | 19,598 |
| Interest received | 9 | 598 | 1,213 |
| Interest expense | 9 | (34) | (589) |
| Income tax paid | 10 | (291) | (8) |
| Net cash generated from operating activities | | 35,001 | 20,214 |
| Cash flow from investing activities | | | |
| Purchase of biological assets | 13 | (15,122) | (43,243) |
| Purchase of land use rights and land, property, plant and equipment | 11, 12 | (1,283) | (871) |
| Deposits for leaseholds | | – | (640) |
| Proceeds from disposal of property, plant and equipment | | 417 | – |
| Cash flow used in investing activities | | (15,988) | (44,754) |
| Cash flow from financing activities | | | |
| Capital injection and proceeds from capital increase | 19 | 25,500 | – |
| Capital increase charges netted with equity | 19 | (1,043) | (643) |
| Purchase own shares | 19 | (1,558) | – |
| Long-term prepayments | 14 | (36,131) | (16,073) |
| Cash-deposits | 18 | (710) | – |
| Dividends | | (2,538) | – |
| Cash flow from financing activities | | (16,480) | (16,716) |
| Net increase in cash and cash equivalents | | 2,533 | (41,256) |
| Cash at beginning of year | | 25,481 | 68,564 |
| Foreign exchange difference | | 419 | (1,827) |
| Cash at end of year | | 28,433 | 25,481 |
| Cash-deposits | 19 | 710 | – |
| Cash equivalents at end of year | 19 | 29,143 | 25,481 |

Consolidated statement of changes in equity

for the period from 1 January to 31 December 2009

| | Share capital kEUR | Capital reserves kEUR | Statutory reserves kEUR | Reserves for own shares kEUR | Retained earnings kEUR | Foreign exchange difference kEUR | Total equity kEUR |
|--|--------------------------|-----------------------------|-------------------------------|---------------------------------------|------------------------------|---|-------------------------|
| 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 | 11,277 | 38,574 |
| Subsequent IPO charges | – | (644) | – | – | – | – | (644) |
| Own shares | – | – | – | – | – | – | – |
| Transfer to the statutory reserves | – | – | 2,164 | – | (2,164) | – | – |
| Dividend | – | – | – | – | – | – | – |
| Balance as at 31 December 2008/ | | | | | | | |
| 1 January 2009 | 12,750 | 68,426 | 3,470 | – | 61,264 | 9,325 | 155,235 |
| Net profit for the period | – | – | – | – | 30,822 | (5,287) | 25,535 |
| Capital increase | 1,275 | 24,225 | – | – | – | – | 25,500 |
| Capital increase charges | – | (1,043) | – | – | – | – | (1,043) |
| Own shares | – | – | – | (1,558) | – | – | (1,558) |
| Transfer to the statutory reserves | – | – | 1,945 | – | (1,945) | – | – |
| Dividend | – | – | – | – | (2,538) | – | (2,538) |
| Balance as at 31 December 2009 | 14,025 | 91,608 | 5,414 | (1,558) | 87,603 | 4,039 | 201,131 |

Notes

for the period from 1 January to 31 December 2009

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's registration number is 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 structure of Asian Bamboo Group at the end of 2009 was the following; Asian Bamboo AG owns 100% of the shares in Hong Kong XRX Bamboo Investment Co. Ltd. ('Hong Kong XRX') which is a company incorporated in Hong Kong. Hong Kong XRX owns 100% of Fujian Xinrixian Group Co., Ltd. ('Xinrixian'), a limited liability company formed under the laws of PRC, which in turn owns 100% of all our subsidiaries involved in plantation management and bamboo shoot processing except for Longyan Xinrixian Forestry Development Co., Ltd, which was incorporated after the end of the financial year 2009.

In 2010 the following changes to the organisational structure had taken place by the time of the release of this annual report. A new subsidiary on the Hong Kong level – Asian Bamboo Industrial Co., Ltd. ('Asian Bamboo Industrial') was incorporated on 6 January and is 100% owned by Asian Bamboo AG. Hong Kong XRX holds the stake in Fujian Xin Li Feng Bamboo Group Co., Ltd. ('Xinlifeng'), which is a company producing bamboo plywood used in construction, however arrangements are being made to transfer the stake to Asian Bamboo Industrial. Hong Kong XRX also holds 100% in Longyan Xinrixian Forestry Development Co., Ltd, which was incorporated on 1 February 2010 as a holding company for our investments in the Longyan area. The following subsidiaries, which are 100% directly and indirectly owned, were consolidated:

Hong Kong XRX Bamboo Investment Co., Ltd., Hong Kong
 Fujian Xinrixian Group Co., Ltd., Fuzhou, China (PRC)
 Shaowu Sanyuan Food Development Co., Ltd., Shaowu, China (PRC)
 Fuzhou Xinrixian Food Development Co., Ltd., Fuzhou, China (PRC)
 Shaowu Xinrixian Industry Co., Ltd., China (PRC)
 Shunchang Xinrixian Forestry Co., Ltd., Shunchang, China (PRC)
 Sanming Xinrixian Forestry Co., Ltd., Jiangle Country, China (PRC)
 Wuyishan Xinrixian Forestry Col, Ltd., China (PRC)

During the year, one new subsidiary, Wuyishan Xinrixian Forestry Co., Ltd ('Wuyishan'), was formed in line with the Group's aim of decentralising decision making. The establishment of Wuyishan has no effect on the comparability of this year's financial statements with the previous year.

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 related legal requirements.

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

1. BACKGROUND AND BASIS OF PREPARATION (continued)

1.2 Basis for preparation

The accounting policies correspond to those applied in the previous year.

New standards and interpretations and amendments to existing standards and interpretations applicable for the financial year ending 31 December 2009 are:

IFRS 1 Revised 'First Time Adoption of IFRS' (effective date: 1 January 2009): This amendment had no material impact on the Group's financial statements.

IFRS 2 Amendment – Share-based Payment – Vesting Conditions and Cancellations (effective date: 1 January 2009): This amendment had no impact on the Group's financial statements.

IFRS 7 Amendments – Financial Instruments: Disclosures (effective date: 1 January 2009): This amendment had no material impact on the Group's financial statements.

IFRS 7 and IAS 39 Amendments: Reclassification of Financial Instruments as well as Financial Assets (effective date: 1 January 2009): This amendment had no material impact on the Group's financial statements.

IFRS 8 Operating Segments (effective date: 1 January 2009): This new standard had an impact on the nature and extent of the Notes in the Group's financial statements.

IAS 1 Presentation of Financial Statements – Revised (effective date: 1 January 2009): This amendment had no material impact on the Group's financial statements.

IAS 23 Borrowing Costs – Revised (effective date: 1 January 2009): This amendment had no impact on the Group's financial statements.

IAS 27 Amendments – Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective date: 1 January 2009): These amendments had no impact on the Group's financial statements.

IAS 32/IAS 1 Amendments – Financial Instruments: Presentation/Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective date: 1 January 2009): These amendments had no material impact on the Group's financial statements.

IFRIC 9/IAS 39 Amendments – Reassessment of Embedded Derivatives/Financial Instruments: Recognition and Measurement – Embedded Derivatives (effective date: 1 January 2009): These amendments had no impact on the Group's financial statements.

IFRIC 13 Customer Loyalty Programmes (effective date: 1 January 2009): This interpretation had no impact on the Group's financial statements.

IFRIC 14/IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective date: 1 January 2009): This interpretation had no impact on the Group's financial statements.

Improvements to IFRS (2008) (effective date: 1 January 2009): These improvements had no material impact on the Group's financial statements.

New standards and interpretations and amendments to existing standards and interpretations that will be effective for financial years after 31 December 2009, and have not been applied in preparing these consolidated financial statements are:

IFRS 3 Business Combinations – Revised (effective date: 1 July 2009): This amendment will have an impact on the Group's financial statements in the event of business combinations.

IAS 27 Amendment – Consolidated and Separate Financial Statements (effective date: 1 July 2009): This amendment is not expected to have any material impact on the Group's financial statements.

IAS 32 Amendment – Financial Instruments: Presentation – Classification of Rights Issues (effective date: 1 February 2010): This amendment is not expected to have any impact on the Group's financial statements.

1. BACKGROUND AND BASIS OF PREPARATION (continued)

1.2 Basis for preparation (continued)

IAS 39 Amendment – Financial Instruments: Recognition and Measurement – Eligible hedged items (effective date: July 1, 2009): This amendment is not expected to have any material impact on the Group's financial statements.

IFRIC 12 Service Concession Arrangements (effective date: 29 March 2009): This interpretation is not expected to have any impact on the Group's financial statements.

IFRIC 15 Agreements for the Construction of Real Estate (effective date: 1 January 2010): This interpretation is not expected to have any impact on the Group's financial statements.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective date: 30 June 2009): This interpretation is not expected to have any impact on the Group's financial statements.

IFRIC 17 Distributions on Non-cash Assets to Owners (effective date: 1 November 2009): This interpretation is not expected to have any impact on the Group's financial statements.

IFRIC 18 Transfers of Assets from Customers (effective date: 1 November 2009): This interpretation is not expected to have any impact on the Group's financial statements.

Improvements to IFRS (2008) > IFRS 5 (effective date: 1 July 2009): These improvements are not expected to have any material impact on the Group's financial statements.

Entities shall apply the new standards and interpretations, and amendments to existing standards and interpretations for annual periods beginning on or after the effective date.

New standards and interpretations, and amendments to existing standards and interpretations are usually not applied by the Group before the effective date.

Apart from additional or modified disclosure requirements there were no material effects on the consolidated financial statements. 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The main areas in which estimates are used are fair value of biological assets, property, plant and equipment, deferred tax and the valuation of Stock Appreciation Rights ('SARs'). The calculation of the fair value of biological assets is conducted by a third party expert using an NPV calculation and the fair value calculation of the SARs is done by using the Black-Scholes Option Pricing Model.

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 58% of total assets as at 31 December 2009. The detailed explanation of the applied accounting methods for the biological assets can be found under points 2.6 and 13.

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 as far as the mature plantations are concerned.

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, 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 0.88 as at 31 December 2009) into EUR as follows:

| | 2009 | 2008 |
|----------|--------|---------|
| Year end | 9.8350 | 9.4956 |
| Average | 9.5277 | 10.2236 |

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 |
| Buildings | 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 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 are calculated on a straight-line basis over the period of the land use rights of 50 years.

2.6 Biological assets

The biological assets of the company relate to mature and immature plantations of Moso Bamboo (*Phyllostachys heterocycla pubescens*) and are stated at fair value less estimated point-of-sale costs. 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, in line with common practice, 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 under section 13. The period used in the calculation of the fair value is equal to the time up to the expiration date of the land lease rights which in most cases is 20 years from the date of the signing of the lease. Future cash flows were discounted at a current market-determined pre-tax rate of 27% per annum.

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.

2.7 Long-term prepayments

Long-term prepayments relate to one-off payments for the leased plantations. These payments are amortised over the lease term using a 17% interest rate that has been computed on the basis of representative leasing rates that had to be paid in some cases prior to these one-off payments. Interest income is reflected under financial income, the dissolution is charged to cost of sales.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Impairment of non-financial assets

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

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

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.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash deposited in interest-bearing bank accounts.

2.10 Receivables, other receivables and deposits on rental property

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

2.11 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.

2.12 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.

2.13 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Operating leases

Leases of assets 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. All plantation leases are now paid up-front, consequently the Company has no material operating leases any longer.

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.

2.15 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.

2.16 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 2009, 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, Sanming Xinrixian and Wuyishan Xinrixian, are agricultural production operators, and are currently exempt from income tax on income arising from the cultivation of bamboo shoots and bamboo trees under China's income tax law. In 2009, 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%.

As the above mentioned tax exemption has to be 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.

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:

| | 2009 kEUR | 2008 kEUR |
|-------------------------|---------------|--------------|
| Bamboo trees | 22,568 | 16,917 |
| Fresh bamboo shoots | 21,995 | 15,134 |
| Processed bamboo shoots | 12,955 | 11,780 |
| Others | 1,103 | – |
| | 58,621 | 43,831 |

3.2 Breakdown of sales according to geographical regions:

| | 2009 kEUR | 2008 kEUR |
|-----------------------|---------------|--------------|
| Domestic market (PRC) | 54,490 | 37,750 |
| Japanese market | 4,131 | 6,081 |
| | 58,621 | 43,831 |

Geographical breakdown of sales:

| | 2009 kEUR | 2008 kEUR |
|----------------------------|---------------|--------------|
| Fujian Province | 31,357 | 22,740 |
| Zhejiang Province | 11,943 | 7,634 |
| Jiangsu Province | 3,127 | 2,367 |
| Shanghai city | 3,156 | 1,339 |
| Guangdong Province | 1,878 | 1,186 |
| Other provinces and cities | 3,029 | 2,484 |
| Domestic total | 54,490 | 37,750 |
| Export | 4,131 | 6,081 |
| Total | 58,621 | 43,831 |

4. GAIN ARISING FROM 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 13) for further details.

5. OTHER OPERATING INCOME

Government grants of kEUR 157 (2008 = kEUR 62) relate to grants received by central and local government to improve agricultural industrialisation.

6. RESEARCH AND DEVELOPMENT

Research and development expenses amounted to kEUR 60 in 2009 (2008 = kEUR 24).

7. HEADCOUNT AND PAY-ROLL EXPENSES

| | 2009 | 2008 |
|-------------------------------|------------|------|
| Management and administration | 114 | 178 |
| Research and development | 6 | 8 |
| Manufacturing | 661 | 514 |
| Sales | 35 | 24 |
| | 816 | 724 |

The payroll costs are as follows:

| | 2009 kEUR | 2008 kEUR |
|-----------------------|--------------|--------------|
| Wages and salaries | 2,441 | 1,987 |
| Social security costs | 218 | 172 |
| Welfare | 59 | 46 |
| | 2,718 | 2,205 |

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

| | 2009 kEUR | 2008 kEUR |
|---|--------------|--------------|
| Amortisation of intangible assets (land-use rights) | 8 | 7 |
| Depreciation of property, plant and equipment | 242 | 202 |
| | 250 | 209 |

9. FINANCE INCOME/FINANCE EXPENSES

| | 2009 kEUR | 2008 kEUR |
|---|--------------|--------------|
| Finance income | | |
| Interest income from bank balances | 598 | 1,213 |
| Foreign exchange profits | – | 857 |
| Interest income from fair value of long-term financial assets (up-front payments of leases) | 6,336 | 2,166 |
| | 6,934 | 4,236 |

| | 2009 kEUR | 2008 kEUR |
|---|--------------|--------------|
| Finance expenses | | |
| Interest expense for discount of long-term financial assets | – | 589 |
| Bank charges | 3 | 2 |
| Bank loan interests | 34 | – |
| Foreign exchange loss | 1,796 | – |
| | 1,833 | 591 |

10. TAXATION

10.1 Major components of income tax expense

The amount of taxation charged to the income statements represents:

| | 2009 | 2008 |
|---|-------------|-------|
| | kEUR | kEUR |
| Current income tax, net | (2) | 502 |
| Deferred income tax induced by timing difference and on tax loss carry forwards | 365 | 6,882 |
| Income tax recognised in profit and loss statement | 363 | 7,384 |

10.2 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:

| | 2009 | 2008 |
|--|----------------|--------------------|
| | kEUR | kEUR |
| Profit/(loss) before income tax | 31,185 | 34,681 |
| Calculated income tax rate of 25% ¹ | 7,796 | 8,670 |
| Effect of increase in calculated income tax rate from 15% (2007) to 25% (2008) | – | 3,845 ² |
| Tax reduction due to preferential tax treatment | (6,617) | (4,866) |
| Deferred tax on loss carry forwards | (642) | (293) |
| Non deductible expenses at AG level | 24 | 179 |
| Other, net | (198) | (151) |
| Income tax expense recognised in profit and loss statement | 363 | 7,384 |
| Actual group tax rate | 1.2% | 21.3% |

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 relate to deferred taxes

10.3 Taxation payable

Taxation payable in the consolidated balance sheet represents:

| | 2009 | 2008 |
|---|--------------|------|
| | kEUR | kEUR |
| Balance of provision relating to previous years | 535 | 8 |
| Income tax provision for the year | 260 | 394 |
| Income tax paid | (291) | (8) |
| Income tax Asian Bamboo AG | (109) | 111 |
| Currency translation differences | (16) | 30 |
| At the end of the year | 379 | 535 |

10. TAXATION (continued)

10.4 Deferred taxation

| | 2009 kEUR | 2008 kEUR |
|---|--------------|--------------|
| At beginning of year | 13,932 | 5,483 |
| Provision for deferred tax | 1,007 | 7,114 |
| Currency translation difference | (520) | 1,335 |
| Deferred tax liabilities at end of year | 14,419 | 13,932 |

Net tax assets/liabilities by type of temporary difference:

| | 2009 kEUR | 2008 kEUR |
|-------------------------------|-----------------|-----------------|
| Tax assets | | |
| Long-term financial assets | 2,106 | 2,059 |
| Accounts receivables | – | 8 |
| | 2,106 | 2,067 |
| Tax liabilities | | |
| Biological assets | 16,525 | 15,999 |
| Net assets/(liability) | (14,419) | (13,932) |

Deferred tax assets of EUR 1.9 million (2008 = EUR 1 million) 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 0.5 million (2008 = EUR 2 million). There is no knowledge of the level of potential existing loss carry forwards in Hong Kong XRX Bamboo Investment Co., Ltd.

11. PROPERTY, PLANT AND EQUIPMENT

Development 2009:

| | 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 |

Development 2008:

| | Buildings kEUR | Machines kEUR | Office equipment kEUR | Motor vehicles kEUR | Construction in progress kEUR | Total kEUR |
|------------------------------------|-------------------|------------------|-----------------------------|---------------------------|-------------------------------------|---------------|
| Cost | | | | | | |
| At 31 December 2008/1 January 2009 | 2,036 | 776 | 118 | 294 | 640 | 3,864 |
| Additions | 1,145 | 680 | 63 | 1 | 389 | 2,278 |
| Disposals | 70 | 624 | 27 | 1 | 995 | 1,717 |
| Exchange difference | (108) | (28) | (5) | (10) | (2) | (153) |
| At 31 December 2009 | 3,003 | 804 | 149 | 284 | 32 | 4,272 |
| Accumulated depreciation | | | | | | |
| At 31 December 2008/1 January 2009 | 517 | 288 | 23 | 28 | – | 856 |
| Depreciation charged for the year | 99 | 86 | 29 | 28 | – | 242 |
| Disposals | 16 | 270 | 18 | – | – | 304 |
| Exchange difference | (22) | (5) | (1) | (2) | – | (30) |
| At 31 December 2009 | 578 | 99 | 33 | 54 | – | 764 |
| Net carrying amount: | | | | | | |
| At 31 December 2008 | 1,519 | 488 | 95 | 266 | 640 | 3,008 |
| At 31 December 2009 | 2,425 | 705 | 116 | 230 | 32 | 3,508 |

12. LAND USE RIGHTS

| | 2009 kEUR | 2008 kEUR |
|--|--------------|--------------|
| Cost | | |
| Balance at the beginning of financial year | 390 | 339 |
| Additions | – | 5 |
| Exchange difference | (15) | 46 |
| Balance at the end of financial year | 375 | 390 |
| Accumulated amortisation | | |
| Balance at the beginning of financial year | 56 | 41 |
| Amortisation for the financial year | 8 | 7 |
| Exchange difference | (4) | 7 |
| Balance at the end of financial year | 60 | 55 |
| Net book value | | |
| Balance at the beginning of financial year | 334 | 298 |
| Balance at the end of financial year | 315 | 334 |

Land use rights have a lease period of 50 years.

13. 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 |
| Immature plantations as at 31 December 2008/ 1 January 2009 | 8,261 | 16,827 | – | – | 8,261 | 16,827 |
| Additions | | | | | | |
| Shaowu plantations acquired | 2,107 | 4,377 | – | – | 2,107 | 4,377 |
| Jiangle (Sanming/Taining) plantations acquired | 3,000 | 10,745 | – | – | 3,000 | 10,745 |
| | 13,368 | 31,949 | – | – | 13,368 | 31,949 |
| Mature plantations as at 31 December 2008/ 1 January 2009 | | | 18,368 | 99,485 | 18,368 | 99,485 |
| Valuation changes Shaowu plantations | – | – | – | (5,316) | – | (5,316) |
| Valuation changes Shunchang plantations | – | – | – | (1,312) | – | (1,312) |
| Depreciation Shaowu plantations | – | – | – | (2,080) | – | (2,080) |
| Depreciation Shunchang plantations | – | – | – | (191) | – | (191) |
| | – | – | 18,368 | 90,586 | 18,368 | 90,586 |
| Intra transfer plantations to mature | | | | | | |
| Sunchang plantations | (1,949) | (2,799) | 1,949 | 2,799 | – | – |
| Jiangle (Sanming/Taining) plantations | (1,912) | (7,857) | 1,912 | 7,857 | – | – |
| Valuation change Shunchang plantations | – | – | – | 7,088 | – | 7,088 |
| Valuation change Jiangle (Sanming/Taining) plantations | – | – | – | 3,505 | – | 3,505 |
| Depreciation Shunchang plantations | – | – | – | (188) | – | (188) |
| Depreciation Jiangle (Sanming/Taining) plantations | – | – | – | (412) | – | (412) |
| | (3,861) | (10,656) | 3,861 | 20,649 | – | 9,993 |
| Changes due to currency translation | | (687) | | (3,834) | | (4,521) |
| Book value as at 31 December 2009 | 9,507 | 20,606 | 22,229 | 107,401 | 31,736 | 128,007 |

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 cost as at 31 December 2008/ 1 January 2009 | 8,261 | 16,827 | 18,368 | 42,485 | 26,629 | 59,312 |
| Accumulated valuation gains as at 31 December 2008/1 January 2009 | – | – | – | 57,000 | – | 57,000 |
| Fair value as at 31 December 2008 1 January 2009 | 8,261 | 16,827 | 18,368 | 99,485 | 26,629 | 116,312 |
| Additions 2009 at cost | 5,107 | 15,122 | – | – | 5,107 | 15,122 |
| Reclassifications 2009 at cost | (3,861) | (10,656) | 3,861 | 10,656 | – | – |
| Valuation gains/losses 2009, net | – | – | – | 3,966 | – | 3,966 |
| Depreciation 2009 | – | – | – | (2,872) | – | (2,872) |
| Changes due to currency translation | – | (687) | – | (3,834) | – | (4,521) |
| Book value as at 31 December 2009 | 9,507 | 20,606 | 22,229 | 107,401 | 31,736 | 128,007 |

13. 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 cost as at 31 December 2008/ 1 January 2009 | 8,261 | 16,827 | 18,368 | 42,485 | 26,629 | 59,312 |
| Additions 2009 at cost | 5,107 | 15,122 | – | – | 5,107 | 15,122 |
| Reclassifications 2009 at cost | (3,861) | (10,656) | 3,861 | 10,656 | – | – |
| Changes due to currency translation | – | (687) | – | (1,834) | – | (2,521) |
| Total costs as at 31 December 2009 | 9,507 | 20,606 | 22,229 | 51,307 | 31,736 | 71,913 |
| Total accumulated depreciation | – | – | – | (2,088) | – | (2,088) |
| Depreciation 2009 | – | – | – | (2,872) | – | (2,872) |
| Changes due to currency translation | – | – | – | 163 | – | 163 |
| Total accumulated depreciation | – | – | – | (4,797) | – | (4,797) |
| Accumulated valuation gains as at 31 December 2008/1 January 2009 | – | – | – | 57,000 | – | 57,000 |
| Gains 2009 | – | – | – | 10,594 | – | 10,594 |
| Losses 2009 | – | – | – | (6,628) | – | (6,628) |
| Changes due to currency translation | – | – | – | (76) | – | (76) |
| Total accumulated valuation gains as at 31 December 2009 | – | – | – | 60,890 | – | 60,890 |
| Net book value at 31 December 2009 | 9,507 | 20,606 | 22,229 | 107,401 | 31,736 | 128,007 |

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 |

13. BIOLOGICAL ASSETS (continued)

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 |

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 |

13. BIOLOGICAL ASSETS (continued)

Output of agricultural production for the year 2009 to 2008:

| | 2009 pcs./mt | 2008 pcs./mt |
|-----------------------------|-------------------|-----------------|
| Bamboo trees (pieces) | 12,588,760 | 9,702,224 |
| Winter shoots (metric tons) | 13,224 | 8,516 |
| Spring shoots (metric tons) | 54,010 | 37,014 |

The biological assets, including immature and mature bamboo plantations, were stated at fair values less estimated point-of-sale costs as at 31 December 2009. 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. A plantation is classified as mature when it is ready for harvest and has a density of at least 2,475 harvestable bamboo trees per hectare.

The valuation methodology is in compliance with both IAS 41 and the International Valuation Standards issued by the International Valuation Standard Committee which aims at determining the fair value of a biological asset in its present location and condition. The assumptions used in the calculation were determined by independent valuers Sallmanns (Far East) Limited, Hong Kong, the company that also calculated the fair value less estimated point-of-sale costs of the mature bamboo plantations. 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 (2008 = 525 trees), 600 kg of winter shoots (2008 = 750 kg) and 4,650 kg (2008 = 4,875 kg) of spring shoots per ha.
- The sales prices are assumed to be EUR 1.79 (2008 = EUR 1.74) per tree, EUR 0.74 (2008 = EUR 0.71) per kg of winter shoots and EUR 0.18 (2008 = EUR 0.20) per kg of spring shoots.
- Costs of harvest were estimated to be EUR 0.31 (2008 = EUR 0.30) per tree, EUR 0.07 (2008 = EUR 0.07) per kg of winter shoots and EUR 0.05 (2008 = EUR 0.05) per kg of spring shoots.
- The annual inflation rate was forecast at 3% (2008 = 3%)

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 27% (2008 = 30%). 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.

13. BIOLOGICAL ASSETS (continued)

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.

| Location | Company | Area | Total no. of land on hand (ha) | Starting term | Term | Term still to run 31 Dec 2009 | Status | Term still to run (weighted average) | |
|-----------------------------------|-----------|-----------|--------------------------------|---------------|------|-------------------------------|-------------------|--------------------------------------|--------------|
| Min Xian | Shaowu | Shaowu | 721 | 1.1.2001 | 20 | 11 | Mature 31.12.2007 | 12.27% | 1.35 |
| Min Xian | Shaowu | Shaowu | 861 | 1.1.2003 | 18 | 11 | Mature 31.12.2007 | 14.65% | 1.61 |
| Min Da | Shaowu | Shaowu | 543 | 1.1.2001 | 20 | 11 | Mature 31.12.2007 | 9.25% | 1.02 |
| Min Da | Shaowu | Shaowu | 400 | 1.1.2001 | 20 | 11 | Mature 31.12.2007 | 6.81% | 0.75 |
| Min Da | Shaowu | Shaowu | 300 | 1.1.2003 | 18 | 11 | Mature 31.12.2007 | 5.11% | 0.56 |
| Min Run | Shaowu | Shaowu | 836 | 1.1.2001 | 20 | 11 | Mature 31.12.2007 | 14.23% | 1.57 |
| Kang Da | Shaowu | Shaowu | 591 | 1.1.2003 | 15 | 8 | Mature 31.12.2007 | 10.05% | 0.80 |
| Kang Da | Shaowu | Shaowu | 581 | 1.1.2005 | 13 | 8 | Mature 31.12.2007 | 9.89% | 0.79 |
| Si Rong | Shaowu | Shaowu | 838 | 1.1.2003 | 15 | 8 | Mature 31.12.2007 | 14.26% | 1.14 |
| Si Rong | Shaowu | Shaowu | 205 | 1.1.2005 | 13 | 8 | Mature 31.12.2007 | 3.48% | 0.28 |
| | | | 5,875 | | | | | 100.00% | 9.87 |
| Guilin | Shaowu | Shaowu | 1,840 | 1.2.2008 | 20 | 18 | Mature 1.1.2008 | 18.28% | 3.29 |
| Xialan | Shaowu | Shaowu | 1,973 | 1.2.2008 | 20 | 18 | Mature 1.1.2008 | 19.60% | 3.53 |
| Yushan | Shaowu | Shaowu | 2,080 | 1.1.2008 | 20 | 18 | Mature 1.1.2008 | 20.66% | 3.72 |
| Huangjiashan | Shaowu | Shaowu | 2,133 | 1.1.2008 | 20 | 18 | Mature 1.1.2008 | 21.19% | 3.81 |
| Huangjiaji | Shaowu | Shaowu | 2,040 | 1.2.2008 | 20 | 18 | Mature 1.1.2008 | 20.26% | 3.65 |
| | | | 10,067 | | | | | 100.00% | 18.00 |
| Wu Fang | Shunchang | Shunchang | 1,241 | 1.1.2005 | 20 | 15 | Mature 2008 | 51.20% | 7.68 |
| Lan Xia | Shunchang | Shunchang | 1,183 | 1.1.2006 | 30 | 26 | Mature 2008 | 48.80% | 12.69 |
| | | | 2,425 | | | | | 100.00% | 20.37 |
| Jin Feng | Shunchang | Shunchang | 1,043 | 1.1.2006 | 25 | 21 | Mature 2009 | 53.54% | 11.24 |
| Xin Chen | Shunchang | Shunchang | 905 | 1.1.2006 | 25 | 21 | Mature 2009 | 46.46% | 9.76 |
| | | | 1,949 | | | | | 100.00% | 21.00 |
| Wucun | Sanming | Jiangle | 1,913 | 7.8.2008 | 20 | 18 | Mature 1.1.2009 | 100.00% | 18.00 |
| | | | 1,913 | | | | | 100.00% | 18.00 |
| Total mature plantations | | | 22,229 | | | | | | |
| Rui Yan | Wuyi | Wuyi | 785 | 1.1.2006 | 20 | 16 | Mature 2011 | | |
| Li Yang | Wuyi | Wuyi | 900 | 1.1.2006 | 20 | 16 | Mature 2011 | | |
| Hua Shun | Shaowu | Guangze | 1,299 | 1.1.2007 | 20 | 17 | Mature 2010 | | |
| Yin Xin | Shaowu | Guangze | 1,415 | 1.1.2007 | 30 | 27 | Mature 2010 | | |
| Chakou | Shaowu | Shaowu | 2,107 | 1.11.2009 | 20 | 20 | Mature 2010 | | |
| Dawang | Sanming | Jiangle | 1,827 | 21.9.2009 | 20 | 20 | Mature 2010 | | |
| Xiaowang | Sanming | Jiangle | 1,173 | 23.9.2009 | 20 | 20 | Mature 2010 | | |
| Total immature plantations | | | 9,507 | | | | | | |
| Total plantations | | | 31,736 | | | | | | |

14. DEPOSITS

14.1 Long-term prepayments

| | ha | 1 Jan 2009 kEUR | Additions kEUR | Disposals kEUR | Exchange difference kEUR | 31 Dec 2009 kEUR |
|--|--------|--------------------|-------------------|-------------------|--------------------------------|---------------------|
| Cost | | | | | | |
| Shunchang (Wu Fang, Lan Xia, Jin Feng, Xin Chen) | 4,374 | – | 8,942 | – | (279) | 8,663 |
| Sanming (Wucun) | 1,913 | – | – | – | – | – |
| Sanming (Dawang, Xiaowang) | 3,000 | 2,661 | 5,668 | – | (269) | 8,060 |
| Shaowu (Min Xian, Min Da, Min Run, Kang Da, Si Rong) | 5,875 | – | 9,826 | – | (307) | 9,519 |
| Shaowu (Guilin, Xialan, Yushan, Huangjiashan, Huangjiaji) | 10,067 | – | – | – | – | – |
| Shaowu (Yin Xin, Hua Shun) | 2,715 | 13,504 | 5,574 | – | (640) | 18,438 |
| Shaowu (Chakou) | 2,107 | – | 2,388 | – | (75) | 2,313 |
| Wuyishan (Rui Yan, Li Yang) | 1,685 | – | 3,184 | – | (99) | 3,085 |
| Buildings and other | | – | 549 | – | (17) | 532 |
| | 31,736 | 16,165 | 36,131 | – | (1,686) | 50,610 |

| | ha | 1 Jan 2009 kEUR | Additions ¹ kEUR | Dissolutions ² kEUR | Exchange difference kEUR | 31 Dec 2009 kEUR |
|--|--------|--------------------|--------------------------------|-----------------------------------|--------------------------------|---------------------|
| Accumulated depreciation | | | | | | |
| Shunchang (Wu Fang, Lan Xia, Jin Feng, Xin Chen) | 4,374 | – | 1,589 | (1,520) | (2) | 67 |
| Sanming (Wucun) | 1,913 | – | 471 | (451) | – | 20 |
| Sanming (Dawang, Xiaowang) | 3,000 | – | – | – | – | – |
| Shaowu (Min Xian, Min Da, Min Run, Kang Da, Si Rong) | 5,875 | – | 2,054 | (1,670) | (12) | 372 |
| Shaowu (Guilin, Xialan, Yushan, Huangjiashan, Huangjiaji) | 10,067 | 92 | 2,422 | (2,289) | (7) | 218 |
| Shaowu (Yin Xin, Hua Shun) | 2,715 | – | – | – | – | – |
| Shaowu (Chakou) | 2,107 | – | – | – | – | – |
| Wuyishan (Rui Yan, Li Yang) | 1,685 | – | – | – | – | – |
| Buildings and other | | – | 4 | – | – | 4 |
| | 31,736 | 92 | 6,540 | (5,930) | (21) | 681 |
| | | 16,073 | | | | 49,929 |

¹ Interest income

² Cost of sales

14. DEPOSITS (continued)**14.1 Long-term prepayments** (continued)

Long-term prepayments for leasing obligations:

| | 2008 kEUR | 2007 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 | – |

14.2 Lease deposits

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.

| | 2009 kEUR | 2008 kEUR |
|---|---------------------|--------------|
| Cost | | |
| Balance at the beginning of financial year, paid deposits | 2,993 | 1,420 |
| Additions (paid deposits) | – | 1,286 |
| Exchange difference | (104) | 287 |
| Balance at the end of financial year | 2,889 | 2,993 |
| Accumulated amortisation | | |
| Balance at the beginning of financial year | 1,567 | 769 |
| Interest expense | – | 681 |
| Interest income | 71 | 34 |
| Exchange difference | (52) | 151 |
| Balance at the end of financial year | 1,444 | 1,567 |
| Net book value | | |
| Balance at the beginning of financial year | 1,426 | 651 |
| Balance at the end of financial year | 1,445 | 1,426 |

15. INVENTORIES

| | 2009 kEUR | 2008 kEUR |
|------------------------|--------------|--------------|
| Agricultural materials | 13 | 380 |
| Packing materials | 77 | 49 |
| Finished Goods | 1,651 | 205 |
| | 1,741 | 634 |

16. TRADE AND OTHER RECEIVABLES

| | 2009 kEUR | 2008 kEUR |
|-----------------------------------|--------------|--------------|
| Trade receivables | 1,083 | 590 |
| Allowance for trade receivables | – | (8) |
| | 1,841 | 582 |
| Other receivables and prepayments | 4,303 | 5,784 |

Other receivables and prepayments mainly consist of a non-interest bearing short term loan of EUR 2 million to Shaowu Zhongzhu with which a strategic alliance was agreed upon in February 2009. The loan was paid back in full at the beginning of 2010.

Trade and other receivables are due within 1 year.

17. 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.

18. CASH AND CASH EQUIVALENTS

| | 2009 kEUR | 2008 kEUR |
|--|---------------|--------------|
| Cash on hand | 6 | 14 |
| Cash deposited in interest-bearing bank accounts | 29,137 | 25,467 |
| | 29,143 | 25,481 |
| – thereof in Germany | 13,411 | 9,844 |
| – thereof in China and Hong Kong | 15,022 | 15,637 |
| – thereof bank deposits | 710 | – |

19. EQUITY

19.1 Paid in capital

The share capital of the parent company amounts to EUR 14.025 million and is divided into 14.025 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. As the company issued 1.275 million shares in 2009, it can issue an additional 5.1 million shares.

There exists a conditional capital of EUR 6.375 million for the issue of options or convertible bonds for a total of EUR 150 million against the grant of options or conversion rights for the acquisition of 6.375 million shares up until 31 May 2014.

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, as decided by the AGM on 5 June 2009. During the year, the Company bought back 129,900 shares, which means that the Company can buy back an additional 1,245,100 shares under this authorisation. The Company is allowed to acquire these shares by means of equity derivatives.

19.2 Reserves and retained earnings

a) Capital reserves

The amount reflects proceeds from the IPO and subsequent capital raising less related expense.

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.

20. TRADE AND OTHER PAYABLES

| | 2009 kEUR | 2008 kEUR |
|----------------------------|--------------|--------------|
| Trade payables | 1,778 | 143 |
| VAT payable | (146) | 276 |
| Other tax payable | (27) | (11) |
| Accrued payroll | 270 | 271 |
| Other payable and accruals | 4,280 | 251 |
| Other payable and accruals | 4,377 | 787 |
| Income tax payable | 379 | 535 |
| | 6,534 | 1,465 |

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

21. FINANCIAL COMMITMENTS AND CONTINGENCIES

21.1 Operating lease commitments

The Group leases land, plantations 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:

| | 2009 | 2008 |
|--|--------------|-------|
| | kEUR | kEUR |
| Land lease recognised as current expense | 4,805 | 4,563 |
| Building lease recognised as current expense | 95 | 26 |
| Lease payment recognised as expense | 4,900 | 4,589 |

Future minimum lease payments under operating leases as at 31 December 2009 are as follows:

| | 2009 | 2008 |
|---------------------------------|--------------|--------|
| | kEUR | kEUR |
| Within 1 year | 2,337 | 1,502 |
| After 1 year but within 5 years | 210 | 24,604 |
| After 5 years | 155 | 63,440 |
| | 2,702 | 89,546 |

a) Lease of buildings

| | 2009 | 2008 |
|---------------------------------|-------------|------|
| | kEUR | kEUR |
| Within 1 year | 109 | 28 |
| After 1 year but within 5 years | 210 | 83 |
| After 5 years | 155 | – |
| | 474 | 111 |

b) Lease of land:

| | 2009 | 2008 |
|---|--------------------------|--------|
| | kEUR | kEUR |
| Not later than one year | 2,228¹ | 1,474 |
| Later than one year but not later than five years | – | 24,521 |
| Later than five years | – | 63,440 |
| | 2,228 | 89,435 |

¹ One-off payments

There were other financial obligations, linked to not yet fully paid leases of plantations, amounting to EUR 3.202 million at the end of the year.

22. CONTINGENT LIABILITIES

As of 31 December 2009 the Group did not have any significant contingent liabilities.

23. 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.

23.1 Related party information

| Name of related party | Relationship |
|--|--|
| Green Resources Enterprise Holding Ltd., Tortola, British Virgin Island | Largest shareholder of Asian Bamboo AG |
| Lin Zuojun | CEO, shareholder of Green Resources Enterprise Holdings |

23.2 Sale and purchase of goods

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

23.3 Due from/to related parties

As of 31 December 2009 the Group had no due from or to related parties.

24. DISCLOSURE OF FINANCIAL INSTRUMENTS

The Group's financial instruments at the closing-days of 2009 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 2009 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 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 |
|--|--|---|---|---|---|--|---|
| Deposits for leaseholds | HtM | 1,445 | 1,445 | 0 | 1,426 | 1,426 | 0 |
| Long-term prepayments | HtM | 49,929 | 49,929 | 0 | 16,073 | 16,073 | 0 |
| Trade receivables | LaR | 1,841 | 1,841 | 0 | 582 | 582 | 0 |
| Other receivables and prepayments | LaR | 4,303 | 4,303 | 0 | 5,784 | 5,784 | 0 |
| Cash and cash equivalent | LaR | 29,143 | 29,143 | 0 | 25,481 | 25,481 | 0 |
| Trade payables | OFL | 1,778 | 1,778 | 0 | 143 | 143 | 0 |
| Other payables | OFL | 4,280 | 4,280 | 0 | 251 | 251 | 0 |
| Of which: aggregated by category in accordance with IAS 39: | | | | | | | 0 |
| Long-term financial investments (HtM) | | 51,374 | 51,374 | 0 | 17,499 | 17,499 | 0 |
| Cash and receivables (loans and receivables, LaR) | | 35,287 | 35,287 | 0 | 31,847 | 31,847 | 0 |
| Financial liabilities measured at amortised cost OFL) | | 6,058 | 6,058 | 0 | 394 | 394 | 0 |

24. DISCLOSURE OF FINANCIAL INSTRUMENTS (continued)

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) | |
|---------------------------------------|-----------------------|-----------------|--------------|
| | | 2009 kEUR | 2008 kEUR |
| Long-term financial investments (HtM) | 6,336 | 6,336 | 1,577 |
| Cash and receivables | 598 | 598 | 2,070 |
| | 6,934 | 6,934 | 3,647 |

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.

25. 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 given the nature of the Company's business.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted the policy of only dealing with creditworthy counterparties 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 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.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk

Currency risk is the risk of fluctuations in the fair value or future cash flows of a financial instrument as a result of changes in exchange rates. Currency risk within the meaning of IFRS 7 arises 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 net present value (mature assets) as outlined in detail under points 2.6 and 13. As long as actual results reach forecast earnings, there are no other risks other than potential damage caused by diseases, fire or similar extraordinary events. These risks are compensated for by the relatively high discount rate of 27%, 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.

26. ADDITIONAL COMMENTS ON CAPITAL MANAGEMENT

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

27. NOTES TO THE CASH FLOW STATEMENTS

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.

28. SEGMENT INFORMATION

| | Bamboo trees and other kEUR | Shoots kEUR | Total kEUR | IFRS adjustments kEUR | Holding companies Hong Kong and Asian Bamboo AG kEUR | Consolidation kEUR | Group kEUR |
|--|-----------------------------------|----------------|---------------------|-----------------------------|---|-----------------------|----------------|
| 2009 | | | | | | | |
| Sales | 23,671 | 34,950 | 58,621 | – | – | – | 58,621 |
| EBIT | 14,885 | 16,286 | 31,171 | (1,177) | (3,911) | – | 26,083 |
| As % of sales | 63% | 47% | 53% | – | – | – | 44% |
| Finance income and expenses | 408 | 603 | 1,011 | 6,204 | (171) | (1,943) | 5,101 |
| Profit before income taxes | 15,293 | 16,889 | 32,182 | 5,027 | (4,082) | (1,943) | 31,184 |
| Income tax | – | 277 | 277 | (640) | – | – | (363) |
| Net profit | 15,293 | 17,166 | 32,459 | 4,387 | (4,082) | (1,943) | 30,821 |
| Working capital | 13,830 | 20,418 | 34,249 | | (36,822)¹ | | (2,573) |
| Gross operating capital | 9,958 | 14,702 | 24,660 | | 176,472¹ | | 201,131 |
| Operating liabilities | 20,690 | 30,547 | 51,238 | | (44,704)¹ | | 6,534 |
| EBIT return on net operating capital in % | -139% | -103% | -117% | | | | 13% |
| Employees | 329 | 486 | 815 | | 1 | | 816 |
| 2008 | | | | | | | |
| Sales | 16,917 | 26,914 | 43,831 | – | – | – | 43,831 |
| EBIT | 9,932 | 10,814 | 20,746 | 12,055 | 8,235 | (10,000) | 31,036 |
| As % of sales | 59% | 40% | 47% | – | – | – | 71% |
| Finance income and expenses | (349) | (554) | (903) | 2,412 | 13,257 | (11,121) | 3,645 |
| Profit before income taxes | 9,584 | 10,259 | 19,843 | 14,467 | 21,492 | (21,121) | 34,681 |
| Income tax | – | – | – | (7,273) | (111) | – | (7,384) |
| Net profit | 9,584 | 10,259 | 19,843 | 7,194 | 21,381 | (21,121) | 27,297 |
| Working capital | 257 | 408 | 665 ² | | (379) ¹ | | 286 |
| Gross operating capital | 25,767 | 28,054 | 53,821 ² | | 101,414 ¹ | | 155,235 |
| Operating liabilities | 23,461 | 25,543 | 49,004 ² | | (47,539) ¹ | | 1,465 |
| EBIT return on net operating capital in % | 431% | 431% | 431% | | | | 20% |
| Employees | 279 | 445 | 724 | | – | | 724 |

¹ IFRS Adjustments, Holding companies Hong Kong and Asian Bamboo AG , consolidation entries

² represent year-end figures 2008

Asian Bamboo's business can be naturally split into bamboo trees and bamboo shoots, which is in line with the Company's internal reporting procedures.

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), merchant, Hong Kong SAR, PRC

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

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

30. REMUNERATION OF THE MANAGEMENT BOARD

The following fixed remuneration has been paid:

Management Board:

Mr. Lin Zuojun: kEUR 294 (2008 = kEUR 196)

Mr. Jiang Haiyan: kEUR 147 (2008 = kEUR 92)

Mr. Peter Sjovall: kEUR 129 (2008 = kEUR 78 for the period 1 July to 31 December)

Supervisory Board:

Mr. Hans-Joachim Zwarg: kEUR 83 (2008 = kEUR 83)

Mr. Wolfgang Jensen: kEUR 42 (2008 = kEUR 42)

Mr. Pan Chaoran: kEUR 14 (2008 = kEUR 15)

In May 2008, 60,000 Stock Appreciation Rights ('SARs') were granted each to Peter Sjovall and Jiang Haiyan by the respective subsidiaries with which their employment contracts were entered into. The SARs are linked to both the performance of Asian Bamboo's business, through an EBIT target, and the share price. The EBIT target, which has been achieved, was that 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. The SARs expire on 15 April 2011 and can be exercised, in full or in part, between 18 May 2010 and 15 April 2011. The subsidiaries 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.

In line with IFRS we have been using the Black-Scholes option pricing model to derive the option expenses at the end of the year. The results of the computation is to some degree determined by the assumptions used and below is a summary of the assumption which conducted the calculation:

- a risk-free interest rate of 0.47% for the remaining period of a 0.38 year
- a volatility of 44.89% based upon the last 20 weeks in 2009 and
- that 82% of the time has passed from the date of the SAR agreement to the date when the SARs can be exercised for the first time according to the agreement

According to this calculation, the fair value of all SARs issued was EUR 1.8 million at the end of 2009.

31. AUDIT

BDO Deutsche Warentreuhand AG ('BDO') was appointed as the auditor of Asian Bamboo AG and the Group for the financial business year 2009. Total fees paid to BDO, which are entirely related to auditing and include travelling costs and value added tax, amount to kEUR 286.

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 23 March 2010 and made it accessible to shareholders on the Company's website at www.asian-bamboo.com.

33. SHAREHOLDINGS IN ASIAN BAMBOO AG

BNP Paribas Obam N.V. notified us pursuant to article 21, section 1 of the Wertpapierhandelsgesetz (German Securitization Act (WpHG)) on 7 December 2009 that its voting rights in Asian Bamboo AG exceeded the 3% and 5% threshold on 5 November 2009, and amounted to 5.69% as of that date (798,000 voting rights). Of this amount, 5.69% is 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 2009 amounted to 48.2% (6,752,000 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 Securitization 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 2009 amounted to 48.2% (6,752,000 voting rights).

34. REPORTS ON EVENTS SUBSEQUENT TO THE REPORTING DATE

Investment in Xinlifeng

In early January, Hong Kong XRX Bamboo Investment Co., Ltd. ('Hong Kong XRX') acquired a 40% stake in Fujian Xin Li Feng Bamboo Group Co., Ltd. ('Xinlifeng'), a leading producer of bamboo plywood, for approximately EUR 3 million. The cash contribution from Hong Kong XRX will be used to increase Xinlifeng's production capacity in order to meet increasing demand. The registered capital of Xinlifeng is EUR 7.5 million and the company is debt free.

The Management Board of Asian Bamboo believes that Xinlifeng will buy around 15% of the Company's total output of bamboo trees in 2010. In addition, it expects Xinlifeng will achieve a turnover and net profit of at least EUR 13 million and EUR 1.7 million, respectively. The Management Board of Asian Bamboo believes that the outlook for Xinlifeng is very promising, given the strong demand in the construction industry in China and the comparative benefits of using bamboo for producing building templates.

Organisational structure

On 6 January 2010, we created Asian Bamboo (Hong Kong) Industrial Co Ltd., which is the designated holding company for investments in processing companies.

On 1 February 2010, we incorporated Longyan Xinrixian Forestry Development Co., Ltd, which is the holding company for our plantation leases and operations in the Longyan area.

34. REPORTS ON EVENTS SUBSEQUENT TO THE REPORTING DATE (continued)

DEG loan

On 18 January 2010 we received USD 15 million, roughly equivalent to EUR 10 million, from DEG as a 7-year term loan. The loan agreement was signed on 15 September 2009.

As part of the loan agreement, Asian Bamboo agreed to, at all times, maintain the following financial ratios on a consolidated basis:

- Debt/Equity ratio not exceeding 1.0
- Net financial Debt to EBITDA (excluding IAS 41 adjustments) Ratio: not exceeding 3.0
- Current Ratio: not less than 1.2
- Debt Service Coverage Ratio (excluding IAS 41 adjustments): not less than 1.5

Plantation leases

On 1 February we announced the lease of 5,000 ha in the Longyan area.

Accrued SAR costs

As Asian Bamboo's share price has continued to rise in the first quarter of 2010, the accrued costs for the Stock Appreciation Rights are higher than at the end of 2009. The accrued SAR cost will be updated in the Q1 2010 financial announcement.

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

The German financial statements reflect retained earnings of EUR 7.1 million. At the Annual General Meeting, the Management Board and the Supervisory Board will propose to distribute a dividend of EUR 4.2 million (EUR 30 cents per share) and to carry forward the remaining amount of EUR 2.9 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 23 March 2010.

Hamburg, Germany, 23 March 2010

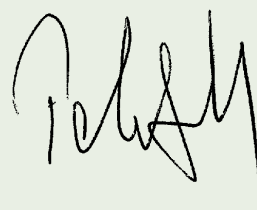
On behalf of the management



Lin Zuojun
Chairman



Jiang Haiyan
COO



Peter Sjovall
CFO

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.'

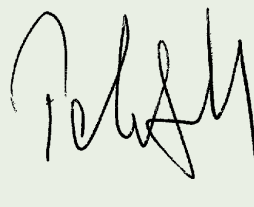
Hamburg, Germany, 23 March 2010
On behalf of the management



Lin Zuojun
Chairman



Jiang Haiyan
COO



Peter Sjovall
CFO

Auditors' Report

We have audited the consolidated financial statements prepared by the Asian Bamboo AG, Hamburg, comprising the statement of financial position, the income statement, statement of changes in equity, statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January 2009 to 31 December 2009. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to sec. 315a para. 1 HGB and supplementary provisions of the articles of incorporation 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. In addition we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

We conducted our audit of the consolidated financial statements in accordance with sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the 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 in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the 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 consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the 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, the additional requirements of German commercial law pursuant to sec. 315a para. 1 HGB and supplementary provisions of the articles of incorporation) and full IFRS 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, 26 March 2010
BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

sgd. Dr. Zemke
auditor

sgd. Dr. Rolff
auditor

Financial calendar

5-16 April

US road show

12 May

Publication of Q1 2010 report

07 June

AGM

09 June

Credit Suisse Small Cap Conference in London

12 August

Publication of Q2 2010 report

12 November

Publication of Q3 2010 report

22-24 November

Participation in the German Equity Forum (Deutsches Eigenkapital Forum)

Contact

This annual report, recent reports, and additional information are available on the internet at:

www.asian-bamboo.com and www.asian-bamboo.de


History of Asian Bamboo

The origins of Asian Bamboo AG can be traced back to 1992 when Mr Lin Zuojun, the CEO and founder, started a bamboo trading business in Fujian province. The business grew rapidly and Mr Lin built our first bamboo processing plant, located in Mawei, in 1997. In the late 1990s there was only limited demand for processed bamboo shoots in China, so the Company focused on the Japanese market where we were one of the pioneers in developing the distribution of Chinese processed bamboo shoots. Japan was for many years our most important market until domestic demand took off in the early 2000s. In 2001, we leased our first plantation and since then fresh bamboo shoots and bamboo trees have developed into our largest product categories.

Asian Bamboo AG was incorporated in Hamburg and listed on the main board (Prime Standard) of the Frankfurt Stock Exchange, under the ticket symbol '5AB', on 16 November 2007. Using the proceeds from the IPO, we leased more than 10,000 ha of mature plantations in 2008, more than doubling the size of the company's mature plantations from a year earlier. In August 2008, we were named a National Key Flagship Enterprise. The same year, the Xinrixian Research Centre, located on the campus of the Fujian Agriculture and Forestry University, was completed. The project was funded through a donation by Mr Lin in his personal capacity.

2009 was another year marked by significant change. We completed the rearrangement of our old plantation leases, which are now structured as up-front payments, which means that we get a significant discount on the total lease fees paid. In Q4, we raised a total of EUR 35 million, of which EUR 10 million was a loan from DEG and EUR 25 million was raised through a capital increase. During the year, we leased a further 5,100 ha of plantations.

In early 2010, we invested EUR 3 million in Xinlifeng, a leading producer of bamboo plywood in China, making it our second partner company following our strategic partnership agreement with Shaowu Zhongzhu (paper mill) in 2009. We expect that our two partner companies will take up around 35% of our total output of bamboo trees in 2010. We were also ranked as the 17th fastest growing company in China by Forbes China Magazine and in early February we leased an additional 5,000 ha of plantations.



Bamboo is one of the oldest and most remarkable natural resources.

The fastest-growing plant on earth, this ancient wood is stronger than steel, versatile, flexible, and plentiful, not to mention sustainable, beautiful and edible.

The history of bamboo

Bamboo is one of the oldest and most remarkable natural resources. The fastest-growing plant on earth, bamboo is stronger than steel, as well as versatile, flexible, abundant, beautiful, edible and of course sustainable. Bamboo plays a vital role in Chinese culture and its influence can be found in almost every facet of life. Below are some examples of evidence of the early use of bamboo uncovered by archaeological research.

During Neolithic times (12,000–2,000 BC) bamboo was used in construction as well as for making chopsticks and baskets. Bamboo shoots were also part of the diet.

During the Xia dynasty (2,300–1,750 BC) the Dujiang Dam, the greatest water conservancy project in Chinese history, was built using bamboo and in the Shang Dynasty (1,750–1,040 BC) there is evidence that the Chinese were using bamboo to make household articles and weapons such as bows and arrows.

In the Han Dynasty (206 BC–220 AD) bamboo or wooden strips were the standard writing material. Some 1,600 years ago, people wrote with brushes on xuan paper (known in the West as rice paper) made from young bamboo. Today, xuan paper is still used for Chinese calligraphy and paintings.

The Song Dynasty (960–1279 AD) scientist and polymath Shen Kuo (1031–1095) used the evidence of underground petrified bamboo found in the dry northern climate of Yan'an, Shanbei region, Shaanxi province, to support his geological theory of gradual climate change.

Su Dongpo (1037–1101), a literary giant of the Song Dynasty (960–1279), said that people could not live without bamboo. The people of the time used bamboo as firewood and to make tiles, paper, rafts, hats, rain capes, and shoes. As today, bamboo shoots were a popular dish because of their crispness and fresh, sweet taste. Bamboo shoots also contain vitamins, sugar, fat, and protein. Su even attributed his literary inspiration to bamboo, which is also a popular subject for classical painters.

The properties of bamboo shoots were recorded in the book of Compendium of Materia Medica, a pharmaceutical text written during the Ming Dynasty (1368–1644), as follows: 'It's slightly cold, sweet, non-toxic, and it quenches thirst, benefits the liquid circulatory system, supplements Qi, and can be served as a daily dish'.

About 100 years ago, William Edgar Geil, an American missionary and explorer in China, made the following observations about the use of bamboo, which he summarised in his 'Ode to Bamboo' in his book 'A Yankee on the Yangtze':



A man can sit in a bamboo house under a bamboo roof, on a bamboo chair at a bamboo table, with a bamboo hat on his head and bamboo sandals on his feet. He can at the same time hold in one hand a bamboo bowl, in the other hand bamboo chopsticks and eat bamboo sprouts. When through with his meal, which has been cooked over a bamboo fire, the table may be washed with a bamboo cloth, and he can fan himself with a bamboo fan, take a siesta on a bamboo bed, lying on a bamboo mat with his head resting on a bamboo pillow. His child might be lying in a bamboo cradle, playing with a bamboo toy. On rising he would smoke a bamboo pipe and taking a bamboo pen, write on bamboo paper, or carry his articles in bamboo baskets suspended from a bamboo pole, with a bamboo umbrella over his head. He might then take a walk over a bamboo suspension bridge, drink water from a bamboo ladle, and scrape himself with a bamboo scraper.

Today, as a result of improvements in processing technology, bamboo can be used in many more ways than before. It is now a common raw material for the production of flooring, plywood and paper. In addition, innovative designers have even created products such as bicycles, computer casings and keyboards out of bamboo wood and wrist-bands out of bamboo charcoal.

Due to its sustainability, we believe that the trend of using bamboo as an input material will continue and that there are few limitations on how bamboo can be used.

The region around Mount Wuyi, where many of our plantations are located, is the largest and most representative example of Chinese subtropical forests and South China rainforest biodiversity. Its ecology has survived from before the Ice Age around three million years ago.

In 1999, Mount Wuyi was added to UNESCO's list of World Heritage Sites, both natural and cultural. Numerous types of tea are produced around Mount Wuyi, including Da Hong Pao and Lapsang Souchong.

The area has also developed into one of the most popular domestic tourism destinations in China. The 'River of Nine Bends', pictured, where tourists can drift down the river on a bamboo raft while enjoying the colourful and dramatic scenery, is the most popular activity.

Mount Wuyi is also famous due to Zhu Xi, a scholar who created Neo-Confucianism during the Southern Song Dynasty (1127–1279). It was here that he gathered his disciples, gave lectures and wrote books, turning the area into a cultural and academic centre in Southeast China at the time.



Asian Bamboo AG

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