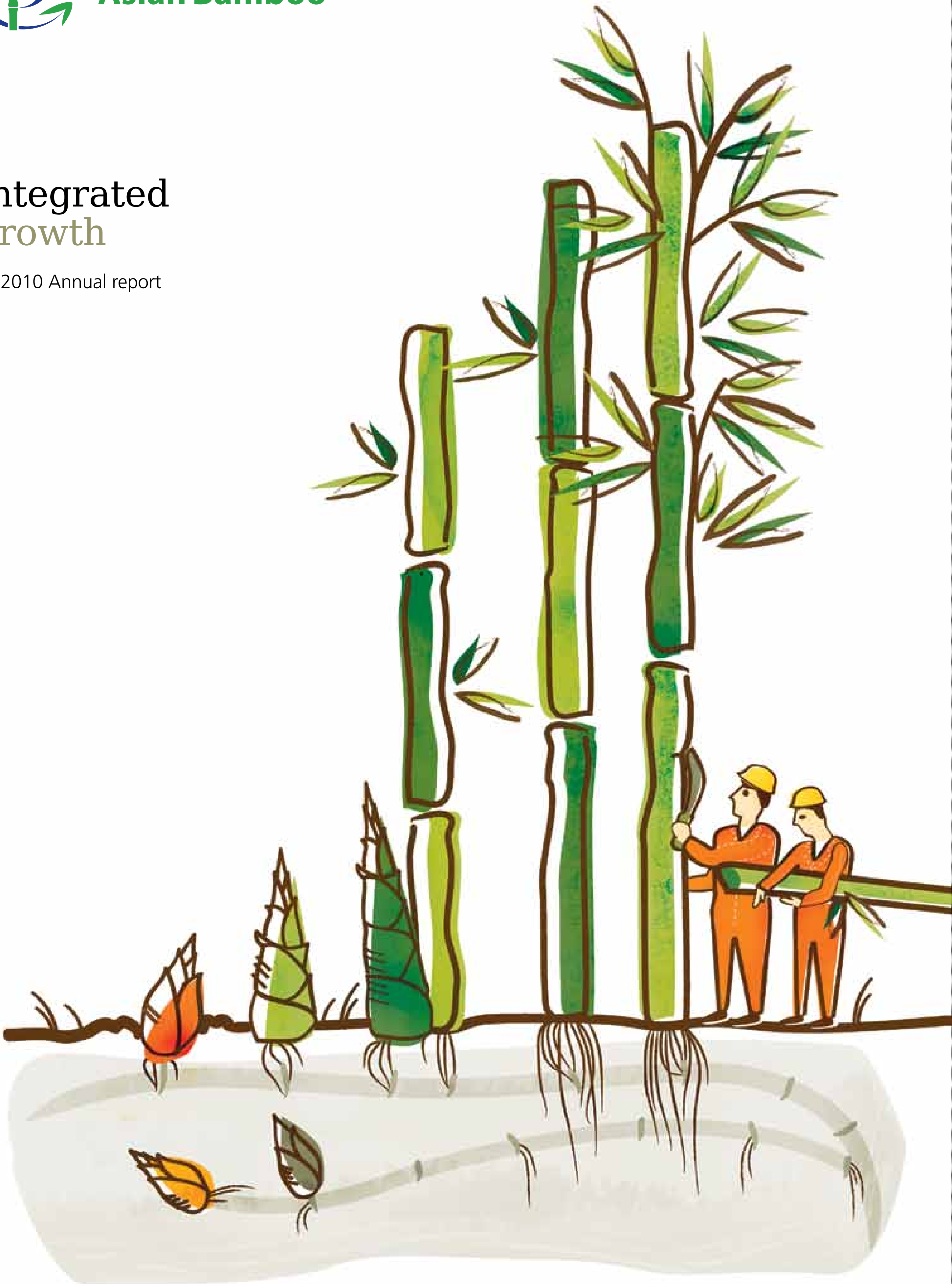
Asian Bamboo

Integrated growth

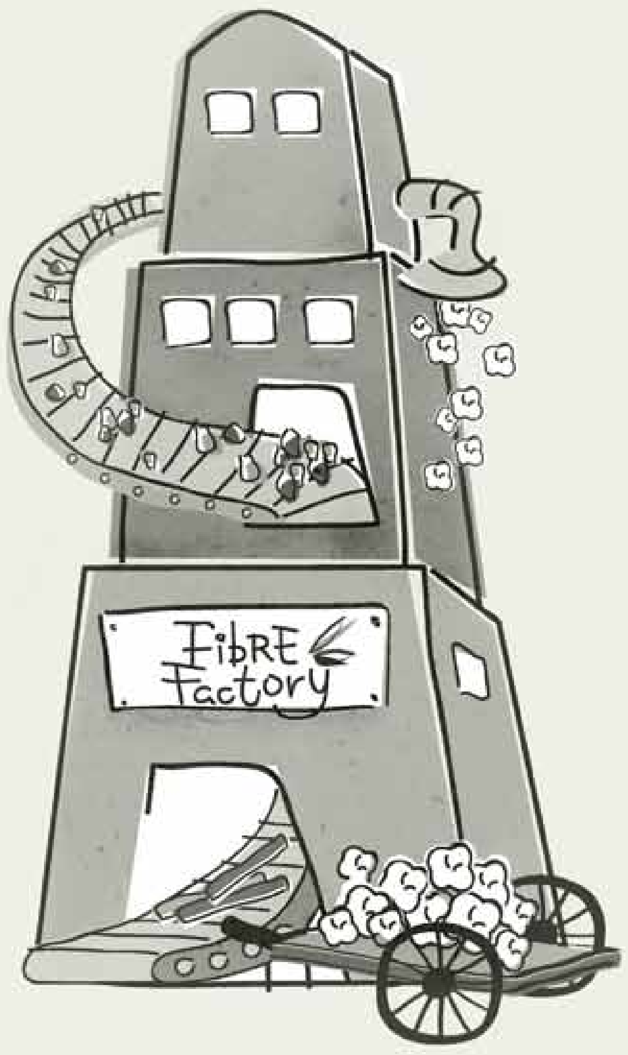
FY 2010 Annual report



Integrated growth

In the first phase of our life as a public company we primarily focused on growing our plantation size. We are now entering the second phase during which we will diversify our business model by moving into bamboo fibre processing. This is the final step along the value chain towards becoming a fully integrated company.

We expect that our investments in bamboo fibre processing will lead to a more balanced earnings base, develop the bamboo industry as a whole and significantly increase demand for bamboo trees. In the longer term, we believe that our Company will be in a much stronger position to face any potential changes in the competitive and/or economic landscape.



470,000,000

The total labour force in rural China, according to the Ministry of Social Development

3,300,000

The estimated total forest size, in hectares, of Moso bamboo in China

Agriculture

The development of the Chinese economy is still dependent upon the modernisation of the agriculture industry, which is one of key priorities on the central government's policy agenda

13,531,376

The total number of bamboo trees Asian Bamboo harvested in FY 2010

54,511

Asian Bamboo's total plantation size, in hectares, by the end of Q1 2011

Plantations

Growing our total plantation size remains the foundation of our business strategy

1,413,474

The total number of cans of processed bamboo shoots produced and sold by Asian Bamboo in FY 2010

180%

The percentage increase in the price of cotton since the beginning of FY 2009. Bamboo pulp is a substitute for cotton

Processing

The processing businesses complement our plantation business, generating synergies and economies of scale

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Introduction

Asian Bamboo at a glance

Income statement

In kEUR unless otherwise stated	2010	2009*	Change
Revenue	75,910	58,621	29%
Cost of sales	(48,768)	(38,913)	25%
Gain in the fair value of biological assets	17,191	15,772	9%
Gross profit including fair value changes	44,333	35,480	25%
Gross profit margin	58%	61%	
Other operation income	666	158	322%
Distribution expenses	(619)	(486)	27%
Administrative expenses	(7,885)	(5,813)	36%
Other operation expenses	(32)	(1,822)	-98%
Share of loss of associate	(70)		
Finance net	(612)	658	
Income tax	(2,271)	462	
Profit for the period (net profit)	33,510	28,637	17%
Net profit margin	44%	49%	
EPS (EUR)[†]	2.29	2.22	3%

† Calculated on the basis of 14,654,552 shares in FY 2010 and 12,896,403 shares in FY 2009

Cash flow

In kEUR unless otherwise stated	2010	2009*	Change
Net cash generated from operating activities	33,501	35,606	-6%
Cash flow used in investing activities	(58,836)	(52,480)	12%
Cash flow from financing activities	51,222	20,386	151%
Net increase / (decrease) in cash and cash equivalents	25,887	3,512	637%
Cash equivalents at the end of the period	56,658	29,143	94%

Simplified balance sheet and other selected data

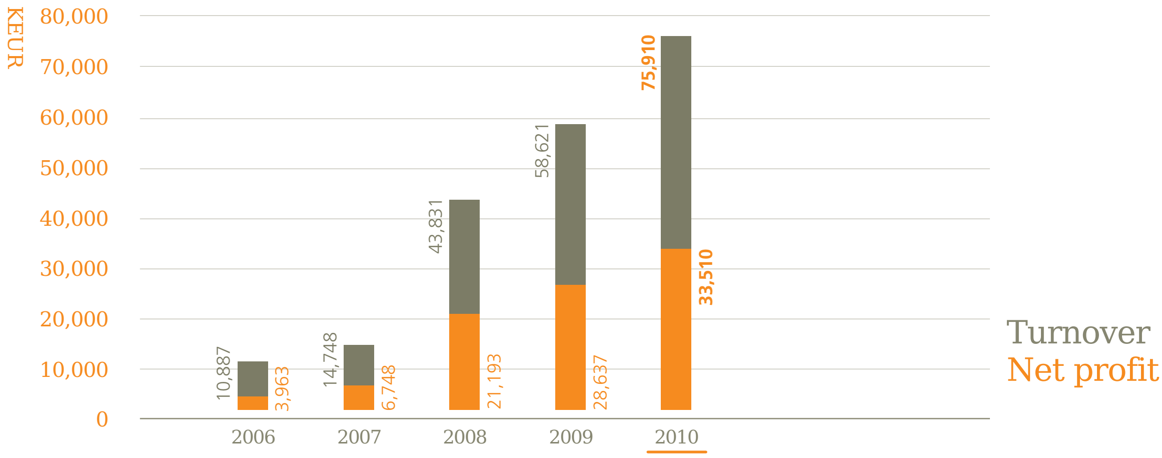
In kEUR unless otherwise stated	2010	2009*	Change
Biological assets	99,788	68,068	47%
Lease prepayments	164,940	84,374	95%
Cash and cash equivalents	56,658	29,143	94%
Other assets	25,320	21,107	20%
Total assets	346,706	202,692	71%
Total equity	282,421	191,211	48%
Liabilities	64,285	11,481	460%
Total liabilities and equity	346,706	202,692	71%
Size of mature plantations (ha)	35,051	22,229	58%
Size of immature plantations (ha)	12,760	9,507	34%
Total size of plantations (ha)	47,811	31,736	51%
Employees	770	816	-6%

* Comparable numbers are adjusted in accordance with IAS 8

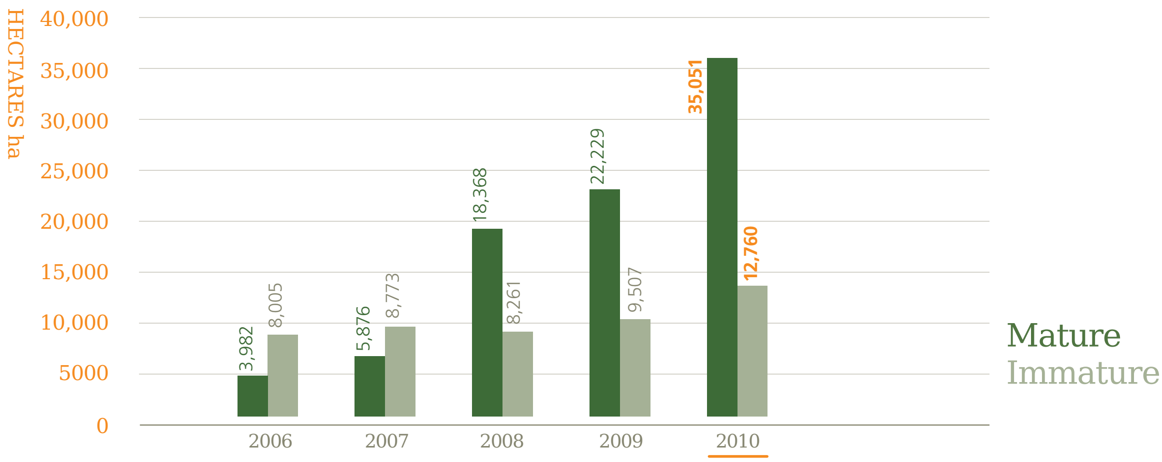
Introduction

Financial and operational highlights

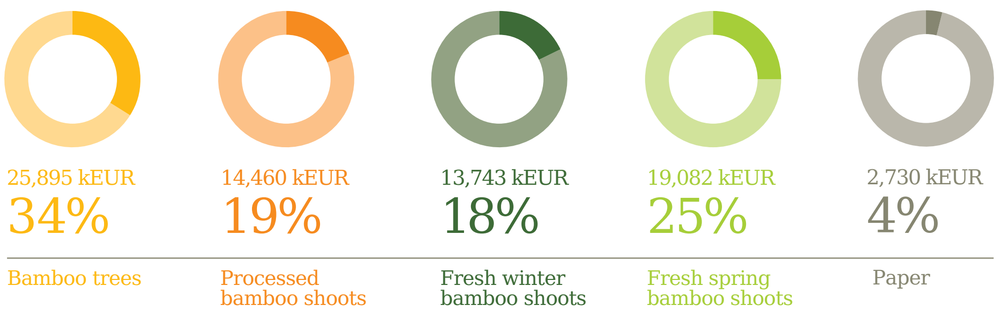
Revenue and net profit



Plantation size



Revenue breakdown



Introduction

The year in summary

January

11 Acquisition of a 40% stake in Xinlifeng

21 Launch of ADR trading

February

1 New plantation leases of 5,000 hectares ('ha')

25 Preliminary FY 2009 results announcement and guidance for FY 2010

March

15 Entered into a framework agreement with the government of Longyan

23 Supervisory Board Meeting and launch of our 'Village Development Fund'

30 FY 2009 results announcement

April

26 New plantation leases of 2,382 ha

May

14 Q1 2010 results announcement

June

6 Supervisory Board Meeting

7 Annual General Meeting and new plantation lease of 1,733 ha

17 Private placement of 1.4 million shares at EUR 31 per share

August

12 Q2 2010 results announcement

September

14 Supervisory Board Meeting

20 New plantation leases of 6,960 ha

November

12 Q3 2010 results announcement. Launch of fibre project, trading centre for bamboo trees and new processing plants for bamboo shoots

December

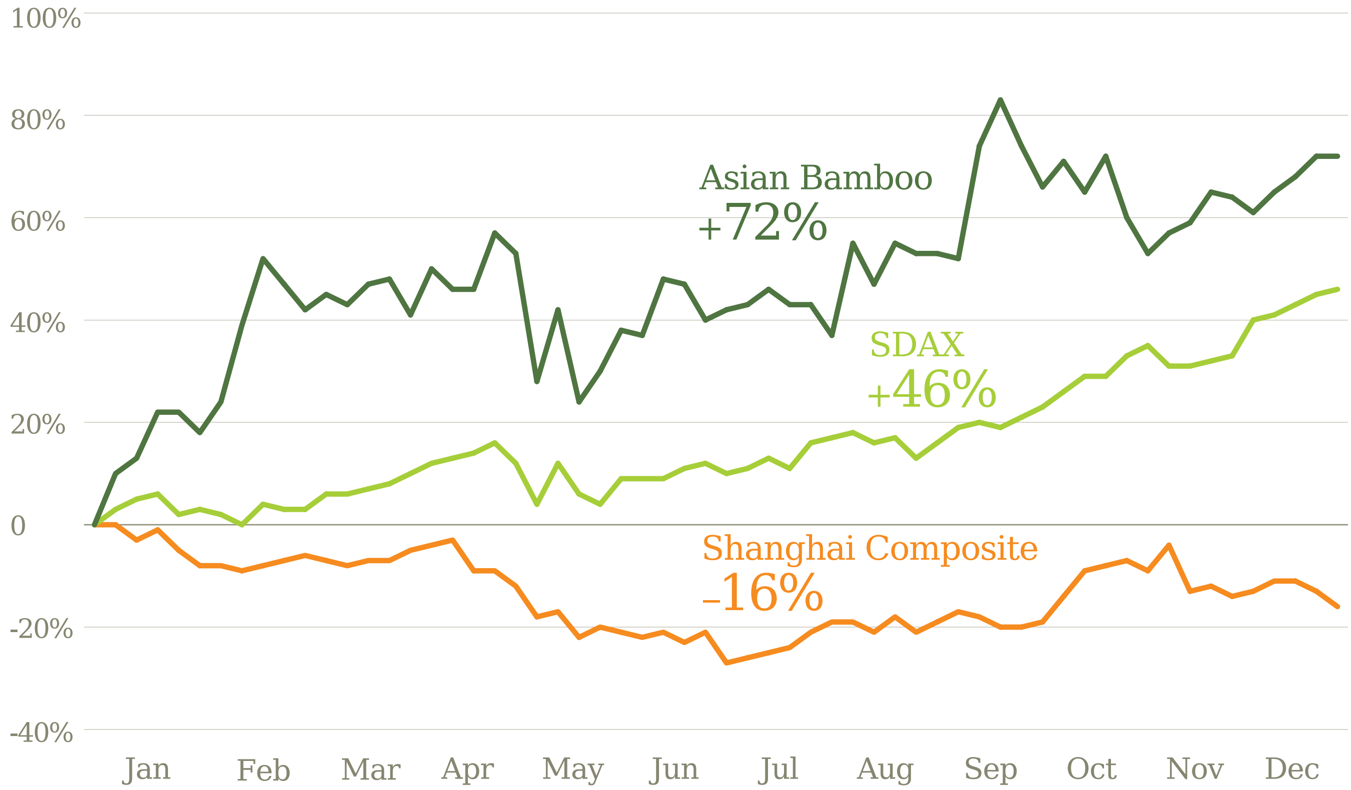
4 Supervisory Board Meeting

Introduction

Asian Bamboo stock and investor relations

Share price and relevant index comparison chart

Jan – Dec



In FY 2010, our share price rose 72% during the year and outperformed all relevant indexes. Average daily trading volumes were up 148% at around 54,000 shares a day (2009: 22,000 shares/day).

We would like to highlight the following achievements in FY 2010:

In January, due to increasing interest from US-based investors, we arranged in partnership with Deutsche Bank for our stock to be traded as an American Depositary Receipt ('ADR').

In March, Asian Bamboo became the first Chinese company to be included in Deutsche Boerse's DAX International 100 Index ('DAX International 100'). DAX International 100 contains the 100 most liquid national and international shares from the Prime Standard, General Standard and Entry Standard segments of Deutsche Boerse. Index inclusion depends on the shares' liquidity and companies are admitted to the index irrespective of their country of origin.

On 8 June, we paid a dividend of EUR 30 cents per share for FY 2009. The Management Board and Supervisory Board will propose a dividend for FY 2010 of EUR 36 cents per share to be confirmed by the AGM on 17 June 2011 and paid the first working day thereafter.

On 17 June, the total share capital increased to 15.425 million shares through a private placement whereby 1.4 million shares were sold to institutional shareholders at EUR 31 per share. Following the placement, Green Resource's stake in the Company was reduced to around 37.3%.

In August, Asian Bamboo's FY 2009 annual report won a gold medal for its cover design and honours for its photography at the ARC awards. This was the third consecutive year we received medals at these awards.

The Company did not buy back any shares during the year and still owns 129,900 treasury shares.

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.

Introduction

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 AG there are two wholly owned Hong Kong incorporated subsidiaries – Hong Kong XRX Bamboo Investment Co., Ltd., under which all plantation leases are held, and the newly incorporated Asian Bamboo (Hong Kong) Industrial Co., Ltd., which is the designated holding company for investments in bamboo fibre processing. All our operating companies are incorporated in China.

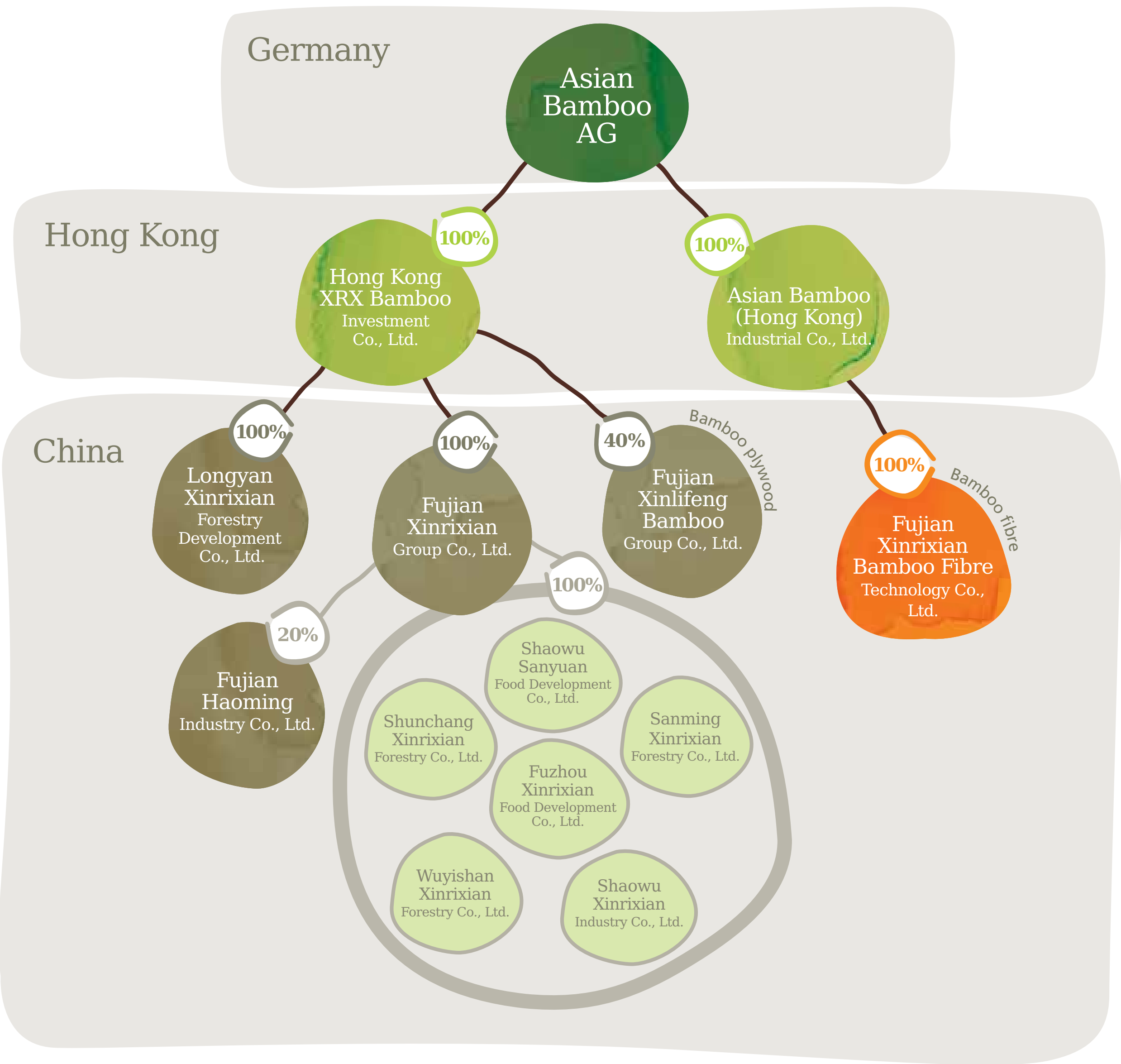
In FY 2010 the following companies were incorporated:

Asian Bamboo (Hong Kong) Industrial Co., Ltd.	**6 January 2010**
Longyan Xinrixian Forestry Development Co., Ltd	**1 February 2010**
Fujian Xinrixian Bamboo Fibre Technology Co., Ltd	**17 December 2010**

In FY 2010, we acquired minority stakes in the following companies:

In January, Hong Kong XRX Bamboo Investment Co., Ltd. acquired a 40% stake in Fujian Xinlifeng Bamboo Group Co., Ltd. ('Xinlifeng'). Xinlifeng is a leading producer of bamboo plywood used mainly in the construction industry.

In October, Fujian Xinrixian Group Co., Ltd. acquired a 20% stake in Fujian Haoming Industrial Trading Co., Ltd. ('Haoming'). Haoming is a trading company under which our trading activities will be conducted.




Business Development
Organisational Development
Operational Sustainability

Leadership

To us, leadership means creating long-term sustainable development and shareholder value. We are paying particular attention to the following areas:

- Operational sustainability, which includes everything from plantation management to labour practices and overall corporate social responsibilities
- Business development, which involves increasing our plantation size, developing new products, markets and distribution channels as well as the visibility of our brand name 'Xinrixian'
- Organisational development, which means developing our employees, coordinating and creating synergies as well as adjusting our organisation to a larger scale and more complex business model

We are confident that we have the right management team in place in order to continue executing our growth plans and to adhere to our core principles of producing high-quality products and operating on the principles of fairness and integrity.

Leadership

Management and Supervisory Board

Lin Zuojun

Jiang Haiyan

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.

Mr Lin is responsible for overall management and strategic development. He 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 responsible for financial and listing related matters. 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.

Mr Qiu is responsible for internal auditing and other financial affairs. He holds a BA 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.

Mr Lin is primarily involved in the development and administration of the 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

Leadership


Qui Hai


Lin Yuanyin


Weng Haifang


Hans-Joachim Zwarg


Pan Chaoran


Chris McAuliffe

for publicly listed companies in China. She joined Asian Bamboo in December 2007.

Ms Weng is responsible for the 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 also 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

Vice Chairman of the Supervisory Board up until 31 December 2010

Mr Jensen has spent his entire career in the financial markets. Between 1998 and 2010, he was 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.

Chris McAuliffe

Vice Chairman of the Supervisory Board, beginning 1 January 2011

Mr McAuliffe has more than 18 years of investment banking experience in London, Singapore and Hong Kong. He is a Managing Director of Sprint Capital Partners, an investment advisory firm in Hong Kong, which he founded in 2008. Prior to that, he was Managing Director and Head of the Asia-Pacific Industrials Group for Citigroup in Hong Kong.

Mr McAuliffe obtained an MBA from the University of Bradford Business School.

Leadership

CEO's statement

'The launch of the bamboo fibre processing project is the single most important corporate initiative since we listed in November 2007.'

Lin Zuojun
CEO

Dear shareholders,

FY 2010 was another good year in the development of our Company, particularly from an operational point of view. During the year we:

- Raised a total of around EUR 54.5 million. EUR 43 million from the capital increase and EUR 11.5 million from the DEG loan
- Leased around 16,000 ha of plantations, which increased our total plantation size by around 51%
- Finalised the preparations for our launch of bamboo fibre processing
- Received government approval to launch a bamboo tree trading centre in Shaowu in FY 2011

As a result our business model and economies of scale have become increasingly difficult to duplicate and we have created the foundation for future growth.

Our financial performance was negatively affected by the rainstorms in June, which caused demand for bamboo trees to decline. In addition, the snow falls in December made it impossible to harvest winter shoots for a period of time, which resulted in fewer winter bamboo shoots being harvested in this month than under normal circumstances. Furthermore, there were a number of non-cash and non-recurrent costs which are detailed on p 50 of this annual report. Despite all this, the financial performance in FY 2010 was satisfactory (all growth percentages are year-on-year comparisons):

- Revenue grew 29% to EUR 75.9 million (2009: EUR 58.6 million)
- Net profit grew 17% to EUR 33.5 million (2009 Restated: EUR 28.6 million), equivalent to a net profit margin of 44% (2009 Restated: 49%)
- Excluding option costs and road repair costs, the net profit grew 31% to EUR 37.4 million, equivalent to a net profit margin of 49%
- Cash and cash equivalents grew 94% at EUR 56.7 million (2009: EUR 29.1 million)

The solid year-on-year increase in revenue and net profit was primarily the result of a larger mature plantation size and higher prices, particularly for fresh bamboo shoots. It is important to note that the bamboo trees which were not harvested and sold in FY 2010 are still on our plantations and will be sold in the future. Consequently we did not lose any revenue, it has simply been deferred.

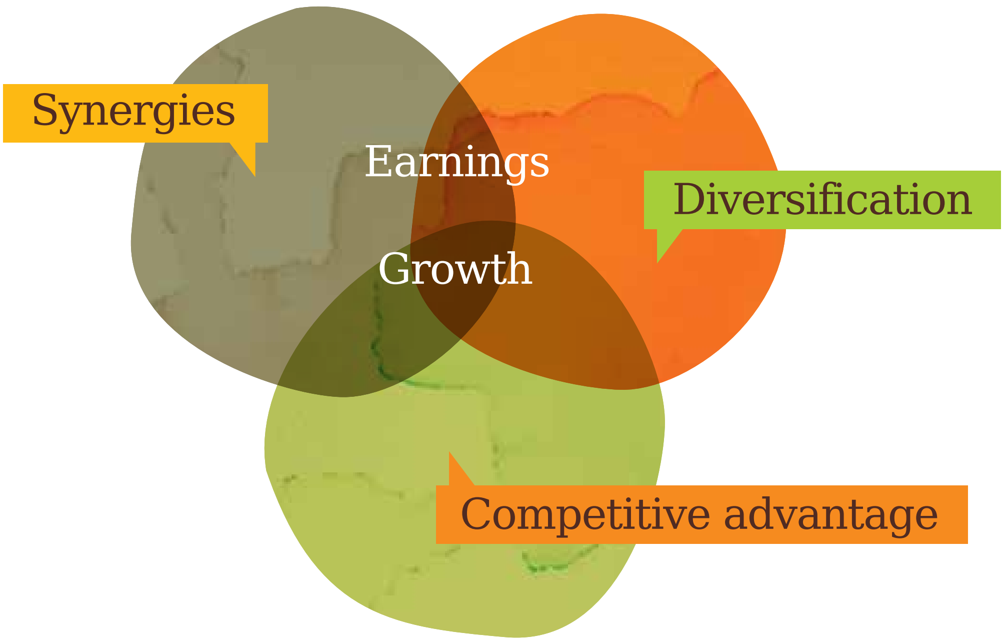
Strategic and operational review

The launch of the bamboo fibre processing project is the single most important corporate initiative since we listed in November 2007. We are well positioned to enter the bamboo fibre processing business due to our leading position in the bamboo industry, strategic partnership with Zhongzhu, research and development capabilities, financial strength and strong position in the raw material supply chain.

In the first phase, which began generating output in March 2011, we are using Zhongzhu as an Original Equipment Manufacturer. We expect to produce around 15,000 tonnes of bamboo fibre in FY 2011, which will require around 4.5 million bamboo trees. In the future, we expect to increase the annual production capacity significantly, first to 50,000 tonnes and then possibly to 100,000 tonnes, with demand for bamboo trees increasing correspondingly.

In the first phase of the project our investments are limited. At a later stage, when it is obvious that the project is successful, we are likely to consider increasing the investments significantly by taking control of the production machinery. It is also possible that we will make additional downstream investments which would

Strategic reasons for the fibre project



allow us to further refine the bamboo fibre, for example into textile fibre. All investments into bamboo fibre processing and related businesses will ultimately be held by Asian Bamboo (Hong Kong) Industrial Co., Ltd. Details about the fibre business are explained on p 45 in this report.

For the next couple of years, I see the key priorities as follows:

- The successful implementation of the fibre business and the identification of other processing businesses for investments or strategic partnerships
- Maintaining harmonious relationships in the industry and with our stakeholders so that we can continue to expand
- To locate new plantations for future plantation size expansion in line with growing demand from the fibre business
- Continued organisational development to ensure that our personnel and internal systems can keep up with our overall growth

We are confident that we are on the right track to reach our growth targets and support the further development of the bamboo industry in China. Our medium and longer term goals remain the same:

- A compound annual net profit growth rate of at least 30% over the next three years, driven by an increase in the total plantation size and contribution from processing businesses
- A total plantation size of at least 70,000 ha by Q3 2012 at the latest
- A total plantation size of more than 100,000 ha in the future

Biological asset accounting

We have changed the valuation methods of biological assets in the group financial statements as of 31 December 2010, based upon the requirements of IAS 41 (standards of accounting for agriculture activity) as part of the International Financial Reporting Standards ('IFRS'), compared to previous years.

Following months of discussions, in which our auditor was involved, we determined a set of principles for the biological asset accounting, which the independent valuation firm, Jones Lang Lasalle Sallmanns ('Sallmanns'), turned into a valuation model. The principles behind the valuation are explained in detail in note 15 beginning on p86 of this annual report.

The fair value of biological assets was measured by estimating the amount and realisable sales price of the bamboo trees and bamboo shoots on the plantations, less costs to sell at valuation date. Costs to sell include land rental costs, estimated reclamation costs, harvesting costs and selling costs. In FY 2010, the fair value of the biological assets was EUR 100 million (2009 Restated: EUR 68 million).

Lease prepayments, as presented in the balance sheet, are equal to the difference between total actual lease prepayments made and the total fair value of biological assets, less costs to sell at recognition date. Total lease prepayments were EUR 165 million (2009 Restated: EUR 84 million). Lease prepayments are amortised over the lease period and in FY 2010 total amortisations were EUR 8.2 million. The increase in the total amortisation value was primarily caused by a larger total plantation size. All lease prepayments, both relating to plantations we harvest from and do not harvest from, are amortised.

The fair value of a bamboo tree or bamboo shoot is moved from biological assets to inventories at harvest and from inventories to cost of sales when the bamboo tree or bamboo shoot is sold. In the income statement, cost of sales is equal to the total fair value of the bamboo trees and bamboo shoots which have been sold after adding processing and other costs. This means that the total cost of sales is higher, using this method, than it would have been if the cost method was used. However, the higher cost of sales is compensated for by the gain in the fair value of biological assets. The gain in the fair value is determined by the following parameters; plantation size, density of bamboo trees, harvesting rates of bamboo shoots per hectare, land lease costs, estimated selling prices, discount rates and estimated costs of harvesting and distribution.

The fair value of biological assets increases when a bamboo tree or bamboo shoot emerges from the roots and it decreases when a bamboo tree or bamboo shoot is harvested. Therefore, if we have the same amount of bamboo trees at year end, as we had at the beginning of the year, and there is no change to inventory levels as well as the estimated sales revenue and costs to sell, the fair value of biological assets remains unchanged.

Outlook

For FY 2011, the outlook remains very promising for the following key reasons:

- We expect to begin harvesting from at least an additional 17,000 ha of plantations during the year, which we expect will increase revenue and net profit correspondingly
- We expect to produce and sell 15,000 tonnes of bamboo fibre

In FY 2011, we expect to achieve revenue of at least EUR 125 million and a net profit margin, including the contribution from the fibre processing project, of at least 40%. The Management Board expects the fibre processing project to be profitable in FY 2011 and that the profitability of this project will gradually improve over time.

In this context, the Management Board wishes to state that the use of fair value accounting, as compared to using the cost method, leads to fluctuations in the net profit which are larger than actual changes in revenue and costs, excluding the impact of fair value accounting.

The Management Board and Supervisory Board will propose a dividend for FY 2010 of EUR 36 cents per share to be confirmed by the AGM on 17 June 2011 and paid the first working day thereafter.

I sincerely thank you for your support of our Company during the year.

Best regards,

Lin Zuojun
CEO and Founder

Leadership

CFO's interview

'All our current expansion plans, including planned plantation leases and the fibre processing project, are fully financed.'

Peter Sjovall
CFO

What do you expect to achieve over the next few years?

We are maturing as a company and we are changing our strategy accordingly. The business model is moving away from a simple focus on increasing the plantation size to an integrated model where we have two divisions, plantation management and industrial processing, of which bamboo fibre processing will be a key activity. Following the successful implementation of the bamboo fibre processing project, we expect to achieve a more balanced earnings base and also widen the market for bamboo trees considerably. In the longer term, we believe that our company will be in a much stronger position to face any potential changes in the competitive and/or economic landscape.

What are the key reasons behind the Company's success over the last few years?

I think there are a number of reasons. First of all, we are operating in a fast growing economy. Secondly, the bamboo industry is highly fragmented, which means that the industry structure has not yet been formed and there is room to improve efficiencies. Thirdly, our founder and CEO had the strategic vision to identify the opportunity for us to become the leading company in the industry and, most importantly, took the lead in our efforts to get there. Finally, the support from the financial markets has been crucial. It would have taken us much longer to get where we are today without the ability to raise funds.

What do you feel are the key risks in the future?

Our financial performance is ultimately driven by volumes, output prices and costs. We are already running a very lean organisation and as harvesting, reclamation and land lease costs, which are the key cost items, are aligned with overall inflationary developments in China, we can only influence the cost development to a relatively limited degree. So far our margins have held up as cost increases have been matched by output price increases, but the risk of costs rising at a faster pace than revenues is in my view our largest risk.

We have reason to remain optimistic about the future pricing developments as the supply/demand equation, both for bamboo trees and bamboo shoots, continues to be favourable. In this respect, the successful implementation of the bamboo fibre processing project is a key factor for our future growth.

FY 2010 was a year with high food inflation in China. What are the implications for you?

The overall inflationary development prompted the government to tighten bank loan reserve ratios and increase interest rates, which is likely to create some volatility in the performance of the Chinese economy. However, we do not see any need to change our plans as we are confident that we can do well even under a slower growth scenario, as we have in previous periods of slower growth. We believe that we are well positioned as we directly benefit from the rise in food inflation, therefore we expect our margins in the plantation division to remain largely unchanged.

What are the immediate plans for the bamboo fibre processing project?

We began production in March 2011 and we expect to produce around 15,000 tonnes this year. In the future, our annual production capacity will gradually increase to around 50,000 tonnes in FY 2012 and possibly 100,000 tonnes in FY 2013. We will be responsible for managing the supply and logistics of the bamboo trees and a large part will be supplied by us.

As this is the first time we are planning to make significant investments in a processing business, we are taking some precautionary steps such as utilising Zhongzhu's production expertise and limiting our financial exposure in the early phases.

We are confident that we have taken the necessary steps to ensure a positive outcome as we have been researching and testing the product for more than 18 months and, most importantly, we have already identified the distribution channels so that the distribution risks are minimised.

Are you planning any fund raising in FY 2011?

At the moment we are only considering increasing our bank borrowings, which are very small in comparison to our balance sheet. All our current expansion plans, including planned plantation leases and the bamboo fibre processing project, are fully financed by our cash balance and projected operational cash flows.

What growth rate are you targeting over the next few years?

In FY 2011 and FY 2012 we will benefit from a sharp increase in the mature plantation size as the plantations we leased in FY 2010 will begin to start generating output. In FY 2012 and FY 2013 we expect the fibre business to start generating a more significant profit contribution. All in all we expect to generate a compound average net profit growth rate of at least 30% over the next three years.

Do you expect the Chinese government's tax policies towards the agriculture industry to change in the future?

As part of the government's support towards the agriculture industry, all agriculture produce, which includes fresh winter and spring shoots and bamboo trees, have been tax exempt in China for many years. For a variety of reasons, both practical and political, we expect that the government's supportive policies towards the agriculture industry, including the tax exemption, will be in place for the foreseeable future.

The bamboo fibre processing project will be taxed in line with normal corporate tax rates, which means that we expect to pay a maximum of 25% tax on profits from this business.

In FY 2010, the revenue per hectare decreased year-on-year. How do you see the revenue per hectare developing in FY 2011?

The impact of the rainstorms in June and the snow falls in December, which led to lower harvesting rates of bamboo trees and winter bamboo shoots than under normal circumstances, were unusually severe. We are expecting a return to normal harvesting rates in FY 2011. Consequently we expect the revenue per ha to be higher in FY 2011 than it was in FY 2010.

The share price has gone up a lot over the last two years. Do you believe there is still more upside?

It is important to remember that our company keeps on evolving. In my view, it isn't meaningful to compare our share price and our company two years ago with where we are today. We see tremendous growth potential in the processing businesses and the bamboo fibre processing project is just a first step in this direction. In addition, we believe that longer term prices for both bamboo shoots and bamboo trees will be significantly higher than they are today, while at the same time we will have a much larger total mature plantation size. Over time, we believe that our achievements and prospects will be reflected in a much higher share price.

Leadership

Report of the Supervisory Board

‘Overall the strategy of maintaining a conservative balance sheet while aggressively pursuing new business opportunities remains in place.’

Hans-Joachim Zwarg
Chairman of the Supervisory Board

Dear shareholders,

In FY 2010 we saw the early stages of recovery in most of the world economies. In China, where the economy rebounded quicker than any other economy following the financial crisis, economic growth began to decelerate as a result of the government's actions to curb rising inflation. We are pleased to conclude that the Management Board continued to execute well and took appropriate steps to correctly position the Company for the future. Overall the strategy of maintaining a conservative balance sheet while aggressively pursuing new business opportunities remains in place.

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

At the beginning of FY 2010 we defined the scope of work for the year and established our monitoring goals, in accordance with Articles of Association, the Rules of Procedure of the Management Board and the Supervisory Board and the German Corporate Governance Code. We monitored the actions of the Management Board and also supported the Management Board with advice on a variety of issues, including the strategic direction of the Company, business development and risk management.

The Management Board presented us with regular, thorough and timely information at the four regular Supervisory Board meetings and through written and oral reports. Particular focus was attached to the following issues; the overall situation of Asian Bamboo, corporate and investment planning, policy and strategy and fund raising. All information presented to us was reviewed and scrutinised. The Supervisory Board also dealt with the monitoring of financial reporting processes, the effectiveness of internal accounting and control systems and the independence of the auditor.

Through the exchange of information we have been able to form our own opinion of the Company's development. All decisions requiring our approval were reviewed in detail at an early stage. The Management Board's comprehensive and timely written and oral reports to the Supervisory Board complied with the requirements of § 90 of the German Stock Corporation Act (AktG).

Meetings of the Supervisory Board

In FY 2010, the Supervisory Board convened four meetings. 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:

23 March 2010

- Discussion around the financial statements, the consolidated financial statements, the audit report and audit issues with the auditor. The unqualified financial statements and consolidated financial statements of Asian Bamboo were approved by the Supervisory Board on 29 March 2010
- Approval of the Compliance Statement and Corporate Governance Report
- Submission of the insider list

6 June 2010

- Preparations for the Annual General Meeting 2010
- Update of the plantation lease schedule
- Discussion around the new stock option scheme

14 September 2010

- Discussion of key projects; fibre business, new processing plants for bamboo shoots and bamboo trading centre
- Update on the status of biological asset accounting discussions with the auditor

4 December 2010

- Approval of the basic business plan for FY 2011
- Audit schedule and focus of the FY 2010 annual report
- Update on biological asset accounting principles and implementation
- Adoption of the financial calendar for FY 2011
- Approval of new plantation leases of 6,700 ha
- Discussion about and approval of the Corporate Governance Declaration

All members of the Supervisory Board and the Management Board were present at all meetings during the year, with the exception of the meeting on 14 September when Pan Chaoran was unable to participate for work-related reasons.

In June 2010, the Supervisory Board approved, by written circulation, a capital increase of EUR 1.4 million from the authorised capital. In addition, telephone conferences and extraordinary meetings were convened. As the Supervisory Board comprised only three members in FY 2010, no committees were constituted.

Personnel matters

On 31 December 2010 Wolfgang Jensen resigned from the Supervisory Board. Subsequently, Chris McAuliffe was appointed to the Supervisory Board, by the District Court of Hamburg, on 1 January 2011.

Financial statements

Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft ('Deloitte') was appointed by the Supervisory Board as the Company's auditor following a decision at the AGM held on 7 June 2010. For the period 1 January to 31 December 2010, as prepared by the Management Board, Deloitte 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, Deloitte issued an unqualified statement.

The annual financial statements of Asian Bamboo AG, the consolidated financial statements, the management reports for Asian Bamboo AG and the Group, and the auditors' reports were distributed to all members of the Supervisory Board. The auditors reported on the key findings of their audit and were available to answer questions and provide supplementary information at the Supervisory Board meeting on 19 March 2011. The auditor stated that no conflicts of interest existed and that no non-audit services had been provided. Our own examination of the financial statements, the management reports for Asian Bamboo AG and the Group, and the auditors' reports did not raise any issues. We agreed with the auditors' findings and approved the annual financial statements of Asian Bamboo AG and the consolidated financial statements prepared by the Management Board for the year ending 31 December 2010. The annual financial statements of Asian Bamboo AG are thus adopted. We also endorsed the Management Board's proposal to distribute a part of the net profit in the amount of around EUR 5.5 million to the shareholders.

On 4 April 2011, the consolidated financial statements as of 31 December 2010 were amended in relation to the earnings per share for the comparative year 2009.

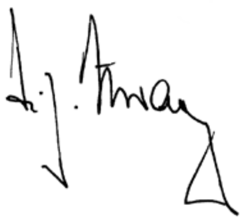
The amended consolidated financial statements were audited by Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft and were given an unqualified audit opinion. They were approved by the Supervisory Board on 5 April.

Corporate governance

The Management Board and Supervisory Board dealt with issues of corporate governance and in particular the provisions of the German Corporate Governance Code (the Code). At the Supervisory Board meeting on 23 March 2010, a corporate governance declaration for FY 2009 was adopted pursuant to § 161 of the German Stock Corporation Act (AktG). At the Supervisory Board meeting on 4 December 2010, this declaration was updated. Except for the deviations mentioned, the Company follows all recommendations of the Code as amended on 18 June 2009 and since 4 December 2010 the Company follows, and will in the future follow, all recommendations as of the amendments on 26 May 2010.

The Management Board and Supervisory Board report on corporate governance and the corporate governance declaration on p30-31 of this annual report. The corporate governance declaration for FY 2010 was adopted on 18 March 2011. Pursuant to § 161 of the German Stock Corporation Act (AktG), the declaration was made public on the Asian Bamboo AG web-site at www.asian-bamboo.com.

On behalf of the Supervisory Board
Hamburg, 22 March 2011/5 April 2011



Hans-Joachim Zwarg
Chairman of the
Supervisory Board


ENVIRONMENTAL PROTECTION
HUMAN RESOURCE MANAGEMENT
SCHOOL
PANDA RESEARCH CENTRE

Corporate social responsibility (CSR)

'CSR' is a critical part of measuring our overall performance and our ability to continue operating effectively. We are committed to shouldering voluntary social responsibilities above and beyond compliance with our legal obligations, as 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.

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, thereby supporting the local governments in achieving their goals of an improved living standard for farmers.

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 awarded the status of National Key Flagship Enterprise in FY 2008, an honour which was re-confirmed following an audit in FY 2010. Our CSR activities centre around these three key areas which are explained in more detail on the following pages:

- Environmental impact and food safety
- Employee development
- The social contribution to the areas where we operate

Corporate social responsibility (CSR)

Our corporate and social responsibility (CSR)

Environmental impact and food safety

We are fortunate to work with one of the most amazing materials in the world – Moso bamboo – which is incredibly strong, versatile, flexible, and plentiful, not to mention beautiful and edible. The bamboo tree grows 20 metres in three months, which makes it the ultimate renewable resource. We can harvest around 25% of the bamboo trees and around 5,000 kg of bamboo shoots per hectare at our plantations every year on a sustainable basis. The increasing use of bamboo wood will help combat deforestation in China as the growing economy requires more wood resources. We apply our 'Close to Nature Forest Management' policy without the use of any fertilizers, pesticides or irrigation. Our plantations are located in remote areas where there are no polluting industries, which means that our bamboo shoots are 100% organic.

According to an independent third party study carried out by forestry consultants Unique GmbH ('Unique'), a company based in Germany, both the average density of bamboo trees and the average tree diameter have increased as a result of our plantation management following a lease agreement. This study also confirmed that our harvesting rates are within sustainable ranges and 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.'

We have built our own research centre on the campus of Fujian Agriculture and Forestry University where research is done primarily in the areas of cultivation and food preservation. At our processing factories, the bamboo shoots arrive less than 16 hours after being harvested and go through a sterilisation and cooking process without losing their natural taste and nutritional value. 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.

Organic food accreditations

Japanese Agricultural Standard (JAS)
Ministry of Agriculture, Forestry and Fisheries
http://www.maff.go.jp/e/index.html

US National Organic Program (NOP)
United States Department of Agriculture
http://www.ams.usda.gov

EC834/2007 EC889/2008
Organic Crop Improvement Association
www.ocia.com.cn/gsjj/gsjj.jsp

ECOCERT
Organisme de contrôle & de certification
http://www.ecocert.cn

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

Certifications

The following certifications were achieved or confirmed in FY 2010:

- On 22 February, the Group was accredited as a 'Hi-tech Enterprise' by the Science and Technology Bureau of Fujian Provincial People's government
- In April, the Group was re-confirmed as a National Key Flagship Enterprise in the agriculture sector
- In July, Fujian Xinrixian passed the annual GLOBALGAP on-site assessment, which means that the certification, which was originally obtained in August 2009, was confirmed. 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 in China, to have achieved this certification for its bamboo shoots. The GLOBALGAP certification process is done by the renowned Swiss based company 'SGS'
- During 25-30 October, an on-site organic certification review by ECOCERT China was conducted with visits to our bamboo plantations and processing factories. Following the review, the following certifications were confirmed: GB/T19630-2005 (Chinese Organic Product Standard), JAS (Japanese Agricultural Standard), NOP (National Organic Program, USA), EC834/2007 and EC889/2008 (a requirement of European Union for organic food)
- In November 2010, our Engineering and Technological Research Centre was approved by the Science and Technology Department of Fujian Province and was granted the grade of 'Excellent' in light of our proprietary intellectual property rights, industry leading position and influence

Research and development activities

The following research activities were conducted in FY 2010:
In January, the Group applied for two technical patents; 'A Coating Agent for Bamboo Shoot Fresh Keeping and Fresh Keeping Method of Unshelled Bamboo Shoots' and 'A Composite Broken Kernel Enzyme of Bamboo Shoots and Preparation Method of Bamboo Shoot Dietary Fiber'. On 17 June, Fujian Xinrixian Group signed a project cooperation framework agreement on 'New bamboo pulp manufacturing technology with high efficiency and low pollution' with Fujian Agriculture and Forestry University. The new technology will effectively reduce energy consumption in bamboo tree processing.

In July, the Xinrixian Bamboo Cultural Centre, which is the first ever comprehensive bamboo industry exhibition hall, was launched at the Xinrixian Centre and was made available to the public.

In August, the research project 'Key Technologies on Fresh Keeping of Unshelled Bamboo Shoots' was enlisted in the science and technology plan of the Fuzhou Municipal government and was awarded a research grant of RMB 100,000.

During the year, a report of 'Modifications of Technical Regulation of High-yield Moso Bamboo Forests' was submitted by the Group and approved by the Provincial Bureau of Quality and Technical Supervision Board. In addition, the Group conducted many tests on sterilisation of boiled bamboo shoots, fresh keeping of winter bamboo shoots and soil nutrients of our bamboo plantations.

Employee development

Our employees play a vital role in the current and future success of our Company and our human resource policies are based upon fairness and integrity. 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.

We 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. We offer competitive remuneration packages for all staff, including 14 months salary and performance related bonuses if applicable. In accordance with applicable PRC regulations on social insurance, we participate in a pension contribution plan, a medical insurance plan, an unemployment plan, a maternity insurance plan and a work-related injury insurance plan for our employees as required by local government. In May 2010, all staff received a salary increase in line with salary adjustments all across the country.

Training for administrative staff

During the year we carried out 96 training sessions (2009: 66) of which more than 30 dealt with corporate culture, professional development and management skills. Plantation management is of particular importance and on 19 April, Professor Chen Cunji and Professor Zhang Guofang, two of the Group's experts on bamboo forest cultivation, carried out a training session on the topic of 'Bamboo forest cultivation and management' for all staff involved in the management of plantations and R&D personnel. The training included a review of the current status and prospects for the bamboo industry in Fujian Province and an on-site guide to high yield technology and forest fire prevention.

In addition, the Company contributes 40-50% of the total fees charged for training which is not arranged by the Company and which is not directly work related.

Training for processing factory staff

For employees in the processing factories, we engaged experts in agriculture, forestry and food technology to provide practical and flexible training sessions which combine relevant modern research with practical applications. In total, we arranged over 50 training sessions involving more than 1,000 employees which meant that nearly every processing factory employee participated in at least one training session.

Staff communication and well-being

In addition to work related training, we also arranged many other activities in FY 2010, some of which are detailed below:

- On 6 February, the Group celebrated the Chinese New Year and rewarded outstanding employees for their contributions
- In March, all staff went through an annual health check up
- On 18 June, all our head office staff moved to a newly completed office building, the Xinrixian Centre, in Mawei District of Fuzhou City. The new office provides an excellent working environment for our staff with, among other things, a staff canteen and a library
- Beginning in July, we booked badminton courts in a gym for the staff twice a week
- In August, all our employees were invited to join a four-day excursion to the famous tourist attraction, 'Zhangjiajie', in Hunan Province

Furthermore, all employees receive our company newspaper, 'The Bamboo Road' on a bi-monthly 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. In FY 2010, only one employee applied for help from the fund.

The social contribution to the areas where we operate

We work with our partners and local villages to improve the efficiency of the agriculture industry and raise living standards of farmers through sustainable growth. Bamboo generates an estimated 4-8 times more income per unit of land than the typical Chinese fir or pine plantations, which enables the farmers to make a comfortable living out of bamboo farming. The key reason for our existence as a company and the success we have enjoyed is that we increase efficiencies within the industry in areas such as plantation management, distribution and generate economies of scale.

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.

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 for farmers and their families in the following key areas:

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

During the year we made a number of donations of which we would like to highlight the following:

At around the time of the Chinese New Year, we sent cash and festive goods to over 100 underprivileged rural families in the districts where our plantations are located, offering our good wishes.

In April, we supported the victims of the Qinghai earthquake, which measured 7.1 on the Richter scale and killed and injured thousands of people. With the donation, we expressed our support and concern for the victims and their families and also contributed to the relief work.

In June we conducted an EducAid programme in primary schools in the districts where our plantations are located by donating school supplies, books, sporting goods and grants to seven primary schools. In addition, 26 underprivileged pupils will be granted continuous financial support until their graduation from primary school.

In December we agreed to finance the reconstruction of a primary school, located in Heyuan Village in Shaowu City, which was severely damaged by the rainstorms in June 2010. Following the reconstruction, which is expected to be completed by August 2011, the school will be able to increase the number of students from 40 to 120.

Other CSR activities

Fuzhou Giant Panda Research Centre

In January 2010, Asian Bamboo became a sponsor of the 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 partner of AIESEC Hamburg, which is part of an international student organisation which engages in international exchange and internship programmes. In October and November we had a student from Romania working at our office in Hamburg on a CSR project. As part of this project we held a CSR-workshop at Hamburg University in which students from all faculties participated. The CSR-workshop was part of Hamburg University's 'Hamburg meets Asia week'. We plan to continue our cooperation with AIESEC Hamburg in FY 2011.

Corporate governance

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

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

The Management Board and the Supervisory Board dealt with issues of corporate governance and in particular the provisions of the German Corporate Governance Code ('the Code'). On 23 March 2010 they jointly issued a corporate governance declaration ('the declaration') for the fiscal year 2009 pursuant to § 161 of the German Stock Corporation Act (AktG).

The declaration was made public on Asian Bamboo's website at www.asian-bamboo.com. On 4 December 2010 the declaration was updated. On 18 March 2011, the declaration for FY 2010 was adopted without additional changes.

Except for the following deviations, the company complied with all the recommendations of the Code as amended on 18 June 2009 and 26 May 2010:

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.

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.

Information on the practice of corporate governance

Asian Bamboo AG is committed to the principles of good and responsible corporate governance. The Company's 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.

The 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 p24-25 of this annual report. Our research and development is carried out at the Xinrixian Research Centre, located on the campus of Fuzhou Agriculture and Forestry University. We treat our employees and business partners with great respect and our employee policies are described on p 26-27 of this annual report.

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 the 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 Annual General Meeting ('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.

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 MB, which is responsible for the management of the Company, and the Supervisory Board ('SB'), which is responsible for supervising and advising the MB. The MB and the SB operate independently and a member of the MB cannot be a SB-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 Sjovall, 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, coordinating the daily operations as well as financial reporting, fund raising, investor relations and financial reporting to the SB.

The company's key activities and financial performance are summarised on a monthly basis and circulated to the management team and the SB. 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 MB and the SB is described in detail on p20 of this annual report.

In accordance with the Codex, Asian Bamboo presents the remuneration of the members of the MB and the SB individually. The basis for the remuneration and the actual remuneration are described in detail on p 53-54 of this annual report.

Supervisory Board ('SB')

The SB of Asian Bamboo AG comprises three members, Mr Hans-Joachim Zwarg (chairman), Mr Chris McAuliffe (vice chairman since 1 January 2011), who replaced Mr Wolfgang Jensen who resigned on 31 December 2010, and Mr Pan Chaoran. The SB is responsible for supervising the MB and for the election of the members of the MB, the determination of their remuneration as well as the review and approval of the annual financial statements of the Company. The Chairman of the SB maintains frequent contact with the members of the MB 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. In particular, the Chairman looked into the financial reporting process, the effectiveness of the internal risk management system (RMS) and internal control systems (ICS), the effectiveness of internal audit systems and the auditing process and conducted interviews with key personnel in the finance department.

The working relationship between the MB and the SB is good and it is described in detail in the Chairman of the Supervisory Board's report on p20 of this annual 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 17 June, Green Resources Enterprise Holding Ltd. ('Green Resources'), a company wholly owned by Mr Lin Zuojun, founder and CEO of Asian Bamboo, placed out 1,000,000 shares in connection with the Company's capital increase. Following the placement, Green Resources' holding in the Company decreased to 5,760,700 shares, which is equivalent to 37.3% of the total number of shares. Green Resources agreed not to sell any shares without the consent of Credit Suisse, the sole book runner of the placement, for a period of 12 months from the completion of the capital increase.

The members of the Management Board directly or indirectly hold 37.3% 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). Deloitte & Touche GmbH 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, so that appropriate measures can be taken in order to minimise the potential impact of these risks. The Risk Management process 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 18 March 2011

The Supervisory Board The Management Board

Group management report

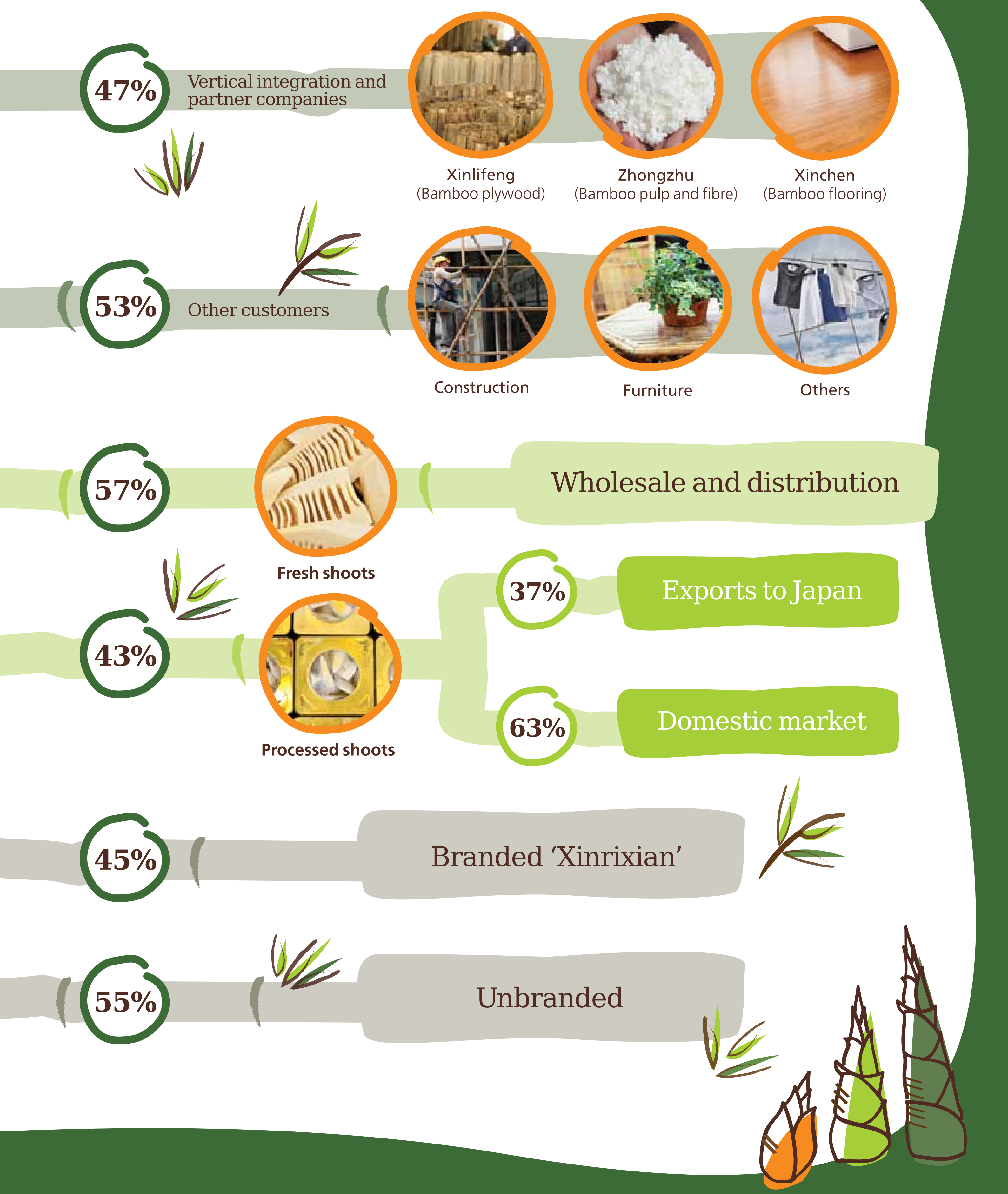
Business review

In FY 2010, we continued building our integrated business model and made great progress in terms of increasing our plantation size, adding distribution channels and developing processing industries. In addition, we secured funding for the investments which we currently plan to make over the next three years. We have created a business model which is increasingly difficult to duplicate. Our scale, established distribution channels, access to international funding as well as our professional management team are some of our competitive advantages.

As the Chinese countryside is going through a socio-economic transformation which is resulting in a smaller farming population, we expect consolidation in the agriculture industry to continue for a very long time to come. It is our intention to be at the forefront of this consolidation process.

Our business model

Group management report



Total Moso bamboo forest size in China

China possesses most of the world's Moso bamboo resources. In China, 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 900,000 ha, equivalent to 27% of China's total Moso bamboo forest area of around 3.3 million ha.

To put this into perspective, although we have increased our plantation size very rapidly over the last few years, we are not a very large company and there is lots of room for us to grow. We estimate that we currently possess only around 1.7% of the total Moso bamboo plantation forest area in China.

Harvesting

The trees are primarily harvested from August to December. Due to its strength and flexibility, the bamboo tree can be used in a variety of applications. For centuries it has been used as scaffolding and an input material for furniture making. In recent years, bamboo has been increasingly used for the production of paper, flooring as well as interior decoration.

Both winter shoots and spring shoots are harvested from the same root. Winter shoots are mainly harvested from November to February and spring shoots in March through May. The spring shoots which have not been harvested grow into 20 metre high trees during the summer months. At its fastest pace the bamboo tree grows more than 100 cm in one day.

Around 50% of the farmers, from whom we lease the plantations, continue working for us. To make up for the short-fall, farmers from other villages or provinces are participating. The harvesting labour is organised by independent labour service companies and the farmers are not on our pay-roll, which means that we do not have any social or pension liabilities for them.

The farmers get paid in relation to their output and they have complete freedom in choosing when and how much they would like to work on our plantations. As the farmers only work during harvesting periods, they are likely to have other sources of income too. Relatively speaking, the income which the farmers can obtain from working for us is attractive and we have not experienced any problems in securing harvesting labour. In total, we estimate that there are around 8,000 farmers working on our plantations during the year.

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.

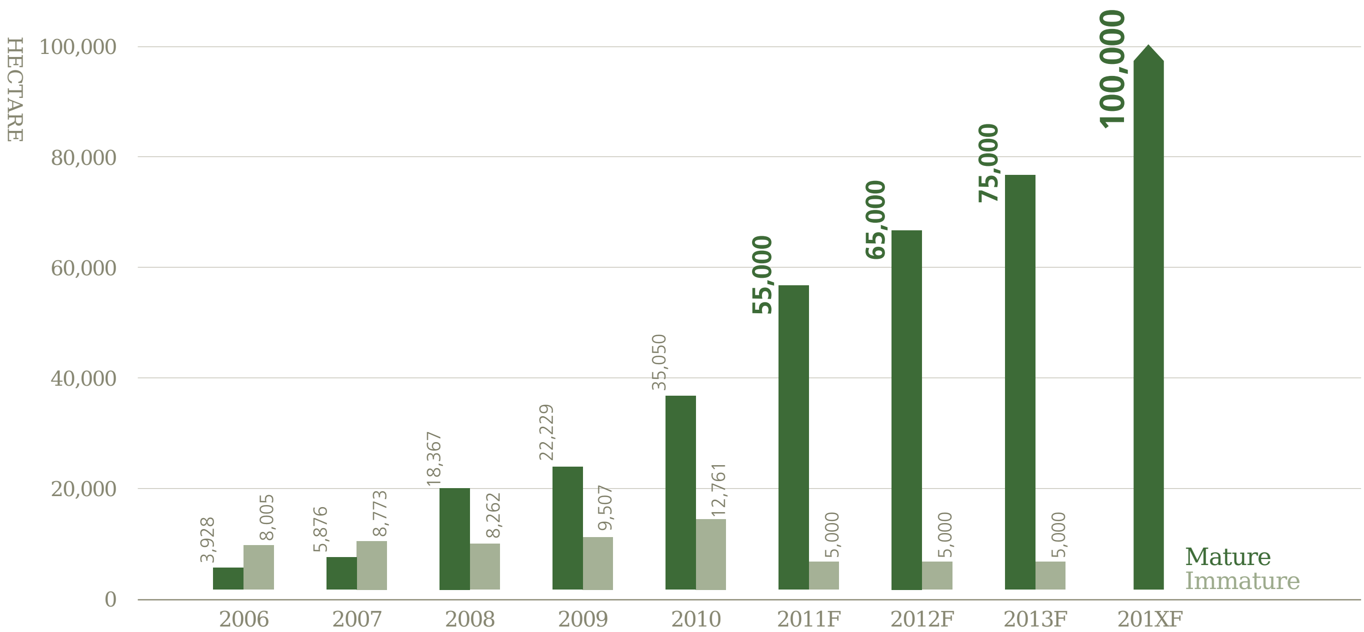
In FY 2010 our harvesting volumes were affected by weather, as Fujian Province was hit by both an exceptionally heavy rain fall in June and by cold weather and snow in December, which led to smaller harvests of bamboo trees and winter bamboo shoots than under normal circumstances. In FY 2010, revenue per ha was EUR 2,461 (2009: EUR 2,605).

Group management report

Revenue per hectare in FY 2010

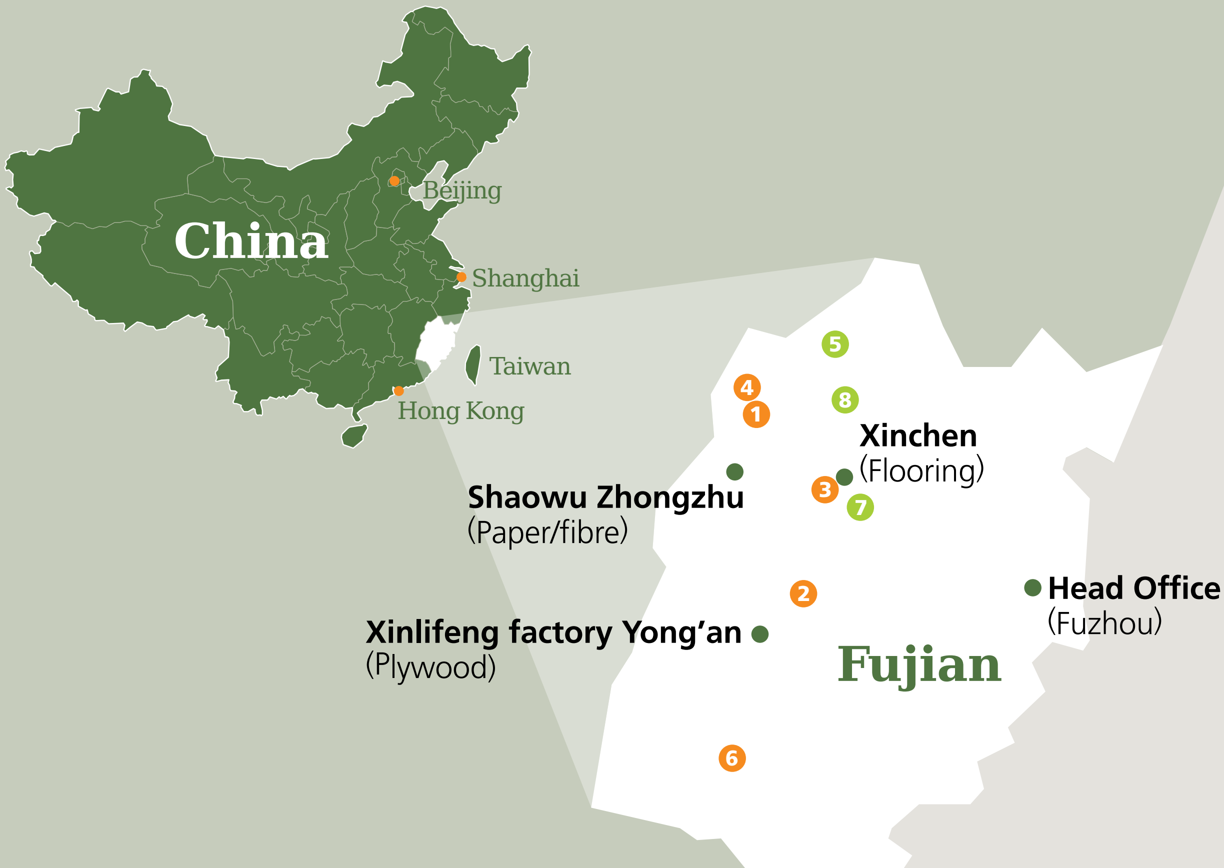
Asian Bamboo plantation leases

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. All the plantations which are currently classified as immature will begin generating output within a year.



Group management report

Plantation analysis



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

Our plantations are leased for an average period of 20 years and the counterparty is most of the time a collective of farmers which is formed around a village. If two thirds of the farmers in a village agree to lease their plantations to us, the lease can go ahead. The farmers are represented in the negotiations by a village leader and there is only one contract, which means that the terms are the same for all the farmers. We pay a part of the total lease fee when signing the contract and the balance is paid when the harvesting rights are transferred, which generally happens within nine months of the contract being signed. At the end of a lease we expect to renegotiate the contact terms. As our lease terms are very long we have not renegotiated any leases yet.

We have good relationships with the farmers and local governments and this lease model is beneficial to all parties involved. An independent study concluded that these leasing agreements help the farmers to improve their living conditions and that the vast majority of the farmers are satisfied with the arrangements.

Total plantation size by Q1 2011

Mature plantations

Location		Area (ha)
Shaowu	1	18,049
Longyan	6	5,000
Sanming	2	4,913
Shunchang	3	4,374
Guangze	4	2,715
Sub-total mature		35,051

Immature plantations

Location		Area (ha)
Longyan	6	9,880
Wuyishan	5	4,067
Nanping	7	2,447
Shaowu	1	1,826
Jianyang	8	1,240
Sub-total immature		19,460

Total plantation size 54,511 ha

Plantations leased in FY 2010

Date	Location	Size in ha	Lease price in RMB/ha
01 Feb 2010	Longyan	5,000	54,000
26 Apr 2010	Wuyishan	2,382	53,700
07 Jun 2010	Longyan	1,733	52,650
20 Sep 2010	Longyan	4,173	54,000
20 Sep 2010	Nanping	1,800	53,850
20 Sep 2010	Shaowu	987	53,700
Total		**16,075**	

At the end of FY 2010, we had a total plantation size of 47,811 ha of which 35,051 ha were mature plantations. Following the leasing of 6,700 ha on 10 January 2011, we own long-term leasing rights for 43 bamboo plantations with a total size of 54,511 ha. In the second half of FY 2011 we plan to lease at least an additional 5,000 ha, which will take the total plantation size to around 60,000 ha by the end of the year.

Lease price development

Operational review

The positive trends which have been supporting our industry in previous years were maintained in FY 2010. 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.

Operational highlights in FY 2010

- Began investing in bamboo fibre production which we expect will further increase demand for bamboo trees and generate additional revenue and profit streams
- Leased 16,075 ha of plantations which increased the total plantation size to 47,811 ha, which means that we are likely to reach a total plantation size of at least 70,000 ha to Q3 2012 at the latest
- The total sales value of bamboo trees distributed to our three strategic partner companies, Shaowu Zhongzhu ('Zhongzhu'), Xinlifeng and Xinchen, as a percentage of the total sales value of bamboo trees, increased to 47% (2009: 35%).
- Increased the total number of customers to 182 (2009: 150 customers)
- Increased the sales value of fresh winter shoots sold under our Xinrixian label, as a percentage of the total sales value of fresh winter shoots, to 45% (2009: 37%)
- Increased the sales value of fresh spring shoots, as a percentage of the total sales value of fresh spring shoots and processed shoots, to 57% (2009: 48%)
- Sales of processed bamboo shoots to Japan rebounded to 500,000 cans (2009: 400,000 cans)

Operating goals for FY 2011

- Successful implementation of the bamboo fibre processing project with production and sales of 15,000 tonnes of bamboo fibre
- Increase the total sales value of winter shoots sold under own our brand name ('Xinrixian'), as percentage of the total sales value of winter shoots, to 60% (2010: 45%)
- Move the bamboo shoots processing equipment from the Mawei factory to the new factory in a location near Longyan and increase the annual production capacity of processed bamboo shoots from 1.4 million cans to 1.8 million cans by the end of FY 2011
- Implementation of the bamboo trading centre

Revenue breakdown

KEUR	FY 2010	FY 2009	Change
Bamboo trees	25,895	22,568	15%
Fresh winter bamboo shoots	13,743	9,816	40%
Fresh spring bamboo shoots	19,082	12,179	57%
Processed bamboo shoots	14,460	12,954	12%
Paper	2,730	1,104	147%
Total	75,910	58,621	29%

In FY 2010, the following factors affected the revenue:

- The rainstorms in June disrupted manufacturing activities in the second half of the year which decreased demand for bamboo trees
- The unusually cold weather and snow falls in December decreased the total amount of winter bamboo shoots harvested
- Output of processed bamboo shoots was maintained at 1.4 million cans due to production limits
- Prices for fresh bamboo shoots increased sharply during the year

As a result, the total sales value of bamboo trees and processed bamboo shoots, as a percentage of total revenue, fell to 34% (2009: 38%) and 19% (2009: 22%), respectively. The total sales value of fresh winter bamboo shoots and fresh spring bamboo shoots (including dry shoots), as a percentage of total revenue, increased to 18% (2009: 17%) and 25% (2009: 21%), respectively. In summary, the total sales value of all categories of bamboo shoots, as a percentage of total revenue, increased to 62% (2009: 60%).

Bamboo shoots

Fresh winter bamboo shoots

In FY 2010, we increased the percentage of winter bamboo shoots sold under our own 'Xinrixian' label, as a percentage of the total sales value of fresh winter shoots, to 45% (2009: 37%). We believe that increasing brand awareness is a differentiating factor which will support our premium market position. Our key markets were; Fujian Province, Jiangsu Province, Zhejiang Province, Guangdong Province and Shanghai. We also began exporting fresh winter bamboo shoots to Japan, the USA and Canada through sales agents. These are entirely new distribution channels which help to further increase total demand.

Fresh spring 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 spring shoots are sold in the south-eastern provinces of Fujian, Zhejiang, Jiangsu and the city of Shanghai. Naturally, Fujian province is our most important market overall.

Processed bamboo shoots

Bamboo shoots which are not sold fresh are processed at our processing factories. 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'.

The processed bamboo shoots are generally sold in cans. Each can contains around 11 kg of shoots and 7 kg of water. However, we need around 33 kg of raw spring shoots to produce 11 kg of processed springs shoots as the skin and other non-edible parts are removed. This means that we used around 44,500 tonnes of fresh spring shoots, which is equal to around 43% of the total spring shoot harvest, to produce around 1.4 million cans of processed shoots in FY 2010.

Being limited by our processing capacity of 1.4 million cans (2009: 1.4 million cans) and as prices were stable year-on-year, the revenue from processed bamboo shoots only grew by 12%. However, the export revenue, consisting of sales of processed bamboo shoots to Japan, increased by around 22% year-on-year as we attracted some new customer which helped to drive sales. The domestic wholesale market, which is primarily located in Fujian Province, Shanghai, Beijing, Nanjing, Qingdao and Zhuhai, remained stable.

In order to strengthen brand awareness among end consumers, 'Xinrixian' brand soft packaged processed bamboo shoots were sold in around 30 supermarkets in Fujian Province. The response from consumers was positive and sales of these products increased by around 48% year-on-year.

We plan to move our existing fine processing plant in Mawei to a new factory in a location near Longyan and build two additional raw processing plants there. The new processing plants are closer to the Company's plantations and labour costs are expected to be lower. In addition, the Company's overall annual production capacity of processed bamboo shoots will increase from the current level of around 1.4 million cans to around 1.8 million cans by the end of FY 2011. The total investment is approximately EUR 3 million and production is expected to commence in Q1 2012.

Bamboo trees

In FY 2010, the total sales value of bamboo trees distributed to our three strategic partner companies, Shaowu Zhongzhu ('Zhongzhu'), Xinlifeng and Xinchen, as a percentage of the total sales value of bamboo trees, increased to 47% (2009: 35%). We expect that the total sales value to our partner companies will further increase further in the future, primarily driven by increasing sales to Zhongzhu, which began producing bamboo fibre in March 2011.

Zhongzhu performed well in FY 2010 and purchased more bamboo trees than planned. Sales to Xinlifeng were negatively affected by a halt in production caused by the heavy rainfall in June. In addition, construction activity, which is the main market for bamboo plywood, slowed down as a result of a change in government policies towards the real estate market. As a result, Xinlifeng was primarily selling down its inventory in FY 2010 and purchased significantly less bamboo trees than anticipated. Sales to Xinchen were in-line with expectations. Overall, sales to our partner companies were in line with expectations.

Bamboo fibre production

Through our involvement with Zhongzhu we were able to identify the potential for bamboo fibre, which is produced by a similar manufacturing process to that of pulp and paper. We started doing research on bamboo fibre around 18 months ago and since then more than 100 batches of samples have been produced. The technical name for the product is Acetified Dissolving Bamboo Pulp, which is a high-purity dissolving pulp with a high cellulose (fibre) content, high degree of whiteness and polymerization.

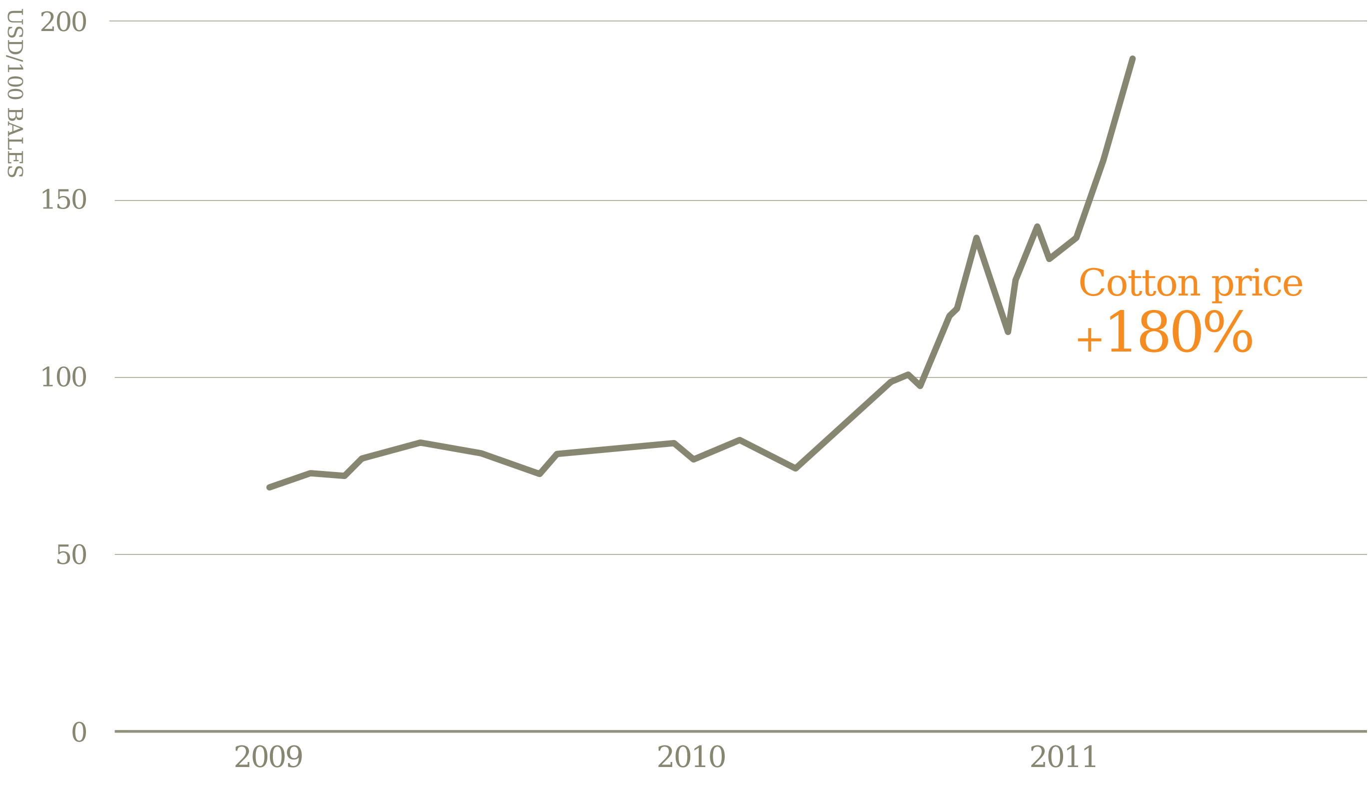
The production process is similar to that of ordinary pulp production. The fibres go through a process of cutting, cooking, bleaching and molding. The differences, compared to paper pulp production, are that the fibres are cooked twice both in water and sodium hydroxide (NaOH), enzymes are added, a different bleaching technique is applied and the ash is removed. Zhongzhu's production process is well within all local environmental regulations.

Bamboo fibre has a wide range of applications, but is expected to be primarily used for textile fabric production. It is a direct substitute for other textile fibres and due to the increasing costs of cotton and viscose, as well as overall environmental concerns, demand for substitutes like bamboo fibres has risen considerably.

We are confident that we can manufacture a superior product to what is currently being offered by domestic suppliers. We have also identified distribution channels for expected annual sales of 50,000-100,000 tonnes of bamboo fibre within two to three years. Furthermore, the local government has expressed its firm support for the project, which is in line with the central government's aim of developing sustainable businesses, as highlighted at the Party Congress in FY 2010.

Zhongzhu began producing bamboo fibre in March 2011 and we expect the total output in FY 2011 to reach around 15,000 tonnes. In the longer term we expect Zhongzhu's focus to shift towards the production of bamboo fibre. Towards the end of Q2 2011, we expect to be able to finalise our plans for the next phases of this project.

Cotton price development



Facts about bamboo textiles

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.

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, which is 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.

Research and development

In order to maintain our competitiveness, Asian Bamboo Group places great emphasis on research and development. Our research activities are centred around the Xinrixian Research Centre, which is located at Fujian Agriculture and Forestry University. It is the first comprehensive research centre involved in the bamboo industry.

Our research centre has engaged experts from Fujian Agriculture and Forestry University, Fujian University, Fujian Forestry Academy and the Fujian Paper Association. The centre's key areas of research are in food science, bamboo forest cultivation, fine-processing of bamboo shoots and biotechnology.

In January 2010, we set up a Research & Development Sub-centre in Guilin Village, Shaowu City, an area where many of our plantations are located. Through the sub-centre, scientific experiments and cultivation training will be carried out directly on the plantations, helping to accelerate the application of scientific research.

In November 2010, our Engineering and Technological Research Centre was approved by the Science and Technology Department of Fujian Province and was granted the grade of 'Excellence' in light of our proprietary intellectual property rights, industry leading position and influence.

Financial review

The financial performance in FY 2010 was satisfactory (all growth percentages are year-on-year comparisons):

- Revenue grew 29% to EUR 75.9 million (2009: EUR 58.6 million)
- Net profit grew 17% to EUR 33.5 million (2009 Restated: EUR 28.6 million), equivalent to a net profit margin of 44% (2009 Restated: 49%)
- Excluding option costs and road repair costs, the net profit grew 31% to EUR 37.4 million, equivalent to a net profit margin of 49%
- Cash and cash equivalents grew 94% at EUR 56.7 million (2009: EUR 29.1 million)

The solid year-on-year increase in revenue and net profit was primarily the result of a larger mature plantation size and higher prices, particularly for fresh bamboo shoots. It is important to note that the bamboo trees which were not harvested and sold in FY 2010 are still on our plantations and will be sold in the future. Consequently we did not lose any revenue, it has simply been deferred.

In FY 2010, the income statement included the following cash items which were of non-recurrent nature:

SAR costs: The total expenses for the Stock Appreciation Rights ('SARs') were EUR 1.9 million (2009: EUR 1.8 million).

Road repair: The total expenses for road repair following the rainstorms were EUR 1.2 million.

Sales of paper: EUR 2.7 million and EUR 2.6 million worth of paper products were booked as revenue and cost of sales, respectively, in FY 2010.

In FY 2010, the income statement contained the following non-cash items:

New stock option scheme ('the scheme'): In line with IFRS, the scheme was valued at the grant date using the Black-Scholes theoretical option pricing model. Based upon this model, the total theoretical value of the scheme was EUR 10.6 million. For share settled option schemes, the fair value is only calculated at grant date and future share price movements do not have any influence on the theoretical cost of the option scheme. As the scheme was entered into by the end of August, 4/48 of the expected total expenses, equivalent to EUR 0.9 million, was booked in FY 2010. Unless there are reasons to deem the chances that the options will not be exercised as being higher than 50%, the total expenses of the scheme will be amortised with 12/48 booked every year for the next three years and 8/40 booked in the fourth year.

Currency effects: Currency translations resulted in a net gain of kEUR 561.

Analysis of the income statement

Revenue

KEUR	FY2010	FY2009	Change
Bamboo trees	**25,895**	22,568	15%
Fresh winter bamboo shoots	**13,743**	9,816	40%
Fresh spring bamboo shoots	**19,082**	12,179	57%
Processed bamboo shoots	**14,460**	12,954	12%
Paper	**2,730**	1,104	147%
Total	**75,910**	58,621	29%

For a detailed revenue analysis, please refer to p43 of this annual report.

Cost of sales

Cost of sales breakdown

	FY2010	%	FY2009	%	Change
Amortisation	**8,162**	17%	4,394	11%	86%
Harvesting costs	**14,442**	30%	10,523	27%	37%
Reclamation fee	**7,599**	16%	4,549	12%	67%
Processing costs	**6,733**	14%	5,540	14%	22%
Other costs	**11,832**	24%	13,907	36%	-15%
Total	**48,768**	100%	38,913	100%	25%

The accounting policies in relation to biological asset valuations and payments made for biological assets have been adjusted in the consolidated financial statements as of 31 December 2010. In accordance with IAS 8, comparative numbers for prior years have been restated. For further details, please refer to the consolidated financial statements

In accordance with IFRS, the costs of harvested and sold bamboo trees and bamboo shoots are calculated at the fair value less costs to sell. This means that the total cost of sales is higher, using this method, than it would have been if the cost method was used. However, the higher cost of sales is compensated for by the gain in the fair value of biological assets. The overall year-on-year increase in cost of sales was primarily the result of higher sales volumes in FY 2010 compared to FY 2009.

The amortisation component of cost of sales increased more than other components as the total plantation size increased very significantly and all plantations, both those we harvest from and those we do not harvest from, were amortised. This means that the amortisation as a percentage of revenue and as a percentage of cost of sales was high in FY 2010. The Management Board expects that amortisation, both as a percentage of revenue and as a percentage of cost of sales, will gradually fall as the share of plantations which do not generate any output, as a percentage of the total plantation size, is likely to decrease in the future.

Gain in the fair value of biological assets

The gain in the fair value of biological assets less estimated costs to sell was EUR 17.2 million (2009 Restated: EUR 15.8 million). The gain was primarily caused by an increase in the mature plantation size.

Gross profit including fair value changes

Including fair value changes, the gross profit margin was down three percentage points at 58% (2009 Restated: 61%), primarily as sales of bamboo trees per hectare in FY 2010 was lower than in FY 2009. In addition, non-recurrent costs of repairing the roads in connection with the rainstorms in June were booked as cost of sales in FY 2010.

Due to the interrelation between the fair value of biological assets and cost of sales following the implementation of the new biological asset accounting method, the Management Board deems it appropriate to calculate the gross profit margin including fair value changes.

Other operating income

Other operating income of kEUR 666 (2009 Restated: kEUR 158) is mainly related to foreign exchange gains of kEUR 561 and grants received from provincial governments for the industrialisation of the agriculture industry in the amount of kEUR 104.

Distribution and selling expenses

Distribution and selling expenses are mainly linked to our export business and handling charges for the delivery of bamboo trees. Selling and distribution expenses increased by 27% to kEUR 619 (2009: kEUR 486) during the year.

Administrative expenses

Administrative expenses increased by 36% to EUR 7.9 million (2009 Restated: EUR 5.8 million), mainly caused by an increase in wages and social costs to EUR 5.1 million (2009: EUR 3.1 million). Total stock option expenses were EUR 2.7 million (2009: EUR 1.8 million). Of this amount, EUR 1.9 million (2009: EUR 1.8 million) were related to the old SAR scheme and EUR 0.9 million to the stock options granted in FY 2010. The stock option programs are described in detail in the remuneration report on p53.

Other operating expenses

Other operating expenses amounted to kEUR 32 (2009: kEUR 1,822).

Share of loss of jointly controlled entity

Primarily due to the negative impact of the rainstorms in June, Xinlifeng recorded a small loss in FY 2010. Our share of this loss was kEUR 70.

Finance net

Finance income, as a result of interest income, during the year was kEUR 300 (2009 Restated: kEUR 669) and finance costs were higher at kEUR 912 (2009 Restated: kEUR 11) as a result of interest rate payments on our borrowings from DEG, which we received in FY 2010. The finance net for the year was negative kEUR 612 (2009 Restated: positive kEUR 658).

Income tax

In FY 2010, income tax expenses were EUR 2.3 million (2009 Restated: income kEUR 462), mainly as a result of tax charges on dividend payments within the group. In accordance with 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 from the sales of fresh shoots and bamboo trees. The applicable tax rate for sales of processed products was 22% during the year (2009: 20%).

Financial

Operating cash flow was EUR 33.5 million (2009 Restated: EUR 35.6 million). The slight decline is partly due to the payments linked to the SAR program. Net cash used in investing activities amounted to EUR 58.8 million (2009 Restated: EUR 52.5 million) of which EUR 54.8 million was paid for plantation leases and EUR 3.3 million paid for the acquisition of a 40% stake in Xinlifeng.

Net cash from financing activities amounted to EUR 51.2 million (2009 Restated: EUR 20.4 million). On 18 January, DEG disbursed a loan of EUR 11.3 million with a maturity of 7 years. On 17 June 2010, the Company sold 1.4 million new shares at a price of EUR 31 per share in a private placement. The net proceeds, after deducting costs associated with the placement, were EUR 41.8 million, to be used for the acquisition of plantation leases and investment in bamboo fibre processing. As a result of the fund raising, the Company's current expansion plans for the period 2011-2013 are fully funded. In FY 2010, a dividend of EUR 4.2 million was paid as decided by the AGM.

Cash and cash equivalents increased to EUR 56.7 million (2009; EUR 29.1 million), equivalent to 16.3% of total assets. Of these, EUR 41 million were held in accounts in China. Cash transfers from China to countries outside of China require the formal approval of the State Administration of Foreign Exchange ('SAFE'). Net working capital (current assets minus current liabilities) amounted to EUR 17.1 million (2009: EUR 30.8 million), due to an increase in current liabilities payable for lease payments.

Overall, due to the solid cash flow from operating activities and the cash raised in the capital increase, the group has a solid financial position as of 31 December 2010. The long-term assets remain fully financed by equity.

Financial position

kEUR	**FY2010**	FY2009	Change
Biological assets	**99,788**	68,068	47%
Lease prepayments	**164,940**	84,374	95%
Cash and cash equivalents	**56,658**	29,143	94%
Other assets	**25,320**	21,107	20%
Total assets	**346,706**	202,692	71%
Total equity	**282,421**	191,211	48%
Liabilities	**64,285**	11,481	460%
Total liabilities and equity	**346,706**	202,692	71%

At the end of FY 2010, total assets were up 71% at EUR 347 million (2009 Restated: EUR 203 million). The increase of EUR 144 million was primarily the result of a substantial increase in the total plantation size. The investments amounted to 54.8 million EUR (2009 Restated: EUR 51.2 million) and are reflected in the increase of biological assets and lease prepayments. Gains from changes in fair value of biological assets increased to EUR 17.2 million. The proportion of biological assets and lease payments, as part of total assets, was 76% (2009 Restated: 75%) as of 31 December 2010.

Liabilities increased by 460% to EUR 64.3 million (2009: EUR 11.5 million). This is mainly due to accounts payable of EUR 41.6 million on lease prepayments which were entered into in FY 2010, but which have not yet been paid in full as we pay a part of the lease upon signing the contract and the balance when the harvesting rights have been transferred. In addition the DEG loan of EUR 11.3 million was disbursed during the year.

Shareholders' equity increased by 48% to EUR 282.4 million (2009: EUR 191.2), mainly due to the capital increase, the consolidated net income and currency effects. The equity ratio was 81.4% (2009: 94.3%). Treasury shares remained at 129,900 shares as no shares were bought back during the year.

Remuneration of the Management Board and the Supervisory Board

Remuneration of the Management Board

The compensation is determined under § § 87 paragraph 1, 107 paragraph 3 sentence 3 AktG, which is the supervisory jurisdiction. The compensation of the Management Board is based on the size and area of activity and the financial position of Asian Bamboo AG. The remuneration of the Management Board consists of a fixed salary, payable in 14 monthly salaries, and a variable component in the form of long-term stock options. The Management Board members do not receive any benefits in the event of an early termination of their activities, with the exception of Mr Peter Sjovall, who is entitled to a severance payment equal to three months' salary (kEUR 28).

Details of the remuneration of the Management Board members in FY 2010, on an individual basis, are displayed in the table below:

kEUR			Stock options valued in FY 2010		
		Fixed salary	Volume	Value*	Total
Lin Zuojun	**2010**	**328**	**220,000**	**3,874**	**4,202**
	2009	294	–	–	294
Jiang Haiyan	**2010**	**156**	**100,000**	**1,761**	**1,917**
	2009	147	–	–	147
Peter Sjovall	**2010**	**136**	**180,000**	**3,170**	**3,306**
	2009	129	–	–	129
Total	**2010**	**620**	**500,000**	**8,805**	**9,425**
	2009	570	–	–	570

* Theoretical value at grant date

New stock option scheme ('the scheme')

On 28 August 2010 the following stock option allotments were granted to members of the Management Board:

	Options	Strike price	Exercise period
Mr Lin Zuojun	**220,000**	31	2.9.2014-2.9.2015
Mr Peter Sjovall	**180,000**	31	2.9.2014-2.9.2015
Mr Jiang Haiyan	**100,000**	31	2.9.2014-2.9.2015

The strike price of EUR 31 was set as a 10% discount to the 20 day average share price leading up to the grant date. The strike price is identical to the price of the new shares which were issued in the private placement in June 2010.

The options can be exercised between 2 September 2014 and 2 September 2015, assuming that the performance target of an adjusted EBIT increase of an average of 10% for four consecutive years (2010 to 2013) has been met.

In line with IFRS guidelines, we appointed a third party to use the Black-Scholes option pricing model to assess the value of the scheme at the grant date (28 August 2010). The result of the computation is to some degree determined by the assumptions used, which are summarised below:

Exercise price	EUR 31.00
List of the stock options	5 years
Share price at grant date	EUR 34.95
Expected historical volatility	60%
Expected dividend yield	1%
Risk free interest rate	1.34%

According to this calculation, the fair value of each option was EUR 17.61 and the value of the entire program was EUR 8.8 million. In the FY 2010 financial statements, in accordance with IFRS 2, we booked expenses in total of kEUR 733, equivalent to 4/48 of the total expenses. Of this, kEUR 323, EUR 264 and kEUR 147 were attributable to Mr Lin Zuojun, Mr Peter Sjovall and Mr Jiang Haiyan, respectively. In accordance with the requirements of IFRS, we have made the calculation under the assumptions that the performance target will be met and that all beneficiaries are still employed by the Group when the options vest, which may not be the actual outcome. The fair value is therefore a theoretical value and also a non-cash item.

In May 2008, 120,000 Stock Appreciation Rights ('SAR') were issued to Jiang Haiyan, 60,000 SARs, and Peter Sjovall, 60,000 SARs. The SARs were exercised in full on 18 May 2010 resulting in a payment to Mr Peter Sjovall and Mr Jiang Haiyan each of around kEUR 1,530. The consolidated financial statements contained the relevant expenses in the amount of kEUR 1,958 (2009: kEUR 1,757).

Supervisory Board

The terms of the Supervisory Board remuneration remained unchanged in FY 2010 compared to FY 2009.

The Chairman, Vice chairman and members of the Supervisory Board receive an annual basic remuneration of kEUR 60, kEUR 25 and kEUR 7.5, respectively, to be paid on a pro rata basis if the services do not cover a full year. In addition to the basic remuneration, each member receives a meeting attendance fee of kEUR 2.5 for participation at regular board meetings.

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

In FY 2010, the Supervisory Board members received a total compensation of kEUR 146 (2009: kEUR 139).

Mr Hans-Joachim Zwarg, Chairman	kEUR 83 (2009: kEUR 83)
Mr Wolfgang Jensen, Deputy Chairman	kEUR 42 (2008: kEUR 42)
Mr Pan Chaoran	kEUR 21 (2009: kEUR 14)

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

Subscribed capital

The subscribed capital (share capital) of Asian Bamboo AG amounts to EUR 15.425 million and is divided into 15.425 million no par value bearer shares with a notional value 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 or the transfer of the shares.

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 37.3% 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. Amendments to the Articles of Association

According to § 8 of the articles of association, the Management Board of Asian Bamboo AG consists of one or more persons. The Supervisory Board determines the number of members of the Management Board. The Management Board of Asian Bamboo AG currently consists of three members.

The Supervisory Board elects the Management Board members in accordance with § 84 of the German Stock Corporation Act (AktG) for a term not exceeding five years. Any extension of the term requires a Supervisory Board decision and cannot be decided earlier than a year before the end of the current contract period. In special cases, the district court can appoint a replacement for a member of the Management Board at the request of any person who has a legitimate interest (for example other board members) (§ 85 AktG). Such an appointment would be terminated immediately when, for example, the Supervisory Board appointed the member of the Management Board.

The dismissal of members of the Management Board can only be for important reasons (§ 84 paragraph 3 sets 1 and 3zAktG).

Important reasons are, for example, general neglect of duties, inability to properly exercise the duties or the loss of confidence by the Annual General Meeting.

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). If the AGM decides to change of the Company's statues according to §§ 179, 133 AktG and § 26 paragraph 1, a simple majority of the cast votes is required unless a majority representing all shares is required.

Exempt from this are decisions made at the annual general meeting 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

On 7 June 2010, the AGM authorised the Management Board, with the approval of the Supervisory Board, to increase the share capital of the Company until 6 June 2015, once or several times by up to a total of EUR 7,012,500 by issuing a total of 7,012,500 no par value new bearer shares in consideration of contributions in cash or in kind. In each case, ordinary shares and/or preference shares may be issued. In each case ordinary shares and/or preference shares may be issued. The Management Board is authorised, with approval of the Supervisory Board, to provide that the subscription right of the shareholders is excluded in the following cases:

- if a capital increase of the share capital for contribution in kind is carried out to enable the Company to acquire companies, parts of companies or participations in companies or to acquire other contributions in kind. The amount of shares issued excluding shareholders' pre-emptive rights against contribution in kind may not exceed 20% of the Company's share capital at the time of the Annual General Meeting. This limit is reduced by the proportional amount of the share capital falling upon shares, that have been issued during the duration of this authorisation, due to other authorisations against contribution in kind under exclusion of the subscription rights;
- for fractional amounts;
- if shares are issued in consideration of contributions in cash excluding shareholders' subscription rights and not exceeding the computed proportion of 10% of the share capital (1,402,500 shares), the shares must be sold at an issue price which is not significantly lower (in terms of section 203 paragraph 1 and 2, section 186 paragraph 3 sentence 4 AktG) than the stock market price of same-category Company shares at the day when the issue price is finally fixed by the Management Board. This limit is reduced by the fractional amount allotted to shares issued under this authorisation or other authorisations excluding shareholders' pre-emptive rights and in accordance with sec. 186 para. 3 sentence 4 AktG;
- to grant subscription rights to the holders of convertible bonds or participation rights granting conversion rights or option rights to an extent they would be entitled to in case of execution of their conversion right or option right respectively;
- for granting shares to the members of the Management Board, members of the management of affiliated companies in terms of sec. 15 AktG, executive managers of the Company or affiliated companies or to employees of the Company or employees of affiliated companies in connection with employees' participation programs. A capital increase under exclusion of subscription rights may not exceed 10% of the share capital existing at the time when this authorisation is made use of, if such capital increase serves for the realisation of an employees' participation program.

The Management Board, with approval of the Supervisory Board, shall decide on and the details and the conditions of the capital increase out of the Authorised Capital 2010 and the issuing of new shares.

The Management Board decided on 16 June 2010, with the approval of the Supervisory Board, to increase the share capital of the Company by EUR 1.4 million by issuing 1.4 million new ordinary bearer shares, excluding subscription rights of existing shareholders, by partially using the authorised capital. As of 31 December 2010, the Company's authorised capital is EUR 5,612,500.

Contingent Capital

The nominal capital is increased conditionally by up to EUR 4,207,500.00 through the issue of up to 4,207,500 individual shares (Contingent Capital 2010 I). The increase in authorised capital stock shall only be completed to the extent that:

- the bearers or creditors of conversion rights or warrants that are attached to convertible or optional bonds or convertible or optional participating rights to be issued by the Company or its direct or indirect majority holding companies by 6 June 2015 as a result of the authorisation of the shareholders' meeting on 7 June 2010 exercise their conversion rights; or
- bearers or creditors of convertible bonds or convertible participating rights issued until 6 June 2015 by the Company or its direct or indirect majority holding companies as a result of the authorisation of the shareholders' meeting on 7 June 2010, who are obligated to convert, meet this requirement.

The new shares participate in profits from the start of the fiscal year in which they arise through the exercise of conversion rights or options or by meeting conversion obligations; this notwithstanding, the Management Board, with the approval of the Supervisory Board, can determine that the new shares participate in profits from the start of the fiscal year for which no resolution of the shareholders' meeting on the use of the balance sheet profit has been made in the period of exercising conversion rights or options or meeting conversion obligations.

As approved by the AGM on 7 June 2010, the share capital shall be conditionally increased by EUR 600,000 by issuance of up to 600,000 new no par value bearer shares (Conditional Capital 2010-II). The conditional capital increase shall only be implemented to the extent that owners of stock options, which were issued by Asian Bamboo AG under the Stock Option Program 2010, exercise their subscription rights. The new no par value bearer shares issued due to the exercise of the subscription rights shall be entitled to participate in profits from the beginning of the business year for which no resolution of the AGM on distribution of profits has been adopted at the time of the exercise of the subscription right.

Share buy back

On 7 June 2010, the AGM authorized the Management Board to buy back up to 1.4025 million shares, which was equal to 10% of the Company's share capital on that date. The authorization to buy back shares is valid until 6 June 2015. The previous authorization to repurchase shares was revoked by the AGM, which meant the previous share buy back program ended.

At the discretion of the Management Board, the buy backs may be executed in the open market or by means of a public offer or a public invitation to all shareholders. If the shares are repurchased on the open market, the counter value per share paid by the Company (excluding incidental costs) may not be more than 10% higher or lower than the price at the Frankfurt Stock Exchange, Frankfurt am Main ('Frankfurt Stock Exchange') determined on the day of trading by the opening auction in the Xetra trading system (or a comparable successor system).

If the shares are repurchased by means of a public offer or invitation to all shareholders, the purchase price (excluding incidental costs) must not be more than 20% higher or lower than the price at the Frankfurt Stock Exchange determined on the fourth until the tenth day of trading by the opening auction in the Xetra trading system (or a comparable successor system) before publication of the public offer. The volume of the offer can be limited. If the total subscriptions exceed this volume, acceptances shall be considered proportionally. The Company can provide for preferred consideration of up to 100 shares per shareholder.

Besides offering the shares on the open market or by means of a public offer, the Management Board is authorised to use the treasury shares repurchased in accordance with this authorisation or former authorisations upon approval of the Supervisory Board as follows:

- The shares may be offered to third parties as consideration within the scope of company mergers or for the direct or indirect acquisition of companies, parts of companies or participations in companies. In this case the shareholders shall be excluded from subscription of treasury shares. The amount of shares that have been sold for contributions in kind under exclusion of the shareholders' subscription rights may not exceed the computed proportion of 20% of the share capital as at the time of passing the resolution at the Annual General Shareholders' meeting. This limit is reduced by the proportional amount of the share capital falling upon shares, that have been issued during the duration of this authorisation, due to other authorisations against contribution in kind under exclusion of the subscription rights;

- The shares may be sold for cash under exclusion of the shareholders' subscription rights, if they are sold at a price which is not significantly lower than the stock market price of same-category Company shares at the time of the sale. The amount of shares that have been purchased under exclusion of the shareholders' subscription rights pursuant to sec. 186 para 3 sent. 4 AktG may not exceed the computed proportion of 10% of the share capital, in total EUR 1,402,500.00; this limit is reduced by the proportional amount of the share capital falling upon shares, that have been issued during the duration of this authorisation, due to other authorisations according to sec. 186 para 3 sent. 4 AktG under exclusion of the shareholders' subscription rights.
- The shares may also be used to discharge conversion or subscription rights or conversion privileges in respect of convertible bonds under exclusion of the shareholders' subscription rights. The amount of shares transferred on grounds of this authorisation may not exceed a proportional amount of 10% of the share capital, in total EUR 1,402,500, if such shares are used to discharge conversion or subscription rights or conversion privileges, that have been issued pursuant to sec. 186 para 3 sent. 4 AktG analogically. This limit is reduced by the proportional amount of the share capital falling upon shares, that have been issued during the duration of this authorisation or due to other authorisations or shares that have been issued according to sec. 186 para 3 sent. 4 AktG excluding shareholders' subscription rights.
- The shares may be redeemed and cancelled without a further resolution of the Annual General Meeting on the redemption or the cancellation.

The above mentioned authorisations concerning the use of treasury shares can be exercised once or several times, in whole or in instalments, individually or altogether.

In addition to the authorisation to purchase the Company's treasury shares, the Company shall be authorised to purchase treasure shares by means of equity derivatives.

The Management Board is authorised to sell options, which oblige the Company to purchase treasury shares upon exercise (put options); furthermore, the management Board is authorised to buy options, which entitle the Company to purchase treasury shares upon exercise (call options) and to purchase treasury shares by combining put options and call options.

Share purchases by means of put options, call options or purchases combining such options are limited to an amount of treasury shares representing up to EUR 700,000.00 of the share capital. The option may only allow for the purchase of treasury shares by 6 June 2015 at the latest.

Treasury shares may only be purchased by exercise of options, if the purchase price per share paid by the Company (excluding incidental costs but including the option premium paid or received) is not more than 10% higher or lower than the price at the Frankfurt Stock Exchange, Frankfurt am Main ('Frankfurt Stock Exchange') determined on the day of trading by the opening auction in the Xetra trading system (or a comparably e successor system). The award paid for call options and the award charged for put options may not diverge more than 5% from a theoretical market price ascertained by generally accepted methods of financial mathematics.

By this resolution, the authorisation to use equity derivatives made at the general shareholders' meeting as of 5 June 2009 is revoked.

No change of control provision

There are no agreements with the Company which are under the condition of a change of control following a takeover bid.

No significant compensation arrangements in the event of a takeover bid

There are no agreements between the Board members or employees and the Company, other than normal contractual obligations, which provide for compensation following a change of control.

Corporate governance declaration

The corporate governance declaration was published on our website www.asian-bamboo.com.

Description of the characteristics of the internal control system and risk management system with regard to the consolidated financial reporting process

Asian Bamboo has a clear leadership and corporate structure, whereby key issues are decided by the Management Board which operates out of the Company's Fuzhou headquarters, located close to the Company's plantations and factories.

The accounting, finance and control functions are clearly separated and the responsibilities are well defined. The integrity and accountability in terms of finances and financial reporting are safeguarded by the independence of the accounting department whose independence is also audited by a third party accounting firm.

The financial systems, which are generally based upon standard software, are protected from unauthorised access.

The accounting department and other offices involved in the accounting process are adequately equipped both in quantitative and qualitative terms.

Sample testing is done on received or forwarded accounts data to determine the accuracy and completeness of the data. For payments, plausibility tests are conducted.

The four-eye principle is applied for all invoice-related processes.

Relevant accounting processes are regularly reviewed by the independent internal auditing function. In addition, independent experts are engaged to produce a quarterly report on the functioning of the internal control system.

The essential features of the internal control and risk management systems ('the systems') with regard to the financial reporting process are described above. The systems ensure that the balance sheet is correctly assessed and incorporated in the accounts. The appropriate staffing, the use of appropriate software as well as clear legal and corporate guidelines are the basis for a proper, uniform and continuous reporting process.

The clear definition of responsibilities and various control and verification mechanisms, especially the plausibility checks and the four-eyes-principle, safeguard the accuracy and correctness of the accounting function. More specifically, transactions are recorded in accordance with the law, the statutes and internal policies. Processes and documents are recorded and accounted for promptly and properly, thus ensuring that assets and liabilities in the annual consolidated financial statements are reported and evaluated and that reliable and relevant information will be provided in a complete and timely manner.

Risk report

The most important factor for early risk detection is the day-to-day involvement of the Management Board under the leadership of the Company's largest shareholder, Mr Lin Zuojun, in the company's operations and development of all aspects of the value chain. Discussions around the identification and evaluation of potential risks are an integral part of all Management Board meetings and some Supervisory Board meetings. The finance department produces detailed monthly reports on the financial performance and financial situation as well as updates on the current operational position of the Group. The internal management reports include details about the business, particularly in regard to financial planning, and also provide output and price information. Variances are analysed and, if necessary, appropriate measures are taken.

Regular meetings at all levels of the organisation are held to discuss current issues and developments with management. Asian Bamboo has a clearly defined organisational structure and decision-making process to ensure that all staff have clearly defined roles and responsibilities.

Asian Bamboo Group and Asian Bamboo AG are exposed to a number of risks. These risks are related to; weather and the environment, lease agreements, changing consumer preferences, currency movements, customers and other general business risks related to running a business in China.

As long as the planned level of income from harvesting activities is reached, there is in terms of biological assets no other risk than the potential damage caused by disease, fire or other extraordinary events. As there are no viable insurance products available to the Company to insure itself against the potential property damage, any damage caused by such events is uninsured. The plantation leases generally have a term of 20 years. We assume that when the contracts expire, extensions can be agreed upon at reasonable terms. So far, however, no lease terms have been renegotiated.

In FY 2010, the total sales value of bamboo trees distributed to our three strategic partner companies, Shaowu Zhongzhu (‘Zhongzhu’), Xinlifeng and Xinchen, as a percentage of the total sales value of bamboo trees, increased to 47% (2009: 35%). We monitor the credit quality of our partners carefully and work closely with them. Therefore we do not see any particular risk in this concentration of sales to our partner companies.

By continuously strengthening the management team with experienced professionals, the risk of overly depending on a few key individuals in the management team is reduced. The company’s growth is increasingly driven by decentralising activities and decision making to an operational level. It is expected that even if there was a sudden change in key management personnel, the operations of the Company would continue to run smoothly.

The policy of the Chinese government is characterised by a supportive stance towards investments in the agriculture sector, with the aim of improving productivity and income of farmers. As an agriculture enterprise, Asian Bamboo is currently subject to a favourable tax policy. Any changes to this tax policy should not significantly affect the Group’s development because of its strong financial position.

Risks relating to financial instruments are in particular exchange rate risks in relation to the EUR-deposits held by subsidiaries in Hong Kong and China, as well as interest rate risk with respect to the variable-rate loans with DEG. The Management Board continuously monitors the level of risk and the costs and benefits of entering into hedging transactions. At present this is not considered necessary.

The income and expenses of Asian Bamboo fall mainly in RMB, therefore exchange rate changes could have a negative impact on the net income of Asian Bamboo AG, which could affect dividend payments.

Based on our current evaluation, Asian Bamboo Group is not exposed to any risks which would have a major influence on the assets, financial condition and results of operations. The current risks to which the Group and Asian Bamboo AG are exposed to, ought, in view of our extensive experience in the production and sale of bamboo trees and bamboo shoots, to be classified as minor.

Reports on events subsequent to the reporting date

On 1 January 2011 Mr Chris McAuliffe was appointed as Vice Chairman of Asian Bamboo, replacing Mr Wolfgang Jensen who resigned on 31 December 2010.

On 10 January 2011, the Company signed lease agreements for six bamboo plantations with a total size of 6,700 hectares (ha).

The plantations, located in Jianyang, Nanping, Shaowu and Longyan in Fujian Province, are leased for 20 years and Asian Bamboo will pay a total fee of around EUR 43 million, translating into an average leasing fee per hectare of EUR 6,466.

Group management report

Outlook

Macro-economic outlook

We expect the Chinese economy to continue to do well in FY 2011. The overall inflationary development prompted the government to tighten bank loan reserve ratios and increase interest rates, which is likely to create some volatility in the performance of the Chinese economy. However, we do not see any need to change our plans as we are confident that we can do well even under a slower growth scenario, as we have in previous periods of slower growth.

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 the use of sustainable materials, and an increase in industrial activity, we expect the demand for bamboo trees to be robust in FY 2011 and the years thereafter. We expect to channel a significant part of our bamboo tree harvest to the bamboo fibre factory.

Bamboo shoots

We continue to see strong demand and price increases 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 where traditionally bamboo shoots are not eaten as much as in the southern regions.

Operational

We expect to reach a total plantation size of at least 60,000 ha by the end of FY 2011 at the latest. In the medium term we expect to reach at least 70,000 ha by Q3 2012 at the latest. In the longer term, we are aiming at a total plantation size of at least 100,000 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.

We will continue to seek partnerships and investments with processing companies using bamboo trees as an input material.

Profitability and dividends

In FY 2011, we expect to achieve revenue of at least EUR 125 million and a net profit margin, including the contribution from the fibre processing project, of at least 40%. Driven by further increases in the mature plantation size and contributions from processing businesses, we expect to grow our revenue and net profits by around 30% annually in FY 2012 and FY 2013.

In this context, the Management Board wishes to state that the use of fair value accounting, as compared to using the cost method, leads to fluctuations in the net profit which are larger than actual changes in revenue and costs, excluding the impact of fair value accounting.

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. In addition, we are seeing enormous potential in the processing industries. The dividend pay-out ratio for FY 2010 is around 15% of the net profit, excluding non-recurrent items, and we expect to keep that pay-out level as long as we remain in a growth phase.

These forecasts are based upon certain assumptions and the actual outcome may differ from the forecasts.

Hamburg, Germany, 18 March 2011
Asian Bamboo AG

The Management Board

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Consolidated statement of income and expenses

for the period from 1 January to 31 December 2010

	Note	**2010 kEUR**	2009* kEUR
Revenue	4	**75,910**	58,621
Cost of sales	5	**(48,768)**	(38,913)
Gain arising from changes in fair value less costs to sell of biological assets	15	**17,191**	15,772
Gross profit including fair value changes		**44,333**	35,480
Other operating income	6	**666**	158
Distribution expenses	7	**(619)**	(486)
Administrative expenses	8	**(7,885)**	(5,813)
Other operating expenses	9	**(32)**	(1,822)
Profit from operations		**36,463**	27,517
Share of loss of associates	17	**(70)**	–
Finance income	12	**300**	669
Finance costs	12	**(912)**	(11)
Profit before tax		**35,781**	28,175
Income tax	13	**(2,271)**	462
Profit for the year (fully attributable to owners of the parent company)		**33,510**	28,637
Earning per share			
Basic and diluted (EUR per share)†	14	**2.29**	2.22

* Comparable numbers are adjusted in accordance with IAS 8

† Calculated on the basis of 14,654,552 shares in FY 2010 and 12,896,403 shares in FY 2009

Consolidated statement of comprehensive income

for the period from 1 January to 31 December 2010

	2010 kEUR	2009* kEUR
Profit for the year	**33,510**	28,637
Exchange differences arising from currency translations	**19,243**	(4,550)
Other comprehensive income	**19,243**	(4,550)
Total comprehensive income for the year	**52,753**	24,087

* Comparable numbers are adjusted in accordance with IAS 8

Consolidated balance sheet

for the period ending 31 December 2010

	Note	**31.12.2010 kEUR**	31.12.2009* kEUR	01.01.2009* kEUR
ASSETS				
Non-current assets				
Property, plant and equipment	16	**4,467**	4,036	3,043
Biological assets	15	**99,788**	68,068	63,035
Lease prepayments	19	**164,940**	84,374	41,978
Investment in associates	17	**3,329**	–	–
Other financial assets	18	**2,491**	2,047	2,027
Deferred tax assets	13	**1,551**	1,852	998
		276,566	160,377	111,081
Current assets				
Inventory	20	**1,299**	2,136	792
Trade and other receivables	21	**1,943**	1,841	510
Other financial assets	18	**204**	3,907	5,103
Current tax assets		**24**	20	230
Lease and other prepayments	19	**10,012**	5,268	4,349
Cash and cash equivalents	22	**56,658**	29,143	25,481
		70,140	42,315	36,465
Total assets		**346,706**	202,692	147,546
EQUITY AND LIABILITIES				
Share capital		**15,425**	14,025	12,750
Par value of own shares		**(130)**	(130)	–
Issued capital		**15,295**	13,895	12,750
Capital reserves		**131,953**	91,608	68,426
Equity–settled employee benefits reserve		**881**	–	–
Foreign currency translation reserve		**21,878**	2,635	7,185
Statutory reserves of subsidiaries		**8,191**	5,415	3,470
Retained earnings		**104,223**	77,658	54,907
Total equity	23	**282,421**	191,211	146,738
Non–current liabilities				
Borrowings	24	**11,261**	–	–
Current liabilities				
Borrowings	24	**2,267**	–	–
Trade payables	25	**48,357**	7,167	401
Other financial liabilities	26	**400**	3,935	115
Current tax liabilities		**2,000**	379	292
		53,024	11,481	808
Total liabilities		**64,285**	11,481	808
Total liabilities and equity		**346,706**	202,692	147,546

* Comparable numbers are adjusted in accordance with IAS 8

Consolidated statement of changes in equity

for the period from 1 January to 31 December 2010

	Share capital kEUR	Capital reserves kEUR	Statutory reserves of subsidiaries kEUR	Equity-settled employee benefits reserve kEUR	Foreign currency translation reserve kEUR	Retained earnings kEUR	Total equity (fully attributable to owners of the parent company) kEUR
Balance as at December 31. 2008	12,750	68,426	3,470	–	9,325	61,264	155,235
Adjustments in accordance with IAS 8 (Note 1.4)	–	–	–	–	(2,140)	(6,357)	(8,497)
Balance as of 1 January 2009	12,750	68,426	3,470	–	7,185	54,907	146,738
Profit for the year	–	–	–	–	–	28,637	28,637
Other comprehensive income for the year, net of income tax	–	–	–	–	(4,550)	–	(4,550)
Total comprehensive income for the year	–	–	–	–	(4,550)	28,637	24,087
Transfer to the statutory reserves of subsidiaries	–	–	1,945	–	–	(1,945)	–
Dividend payments	–	–	–	–	–	(2,538)	(2,538)
Issue of ordinary shares	1,275	24,225	–	–	–	–	25,500
Share issue costs	–	(1,043)	–	–	–	–	(1,043)
Buy back of ordinary shares	(130)	–	–	–	–	(1,403)	(1,533)
Balance as of 31 December 2009/ 1 January 2010	13,895	91,608	5,415	–	2,635	77,658	191,211
Profit for the year	–	–	–	–	–	33,510	33,510
Other comprehensive income for the year, net of income tax	–	–	–	–	19,243	–	19,243
Total comprehensive income for the year	–	–	–	–	19,243	33,510	52,753
Transfer to the statutory reserves of subsidiaries	–	–	2,776	–	–	(2,776)	–
Recognition of share-based payments	–	–	–	881	–	–	881
Dividend payments		–	–	–	–	(4,169)	(4,169)
Issue of ordinary shares	1,400	42,000	–	–	–	–	43,400
Share issue costs	–	(1,655)	–	–	–	–	(1,655)
Balance as of 31 December 2010	15,295	131,953	8,191	881	21,878	104,223	282,421

Consolidated statement of cash flow

for the period from 1 January to 31 December 2010

	Note	2010 kEUR	2009* kEUR
Profit before tax		**35,781**	28,175
Depreciation of property, plant and equipment		**516**	252
Revaluation gain of biological assets		**(17,191)**	(15,772)
Amortisation of long-term prepayments		**8,258**	4,486
Gain/loss on disposal of property, plant and equipment		**–**	107
Interest income		**(300)**	(669)
Interest expense		**912**	11
Share of loss of associate		**70**	–
Increase in the biological asset value due to cultivation		**(28,751)**	(18,064)
Decrease in the biological asset value due to harvest		**36,735**	31,791
Increase/decrease in inventories, trade receivables and other financial assets if they are not allocated to investing or financing activities		**4,100**	(1,165)
Increase/decrease in accounts payable and other financial liabilities unless they are classified as investing or financing activities		**(6,217)**	6,888
Cash receipts on deposit accounts (as collateral for debt)		**710**	(710)
Interest income		**205**	576
Interest expense		**(909)**	(8)
Income taxes paid		**(418)**	(292)
Net cash generated from operating activities		**33,501**	35,606
Cash flow from investing activities			
Payments made to acquire biological assets and prepayments for the lease of plantations		**(54,799)**	(51,199)
Payments for investments in associates		**(3,344)**	–
Payments for investments in other companies		**(111)**	–
Payments for property, plant and equipment		**(587)**	(1,310)
Proceeds from disposal of property, plant and equipment		**5**	29
Cash flow used in investing activities		**(58,836)**	(52,480)
Cash flow from financing activities			
Proceeds from the issue of equity instruments		**43,400**	25,500
Payments in connection with share issue		**(1,655)**	(1,043)
Payments in connection with share buy back		**–**	(1,533)
Proceeds from borrowings		**13,646**	–
Dividends paid to shareholders		**(4,169)**	(2,538)
Cash flow from financing activities		**51,222**	20,386
Net increase in cash and cash equivalents		**25,887**	3,512
Cash and cash equivalents at the beginning of the year		**28,433**	25,481
Foreign exchange difference		**2,338**	(560)
Cash and cash equivalents at the end of the year		**56,658**	28,433
Cash-deposits		**–**	710
Cash equivalents at the end of year	22	**56,658**	29,143

* Comparable numbers are adjusted in accordance with IAS 8

Notes to the consolidated financial statements

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, Germany. 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

As at December 31, 2010 Asian Bamboo AG directly and indirectly owned shares in the following companies (investment holdings according to § 313 HGB):

Company name	Principal activity	Proportion of ownership interest and voting power held 31.12.2010	Equity kEUR 31.12.2010	Profit for the year kEUR 2010
Consolidated subsidiaries				
Asian Bamboo (Hong Kong) Industrial Co., Ltd. (Hong Kong)	Holding Company	100%	(70)	(70)
Hong Kong XRX Bamboo Investment Co., Ltd. (Hong Kong)	Holding Company	100%	1,972	15,247
Fujian Xinrixian Bamboo Fiber Technology Co., Ltd., Shaowu, China (PRC)	R&D	100%	5,969	50
Longyan Xinrixian Forestry Development Co., Ltd., Longyan, China (PRC)	Plantation Management and Bamboo Shoot Processing	100%	21,722	10,941
Fujian Xinrixian Group Co., Ltd., Fuzhou, China (PRC)	Holding Company	100%	43,787	22,948
Shaowu Sanyuan Food Development Co., Ltd., Shaowu, China (PRC)	Plantation Management and Bamboo Shoot Processing	100%	2,009	315
Fuzhou Xinrixian Food Development Co., Ltd., Shaowu, China (PRC)	Plantation Management and Bamboo Shoot Processing	100%	1,660	353
Shaowu Xinrixian Industry Co., Ltd., Shaowu, China (PRC)	Plantation Management and Bamboo Shoot Processing	100%	74,821	20,486
Shunchang Xinrixian Forestry Co., Ltd., Shunchang, China (PRC)	Plantation Management and Bamboo Shoot Processing	100%	17,639	2,555
Sanming Xinrixian Forestry Co., Ltd., Jiangle County, China (PRC)	Plantation Management and Bamboo Shoot Processing	100%	14,352	3,889
Wuyishan Xinrixian Forestry Co., Ltd., Jiangle County, China (PRC)	Plantation Management and Bamboo Shoot Processing	100%	6,062	2,912
Investments in associates				
Fujian Xinlifeng Bamboo Group Co., Ltd., Sanming, China (PRC)	Manufacturing Plywood	40%	8,322	(176)
Other investments				
Fujian Haoming Industrial Co., Ltd., Fuzhou, China (PRC)	Trading of Paper	20%	567	10

1. BACKGROUND AND BASIS OF PREPARATION (continued)

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

In FY 2010, the following changes to the Group structure took place:

On 6 January 2010, Asian Bamboo (Hong Kong) Industrial Co., Ltd., Hong Kong ("Asian Bamboo Industrial") was incorporated. Asian Bamboo Industrial is a 100%-owned subsidiary of Asian Bamboo AG. The company, which is the holding company for investments in bamboo fibre manufacturing, has been fully consolidated since its inception.

On 11 January 2010, wholly owned subsidiary Hong Kong XRX Bamboo Investment Co., Ltd., Hong Kong ("Hong Kong XRX"), acquired a 40% stake in Fujian Xinlifeng Bamboo Group Co., Ltd. ("Xinlifeng"), a producer of bamboo plywood. Asian Bamboo exerts a significant influence on Xinlifeng, which is equity accounted for as an associated company in the consolidated financial statements.

On 1 February 2010, Xinrixian Longyan Forestry Development Co., Ltd., a subsidiary operating plantations in the Longyan region, was established. The company is fully consolidated since its inception.

On 20 October 2010, the subsidiary Fujian Xinrixian Group Co., Ltd., acquired a 20% stake in the Haoming Fujian Industrial Trading Co., Ltd. Asian Bamboo has no substantial impact on this company, therefore it is not an associated company. The interest in the company is accounted for as a financial asset in accordance with IAS 39.

On 17 December 2010, Fujian Xinrixian Bamboo Fibre Technology Co., Ltd. ("Xinrixian Fibre") was established as a 100%-owned subsidiary of Asian Bamboo Industrial. This company is engaged in bamboo fibre production and is fully consolidated since its inception.

The changes to the group structure have no significant impact on the comparability of the consolidated financial statements with the previous year.

Dividends and foreign exchange restrictions

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").

1.2 Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

1.3 Application of new and revised International Financial Reporting Standards (IFRSs)

The following new and revised IFRSs have been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Improvements to IFRSs (April 2009) (effective date: 1 January 2010)
- IFRS 1 Revised – First time Adoption of IFRS (effective date: 1 January 2010)
- IFRS 1 Amendment – Additional Exemptions for First-time Adopters (effective date: 1 January 2010)
- IFRS 3 Business Combinations – Revised (effective date: 1 July 2009)
- IAS 27 Amendment – Consolidated and Separate Financial Statements (effective date: 1 July 2009
- IAS 39 Amendment – Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective date: July 1, 2009)
- IFRIC 12 Service Concession Arrangements (effective date: 29 March 2009)
- IFRIC 15 Agreements for the Construction of Real Estate (effective date: 1 January 2010)
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective date: 30 June 2009)
- IFRIC 17 Distributions on Non-cash Assets to Owners (effective date: 1 November 2009)
- IFRIC 18 Transfers of Assets from Customers (effective date: 1 November 2009)
- IFRS 5 Amendment – Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to IFRSs issued in 2008) (effective date: 1 July 2009)

1. BACKGROUND AND BASIS OF PREPARATION (continued)

1.3 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

The Group has not applied the following new and revised IFRSs, which have been issued and endorsed by the EU but are not yet effective:

- Improvements to IFRSs (May 2010) (earliest effective date: 1 July 2010)
- IFRS 1 Amendment – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective date: 1 July 2010)
- IAS 24 Revised – Related Party Disclosures (effective date 1 January 2011)
- 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.
- IFRIC 14 Amendment – Prepayments of a Minimum Funding Requirement (effective date: 1 January 2011)
- IFRIC 19 – Extinguishing Financial Liabilities within Equity Instruments (effective date: 1 July 2011)

New standards and interpretations, and amendments to existing standards and interpretations, shall be applied for reporting periods beginning on or after the effective date. The Directors do not anticipate that these new and revised IFRSs will have a significant impact on the consolidated financial statements.

The following new and revised IFRSs, which have been issued but are not yet effective, have not yet been endorsed by the EU:

- IFRS 1 Amendment – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective date: 1 July 2011)
- IFRS 7 Amendment – Financial Instruments Disclosure (October 2010) (effective 1 July 2011)
- IFRS 9 – Financial Instruments (November 2009) (effective date: 1 January 2013)
- IAS 12 Amendment – Deferred Tax: Recovery of Underlying Assets (effective date: 1 January 2012)

The Directors do not anticipate that these new and revised IFRSs will have a significant impact on the consolidated financial statements.

1.4 Correction of errors according to IAS 8 and reporting changes

As part of the consolidated financial statements as of 31 December 2010, the Management Board came to the conclusion that certain previously applied accounting, valuation and reporting methods do not fully comply with IFRS, which meant that previous financial statements were corrected and restated in accordance with IAS 8. In accordance with IAS 8.42, these corrections in the financial statements as of 31 December 2010 were carried out by restating FY 2009 numbers and the opening balance of FY 2009 (1 January 2009). Changes in FY 2010 were done in the current accounts.

The corrections of errors were done in the following areas:

Biological assets

The Management Board decided to change the methods for determining the fair value of Biological Assets in the financial statements, by further aligning it with the requirements of IAS 41, as of 31 December 2010. In the consolidated financial statements as of 31 December 2009 and in previous years, the fair value was derived through a net present value calculation of the expected cash flows generated from the plantation leases over the lease term. The balance sheet as of 31 December 2010 includes only the present value of expected cash flows from the existing bamboo trees and bamboo shoots on the plantations, less estimated costs to sell. The estimated sales revenue depends on the market prices of already harvested bamboo trees and bamboo shoots of comparable age and quality in the region where the plantations are located. All costs directly attributable to the sale of bamboo trees and shoots are included in costs to sell such as land rental costs, reclamation costs, harvesting costs and selling costs.

1. BACKGROUND AND BASIS OF PREPARATION (continued)

1.4 Correction of errors according to IAS 8 and reporting changes (continued)

All lease payments for the plantations are due at the beginning of the lease and they are paid in two instalments, with the second instalment being paid when the harvesting rights have been transferred. The lease payments which have not been paid yet are now recognised as a liability, whereas in previous years they were disclosed in the notes of other financial obligations.

In accordance with IAS 41, at the time of harvest, the bamboo trees and shoots should be valued as agricultural products at fair value less estimated costs to sell. This value represents the cost of production for the inventory of bamboo trees and bamboo shoots. When the bamboo trees and bamboo shoots are sold, the cost of inventory is booked as cost of sales. In previous years, all changes in the fair value of biological assets were booked as a lump sum as "gains from changes in fair value of biological assets" in the income statement. For details of the valuation of biological assets refer to section 15 of the consolidated financial statements.

Deferred tax liabilities

There are temporary differences between the tax carry forward amounts in the consolidated financial statements for Shaowu Xinrixian, Shunchang Xinrixian, Sanming Xinrixian and Wuyishan Xinrixian Forestry Co. In the consolidated financial statements as of 31 December 2009 and in previous years, deferred taxes were calculated using a tax rate of 25%, although under Chinese tax laws income generated from the cultivation of bamboo shoots and bamboo trees is tax exempt.

In FY 2010, the Management Board reviewed this accounting method and came to the conclusion that it is reasonably certain that the formal conditions for the granting of tax exemption can be met at all times. Therefore, for the tax-exempt subsidiaries, no deferred taxes on temporary differences are recognized and the comparative figures for fiscal year 2009 were adjusted accordingly.

Accounting for and reporting of long-term prepayments

In the consolidated financial statements as of 31 December 2009 and previous years, pre-paid lease fees and advance payments on land use rights were booked as financial assets under IAS 39 and they were amortised through the effective interest method. Following a review of the accounting, valuation, and Identification methods, the Management Board has determined that the lease prepayments and land use rights are not under the scope of IAS 39. Consequently, the lease prepayments and land use rights are now booked in the Consolidated Financial Statements as of 31 December 2010 in accordance with IAS 17.33nas an expense. In this context, we have also changed the balance sheet and we have booked the lease prepayments and advance payments on land use rights as a whole under prepayments.

Cash flow statement

In the cash flow statement, we now show the lease payments under cash flow from investing activities. In the consolidated financial statements as of 31 December 2009 they were booked under financing activities. We now also book deposits in time deposit accounts, which function as a security for account payables and are fixed for a period of more than three months, in operating activities. In the consolidated financial statements as of 31 December of 2009 they were booked under financing activities.

Other changes

In connection with the above corrections, we have made other financial statement reclassifications and changes in value of minor importance. These changes relate primarily to the open reporting of tax assets in the balance sheet and the reported amounts of currency exchange gains and losses that were previously reported under "Other interest income and interest expenses, other operating income and expenses". We also have changed the presentation of the treasury shares so that the imputed value of own shares from the share capital and the excess cost will be deducted from the balance sheet profit. Last year, we had a separate reserve for own shares formed.

1. BACKGROUND AND BASIS OF PREPARATION (continued)

1.4 Correction of errors according to IAS 8 and reporting changes (continued)

The corrections in the balance sheet are as follows:

	31.12.2009 previous kEUR	Correction IAS 8 kEUR	31.12.2009 adjusted kEUR	01.01.2009 previous kEUR	Correction IAS 8	01.01.2009 adjusted
ASSETS						
Long term assets						
Property, plant and equipment	3,508	528	4,036	3,008	35	3,043
Land use rights	315	(315)	–	334	(334)	–
Biological assets	128,007	(59,939)	68,068	116,312	(53,277)	63,035
Lease prepayments	49,929	34,445	84,374	16,073	25,905	41,978
Other financial assets	1,445	602	2,047	1,426	601	2,027
Deferred tax assets	1,852	–	1,852	998	–	998
	185,056	(24,679)	160,377	138,151	(27,070)	111,081
Current assets						
Inventory	1,741	395	2,136	634	158	792
Trade and other receivables	1,841	–	1,841	582	(72)	510
Other financial assets	4,303	(396)	3,907	5,784	(681)	5,103
Current tax assets	–	20	20	–	230	230
Lease and other prepayments	–	5,268	5,268	–	4,349	4,349
Cash and cash equivalents	29,143	–	29,143	25,481	–	25,481
	37,028	5,287	42,315	32,481	3,984	36,465
Total assets	222,084	(19,392)	202,692	170,632	(23,086)	147,546
EQUITY AND LIABILITIES						
Share capital	14,025	–	14,025	12,750	–	12,750
Par value of own shares	–	(130)	(130)	–	–	–
Issued capital	14,025	(130)	13,895	12,750	–	12,750
Capital reserves	91,608	–	91,608	68,426	–	68,426
Foreign currency reserves	4,039	(1,404)	2,635	9,325	(2,140)	7,185
Foreign subsidiary reserves	5,414	1	5,415	3,470	–	3,470
Own shares	(1,558)	1,558	–	–	–	–
Retained earnings	87,603	(9,945)	77,658	61,264	(6,357)	54,907
Total equity	201,131	(9,920)	191,211	155,235	(8,497)	146,738
Non-current liabilities						
Deferred taxes	14,419	(14,419)	–	13,932	(13,932)	–
Current liabilities						
Trade payables	1,778	5,389	7,167	143	258	401
Other financial liabilities	4,377	(442)	3,935	787	(672)	115
Current tax liabilities	379	–	379	535	(243)	292
	6,534	4,947	11,481	1,465	(657)	808
Total liabilities	20,953	(9,472)	11,481	15,397	(14,589)	808
Total liabilities and equity	222,084	(19,392)	202,692	170,632	(23,086)	147,546

1. BACKGROUND AND BASIS OF PREPARATION (continued)

1.4 Correction of errors according to IAS 8 and reporting changes (continued)

The corrections in the profit and loss statement and statement of comprehensive income are as follows:

	2009 previous kEUR	Correction IAS 8 kEUR	2009 adjusted kEUR
Revenue	58,621	–	58,621
Cost of sales	(30,294)	(8,619)	(38,913)
Gain in the fair value of biological assets	3,966	11,806	15,772
Gross profit including fair value changes	32,293	3,187	35,480
Other operating income	158	–	158
Distribution expense	(486)	–	(486)
Administrative expenses	(3,986)	(1,827)	(5,813)
Other operating expenses	(1,895)	73	(1,822)
Profit from operations	26,084	1,433	27,517
Finance income	6,934	(6,265)	669
Finance costs	(1,833)	1,822	(11)
Profit before tax	31,185	(3,010)	28,175
Income tax	(363)	825	462
Profit for the year (fully attributable to owners of the parent company)	30,822	(2,185)	28,637
Earnings per share			
Earnings per share (EUR)*	2.39	(0.17)	2.22

* Calculated on the basis of 12,896,403 shares

Consolidated income statement:

	2009 previous kEUR	Correction IAS 8 kEUR	2009 adjusted kEUR
Profit for the year	30,822	(2,185)	28,637
Exchange differences arising from currency translations	(5,286)	741	(4,550)
Other comprehensive income	(5,286)	741	(4,550)
Total comprehensive income for the year	25,536	(1,444)	24,087

1. BACKGROUND AND BASIS OF PREPARATION (continued)

1.4 Changes in Accounting Policy and Restatement of Prior Year Disclosures and Correction of Errors (continued)

The corrections in the cash flow statement of the Group are as follows:

	2009 previous kEUR	Corrections IAS 8 kEUR	2009 adjusted kEUR
Profit before tax	31,185	(3,010)	28,175
Amortisation of intangible assets	8	(8)	0
Depreciation of property, plant and equipment	242	10	252
Depreciation of biological assets	2,872	(2,872)	–
Revaluation gain of biological assets	(3,966)	(11,806)	(15,772)
Amortisation of long-term prepayments	610	3,876	4,486
Gain/loss on disposal of property, plant and equipment	1	106	107
Interest income	(598)	(71)	(669)
Interest expense	34	(23)	11
Increase in the biological asset value due to cultivation	–	(18,064)	(18,064)
Decrease in the biological asset value due to harvest	–	31,791	31,791
Increase/decrease in inventories, trade receivables and other financial assets if they are not allocated to investing or financing activities	(885)	(280)	(1,165)
Increase in accounts payable and other financial liabilities unless they are classified as investing or financing activities	5,225	1,663	6,888
Cash receipts on deposit accounts (as collateral for debt)	–	(710)	(710)
Interest income	598	(22)	576
Interest expense	(34)	26	(8)
Income taxes paid	(291)	(1)	(292)
Net cash generated from operating activities	35,001	605	35,606
Cash flow from investing activities			
Payments made to acquire biological assets and prepayments for the lease of plantations	(15,122)	(36,077)	(51,199)
Payments for property, plant and equipment	(1,283)	(27)	(1,310)
Proceeds from disposal of property, plant and equipment	417	(388)	29
Cash flow from investing activities	(15,988)	(36,492)	(52,480)
Cash flow from financing activities			
Proceeds from the issue of equity instruments	25,500	–	25,500
Payments in connection with share issue	(1,043)	–	(1,043)
Payments in connection with share buy back	(1,558)	25	(1,533)
Long term prepayments	(36,131)	36,131	–
Dividends paid to shareholders	(2,538)	–	(2,538)
Payments on fixed deposit accounts (as collateral for debt)	(710)	710	–
Cash flow from financing activities	(16,480)	36,866	20,386
Net increase in cash and cash equivalents	2,533	979	3,512
Cash and cash equivalents at the beginning of the year	25,481	–	25,481
Foreign exchange difference	419	(979)	(560)
Cash and cash equivalents at the end of the year	28,433	–	28,433
Cash-deposits	710	–	710
Cash equivalents at the end of year	29,143	–	29,143

2. SIGNIFICANT ACCOUNTING POLICIES, PRINCIPLES OF CONSOLIDATION AND VALUATION POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for biological assets and certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The consolidated financial statements are set up in Euro. The amounts are presented in rounded thousand EUR if not otherwise stated.

The significant accounting policies are set out below.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Asian Bamboo AG and its subsidiaries, which are entities controlled by Asian Bamboo AG. Control is achieved where Asian Bamboo AG has the power to govern the financial and operating policies of the entity so as to obtain benefit from its activities.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent Company, i.e. 31 December of each financial year. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the methods used by other members of the Group.

All intra-group balances, transactions, income and expenses are fully eliminated on consolidation.

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 businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at the fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquired entity and equity instruments issued by the Group in exchange for control of the acquired entity. Acquisition-related costs are generally recognised in profit or loss as incurred.

The identifiable assets acquired and liabilities and contingent liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquired entity, and the fair value of the acquirer's previously held equity interests in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed.

2.3 Functional and presentation currency

The currency of the Group is the Euro. The functional currency of the foreign subsidiaries is the Chinese renminbi (RMB), since nearly all transactions are done in RMB. As part of the consolidated financial statements, the assets and liabilities of foreign subsidiaries are translated into EUR using the RMB-EUR exchange rate at the end of the year. Income and expenses are translated at the average exchange rate during the year. Exchange differences arising from currency translation are recognized directly in the reserve from currency translation as part of equity.

2. SIGNIFICANT ACCOUNTING POLICIES, PRINCIPLES OF CONSOLIDATION AND VALUATION POLICIES (continued)

2.3 Functional and presentation currency (continued)

Business transactions denominated in currencies other than the functional currency of the consolidated company (foreign currencies), are translated using the exchange rate on the day of the transaction. At each balance sheet date, monetary items denominated in foreign currency are converted to the functional currency at the current rate. Exchange differences are recognized in the income statement. Differences from the translation of monetary items that form part of the net investment in a foreign operation are excluded. These are booked in the currency translation reserve as part of equity and booked in the income statement when disposed.

The following conversion rates have been used:

		31.12.2010	31.12.2009	01.01.2009
Year end	EUR 1 = RMB	**8.8220**	9.8350	9.4956
Average	EUR 1 = RMB	**8.9712**	9.5277	–
Year end	HKD 1 = RMB	**0.8565**	0.8794	0.8798
Average	HKD 1 = RMB	**0.8716**	0.8790	–

2.4 Property plant and equipment

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

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 recognised so as to write off the cost of the assets less their residual values 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 estimated residual values, useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. 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 impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the income statement.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any 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

2. SIGNIFICANT ACCOUNTING POLICIES, PRINCIPLES OF CONSOLIDATION AND VALUATION POLICIES (continued)

2.5 Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

2.6 Biological assets and other non-financial assets

The biological assets of the company relate to trees and shoots of Moso Bamboo (phyllostachys heterocycla pubescens) which are growing on leased plantations.

The biological assets, in the amount of the estimated fair value of the bamboo trees and bamboo shoots less estimated costs to sell such as harvesting costs and distribution costs, are recognised when the harvesting rights have been obtained.

The cost of the subsequent cultivation of the plantations will generally increase the recognition of biological assets, because the cultivation measures usually also lead to an increase in the fair value of biological assets. At harvest, the carrying value of biological assets, at fair value of the harvested bamboo trees and bamboo shoots less estimated costs to sell, are reduced. This also represents the cost of production for the inventory of bamboo trees and bamboo shoots.

The biological assets are reassessed at each balance sheet date and correspond to the fair value of the bamboo trees and bamboo shoots, after deducting the estimated costs to sell, which are on the plantations. Changes in the fair value, caused by changes in density, price or discount rates, are recognized in the income statement.

The plantation lease fees are paid up-front for the entire lease period in two instalments, the first instalment is paid when the contract is signed and the second instalment is paid when the harvesting rights have been transferred.

When the harvesting rights have been obtained, the account payables are moved to long term prepayments. At the same time, the fair value less estimated costs to sell of the plantations are booked as biological assets to represent the value of the existing bamboo trees and bamboo shoots on the plantations. The remaining value of the long term prepayments, which is recognized as lease payments for commercial properties in accordance with IAS 17.34, is amortised over the contract period as an expense in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES, PRINCIPLES OF CONSOLIDATION AND VALUATION POLICIES (continued)

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined as follows:

- 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

Harvested bamboo trees and bamboo shoots are valued at harvest at fair value less estimated costs to sell, which represents the cost of inventory of bamboo trees and bamboo shoots before further processing.

The net realisable value consists of the estimated selling price in the ordinary course of business less production costs and estimated distribution and selling costs.

2.8 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2.9 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

At the balance sheet date, the Group only held assets categorised as "for-sale financial assets" and "loans and receivables". Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and deposits for leaseholds) are measured at amortised cost using the effective interest method, less any impairment.

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty
- breach of contract, such as a default or delinquency in interest or principal payments
- increased likelihood that the borrower will enter bankruptcy or financial re-organisation

2. SIGNIFICANT ACCOUNTING POLICIES, PRINCIPLES OF CONSOLIDATION AND VALUATION POLICIES (continued)

2.9 Financial assets (continued)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in the income statement.

2.10 Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

The group's financial assets are all classified as 'other financial liabilities'.

Other financial liabilities (including borrowings, trade payables and other payables) are subsequently measured at amortised cost using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES, PRINCIPLES OF CONSOLIDATION AND VALUATION POLICIES (continued)

2.10 Financial liabilities and equity instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to fulfil this obligation and the fulfilment of the obligation is likely associated with the outflow of resources and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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.

2.12 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The Group has made substantial advance payments for the operating leases of bamboo plantations and for the operating lease of land for the Group's factories, which are booked as prepayments in the balance sheet and amortised over a straight line during the lease period.

The Group has, neither in this reporting period nor in prior periods, entered into any financial leases.

2.13 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

All of the Group's revenues result from the sale of goods. Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred, or to be incurred, in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognised when goods are delivered and the legal ownership has been transferred.

2. SIGNIFICANT ACCOUNTING POLICIES, PRINCIPLES OF CONSOLIDATION AND VALUATION POLICIES (continued)

2.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Neither in the reporting year nor in previous years were any qualifying assets acquired or manufactured. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.15 Government grants

Government grants are not recognised until a reasonable assurance is obtained that the Group will comply with the conditions of the grant.

Government grants as compensation for expenses or losses already incurred or for immediate financial support with no future related costs are paid, shall be recognized in the income statement when they become receivable. There are no other government grants.

2.16 Retirement benefit costs

The pension obligations of the Group concern only payments for defined benefit plans to the statutory pension insurance in Germany and the State Pension Insurance in the People's Republic of China. The Group's contributions are borne as an expense recorded in the accounting period in which they are incurred.

2.17 Share-based payment arrangements

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 29.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

2. SIGNIFICANT ACCOUNTING POLICIES, PRINCIPLES OF CONSOLIDATION AND VALUATION POLICIES (continued)

2.18 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are taxable or deductable in other years and items that are never taxable or deductable. The Group's assets or liabilities for current tax are calculated using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are recognized for the differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax basis in the calculation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recorded so far it is probable that taxable profits are available, for which the deductible temporary differences can be used.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal 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 tax assets arising from such investments are recognised only to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled or the asset realised, based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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 tax assets is reviewed at the end of each reporting period 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 asset to be recovered.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. 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.

These estimates are conducted for determining the fair value of biological assets and the costs associated with issuing share options to Management Board members and other senior executives.

For the determination of the fair value of biological assets less cost of sales, a net present value calculation is conducted by a third party independent expert. The details of the underlying assumptions are disclosed in Section 15 "Biological assets". Significant estimates are related to future sales prices of bamboo trees and bamboo shoots, harvesting and other costs and the discount rate used. Although these estimates were provided by management in good faith to the best of their knowledge, actual outcomes may deviate from these estimates.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

The leases have a limited duration and therefore will lose value towards the end of the lease which will have an impact on the income statement and balance sheet in the future.

The calculation of the fair value of stock options is made by an independent expert on the basis of the Black-Scholes option pricing model. The Management Board currently expects that the conditions for the exercise of options will be met and that all beneficiaries will remain employed until the expiration of the waiting period after which the options can vest.

Changes in estimates are accounted for in the fiscal year in which they are made, if the reassessment relates only that period, or in the current accounting period and subsequent periods as far as they are affected.

4. REVENUE

The following is an analysis of the Group's revenue for the year which fully results from the sale of goods.

4.1 Breakdown of sales according to products:

	2010 kEUR	2009 kEUR
Bamboo trees	**25,895**	22,568
Fresh winter shoots	**13,743**	9,816
Fresh spring shoots	**19,082**	12,179
Processed bamboo shoots	**14,460**	12,954
Others	**2,730**	1,104
	75,910	58,621

Two customers (2009: one) account for more than 10% of total revenue. In FY 2010, total sales to these two customers were kEUR 19,980 (2009: kEUR 7,099).

4.2 Breakdown of sales according to geographical regions:

	2010 kEUR	2009 kEUR
Domestic market (PRC)	**70,556**	54,490
Japanese market	**5,354**	4,131
	75,910	58,621

5. COST OF SALES

	2010 kEUR	2009* kEUR
Harvested bamboo trees and shoots	**36,735**	31,791
Material and packaging costs for processing	**3,193**	2,279
Paper	**2,589**	1,095
Employee benefits expense	**1,406**	1,470
Others	**4,845**	2,278
	48,768	38,913

* Comparable numbers are adjusted in accordance with IAS 8

6. OTHER OPERATING INCOME

	2010 kEUR	2009 kEUR
Transportation costs	**104**	157
Employee benefits expense	**561**	–
Others	**1**	1
	666	158

7. DISTRIBUTION EXPENSES

	2010 kEUR	2009 kEUR
Transportation costs	**262**	190
Salaries	**3**	17
Others	**354**	279
	619	486

8. ADMINISTRATIVE EXPENSES

	2010 kEUR	2009* kEUR
Staff costs	**5,105**	3,524
Amortisation of property, plant and equipment	**80**	73
Research & development costs	**87**	63
Others	**2,613**	2,153
	7,885	5,813

* Comparable numbers are adjusted in accordance with IAS 8

9. OTHER OPERATING EXPENSES

	2010 kEUR	2009* kEUR
Loss on disposal of property, plant and equipment	**–**	6
Net foreign exchange losses	**–**	1,388
Others	**32**	428
	32	1,822

* Comparable numbers are adjusted in accordance with IAS 8

10. HEADCOUNT AND PAY-ROLL EXPENSES

Total personnel costs compared to the previous year were:

	2010 kEUR	2009* kEUR
Wages and salaries	**3,412**	3,058
Social security costs	**45**	15
Post employment benefits (defined contribution plans)	**220**	181
Share-based payments (equity settled)	**881**	–
Share-based payments (cash settled)	**1,958**	1,757
	6,516	5,011

* Comparable numbers are adjusted in accordance with IAS 8

Employer contributions to statutory pension insurance in China and Germany amounted to kEUR 220 (previous year: kEUR 181). For FY 2011, expenditures are expected to be similar to those in FY 2010.

The Group employed an annual average of 770 people (2009: 816 people):

	2010 kEUR	2009 kEUR
Management and administration	**131**	114
Research and development	**8**	6
Manufacturing	**589**	661
Sales	**42**	35
	770	816

11. DEPRECIATION

Depreciation of property, plant and equipment amounted to kEUR 516 (2009: kEUR 252).

12. NET INTEREST INCOME

The interest income of kEUR 205 (2009: kEUR 576) results from interest income on bank deposits. The interest expenses of kEUR 912 (2009: kEUR 11) was related to bank loans.

	2010 kEUR	2009* kEUR
Interest income from interest bearing long term deposits	**95**	93
Interest income from bank deposits (category: loan and receivables)	**205**	576
Interest and similar income (category: loans and receivables)	**300**	669
Interest on overdrafts and bank loans	**(912)**	(11)
Interest and similar charges (category: other liabilities)	**(912)**	(11)
Net interest income	**(612)**	658

* Comparable numbers are adjusted in accordance with IAS 8

13. TAXATION

	2010 kEUR	2009* kEUR
Current tax expense in respect of the current year	**1,969**	392
Deferred tax expense (income) induced by tax loss carryforwards	**302**	(854)
	2,271	(462)

* Comparable numbers are adjusted in accordance with IAS 8

The subsidiaries which are trading in agricultural products in the PRC are tax exempt (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). The subsidiaries Xinrixian Shaowu, Shunchang Xinrixian and Sanming Xinrixian and Wuyishan Xinrixian Forestry Co. are therefore tax exempt on income from the cultivation of bamboo shoots and bamboo trees. Documentation is provided by the relevant tax authorities on an annual basis.

According to a circular (Guofa (2007) No. 39) issued by the State Council, for five years Fujian Xinrixian qualifies for transitional tax rates at 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012.

The rough processing of bamboo shoots by Sanyuan Xinrixian does not fall within the scope of tax exemption and should be subject to income tax at the statutory rate of 25%, in line with the normal corporate tax rate in China.

13.1 Income tax recognised in profit and loss

The amount of taxation charged to the income statement, reconciled with the profits of the period, represents:

	2010 kEUR	2009* kEUR
Profit before tax	**35,781**	28,175
Taxes on income and profits at a tax rate of 25%†	**8,944**	7,044
Tax reduction because of preferred tax treatment	**(10,089)**	(6,730)
Effect of initially unrecognised tax losses	**(290)**	(614)
Non-deductible expenses	**410**	20
Effects of differing tax rates in other jurisdictions	**1,740**	2
Other	**1,556**	(184)
Tax expense in the income statement	**2,271**	(462)
Effective tax rate	**6.35**	k.A.

* Comparable numbers are adjusted in accordance with IAS 8

† According to Article 4 of the Enterprise Income Tax Law of the PRC as adopted at the Fifth Session of the Tenth National People's Congress of PRC on 16 March 2007, which is in force since 1 January 2008, the corporate tax rate is 25% (2009: 25%). The Chinese subsidiary tax rate of 25% is the most appropriate tax rate for the tax reconciliation bill, because the taxable activities of the Group in Germany are very limited. The average effective tax rate is 6.4% in FY 2010 (2009: No tax paid due to tax income).

13. TAXATION (continued)

13.2 Cumulative amount of deferred taxes

The result of calculating the deferred tax liabilities of the consolidated balance sheet, using a tax rate of 33%, is tax loss carry forwards of Asian Bamboo AG of kEUR 4,747 (2009: kEUR 5,521). The losses of subsidiaries, which were set on the basis of uncertainty about the implementation date of deferred tax assets, amount to kEUR 5,932 (2009: kEUR 6,092). Deferred tax liabilities on outside-base differences in the amount of kEUR 1,365 (2009: kEUR 676) were not set, since the group can influence the time of realization of these deferred tax liabilities. Temporary differences between the consolidated book value and the tax bases set on the account of the tax exemption, led to deferred tax liabilities in the amount of kEUR 7,463 (2009: kEUR 646).

14. EARNINGS PER SHARE

14.1 Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	31.12.2010	31.12.2009*
Profit for the year attributable to owners of the Company (kEUR)	**33,510**	28,637
Weighted average number of ordinary shares for the purposes of basic earnings per share	**14,654,552**	12,896,403
Basic earnings per share (EUR)	**2.29**	2.22

* Comparable numbers are adjusted in accordance with IAS 8

The weighted average number of shares is calculated the following way. Up to the capital increase on 17 June 2010 there were 14.025 million shares outstanding less the 129.900 treasury shares. Then on 17 June 2010 1.4 million new shares were issued.

In FY 2010, the stock options which were granted to the management team do not have any dilutive impact, because, according to IFRS 2, the actual share price was lower than the conversion plus the expenses to be booked in the years to come.

15. BIOLOGICAL ASSETS

The biological assets include the bamboo trees and bamboo shoots which are growing on the plantations.

Overview of all leased plantations as of 31 December 2010:

Location	Company	Area	Total no. of land on hand (mu)	Total no. of land on hand (ha)	Starting term	Term	Term still to run (weighted average)
Plantations leased and harvesting rights obtained							
Min Xian	Shaowu	Shaowu	10,810	721	01.01.2001	20	10
Min Xian	Shaowu	Shaowu	12,910	861	01.01.2003	18	10
Min Da	Shaowu	Shaowu	8,150	543	01.01.2001	20	10
Min Da	Shaowu	Shaowu	6,000	400	01.01.2001	20	10
Min Da	Shaowu	Shaowu	4,500	300	01.01.2003	18	10
Min Run	Shaowu	Shaowu	12,540	836	01.01.2001	20	10
Kang Da	Shaowu	Shaowu	8,860	591	01.01.2003	15	7
Kang Da	Shaowu	Shaowu	8,720	581	01.01.2005	13	7
Si Rong	Shaowu	Shaowu	12,570	838	01.01.2003	15	7
Si Rong	Shaowu	Shaowu	3,070	205	01.01.2005	13	7
Guilin	Shaowu	Shaowu	27,600	1,840	02.01.2008	20	17
Xialan	Shaowu	Shaowu	29,600	1,973	02.01.2008	20	17
Yushan	Shaowu	Shaowu	31,200	2,080	01.01.2008	20	17
Huangjiashan	Shaowu	Shaowu	32,000	2,133	01.01.2008	20	17
Huangjiaji	Shaowu	Shaowu	30,600	2,040	02.01.2008	20	17
Wu Fang	Shunchang	Shunchang	18,620	1,241	01.01.2005	20	14
Lan Xia	Shunchang	Shunchang	17,750	1,183	01.01.2006	30	25
Jin Feng	Shunchang	Shunchang	15,650	1,043	01.01.2006	25	20
Xin Chen	Shunchang	Shunchang	13,580	905	01.01.2006	25	20
Wucun	Sanming	Jiangle	28,700	1,913	08.07.2008	20	17
Rui Yan	Wuyi	Wuyi	11,780	785	01.01.2006	20	15
Li Yang	Wuyi	Wuyi	13,500	900	01.01.2006	20	15
Hua Shun	Shaowu	Guangze	19,490	1,299	01.01.2007	20	16
Yin Xin	Shaowu	Guangze	21,230	1,415	01.01.2007	30	26
Chakou	Shaowu	Shaowu	31,600	2,107	11.01.2009	20	19
Dawang	Sanming	Jiangle	27,409	1,827	09.21.2009	20	19
Xiaowang	Sanming	Jiangle	17,591	1,173	09.23.2009	20	19
Xiang Pu	Shaowu	Shaowu	14,800	987	10.01.2010	20	20
Cheng Dun	Wuyi	Wuyi	16,780	1,119	02.04.2010	20	19
Huang Dun	Wuyi	Wuyi	18,950	1,263	03.05.2010	20	19
Bai Zhang	Wuyi	Wuyi	27,000	1,800	06.15.2010	20	19
Xiao Chi	Longyan	Longyan	36,080	2,405	02.20.2010	20	19
Jiang Shan	Longyan	Longyan	38,930	2,595	02.20.2010	20	19
Bu Yun	Longyan	Longyan	18,700	1,247	10.01.2010	20	20
Hong Shan	Longyan	Longyan	26,000	1,733	10.01.2010	20	20
Miao Qian	Longyan	Longyan	17,900	1,193	10.01.2010	20	20
Yan Shi	Longyan	Longyan	26,000	1,733	06.10.2010	20	19
Total			**717,170**	**47,811**			

15. BIOLOGICAL ASSETS (continued)

The bamboo trees and bamboo shoots which are growing on the plantations are valued at fair value less costs to sell as of 31 December 2010. The fair value is calculated as the present value of expected cash flows from the sale of bamboo trees, shoots and less expected harvesting and selling costs. The estimated sales revenue depends on the market prices of already harvested bamboo trees and bamboo shoots of comparable age and quality in the region where the plantations are located. All costs directly attributable to the sale of bamboo trees and shoots are included in costs to sell such as land rental costs, reclamation costs, harvesting costs and selling costs.

A distinction is made between mature and immature plantations, as immature plantations are, at present, not ready to be harvested. Bamboo trees are harvested and sold on average over a period of five years. The expected cash flows from the harvesting of the bamboo trees in the future are therefore discounted. The interest rates used amounts to 12.7% on 31 December 2010, 13.6% on 31 December 2009 and 13.2% on 1 January 2009.

The following factors affect the determination of the fair value:

		31.12.2010	31.12.2009	01.01.2009
Mature				
Plantations	ha	**35,051**	22,229	18,367
Estimated amount of trees	trees/ha	**2,084**	2,181	2,350
Market price of bamboo trees	EUR/tree	**1.91**	1.79	1.74
Land rental cost	EUR/ha	**249.58**	218.10	205.70
Estimated harvesting cost	EUR/tree	**0.45**	0.31	0.29
Reclamation cost	EUR/ha	**217.36**	204.67	190.74
Estimated amount of winter shoots	kg/ha	**380**	423	357
Market price of bamboo shoots	EUR/kg	**0.92**	0.79	0.69
Estimated harvesting cost	EUR/kg	**0.09**	0.06	0.06
Estimated amount of spring shoots	kg/ha	**5,135**	5,632	5,343
Market price of bamboo shoots	EUR/kg	**0.21**	0.19	0.17
Estimated harvesting cost	EUR/kg	**0.07**	0.05	0.04
Immature				
Plantations	ha	**12,761**	9,507	8,262
Estimated amount of trees	trees/ha	**2,171**	2,188	2,213
Market price of bamboo trees	EUR/tree	**1.91**	1.79	1.74
Land rental cost	EUR/ha	**282.01**	220.62	163.93
Estimated harvesting cost	EUR/tree	**0.45**	0.31	0.29
Reclamation cost	EUR/ha	**217.36**	204.67	190.74

The development of the biological assets during the year can be summarized as follows:

	2010 kEUR	2009* kEUR
Carrying amount at 1 January	**68,068**	63,035
Gains arising from changes in fair value	**17,191**	15,772
Increases due to new plantation leases	**14,300**	5,395
Increases due to cultivation costs	**28,751**	18,064
Decreases due to harvest	**(36,735)**	(31,791)
Net foreign exchange differences	**8,213**	(2,407)
Carrying amount at 31 December	**99,788**	68,068

* Comparable numbers are adjusted in accordance with IAS 8

15. BIOLOGICAL ASSETS (continued)

An increase/decrease in market prices and transaction costs by 10% would lead to the following changes in the fair value of biological assets:

	31.12.2010 kEUR	31.12.2009 kEUR	01.01.2009 kEUR
10% increase	**10,934**	2,960	6,390
10% decrease	**(10,876)**	(4,470)	(5,409)

16. TANGIBLE ASSETS

	Buildings kEUR	Improvement on leased fixed assets kEUR	Machines kEUR	Office equipment kEUR	Motor vehicles kEUR	Construction in progress kEUR	Total kEUR
Cost							
At 1 January 2009	1,962	31	760	212	294	640	3,899
Additions	296	525	252	61	1	389	1,524
Disposals	–	–	(146)	–	(1)	–	(147)
Transferred from construction in progress	823	–	141	–	–	(964)	–
Effect of foreign currency exchange differences	(78)	(18)	(31)	(15)	(10)	(34)	(186)
At 31 December 2009	3,003	538	976	258	284	31	5,090
At 1 January 2010	3,003	538	976	258	284	31	5,090
Additions	–	–	88	185	167	49	489
Disposals	–	–	(10)	–	–	–	(10)
Transferred from construction in progress	–	–	79	–	–	(79)	–
Effect of foreign currency exchange differences	344	62	114	35	36	4	595
At 31 December 2010	3,347	600	1,247	478	487	5	6,164
Accumulated depreciation							
At 1 January 2009	(501)	(1)	(268)	(58)	(28)	–	(856)
Depreciation expense charged for the year	(98)	(11)	(84)	(31)	(28)	–	(252)
Disposals	–	–	11	–	–	–	11
Effect of foreign currency exchange differences	20	1	12	8	2	–	43
At 31 December 2009	(579)	(11)	(329)	(81)	(54)	–	(1,054)
At 1 January 2010	(579)	(11)	(329)	(81)	(54)	–	(1,054)
Depreciation expense charged for the year	(219)	(62)	(154)	(41)	(40)	–	(516)
Disposals	–	–	5	–	–	–	5
Effect of foreign currency exchange differences	(69)	(4)	(39)	(14)	(6)	–	(132)
At 31 December 2010	(867)	(77)	(517)	(136)	(100)	–	(1,697)
Net carrying amount:							
At 1 January 2009	1,461	30	492	154	266	640	3,043
At 31 December 2009	2,424	527	647	177	230	31	4,036
At 31 December 2010	2,480	523	730	342	387	5	4,467

17. INVESTMENTS IN ASSOCIATED COMPANIES

On 11 Hong Kong in January 2010, Hong Kong XRX Bamboo Investment Co., Ltd. (Hong Kong XRX acquired a 40% stake in Xinlifeng, a manufacturer of bamboo plywood, for kEUR 3,399. After deducting the share of the net loss, the book value amounts to kEUR 3,329 as of 31 December 2010.

Information on Xinlifeng as of 31 December 2010:

	31.12.2010 kEUR
Total assets	**9,947**
Total liabilities	**(1,625)**
Net assets	**8,322**
Group's share of net assets of associates	**3,329**

	2010 kEUR
Total revenue	**6,044**
Total profit for the period	**(176)**
Group's share of profits of associates	**(70)**

18. OTHER FINANCIAL ASSETS

	31.12.2010 kEUR	31.12.2009* kEUR	01.01.2009* kEUR
Available for sale			
Investment in Fujian Haoming Industrial Co., Ltd.	**113**	–	–
Loans carried at amortised cost			
Deposits for leasehold	**2,378**	2,047	4,353
Advances to suppliers	**–**	1,707	418
Loans to other entities	**–**	2,034	2,106
Other	**204**	166	253
	2,582	5,954	7,130
	2,695	5,954	7,130
Current	**204**	3,907	5,103
Non-current	**2,491**	2,047	2,027
	2,695	5,954	7,130

* Comparable numbers are adjusted in accordance with IAS 8

Deposits relate 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.

19. LEASE PREPAYMENTS AND OTHER PREPAYMENTS

Prepayments comprise:

	31.12.2010 kEUR	31.12.2009* kEUR	01.01.2009* kEUR
Long term			
Prepayments for the lease of plantations	**164,610**	84,070	41,656
Prepayments for the lease of other land	**330**	304	322
	164,940	84,374	41,978
Short term			
Prepayments for the lease of plantations (short-term portion)	**9,938**	5,170	4,182
Prepayments for the lease of other land (short-term portion)	**8**	8	8
Other prepayments	**66**	90	159
	10,012	5,268	4,349
	174,952	89,642	46,327

* Comparable numbers are adjusted in accordance with IAS 8

The prepayments had the following development:

	Plantations kEUR	Commercial properties kEUR	Other kEUR	Total kEUR
Balance as at 1 January 2009*	45,838	330	159	46,327
Additions	50,913	–	90	51,003
Expenses of the year	(4,478)	(8)	(159)	(4,645)
Effect of foreign currency exchange differences	(3,033)	(10)	–	(3,043)
Balance as at 31 December 2009*	89,240	312	90	89,642
Additions	82,062	–	66	82,128
Expenses of the year	(8,251)	(7)	(90)	(8,348)
Effect of foreign currency exchange differences	11,497	33	–	11,530
Balance as at 31 December 2010	174,548	338	66	174,952
thereof long–term	164,610	330	–	164,940
thereof short–term	9,938	8	66	10,012

* Comparable numbers are adjusted in accordance with IAS 8

20. INVENTORIES

Inventories have the following breakdown:

	31.12.2010 kEUR	31.12.2009* kEUR	01.01.2009* kEUR
Packing materials	**139**	90	124
Semi-finished goods	**794**	697	464
Finished goods	**366**	1,349	204
	1,299	2,136	792

* Comparable numbers are adjusted in accordance with IAS 8

Cost of inventories (bamboo trees, bamboo shoots, processing materials, packaging materials and paper) are recognised as expenses, as part of cost of sales, during the year.

In FY 2010 they were EUR 42.5 million (2009: EUR 35.2 million)

21. TRADE AND OTHER RECEIVABLES

	31.12.2010 kEUR	31.12.2009 kEUR	01.01.2009 kEUR
Trade receivables	**1,943**	1,841	518
Allowances for doubtful debts	**–**	–	(8)
	1,943	1,841	510

Trade and other receivables on 31 December 2010, the balance sheet date, included claims against a single customer in the amount of kEUR 1,191, which is equivalent to 63% of the total amount of trade and other receivables.

Trade receivables disclosed above include amounts that are past due at the balance sheet date for which the Group has not recognised an allowance for doubtful debt because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

An analysis of the age of receivables that are past due but not impaired is provided below:

	31.12.2010 kEUR	31.12.2009 kEUR	01.01.2009 kEUR
60-90 days past due	**89**	326	1
90-120 days past due	**–**	–	–
Total	**89**	326	1
Average age (days)	**36**	94	134

The adjustments were as follows:

	31.12.2010 kEUR	31.12.2009 kEUR
Balance at beginning of the year	**–**	8
Amounts recovered during the year	**–**	(8)
Balance at end of the year	**–**	–

22. CASH AND CASH EQUIVALENTS

	31.12.2010 kEUR	31.12.2009 kEUR	01.01.2009* kEUR
Cash on hand	**56,658**	28,433	25,481
Cash deposited in interest-bearing bank accounts	**–**	710	–
	56,658	29,143	25,481
– thereof EUR	**51,374**	26,553	20,560
– thereof RMB	**4,642**	2,559	4,866
– thereof USD	**501**	18	–
– thereof other currency	**141**	13	55
	56,658	29,143	25,481

As of 31 December 2010 around EUR 53 million (2009: 15 million) was held in Hong Kong and China. Cash transfers from China to countries outside of China require the formal approval of the State Administration of Foreign Exchange ("SAFE"). Therefore, the Group does not have unlimited access to these funds.

23. EQUITY

23.1 Share capital and issued capital

The share capital of the parent company amounts to 15,425,000.00 EUR and is divided into 15,425,000 no-par value bearer shares with a par value of one euro per share. The calculated value of the 129,900 shares which the parent company acquired last year was deducted from share capital, consequently as of the balance sheet date of 31 December 2010, the issued capital was EUR 15,195,100 (2009: EUR 13,895,100).

Treasury shares and share buy back authorisation

The shares which were bought back in the months of April, May, June, July, August, September and October 2009, in total 129,900 shares, represent EUR 129,900 or 0.80% of the share capital. These transactions in FY 2009 were made to give Asian Bamboo AG the opportunity to use its own shares as consideration in acquisitions of companies, business units or interests in companies or in joint ventures.

On 7 June 2010, the Annual General Meeting authorised the Management Board to buy back shares with a nominal share capital of up to EUR 1.4025 million. The number is equal to 10% of the parent company's share capital at the time of the decision. The authorisation to buy back shares can be exercised in whole or in part, once or several times, and it is valid until 6 June 2015. Under the new authorisation to buy back shares in the open market the price paid by the company, excluding transaction costs, should not exceed the average closing price in Xetra trading on the Frankfurt Stock Exchange, Frankfurt am Main, on 4 to 10 trading days before the date of publication of the offer, by more than 20%. The volume of the offer may be limited.

In addition to the authorisation to buy back shares, Asian Bamboo AG was authorised to buy back shares using equity derivatives. The Management Board is authorised to sell options, which require the Company to buy back its own shares on exercise of options (put options) or to acquire options that give Asian Bamboo AG the right to buy back shares using a combination of put and call options.

All share buy backs using put options, call options or a combination of put and call options, are limited to an amount of treasury stock in the proportionate amount of the share capital of up limited to EUR 700,000. The term of the options must be chosen so that the acquisition of treasury shares upon exercise of options does not take place later than 6 June 2015.

If buy backs are executed using options, the price per share paid should not exceed a 10% premium to the opening price in Xetra trading on the day the option transaction was concluded on the Frankfurt Stock Exchange. The premium paid for put options or call options cannot exceed 5% of the theoretical value calculated in accordance with accepted actuarial methods. The previous authorisation to use equity derivatives was cancelled.

23. EQUITY (continued)

23.1 Share capital and issued capital (continued)

Authorised share capital

According to a decision at the Annual General Meeting of 7 June 2010 regarding the Authorised Capital 2007 (EUR 5.1 million), the Management Board, with the approval of the Supervisory Board, was authorised to increase the share capital of Asian Bamboo AG one or several times by up to a total of EUR 7,012,500 by issuing up to 7.0125 million new bearer shares with no par value with the proportional amount of EUR 1.00 shares against cash or in kind (Authorised Capital 2010) to 6 June 2015.

According to a decision at the Annual General Meeting on 7 June 2010, the Management Board, with the approval of the Supervisory Board, was authorised to issue warrants and/or convertible bonds ("the notes") up to 6 June 2015. The maximum permitted aggregate principal amount of the issued notes is EUR 250 million. The maximum term of the notes is 15 years. The notes can be issued against a provision in kind, provided that the value of the provision in kind is at least equal to the issue price of the notes.

On 16 June 2010, the Management Board and Supervisory Board decided to partially utilize the authorised capital 2010 up to EUR 1.4 million by issuing up to 1.4 million new ordinary bearer shares under the exclusion of subscription rights.

On 17 June 2010, 1.4 million new shares at a price of EUR 31 per share were placed in a private placement to institutional investors. The placement was completed on 21 June 2010. The parent company received gross proceeds from the placement in the amount of EUR 43.4 million of which EUR 42 million was allocated to the capital reserve.

Contingent capital I

The share capital is conditionally increased by up to EUR 4,207,500.00 by issuing up to 4.2075 million new bearer shares with no par value shares at the beginning of the fiscal year they are issued (Conditional Capital 2010 I). The conditional capital increase of up to EUR 4.2075 million is used to grant shares to the holders or holders of warrants or convertible bonds that are issued by the Company and by companies in which it holds a direct or indirect majority holding for the period between the General Meeting of 7 June 2010 to 6 June 2015, in return for cash. It is performed only to the extent that options or conversion rights from the bonds are exercised or conversion requirements are met from such bonds and provided that other forms of settlement are not used. The Management Board is authorized, following Supervisory Board approval, to work out the details of the implementation of such a conditional capital increase.

The share capital is conditionally increased by EUR 600,000.00 by issuing up to 600,000 new no par bearer shares at the beginning of the fiscal year they are issued (Conditional Capital 2010 II). The conditional capital 2010 II will safeguard the rights relating to stock options issued under the stock option plan 2010 (SOP 2010) to Management Board members and other key executives of Asian Bamboo AG and its subsidiaries.

23. EQUITY (continued)

23.2 Reserves and retained earnings

a) Capital reserves

The amount reflects the share premium received upon the issue of the no par value bearer shares with a nominal amount of the share capital of EUR 1 each less share issue costs. The capital reserves include the complete statutory reserve of 5% of the share capital of Asian Bamboo AG.

b) Equity settled employee benefits reserve for the Group

The equity-settled employee benefits reserve relates to the share options granted by the Company in 2010 to the members of the Management Board and other key executives under its stock option plan. Further information about share-based payments is set out in note 29.

c) Foreign currency translation reserve

Exchange differences relating to the results and net assets of the Group's foreign operations from their functional currency to the Group's presentation currency (i.e. EUR) are recognised directly in other comprehensive income and accumulated in the foreign translation reserve. Exchange differences accumulated in the foreign translation reserve are reclassified to profit and loss on the disposal of the foreign operation.

d) Statutory reserves of subsidiaries

According to the laws of the 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 and cannot be transferred to the parent company or the shareholders of the parent company.

e) Consolidated net profit

The consolidated net earnings are the cumulative results of the Group reported net statutory reserves of the subsidiaries and the amount spent on share buy backs (kEUR 1,403).

24. BANK BORROWINGS

	31.12.2010 kEUR	31.12.2009 kEUR	01.01.2009 kEUR
Secured – at amortised cost			
Long-term bank loan	**11,261**	–	–
Short-term bank loans	**2,267**	–	–
	13,528	–	–

There are three short-term loans which are going to be repaid in FY 2011. The interest rate on these loans is equal to the Chinese central bank's interest rate for one-year loans. The loans are secured by pledges of land and buildings with a book value of kEUR 1,679. Due to the short duration of the loans, the fair value of the loans approximates their book value.

There is a long-term loan of USD 15 million. The repayments of the loan will begin on 15 April 2012 in ten semi-annual payments of USD 1.5 million each. The interest rate is equal to U.S. LIBOR + 4.5% per annum interest. The Group has not given any collateral for the loan. The fair value of the floating rate liabilities approximates to the Management Board's book value estimate.

25. TRADE PAYABLES

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.

26. OTHER FINANCIAL LIABILITIES

	31.12.2010 kEUR	31.12.2009* kEUR	01.01.2009* kEUR
Liabilities against employees	**316**	1,901	115
Advances from customers	**–**	1,599	–
Others	**84**	435	–
	400	3,935	115

* Comparable numbers are adjusted in accordance with IAS 8

All other liabilities are due within one year. Trade accounts receivable are non-interest bearing. Due to their short-term nature, liabilities for goods and services were not discounted. The Management Board considers the carrying amounts to be a reasonable approximation of fair value.

27. COMMITMENTS AND CONTINGENCIES

27.1 Operating lease commitments

The Group leases land, plantations and factory and office building under operating lease agreements. The plantation lease payments are paid up-front at the beginning of the lease. Lease or rental payments were recorded in the income statement as follows:

	31.12.2010 kEUR	31.12.2009 kEUR
Plantations	**8,251**	4,478
Other land	**7**	8
Buildings	**403**	180
	8,661	4,666

Future minimum lease payments under operating leases for buildings as of 31 December 2010 are as follows:

	31.12.2010 kEUR	31.12.2009 kEUR	01.01.2009 kEUR
Lease of buildings			
Within 1 year	**433**	408	354
After 1 year but within 5 years	**1,208**	1,283	1,309
After 5 years	**3,992**	4,021	4,005
	5,633	5,712	5,668

27.2. Contingent liabilities and asset

As of 31 December 2010 the Group did not have any significant contingent assets or liabilities.

28. RELATED PARTY TRANSACTIONS

Balances and transactions between the company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

In FY 2010, the Group sold bamboo trees to the associated company Fujian Xinlifeng Bamboo Group Co., Ltd., in which it holds a 40% stake. Sales were done at market prices. The resulting revenue amounted to kEUR 89 (2009: Nil). The account receivables against Fujian Xinlifeng Bamboo Group Co., Ltd. as of 31 December 2010, were kEUR 56 (2009: Nil), which were booked as account receivables. Due to immateriality, these sales were not eliminated. The debts are unsecured and are settled in cash. No guarantees have been given or obtained. There were no impairment charges for bad or doubtful debts due from related parties in the current or previous fiscal years.

Compensation to the management team

The expense recognized in the financial statements for compensation paid to the Management Board and other members of the management team are as follows:

	31.12.2010 kEUR	31.12.2009 kEUR
Short term employee benefits	**743**	708
Pension costs	**5**	4
Equity settled share based compensation	**1,958**	1,757
Cash settled share based compensation	**881**	–
	3,587	2,469

Compensation to members of the Supervisory Board

The total remuneration to the members of the Supervisory Board amounted to kEUR 146 (2009: kEUR 139).

29. SHARE BASED COMPENSATION

In May 2008, a total of 150,000 Stock Appreciation Rights ('SARs') were granted to members of the Management Board and another key executive by the respective subsidiaries with which their employment contracts were entered into. The SARs were 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 would have expired on 15 April 2011, but they were exercised in FY 2010. The subsidiaries paid, in cash, the difference between the Exercise Price and the Base Price times the number of SARs which were exercised. The Exercise Price was 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 was EUR 8.00. It was calculated as a 9% premium to the average closing share price of EUR 7.35 for the five trading days prior to the Supervisory Board meeting held on 15 April 2008, when the SAR scheme was approved by the Supervisory Board. On 18 May all SARs were exercised which meant that the total cost linked to the SAR scheme for the year was kEUR 1.958 (2009: kEUR 1,757).

On 2 September a new stock option scheme was entered into which granted Management Board members and other key executives a total of 600,000 options. The new stock option scheme is share settled which means that there will not be any payment made by the Company. The strike price of the new stock option scheme is EUR 31, which was set as a 10% discount to the 20 day average share price leading up to the determination of the strike price. The strike price is identical to the price of the new shares which were issued at the time of the capital increase in June 2010

The vesting period is four years, thus the options can be exercised between 2 September 2014 and 2 September 2015 assuming that the performance target, of an adjusted EBIT increases on an average of 10% for four consecutive years (2010 to 2013), has been met.

In line with IFRS, we have been using the Black-Scholes option pricing model to assess the value of the options at grant date (28 August 2010). The result of the computation is to some degree determined by the assumptions used and below is a summary of the assumptions used:

Exercise price:	EUR 31.00
Life of the stock options:	5 years
Share price at grant date:	EUR 34.95
Expected historical volatility:	60%
Expected dividend yield:	1%
Riskless interest rate:	1.34%

List of assumptions

According to this calculation, the fair value of each option was EUR 17.61 and the total value of the stock option scheme was EUR 10.6 million. In FY 2010, we booked expenses, equivalent of 4/48 of the total expected cost, of kEUR 881.

30. FINANCIAL INSTRUMENTS

The financial instruments are as follows:

	31.12.2010 kEUR	31.12.2009 kEUR	01.01.2009 kEUR
Financial assets			
Amortised cost			
Cash and cash equivalents	**56,658**	29,143	25,481
Trade receivables	**1,943**	1,841	510
Other financial assets	**2,582**	5,954	7,130
	61,183	36,938	33,121
Available for sale			
Investments	**113**	–	–
	61,296	36,938	33,121
Financial liabilities			
Amortised cost			
Borrowings	**13,528**	–	–
Trade payables	**48,357**	7,167	401
Other financial liabilities	**400**	3,935	115
	62,285	11,102	516

Cash and cash equivalents, trade receivables and other financial claims of up to an amount of kEUR 2,378 (2009: kEUR 2,047) are short-term assets (remaining maturity is less than a year). Their book values at the balance sheet date approximate their fair values.

Interest relating to financial instruments is recorded as interest income or interest expense. The income related to the categories loans and receivables are kEUR 300 (2009: kEUR 669), resulting from interests on bank deposits and interest on deposit requirements. There was no income related to “For sale” assets. Costs related to other liabilities were kEUR 912 (2009: kEUR 11) resulting from interest rate payments on loans payable and short-term borrowings.

31. 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

In FY 2010, the Group booked a loan of USD 15 million at a variable interest rate (Libor + 4.5%), thus the interest rate is subject to possible fluctuations. Potential interest rate fluctuations would also affect the Group's interest-bearing bank deposits. If interest rates move 50 basis points higher or lower and all other variables were held constant, the impact on the consolidated net income for the year ending on 31 December 2010 would be an increase or decrease of kEUR 133 (2009: increase/decrease by EUR 59). Other after tax income of the Group would not change.

Currency risk

Currency risks arise from fluctuations in the fair value or future cash flows of financial instruments as a result of changes in exchange rates. Currency risks in accordance with the IFRS 7 definition arise from financial instruments relating to other than the functional currency. Exchange differences arising from the conversion of the balance sheets of subsidiaries in the base currency of the Group are not included here.

Relevant risk variables are, in principle, all other currencies in which the Group's financial instruments are used. The group holds essentially EUR bank deposits in its subsidiaries in China and Hong Kong and the subsidiaries primarily have EUR-denominated liabilities against the parent company therefore they are subject to possible exchange rate fluctuations of the RMB against the EUR. Similarly, the Group is due to be exposed to USD loan liabilities which will be impacted by the exchange rate fluctuations of the RMB against the USD.

The overall foreign currency exposure of the Group is as follows:

	Assets		Debt	
	31.12.2010 kEUR	31.12.2009 kEUR	**31.12.2010 kEUR**	31.12.2009 kEUR
EUR	**48,241**	13,142	**132,929**	83,158
USD	**501**	19	**11,261**	–
Other	**346**	317	**–**	–
	49,088	13,478	**144,190**	83,158

The EUR liabilities relate to the net investment of Asian Bamboo AG in their foreign subsidiaries.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The following table illustrates the effect on the consolidated net income if the exchange rate would be 5% higher/lower and all other variables were held constant:

	5% increase				5% decrease			
In kEUR	2010	2010	2009	2009	2010	2010	2009	2009
	EUR/RMB	USD/RMB	EUR/RMB	USD/RMB	EUR/RMB	USD/RMB	EUR/RMB	USD/RMB
Consolidated net profit	(2,297)	539	(626)	(1)	2,539	(539)	692	1
Other income	6,330	–	3,960	–	(6,996)	–	(4,377)	–
Total	4,033	539	3,334	(1)	(4,457)	(539)	(3,685)	1

The Management Board observes the Company's exposure to foreign currencies and carefully considers necessary hedging transactions.

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 Group's good profit situation, there is no real liquidity risk.

	Less than 3 months	3-6 months	6-12 months	More than one year	Cash outflows	Book value
As of 31 December 2010						
Financial liabilities	34	315	2,553	14,095	16,997	13,528
Trade payables	891	–	47,466	–	48,357	48,357
Other	400	–	–	–	400	400
Total	1,325	315	50,019	14,095	65,754	62,285
As of 31 December 2009						
Account payables	2,198	–	4,969	–	7,167	7,167
Other	2,232	–	1,703	–	3,935	3,935
Total	4,430	–	6,672	–	11,102	11,102

Fair values

The carrying values of financial instruments (equity investments, receivables and payables) are largely based on fair values.

Biological assets

Biological assets are measured at fair value less estimated harvesting and selling costs. As long as the planned revenues are achieved, no other risk than the potential damage caused by disease, fire or other extraordinary events exist. There are no viable insurance products available to the company to insure against potential property damage caused by such events. The situation will be continuously reviewed by the Management Board.

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.

32. 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 with a maturity of less than three months. Time deposits with a maturity of more than three months are not part of the cash funds.

33. SEGMENT INFORMATION

According to IFRS 8, the external segment reporting must be based on the internal organisation of the Group. In FY 2010, and in prior years, Asian Bamboo was only involved in the sale of bamboo trees and bamboo shoots and did not use segments in its internal reporting.

34. GEOGRAPHICAL INFORMATION ON LONG TERM ASSETS

Non-current assets of the Group with the exception of deferred taxes and financial assets in accordance with their location are as follows:

	31.12.2010 kEUR	31.12.2009 kEUR	01.01.2009 kEUR
Germany	**1**	1	2
China	**269,194**	156,477	108,054
	269,195	156,478	108,056

35. MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

Management Board:

Mr Lin Zuojun (CEO), Fuzhou, PRC
Mr Jiang Haiyan (COO), Fuzhou, PRC
Mr Peter Sjovall (CFO), Hong Kong SAR, PRC

Supervisory Board:

Mr Hans-Joachim Zwarg (Chairman), consultant, Sierksdorf, Germany
Mr Wolfgang Jensen (Deputy Chairman), lawyer, Bad Homburg, Germany, resigned on 31 December 2010
Mr Pan Chaoran, professor, Administrative Director of the Fujian and Taiwan Food Technology Association, Fuzhou, PRC
Mr Chris McAuliffe, Managing Director of the investment advisory firm Sprint Capital Partners, Hong Kong SAR, appointed on 1 January 2011

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

36. REMUNERATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The total remuneration paid to members of the Management Board was kEUR 9,425 (2009: kEUR 570). With regard to the information specified in § 314 paragraph 1 No. 6 point A sentence 5 to 8 HGB, we refer to the consolidated annual report.

The total remuneration paid to members of the Supervisory Board amounted to kEUR 146 (1009: kEUR 139).

37. AUDITING FEES

Deloitte & Touche GmbH ('Deloitte') was appointed as the auditor of Asian Bamboo AG and the Group for the financial business year 2010. Total fees paid to Deloitte, which are entirely related to auditing and include travelling costs and value added tax, amount to kEUR 220.

38. DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

Pursuant to § 161 of the German Stock Corporation Act (AktG), the Management Board and Supervisory Board issued a corporate governance declaration on the recommendations of the provisions of the German Corporate Governance Code as amended. This declaration was published on the Company's website at www.asian-bamboo.com.

39. SHAREHOLDINGS IN ASIAN BAMBOO AG

14 January 2011

1. On 14 January, pursuant to article 21, section 1 of the Wertpapierhandelsgesetz (German Securities Trading Act ("WpHG"), the Kingdom of Norway notified us that, as of 12 January, its voting rights in our company reached the threshold of 5% and was 5.00% (771,967 voting rights) on that day. All 771 967 voting rights of the Kingdom of Norway were held by Norges Bank (Central Bank of Norway) pursuant to § 22 paragraph 1 sentence 1 No. 1 WpHG.
2. On 14 January, pursuant to article 21, section 1 of the Wertpapierhandelsgesetz (German Securities Trading Act ("WpHG"), the Norges Bank (Central Bank of Norway), Oslo, Norway, notified us that, as of 12 January, its voting rights in our company reached the threshold of 5% and was 5.00% (771,967 voting rights) on that day.
3. On 14 January, pursuant to article 21, section 1 of the Wertpapierhandelsgesetz (German Securities Trading Act ("WpHG"), the Investec Asset Management Limited., London, United Kingdom, informed us that, as of 13 January, its voting rights in our company exceeded the threshold of 3% and was 3.08% (474,768 voting rights) on that day. All 474 768 voting rights were held by Investec Asset Management Limited pursuant to § 22 paragraph 1 sentence 1 No. 6 WpHG.

15 September 2010

On 15 September, pursuant to article 21, section 1 of the Wertpapierhandelsgesetz (German Securities Trading Act ("WpHG"), the Kingdom of Norway informed us that, as of 13 September 2010, its voting shares in our Company exceeded the threshold of 3% and was 3.04% (468,371 voting rights) on that day. All 468,371 voting rights of the Kingdom of Norway were held by Norges Bank (Central Bank of Norway) pursuant to § 22 paragraph 1 sentence 1 No. 1 WpHG.

14 September 2010

On 14 September, pursuant to article 21, section 1 of the Wertpapierhandelsgesetz (German Securities Trading Act ("WpHG"), Norges Bank (Central Bank of Norway), based in Oslo (Norway), informed us that, as of 14 September 2010, its voting rights in our company exceeded the threshold of 3% on that day and was 3.04% (468,371 voting rights).

2 September 2010

1. On 2 September, pursuant to article 21, section 1 of the Wertpapierhandelsgesetz (German Securities Trading Act ("WpHG"), JPMorgan Asset Management (UK) Limited, based in London (UK), informed us that, as of 26 August, its voting rights in our Company fell below the threshold of 3% and was 2.66% (410,338 voting rights) on that day. Of these, 2.41% (371,984 voting rights) were attributable to JPMorgan Asset Management (UK) Limited pursuant to § 22 paragraph 1 sentence 1 No. 6 WpHG and 0.25% (38,354 voting rights) pursuant to § 22 paragraph 2.
2. On 1 September, pursuant to article 21, section 1 of the Wertpapierhandelsgesetz (German Securities Trading Act ("WpHG"), J.P. Morgan Investment Management Inc., based in New York (USA), informed us that, as of 26 August, its voting rights in our Company fell below the threshold of 3% and was 2.66% (410,338 voting rights) on that day. Of these, 0.16% (24,992 voting rights) were attributable to J.P. Morgan Investment Management Inc. pursuant to § 22 paragraph 1 sentence 1 No. 6 WpHG and 2.50% (385,346 voting rights) pursuant to § 22 paragraph 2 WpHG.
3. On 1 September, pursuant to article 21, section 1 of the Wertpapierhandelsgesetz (German Securities Trading Act ("WpHG"), JPMorgan Asset Management (Taiwan) Limited, based in Taipei (Taiwan), informed us that, as of 26 August, its voting rights in our Company fell below the threshold of 3% and was 2.66% (410,338 voting rights). Of these 0.09% (13,362 voting rights) were attributable to JPMorgan Asset Management (Taiwan) Limited pursuant to § 22 paragraph 1 sentence 1 No. 6 WpHG and 2.57% (396,976 voting rights) pursuant to § 22 paragraph 2 of the WpHG.

39. SHAREHOLDINGS IN ASIAN BAMBOO AG (continued)

1 July 2010

1. On 1 July, pursuant to article 21, section 1 of the Wertpapierhandelsgesetz (German Securities Trading Act ("WpHG"), JPMorgan Asset Management (UK) Limited, based in London (UK), informed us that, as of 17 June, its voting rights in our Company exceeded the threshold of 3% and was 4.42% (619,584 voting rights) on that day. Of these, 4.15% (581,717 voting rights) were attributable to JPMorgan Asset Management (UK) Limited pursuant to § 22 paragraph 1 sentence 1 No. 6 WpHG and 0.27% (37,867 voting rights) pursuant to § 22 paragraph 2.
2. On 1 July, pursuant to article 21, section 1 of the Wertpapierhandelsgesetz (German Securities Trading Act ("WpHG"), J.P. Morgan Investment Management Inc., based in New York (USA), informed us that, as of 17 June, its voting rights in our Company exceeded the threshold of 3% and was 4.42% (619,584 voting rights) on that day. Of these, 4.15% (581,717 voting rights) were attributable to J.P. Morgan Investment Management Inc pursuant to § 22 paragraph 1 sentence 1 No. 6 WpHG and 0.27% (37,867 voting rights) pursuant to § 22 paragraph 2.
3. On 28 June, pursuant to article 21, section 1 of the Wertpapierhandelsgesetz (German Securities Trading Act ("WpHG"), JPMorgan Asset Management (UK) Limited, based in London (UK), informed us that, as of 21 June, its voting rights in our Company fell below the threshold of 3% and was 2.80% (392,451 voting rights) on that day. Of these, 2.53% (354,584 voting rights) were attributable to JPMorgan Asset Management (UK) Limited pursuant to § 22 paragraph 1 sentence 1 No. 6 WpHG and 0.27% (37,867 voting rights) pursuant to § 22 paragraph 2.
4. On 28 June, pursuant to article 21, section 1 of the Wertpapierhandelsgesetz (German Securities Trading Act ("WpHG"), J.P. Morgan Investment Management Inc., based in New York (USA), informed us that, as of 21 June, its voting rights in our Company fell below the threshold of 3% and was 2.80% (392,451 voting rights) on that day. Of these, 2.53% (354,584 voting rights) were attributable to J.P. Morgan Investment Management Inc. pursuant to § 22 paragraph 1 sentence 1 No. 6 WpHG and 0.27% (37,867 voting rights) pursuant to § 22 paragraph 2.
5. On 28 June, pursuant to article 21, section 1 of the Wertpapierhandelsgesetz (German Securities Trading Act ("WpHG"), JPMorgan Asset Management (UK) Limited, based in London (UK), informed us that, as of 22 June, its voting rights in our Company exceeded the threshold of 3% and was 4.28% (599,768 voting rights). Of these, 3.91% (548,539 voting rights) are attributable to JPMorgan Asset Management (UK) Limited pursuant to § 22 paragraph 1 sentence 1 No. 6 WpHG and 0.37% (51,229 voting rights) pursuant to § 22 paragraph 2.
6. On 28 June, pursuant to article 21, section 1 of the Wertpapierhandelsgesetz (German Securities Trading Act ("WpHG"), J.P. Morgan Investment Management Inc., based in New York (USA), informed us that, as of 22 June, its voting rights in our Company exceeded the threshold of 3% and was 4.28% (599,768 voting rights). Of these, 3.91% (548,539 voting rights) are attributable to J.P. Morgan Investment Management Inc., based in New York (USA), pursuant to § 22 paragraph 1 sentence 1 No. 6 WpHG and 0.37% (51,229 voting rights) pursuant to § 22 paragraph 2.
7. On 28 June, pursuant to article 21, section 1 of the Wertpapierhandelsgesetz (German Securities Trading Act ("WpHG"), JPMorgan Asset Management Taiwan Limited, Taiwan, informed us that, as of 28 June, its voting rights in our Company exceeded the threshold of 3% and was 4.28% (599,768 voting rights). Of these, 0.10% (13,362 voting rights) are attributable to JPMorgan Asset Management Taiwan Limited, Taiwan, pursuant to § 22 paragraph 1 sentence 1 No. 6 WpHG and 4.18% (586,406 voting rights) pursuant to § 22 paragraph 2 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 2010 amounted to 37.3% (5,752,000 voting rights).

Mr Lin Zuojun, 26th Floor, Xinrixian Center, No.98-1, Jiangbin East Ave., Mawei District, Fuzhou 350015, P.R.China , gave us notice pursuant to article 21, section 1 and article 22, section 1, of the Wertpapierhandelsgesetz (German Securitas Trading Act (WpHG)) that his voting rights, and votes attributable to him through his shareholding in Green Resources Enterprise Holding Ltd., in Asian Bamboo AG as at 31 December 2009 amounted to 37.3% (5,752,000 voting rights).

40. REPORTS ON EVENTS SUBSEQUENT TO THE REPORTING DATE

On 1 January 2011 Mr Chris McAuliffe was appointed as Vice Chairman of Asian Bamboo, replacing Mr Wolfgang Jensen who resigned on 31 December 2010.

On 10 January 2011, the Company signed lease agreements for six bamboo plantations with a total size of 6,700 hectares (ha). The plantations, located in Jianyang, Nanping, Shaowu and Longyan in Fujian Province, are leased for 20 years and Asian Bamboo will pay a total fee of around EUR 43 million, translating into an average leasing fee per hectare of EUR 6,466.

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

The German financial statements reflect retained earnings of EUR 13.1 million. At the Annual General Meeting, the Management Board and the Supervisory Board will propose to distribute a dividend of EUR 5.5 million (EUR 36 cents per share) and to carry forward the remaining amount of EUR 7.6 million.

42. AUTHORISATION OF FINANCIAL STATEMENTS

On 18 March 2011, the Management Board of Asian Bamboo AG established the consolidated financial statements as of 31 December 2010. The consolidated financial statements were approved by the Supervisory Board on 19 March 2011. On 4 April, the consolidated financial statements as of 31 December 2010 were corrected in relation to the earnings per share for the comparative year 2009. On 5 April 2011, the amended consolidated financial statements will be presented to the Supervisory Board for approval.

Hamburg, Germany, 18 March 2011/4 April 2011

Lin Zuojun
Chairman

Jiang Haiyan
COO

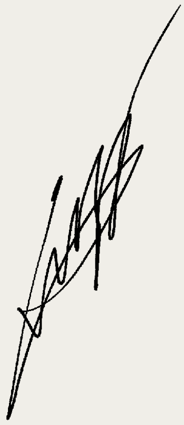
Peter Sjovall
CFO

Responsibility statement

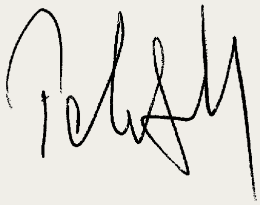
"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group, and the group management report includes a fair view of the development 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, 18 March 2011/4 April 2011
On behalf of the management

Lin Zuojun
Chairman



Jiang Haiyan
COO



Peter Sjovall
CFO

Independent auditors' report

We have audited the amended consolidated financial statements prepared by Asian Bamboo AG, Hamburg – comprising the income statement and statement of comprehensive income, the balance sheet, the cash flow statement, the statement of changes in equity and the notes to the consolidated financial statements – and the group management report for the business year from January 1, 2010 to December 31, 2010. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB ('German Commercial Code') are the responsibility of the parent Company's management. Our responsibility is to express an opinion on the amended consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. 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 amended consolidated financial statements of Asian Bamboo AG, Hamburg, comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The 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.

We issue this opinion on the basis of our audit of the consolidated financial statements, which we conducted in accordance with professional standards and completed on 18 March 2011, and our supplementary audit in respect of the amendment to the earnings per share for the comparative year 2009. The supplementary audit did not lead to any reservations.

Frankfurt am Main, 18 March 2011/4 April 2011

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Thomas Lüdke)
Auditor

(ppa. Christoph Meyer)
Auditor

Other information

Financial calendar FY 2011

12 May
Q1 results announcement

8 June
Participation in Credit Suisse's Small Cap Conference in London

17 June
AGM

28-29 June
Participation in Merrill Lynch's Small Cap Conference in London

12 August
Q2 results announcement

11 November
Q3 results announcement

Contacts

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

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