Asian Bamboo

International Growth

Annual report 2012

INTERNATIONAL GROWTH

FY 2012 was a difficult year but one in which we laid the foundation for future growth through intensive and successful work linked to the bamboo fibre processing project and the development of our international business. One of the highlights was the strategic cooperation with Moso International, a Dutch company. After having relied heavily on the domestic market, we are now increasing our involvement with overseas partners and we believe that our business will gradually become more international in the future. Supported by our strong financial position, we are looking forward to developing the bamboo industry both domestically and internationally.

CONTENTS

Introduction

Leadership

Corporate social responsibility (CSR)

Group management report

Consolidated financial statements and notes

Responsibility statement and auditors' report

Additional information

ASIAN BAMBOO AT A GLANCE

Income statement

In kEUR unless otherwise stated	2012	2011	Change
Revenue	**72,855**	89,836	-19%
Cost of sales	**(26,037)**	(44,721)	-42%
FVBA*	**(56,797)**	(18,926)	200%
Gross profit including FVBA*	**(9,979)**	26,189	–
Gross profit margin including FVBA*	**-14%**	29%	–
Other income	**670**	180	272%
Distribution expenses	**(1,432)**	(1,343)	7%
Administrative expenses	**(7,501)**	(6,682)	12%
Other expenses	**(21)**	(35)	-40%
Profit from operations	**(18,263)**	18,309	–
Share of (loss)/profit of jointly controlled entities	**(319)**	100	–
Finance net	**(477)**	119	–
Income tax	**(747)**	(2,340)	-68%
Profit for the period (net profit)	**(19,806)**	16,188	–
Net profit margin	**-27%**	18%	–
EPS (EUR)†	**(1.30)**	1.06	–

* FVBA is an abbreviation for gain/(loss) arising from changes in the fair value less estimated costs to sell of biological assets
† Computed on the basis of 15,281,100 shares in FY 2012 and 15,287,453 shares in FY 2011

Cash flow

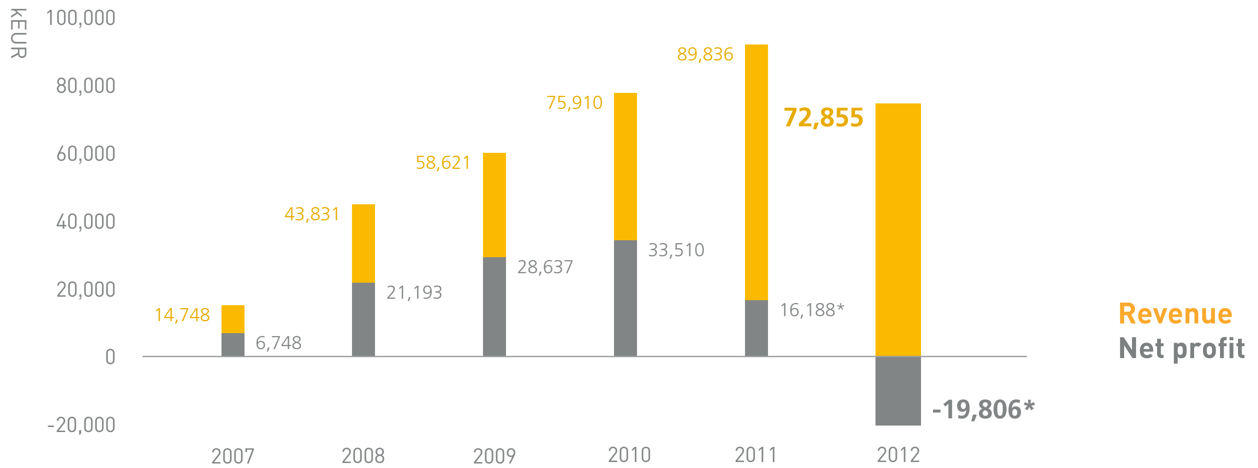
In kEUR unless otherwise stated	2012	2011	Change
Operating cash flows before movements in working capital	**11,563**	34,788	-67%
Net cash generated from operating activities	**17,616**	27,864	-37%
Cash flow used in investing activities	**(47,533)**	(39,004)	22%
Cash flow from financing activities	**26,467**	(5,844)	–
Net increase/(decrease) in cash and cash equivalents	**(3,450)**	(16,984)	-80%
Cash equivalents at the end of the year	**38,560**	41,980	-8%

Simplified balance sheet and other selected data

In kEUR unless otherwise stated	2012	2011	Change
Biological assets	**83,930**	103,026	-19%
Lease prepayments	**193,370**	208,844	-7%
Cash and cash equivalents	**38,560**	41,980	-8%
Other assets	**32,494**	37,998	-14%
Total assets	**348,355**	391,848	-11%
Total equity	**287,980**	315,897	-9%
Liabilities	**60,375**	75,951	-21%
Total liabilities and equity	**348,355**	391,848	-11%
Size of mature plantations (ha)	**54,511**	54,511	–
Total size of plantations (ha)	**54,511**	54,511	–
Employees	**868**	903	-4%

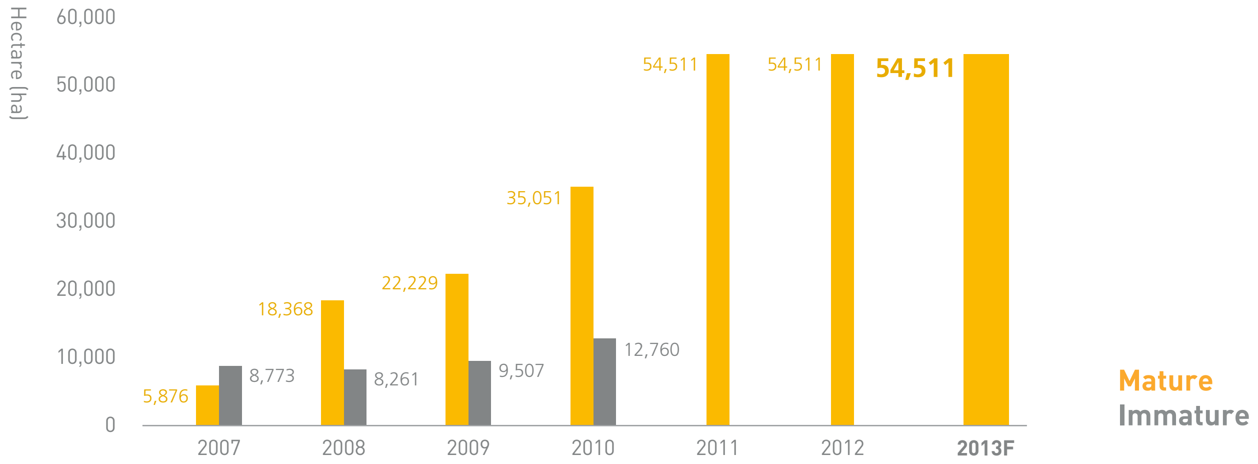
FINANCIAL AND OPERATIONAL HIGHLIGHTS

Revenue and net profit development

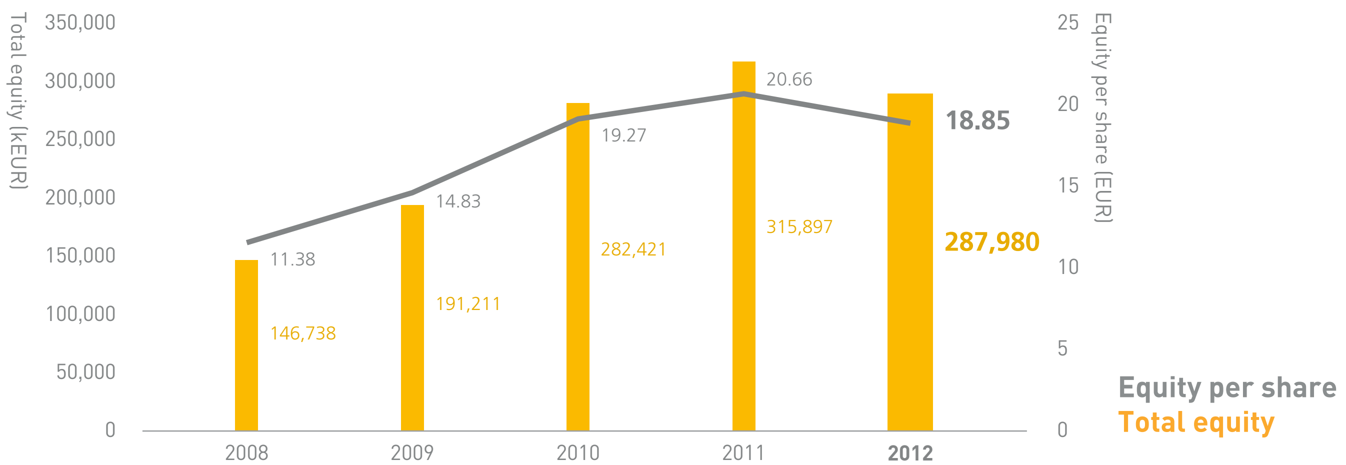


* The net profit numbers in FY 2011 and FY 2012 were heavily influenced by losses arising from changes in the fair value less estimated costs to sell of biological assets, which is a non-cash item

Plantation size development



Total equity and equity per share development



THE YEAR IN REVIEW

FEB

29 FEBRUARY
FY 2011 preliminary results announcement and guidance for FY 2012

MAR

18 MARCH
Supervisory Board Meeting

29 MARCH
FY 2011 annual results announcement

MAY

15 MAY
Q1 2012 results announcement

23 MAY
Supervisory Board Meeting

24 MAY
AGM in Hamburg

AUG **14 AUGUST**
Q2 2012 results announcement

JUL **23 JULY**
Entered strategic partnership with Moso International

SEP **14 SEPTEMBER**
Supervisory Board Meeting

NOV **9 NOVEMBER**
Q3 2012 results announcement

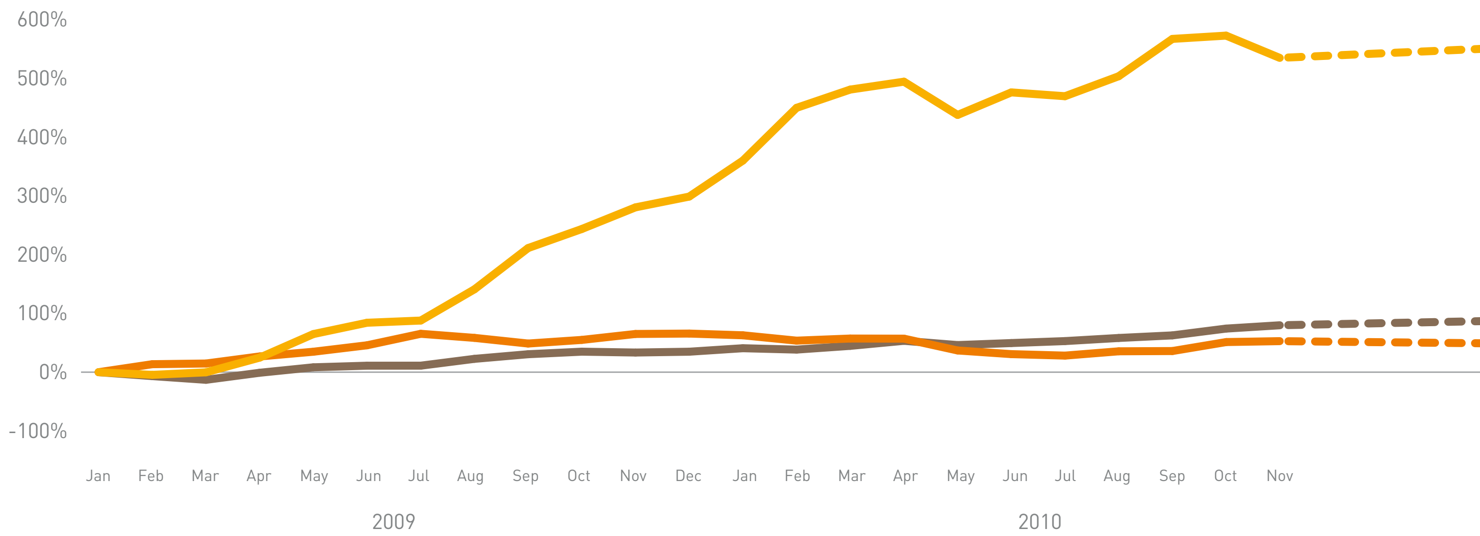
23 NOVEMBER
Supervisory Board Meeting

OCT **15 OCTOBER**
Received an award for the best first time disclosure by a German company in the Carbon Disclosure Project 2012

DEC **10 DECEMBER**
Our subsidiary Fujian Xinrixian was appointed to the governing body of the Association of National Key Flagship Enterprises

ASIAN BAMBOO STOCK AND INVESTOR RELATIONS

Share price and relevant index comparison chart



The share price fell sharply during the year and average daily trading volumes in our stock were down 41% at around 43,000 shares a day (2011: 73,000 shares/day) compared to the previous year.

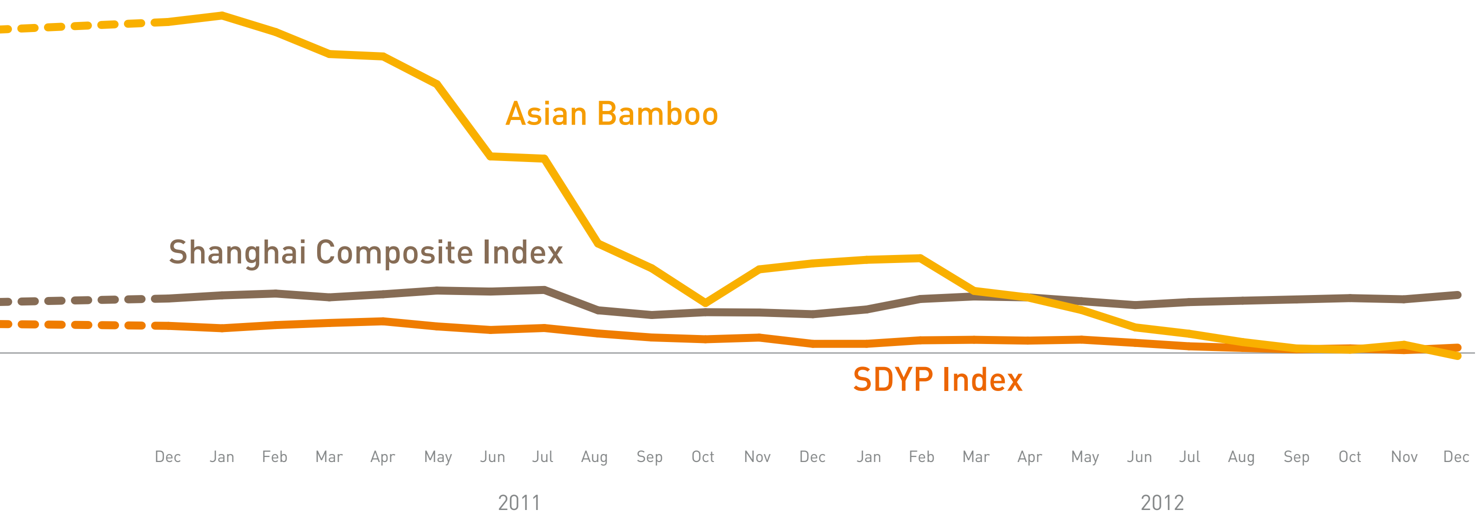
We have good relationships with many leading investment banks and during the year we conducted road shows and met investors in Frankfurt, London, Edinburgh, Amsterdam, Zurich and Paris. In addition we presented at the following conferences:

- HSBC's SRI conference in Frankfurt on 1-2 February
- Norges Bank Investment Management's (NBIM) water seminar in Singapore on 4 July
- Finance Asia's Corporate Funding Forum in Singapore on 19-20 September
- IQPC's CFO Summit in Singapore on 30-31 October
- Deutsche Börse Equity Forum in Frankfurt on 12-14 November

We are putting considerable effort into communicating with our shareholders and are proud that we are gaining outside recognition for our efforts. For the fifth consecutive year, our Annual Report won prizes at the ARC Awards (http://www.mercommawards.com/arc.htm). In FY 2012 we won the following awards for our FY 2011 Annual Report:

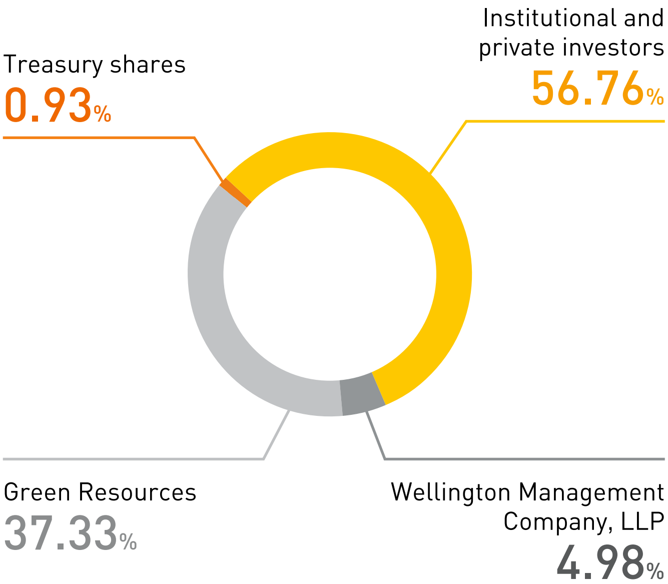
- Bronze award for Interior Design
- Honours award for the Chairman's Letter
- Honours award for the Written Text
- Honours award for Photography

Our AGM was held on 24 May in Hamburg. On 27 May, the first working day following the AGM, we paid a dividend of EUR 40 cents per share for FY 2011. Due to the weak operational and financial performance in FY 2012, the Management Board and Supervisory Board will not propose a dividend for FY 2012. However both the Management Board and Supervisory Board intend to resume dividend payments once the Company's operational and financial performances improve.



We are pleased to have a high quality shareholder base and to be working with many highly regarded institutions. It is our goal to continue communicating effectively with all our constituents in order to achieve a fair valuation of our Company and to be able to execute our growth plans for the future.

Shareholding structure



Largest shareholders

Name	Shareholding as of latest filing	Shareholding in % of all shares*	Date of latest filing
Green Resources (Lin Zuojun)	5,758,000	37.68%	27.6.2011
Wellington	768,593	4.98%	17.1.2012

* This number excludes 143,900 treasury shares

Share price statistics for FY 2012

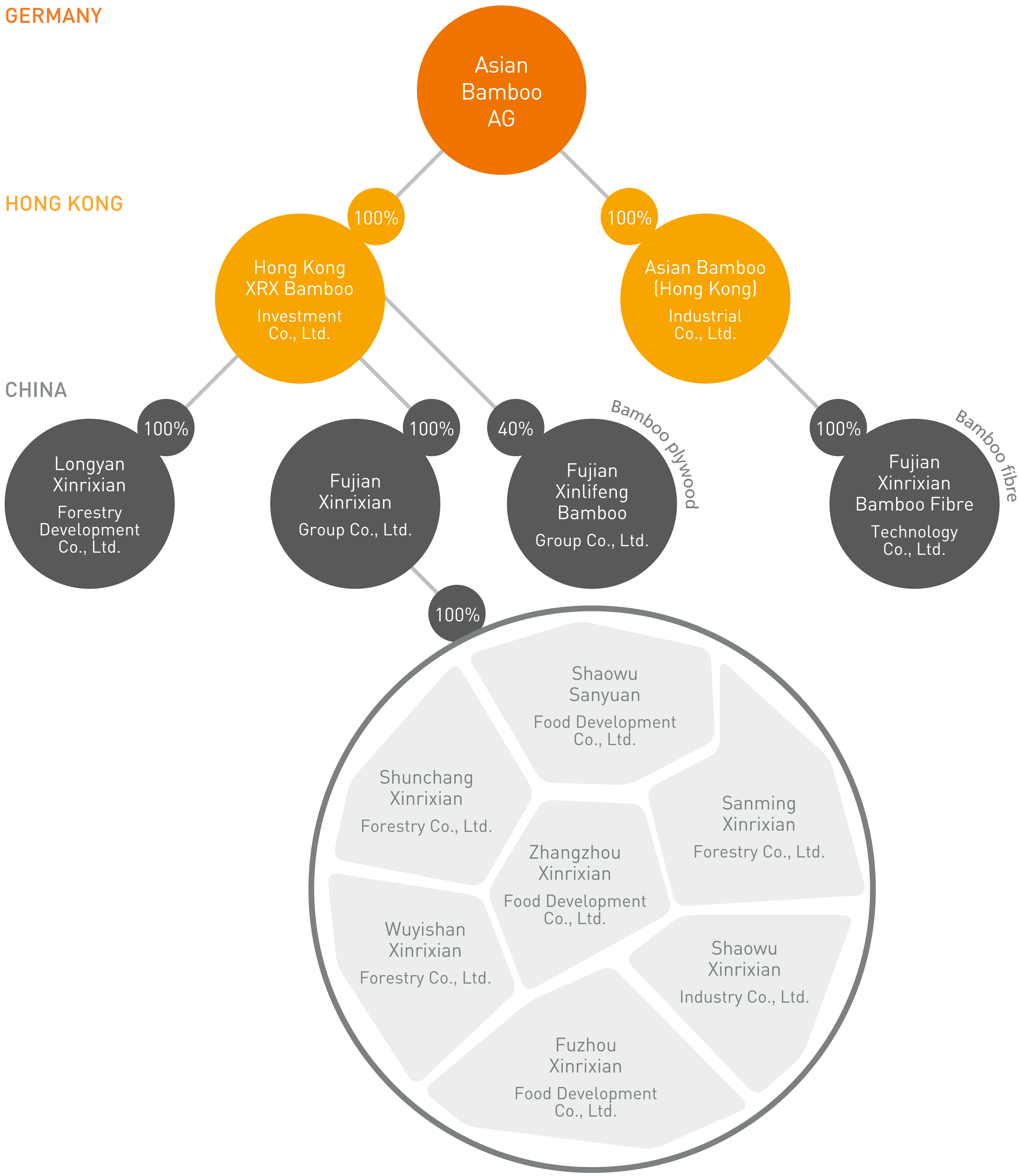
		Date
Highest share price (EUR)	16.36	10.2.2012
Lowest share price (EUR)	4.9	11.12.2012
Average share price (EUR)	9.19	–
Share price at the end of the year (EUR)	5.25	31.12.2012
Average daily trading (shares)	42,895	–
Total number of outstanding shares*	15,425,000	–
Market capitalisation at the end of the year (EUR)	80,981,250	31.12.2012

* Out of the total number of shares, 143,900 shares are held as treasury shares. These treasury shares are part of an option agreement with PROPARCO

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 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.

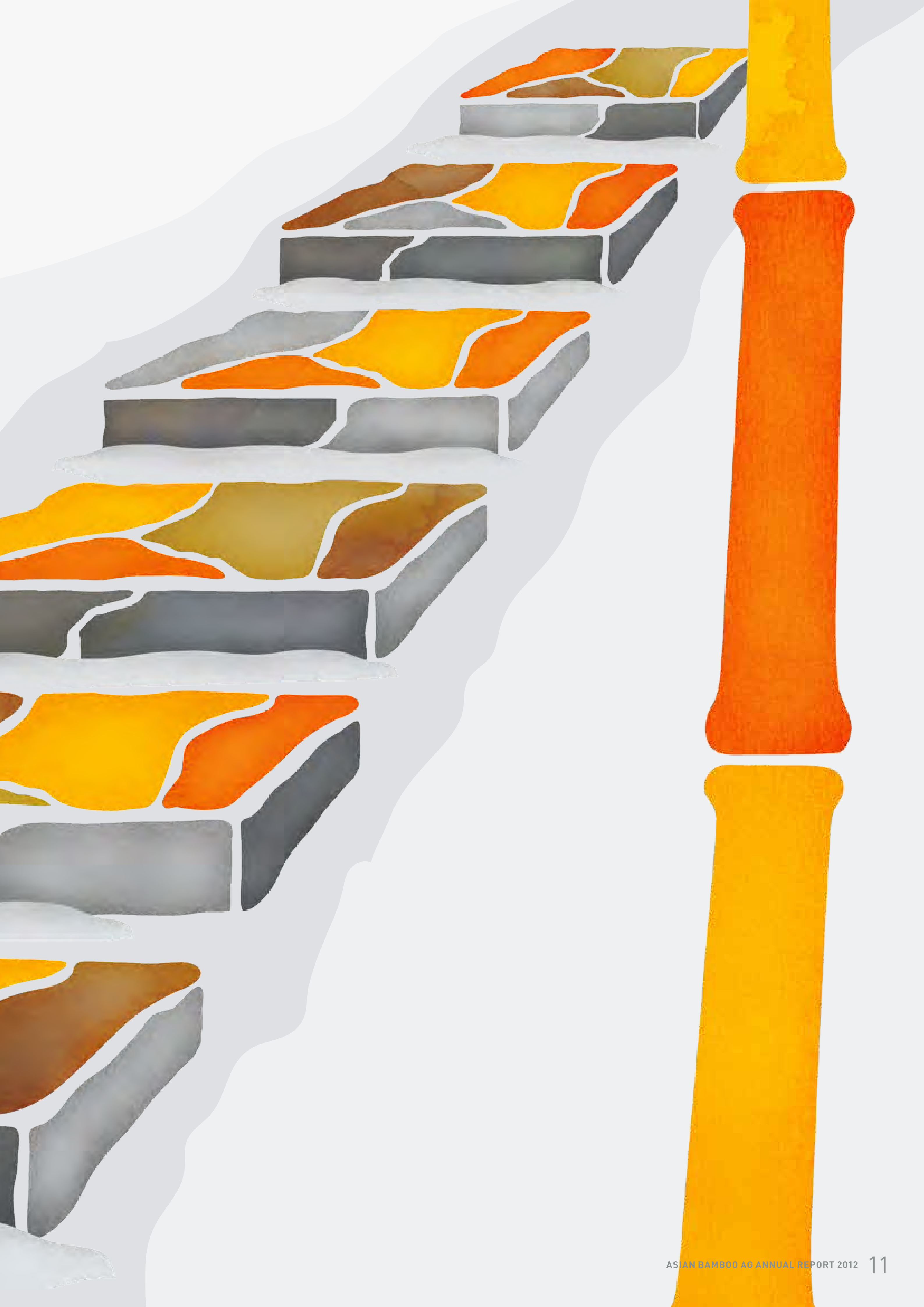
On 10 February 2012 Fujian Xinrixian Group Co., Ltd. sold its 20% stake in Fujian Haoming Industry Co., Ltd. in order to streamline the group's operating structure.


GERMANY
HONG KONG
CHINA
Asian Bamboo AG
100%
100%
Hong Kong XRX Bamboo Investment Co., Ltd.
Asian Bamboo (Hong Kong) Industrial Co., Ltd.
100%
100%
40%
100%
Longyan Xinrixian Forestry Development Co., Ltd.
Fujian Xinrixian Group Co., Ltd.
Fujian Xinlifeng Bamboo Group Co., Ltd.
Bamboo plywood
Fujian Xinrixian Bamboo Fibre Technology Co., Ltd.
Bamboo fibre
100%
Shaowu Sanyuan Food Development Co., Ltd.
Shunchang Xinrixian Forestry Co., Ltd.
Sanming Xinrixian Forestry Co., Ltd.
Zhangzhou Xinrixian Food Development Co., Ltd.
Wuyishan Xinrixian Forestry Co., Ltd.
Shaowu Xinrixian Industry Co., Ltd.
Fuzhou Xinrixian Food Development Co., Ltd.

LEADERSHIP

"It is my responsibility to nurture talent in our Company so that we can thrive in the rapidly changing environment."

Lin Zuojun
CEO and Founder



MANAGEMENT BOARD 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 the overall management and strategic development of the Group. 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 our bamboo plantations. He graduated with an associate degree in enterprise management from Fuzhou University.

Weng Haifang

General Manager

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

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

Supervisory Board

Hans-Joachim Zwarg

Chairman of the Supervisory Board

Mr Zwarg has more than 35 years of management experience and has worked in senior positions for stock exchange listed companies such as Beiersdorf AG and Phoenix AG (CFO).

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

Chris McAuliffe

Vice Chairman of the Supervisory Board

Mr McAuliffe has more than 20 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.

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.

CEO'S STATEMENT

"Our business model is resilient and with our strong financial position we will be able to sit out this downturn in our industry."

Dear shareholders,

I regret to inform you that the conditions for running an agriculture business in Fujian Province were far from ideal in FY 2012. During the year the Company was hit by a string of unfortunate events, including weather and harvesting related issues, low production volumes of bamboo fibre and an overall weak macro-economic environment. Consequently, revenue per hectare (ha) fell, while plantation costs, such as cultivation costs and amortisation, increased due to a larger plantation size. The negative operating performance led to a decrease in the value of biological assets of EUR 19.1 million on the balance sheet and a very significant loss in the fair value less estimated costs to sell of biological assets ('FVBA') of EUR 56.8 million in the P&L.

However, most importantly, the Company's financial situation remains strong and the Company's business model has proved to be resilient in these very challenging circumstances. During the year the Company generated operating cash flows of EUR 17.6 million and raised EUR 37.4 million in long-term bank borrowings, while investments in plantation leases amounted to EUR 46.3 million. At the end of the year, the cash balance was EUR 38.6 million and the Company's debt-to-equity ratio (total bank borrowings/total equity) was 0.16.

The results for FY 2012, which are below the previously stated guidance in terms of revenue and significantly above in terms of operating cash flow, were as follows (percentage numbers are year-on-year comparisons):

- Revenue decreased 19% to EUR 72.9 million (2011: EUR 89.8 million)
- Loss in FVBA* of EUR 56.8 million (2011: EUR 18.9 million)
- Negative gross profit, including FVBA* changes, of EUR 10 million (2011: Positive gross profit of EUR 26.2 million)
- Net loss of EUR 19.8 million (2011: Net profit of EUR 16.2 million)
- Net cash from operating activities decreased 37% to EUR 17.6 million (2011: EUR 27.9 million)

The Company's balance sheet remains strong (year-end numbers):

- Biological assets were EUR 83.9 million (2011: EUR 103 million)
- Lease prepayments were EUR 193.4 million (2011: EUR 208.8 million)
- Cash and cash equivalents were EUR 38.6 million (2011: EUR 42 million)
- Total bank borrowings were EUR 46.5 million (2011: EUR 14 million)
- Total equity was EUR 288.0 million (2011: EUR 315.9 million)

* FVBA is an abbreviation for gain/(loss) arising from changes in the fair value less estimated costs to sell of biological assets

Lin Zuojun
CEO and Founder

Analysis of the operational performance in FY 2012

The main issues affecting our business during the year were the:

- Weak harvest of bamboo shoots, particularly winter bamboo shoots
- Slow pace of development of the fibre business
- Overall weak economic situation in China

Weak harvest of bamboo shoots, particularly winter bamboo shoots

There were a number of snowy days at the beginning of January and the unusually early Chinese New Year caused a large part of the migrant labour force to remain in their home villages for most of January. These two issues had a significant impact on the winter bamboo shoot harvest in January, the month when most winter bamboo shoots are harvested.

Heavy rain combined with unusually high temperatures caused the spring bamboo shoots to grow faster than normal. This meant that we harvested less spring bamboo shoots per ha than we normally do in March.

In addition, we generally had problems locating enough farm labour for the harvesting season, particularly for winter bamboo shoots.

Slow pace of development of the fibre business

The slow pace of progress in the bamboo fibre processing project has had a large impact on demand for bamboo trees. Shaowu Zhongzhu ('Zhongzhu'), the bamboo fibre factory, produced only very small amounts of bamboo pulp and consequently our sales of bamboo trees to Zhongzhu fell by around 90%.

The production facilities were primarily used for testing a new bamboo based pulp product, which is likely to become the key product in the fibre business and generate significant demand for bamboo trees in the future. We expect that Zhongzhu will significantly increase its production in 2013.

Overall weak economic situation in China

In 2012 China's GDP growth decelerated to around 7.8%, the slowest in the last three years. The Management Board believes the main reasons for the slowdown are:

- Tight credit policies and high interest rates, which are particularly affecting the operations of small and medium-sized companies
- Measures to cool the property market remain in place which have had an impact on overall construction activities
- A strong currency and rising costs have had a negative effect on China's export competitiveness

While the overall economic growth rate still was very high, there were significant problems particularly in the private sector. It is the Management Board's view that the headline GDP growth numbers do not tell the entire story of the economic situation both in good and bad times. Due to the significant government involvement in the Chinese economy, the overall economic figures tend to be very stable, while there are major fluctuations in the private sector and in specific industries.

Management initiatives

In order to improve the Company's operational performance, the Management Board is working on a set of adjustments to its business model in the following key areas:

- **Harvesting management:** including recruitment of farmers and compensation to farmers for harvesting work
- **Organisational development:** including further incentivising business development at the subsidiary level
- **International business development:** including a strategic cooperation agreement with Moso International, a leading distributor of bamboo-based products to the construction and interior decoration industries in Europe

Business outlook and guidance for FY 2013

Recent economic data suggest that the Chinese and world economies are beginning to stabilise. However, they are unlikely to return to the same growth levels as in the past decade due to the structural change that the Chinese economy is going through, while at the same time government spending will have to decrease and overall debt levels will have to be reduced in many more mature economies.

Due to the adverse impact of weather and problems recruiting enough farm labour, the Management Board expects to achieve revenues of at least EUR 50 million. Due to the low expected revenue, the Management Board decided not to conduct any reclamation work this year, which will reduce the yearly costs in FY 2013 by around EUR 20 million compared to FY 2012. Furthermore, the Management Board believes that the Company will achieve close to positive operating cash flows and that the Company will record a net loss of around EUR 13 million. The difference between the expected net loss and the close to positive operating cash flows is largely made up by the amortisation charges, which are non-cash items, of around EUR 10 million. FVBA*, which is another non-cash item, may have an impact on the earnings, but the Management Board deems it impossible to forecast that impact.

In FY 2013, the Company plans to make the final payment on the existing plantation leases of EUR 9.9 million. There are no major investments planned for 2013 and beyond for the time being.

The Management Board and Supervisory Board will not propose a dividend for FY 2012. However both the Management Board and Supervisory Board intend to resume dividend payments once the Company's operational and financial performances improve.

Finally, I would like to thank our shareholders, employees, partners and customers and everyone who has supported the company throughout this challenging year. We appreciate your contributions. On behalf of the management team I would like to emphasise our commitment to the Company and that we are always doing everything we can to create shareholder value over time.

Best regards,

Lin Zuojun
CEO and Founder

* FVBA is an abbreviation for gain/(loss) arising from changes in the fair value less estimated costs to sell of biological assets

CFO'S INTERVIEW

> "The Management Board and Supervisory Board have the intention of resuming dividend payments once the Company's operational and financial performances improve."

How would you summarise 2012?

It was by far our worst year since we listed and a huge disappointment to us all. On the positive side, it shows that our business model is resilient to a downturn due to our conservative balance sheet and relatively low fixed costs.

Do you see any improvement?

We've had a weak start to the year. Many of the harvesting problems still remain, but the outlook for the fibre business has improved.

What is the Management Board doing to improve the situation?

The Management Board has begun a thorough analysis of all aspects of the Company's operations and strategic options, which will result in a review of the Company's strategy.

Why did you cancel the dividend payment?

Given that the Company made a loss in 2012, and the uncertain outlook, we felt that it wouldn't be appropriate to pay a dividend for that year. It is our intention to resume dividend payments once the Company's operational and financial performances improve.

Are you planning any fundraising?

No, there are no fundraising plans. We are pleased with our balance sheet and there are no investments planned for the time being.

Is the Chinese economy improving?

I believe that the structure of the Chinese economy is improving as the country is moving away from a heavy reliance on exports to a more balanced economy in which domestic consumption plays a more important role than in the past. There is likely to be continued weakness in the manufacturing sectors as China's export competitiveness has weakened due to higher costs and a strong currency. At the same time, we see solid growth in the service sectors and in domestic consumption.

What do you expect from the international projects?

In China and Japan we have a 20-year history, so our business relationships are well established. In other markets we are just beginning to build business relationships, therefore it will take some time. We see great potential for bamboo and bamboo related products all over the world and we are looking at playing a role in developing that potential.

What do you say to investors who are disappointed in the Company's performance?

We understand and share the disappointment. However, the management team remains committed to the Company and we will continue doing everything we can to create shareholder value over time.

Peter Sjovall
CFO

REPORT OF THE SUPERVISORY BOARD

"Though many problems still persist in the world economy, there are signs that the worst is over."

Dear shareholders,

2012 was another challenging year, but it will hopefully mark the beginning of a recovery. Though many problems still persist in the world economy, there are signs that the worst is over. In China there were also signs that the economy is stabilising.

The Management Board and Supervisory Board agreed on the overall strategy of developing the Company's integrated business model and not committing to any major investments until the outlook for the Company's business has become clearer. Maintaining a prudent balance sheet has served the Company well in the past and we believe it is the right strategy going forward. We are satisfied with the Management Board's execution during this challenging year.

We would like to thank all our customers and shareholders for their trust in Asian Bamboo and all our employees and the Management Board for their continued excellent work.

Working relationship between the Supervisory Board and the Management Board

During the reporting period, the Supervisory Board performed the duties assigned to it by law, the Articles of Association, the Bylaws and German Corporate Governance Codex. The Supervisory Board advised and monitored the Management Board. The Supervisory Board's work is particularly focused on the following areas:

- Strategy formulation and implementation
- Business planning and performance monitoring
- Personnel decisions and remuneration
- Corporate governance
- Risk management
- Auditing

At the beginning of the fiscal year, the Supervisory Board defined its scope of work for the year and established monitoring goals. Due to the Company's weaker than expected operational performance, particular focus was placed on analysing and discussing, together with the Management Board, the appropriate action to take under the macro-economic and operational circumstances.

The Management Board regularly provided the Supervisory Board with written and oral reports that gave timely and comprehensive information about the Company's strategy, business planning, operational performance, strategic developments as well as the current situation of the Group. The Supervisory Board was further directly involved in all business transactions of major significance to the Company, which were thoroughly discussed with the Management Board before implementation. All proposals made by the Management Board were examined and discussed in detail by the Supervisory Board. Between Supervisory Board meetings, the Chairman of the Supervisory Board maintained regular contact with the members of the Management Board to discuss issues of particular importance as well as questions regarding strategy, business planning, business development, risk management and compliance.

Through our supervisory work we have been able to form our own opinion of the Company's development.

Hans-Joachim Zwarg
Chairman of the Supervisory Board

Meetings of the Supervisory Board in FY 2012

During the reporting period, the Supervisory Board held a total of four meetings. In addition to the topics mentioned in the section above, we paid particular attention to the following issues:

- At the first meeting of the year, on 18 March, the focus was on the individual and consolidated financial statements for the fiscal year 2011 and the respective auditing. During the meeting, discussions were held with the auditor concerning the financial statements, the consolidated financial statements, the audit report and the main audit issues. The respective financial statements for the fiscal year 2011 were approved on 26 March through circulation. Also, the declaration on corporate governance, the corporate governance report and the insider list were updated
- At the second meeting on 23 May 2012, preparations were made for the 2012 Annual General Meeting. In addition, the cancellation of the 2010 option scheme, due to the failure to meet the performance target, was discussed. Furthermore, the Company's proposed strategic cooperation with Moso International was discussed, which was finally entered into on 23 July
- At the third meeting, on 14 September 2012, business development and the Management Board's action plan for improving the operational and financial performance were discussed in great detail
- At the fourth meeting, on 23 November 2012, the focus was on the business plan, financial calendar, audit focus and audit schedule for the fiscal year 2013. At this meeting, the business plan and the financial calendar were approved

All members of the Supervisory Board and the Management Board participated in every meeting during the year. During the reporting period there were no conflicts of interests involving any Supervisory Board members.

Committees

According to the German Stock Corporation Act, a committee must have at least three members to be able to make decisions. Therefore, as the Supervisory Board of Asian Bamboo comprised only three members in the fiscal year 2012, no committees were constituted.

Personnel matters 2012

The Supervisory Board did not deal with any personnel matters during the period.

Financial statements 2012

Our auditor Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft ('Deloitte') audited the individual financial statements and the management report for Asian Bamboo AG, prepared by the Management Board in accordance with the German Commercial Code (HGB). The audit was ordered in accordance with the decision of the Annual General Meeting held on 24 May 2012, statutory requirements as well as the recommendations of the German Corporate Governance Code. The auditor also audited the financial statements and the management report for Asian Bamboo group, prepared pursuant to § 315a of the German Commercial Code (HGB) in accordance with the International Financial Reporting Standards ('IFRS') as adopted by the European Union, for the period 1 January 2012 to 31 December 2012. Deloitte issued an unqualified audit opinion.

All relevant reports, including 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 in due time prior to the Supervisory Board meeting dealing with the approval of such reports, held on 28 April 2013. At this meeting, the Supervisory Board further received the auditors' report on the key findings of their audit and on the control and risk management systems with respect to financial accounting. A representative of the auditors was available to answer questions and provide supplemental information. The auditors stated that no conflict of interest existed and that no other services were provided. The auditors further provided information about the scope, focus and costs of the audit.

Our own examination of the financial statements, the management reports for Asian Bamboo AG and the Group, including the concluding declaration by the Management Board, and the auditors' reports, did not raise any objections. We therefore 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 fiscal year ending 31 December 2012. The annual financial statements of Asian Bamboo AG are thus adopted.

We also endorsed the Management Board's proposal not to distribute any dividends for the year due to the weak operational and financial performance and to carry forward the entire retained earnings of Asian Bamboo AG to next year. We share the Management Board's intention of resuming dividend payments once the Company's performance stabilises.

Corporate governance

The Supervisory Board dealt with the provisions of the German Corporate Governance Codex on March 2012 when the statement on corporate governance, including the Declaration of Compliance for the fiscal year 2012, was approved by the Supervisory Board. Apart from the deviations presented in the corporate governance declaration, Asian Bamboo AG complies with all recommendations of the Codex in its then applicable version as of 26 May 2010. Asian Bamboo AG is also largely following the suggestions of the Codex. All declarations of compliance are permanently made publicly available on Asian Bamboo AG's website www.asian-bamboo.com.

Furthermore, in March 2012, the Supervisory Board adopted concrete goals for the composition of the Supervisory Board in line with the recommendations of the Codex.

In March 2013, the Management Board and the Supervisory Board approved the yearly statement on corporate governance for FY 2013.

Details of the current Corporate Governance Declaration and the goals for the composition of the Supervisory Board are described in the chapter 'Corporate Governance' on p 34-35 of this annual report.

A detailed report on the level and structure of the compensation paid to the members of the Supervisory and Management Boards is provided in the 'Remuneration Report' on p 56-57 of this annual report.

Hamburg, Germany, April 2013

On behalf of the Supervisory Board

Hans-Joachim Zwarg
Chairman of the Supervisory Board

CORPORATE SOCIAL RESPONSIBILITY

> Maintaining good relationships with the farmers and the farming communities is an important, if not the most important, task we have.

Lin Yuanyin
Vice President

CSR STRATEGY AND ACTIVITIES

Corporate Social Responsibility (CSR) is an integral part of our operations and we are committed to shouldering voluntary social and environmental responsibilities above and beyond compliance with our legal obligations. We believe that the return on our investments, and in the end our shareholder value, can only be maximised if long term social and environmental considerations are incorporated into our business strategy. We work with our partners and local villagers to improve the efficiency of the agriculture industry and raise living standards of farmers through sustainable growth.

There has been a large amount of due diligence done on our plantations and our operations. Ahead of our first loan agreement with DEG, there were several reports issued by independent experts such as Unique Forestry Consultants ('Unique'), a German forestry consulting firm, and the Institute of Contemporary Observation ('ICO'), a firm specialising in social risk management. Ahead of our second loan agreement with DEG, a follow up report was written. These reports have shown that our plantations are well managed, our operations bring benefits to the areas where we operate and all our plantation leases are entered into on a voluntary basis. Some of the highlights from these studies were:

- We have implemented sustainable forest management procedures and our harvesting rates are within sustainable ranges
- The overall quality of the plantations has improved in terms of density and the average diameter of the trees. The overall assessment of our plantations was that they are good to very good, particularly in terms of homogeneity and regularity
- It is estimated that farmers' incomes have increased following the change in plantation management
- On average 70% of the lease payments go directly to the farmers, with the remaining 30% being used to fund local infrastructure investments, including the construction of roads and hydroelectric power stations
- The payments going directly to the farmers are often used to fund housing or education, in turn improving living conditions and enabling future generations to receive better schooling

In 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 2012. Furthermore, as part of our loan agreements with DEG and PROPARCO, we committed to implementing an environmental and social action plan (ESAP), which will further align our operations with global best practice. In 2012, we were one of the first Chinese companies to participate in initiatives such as the Carbon Disclosure Project and the Water Disclosure Project.

Our CSR activities centre around these key areas which are explained in more detail on the following pages:

- Plantation management
- Food safety
- Employment conditions and corporate culture
- Community involvement
- Other projects

Plantation management

Environmental sustainability requires that human activity only uses or affects nature's resources (water, soil, forests and ecosystems) at a rate at which they can regenerate naturally. Due to the uniqueness of the bamboo species and the fertile conditions in Fujian Province, we are able to apply our 'Close to Nature Forest Management' policy without the use of any fertilisers and irrigation. Our plantations are located in remote areas where there are no polluting industries, which means that our bamboo shoots are 100% organic.

Our plantations have a positive impact on the environment and help mitigate climate change as bamboo:

- grows 20 metres in three months, which makes it the ultimate renewable resource, and thus a more sustainable alternative to other types of wood
- sequesters more carbon compared to Chinese fir and tropical rain forest*
- develops an inter-weaving rhizome (root system), leading to excellent water and soil conservation. The water absorption and soil erosion are thus naturally controlled, ensuring the long-term viability of bamboo forests
- leaves have a natural fertilising effect on the soil and the trees contain a substance called bamboo-kun, an antimicrobial agent that gives the plant a natural resistance to pest and fungi infestation

According to an independent third party study carried out by forestry consultants Unique, 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 are involving many outside organisations in our sustainable plantation management work. For example, GLOBALGAP†, has certified our plantations for 'Good agriculture performance' (GAP) on a yearly basis since 2009.

In 2009, 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 achieved: GB/T19630-2005 (Chinese Organic Product Standard), JAS (Japanese Agricultural Standard), NOP (National Organic Program, USA), EC834/2007 and EC889/2008 (Requirement of European Union for Organic Food). These certifications were confirmed in 2010, 2011 and 2012.

In 2010, the Xinrixian Research Centre was approved by the Science and Technology Department of Fujian Province and named the 'Fujian Provincial Engineering Research Centre for Bamboo and Bamboo Shoots Processing Enterprises'. It was granted the grade of 'Excellent' in light of our proprietary intellectual property rights, industry leading position and influence. Since its inception, 22 technical specifications and operation standards have been drafted and filed, mainly in the areas of bamboo forestry cultivation, bamboo shoot processing and bamboo timber fine processing.

We are also working together with local experts and, in 2011, Standards on High Yielding Technology of Moso Bamboo (DB35/T 1194-2011) drafted by the Group were approved by the Standard Validation Committee in Fujian Province as the first standards on Moso bamboo forestry cultivation in Fujian Province.

* Zhou Guomo at Zhejiang Forestry University in China led a group of scientific researchers in a project analysing the environmental impact of bamboo plantations. The group found that the yearly carbon sequestration of one hectare of Moso bamboo was 5.09 tonnes, which was 1.46 times that of Chinese fir and 1.33 times that of tropical rain forest

† 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. Fujian Xinrixian Group Co., Ltd. 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'

Food safety

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'.

We have built our own research centre on the campus of Fujian Agriculture and Forestry University. We are focusing our research efforts in the areas of bamboo plantation cultivation techniques and the preservation of processed bamboo shoots. For more information about the work done at the research centre, please refer to p 51 in this annual report.

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

IFOAM membership
The International Federation of Organic Agriculture Movements (IFOAM)
http://www.ifoam.org

EC834/2007 EC889/2008 (Requirement of European Union for Organic Food)
European Commission
Organisme de contrôle & de certification
http://www.ecocert.cn

Chinese Organic Product Standard (GB/T19630-2011)
General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ)
ECOCERT China
http://www.ecocert.cn

Employment conditions and corporate culture

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. We offer an attractive work platform with competitive compensation and good opportunities for career development. We put great emphasis on promoting and refining our corporate culture and developing a work place guided by openness, team work, mutual respect and the pursuit of excellence, as well as a deep sense of responsibility both towards the company and society as a whole.

Our employees enjoy a wide range of benefits, including winter and summer uniforms, a shuttle bus for staff commuting to and from work and fruit and lunch subsidies. In addition we offer other activities, including Chinese New Year celebrations, an annual health check up, staff incentive trips, access to the company library and booking of sports venues.

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. We also provide personal accident insurance for employees in special positions.

"We offer attractive employment conditions, which has led to a low staff turnover rate."

Weng Haifang
General Manager

"We are working closely with the institutions and initiatives which focus on environmental protection such as DEG, PROPARCO, Norges Bank and CDP."

Ines Gavrilut
CSR Manager

Staff training plays a key role in our career development programme as it increases work satisfaction which, in turn, results in better business performance. During the year we engaged experts in agriculture, forestry and food technology as well as internal experts to provide around 50 training sessions in the areas of professional development, corporate culture, plantation environment management, plantation operating management, human resource management and occupational health and safety. In total, these training courses involved around 1,000 employees, including the administrative staff and employees in all our processing factories and plantations.

In light of the relatively low level of skill among farmers in China, the Group has engaged specialists in the bamboo industry to provide them with more than 10 flexible and practical training sessions which combine relevant modern technology with practical applications. In this way the farmers gain access to the latest technical know-how and cultivation technology. As a result, the overall economic benefits of cultivating Moso bamboo have been greatly improved.

In 2008, the Group established the Xinrixian Help Fund from which employees can apply for financial support in case of emergency. The charity is funded through voluntary contributions from the management team and employees. Since its inception, 32 employees have received support from the fund.

Community involvement

In 2010 we launched the Xinrixian Village Development Fund ('the Fund') in order to further coordinate and strengthen our Corporate Social Responsibility activities. The Fund financially supports worthwhile projects in the regions where we operate, with the aim of improving living conditions for farmers and their families. Most Moso Bamboo plantations are located in underdeveloped areas which often lack basic infrastructure. We are supporting these areas by funding the construction of roads and schools. For example, we built a 12 kilometre road in Jiangle County and financed the reconstruction of a primary school in Heyuan Village in Shaowu City which was severely damaged by heavy rain in June 2010. The construction of the school was completed in 2011.

Over the years we have provided support to various educational activities. Amongst others, we have given 26 underprivileged pupils financial support to help their schooling. We have also made donations to people hit by natural calamities and illnesses. For example, we supported the relief work following the Wenchuan and Qinghai earthquakes and the rainstorms in Fujian province. In 2011, the Group sponsored the medical treatment of Chi Xiaofang, a university student at the Fujian Agricultural and Forestry University who was diagnosed with leukaemia. Moreover, to ensure the unprivileged people enjoy the Chinese New Year, every winter teams from our company led by key officials of local subsidiaries send cash and festive goods such as rice and cooking oil to poor rural families.

Other CSR activities

Straits (Fuzhou) Giant Panda Research Centre
Since 2010 Asian Bamboo has been a sponsor of the Straits (Fuzhou) Giant Panda Research Centre, which focuses on protecting these rare animals and research into reproduction. As a sponsor, we provide financial support and supply fresh bamboo shoots. We have committed to supporting the research centre up until January 2014.

AIESEC Hamburg
We are a partner of AIESEC Hamburg, which is part of an international student organisation that engages in international exchange and internship programmes. In 2013 we will sponsor Aiesec Hamburg's 'Hamburg meets Asia' event, which will be held at Hamburg University during the period 17-21 June 2013.

Carbon Disclosure Project ('CDP') and CDP Water Disclosure Project

In 2012 we became one of the first Chinese companies to participate in the CDP project. This required a significant effort from the entire organisation and we are pleased that our submission was recognised as the best first-time submission by a German company for the year 2012*.

CDP, an independent not-for-profit organisation, was launched in order to accelerate solutions to climate change. It requests information from companies on behalf of institutional investors, aiming to increase transparency around climate-related investment risk and commercial opportunities, and to drive investments towards a low carbon economy. At the same time, CDP helps companies measure their carbon footprint, cut costs, anticipate risks and pursue opportunities related to climate change.

CDP also has a water disclosure programme, which aims to drive a global movement towards sustainable corporate water management. The CDP water questionnaire is sent to the world's largest companies from industry sectors that are water-intensive or are particularly exposed to water-related risk in their supply chains. Although we are not currently one of these companies, we decided to respond to the CDP Water Disclosure information request, on a voluntary basis.

By responding to these two CDP questionnaires, we assessed and publicly disclosed comprehensive data on our environmental management system, our environmental footprint and our exposure to risks and opportunities related to climate change and water. Both data sets were made available for use by a wide audience, including institutional investors, corporations, policymakers and their advisors, public sector organisations, government bodies, academics and the general public. Our 2012 CDP responses are available on the CDP website at http://goo.gl/V6Rkn.

Apart from being a useful exercise in carbon and water accounting and risk assessment, the disclosure has revealed potential areas of improvement which we will concentrate on this year.

United Nations Global Compact

We joined the United Nations Global Compact, the world's largest voluntary corporate citizenship initiative, in January 2012. Through this initiative, Mr Ban Ki-moon, Secretary-General of the United Nations, calls for companies all over the world to embrace, support and enact, within their sphere of influence, a set of 10 principles within the areas of human rights, labour, environment and anti-corruption. The UN Global Compact Blueprint for Corporate Sustainability Leadership is designed to assist companies in assessing their own progress toward implementing these principles and to inspire advanced performers to reach the next level of sustainability performance. As part of this involvement we report our activities during the year and plans for the coming year within these key areas.

* Asian Bamboo AG, the listed parent company of the group, is incorporated in Germany and is therefore treated as a German company in CDP. This score reflects the completeness and quality of our response, and hence its usefulness to the potential data users (investors, etc.). The score is not a metric of our company's environmental performance

"We provide information and practical arrangements to investors, bankers and business partners who would like to learn more about our operations."

Susan Li
Investor Relations Manager

CARBON DISCLOSURE PROJECT

SPECIAL AWARD 2012

The Carbon Disclosure Project (CDP) congratulates

Asian Bamboo AG

for being the
best rated German first-time discloser with a public response
to CDP in 2012 by achieving a

CDP CARBON DISCLOSURE SCORE
63

The CDP Carbon Disclosure Score measures the comprehensiveness, quality and transparency of the 4,000 company responses to CDP's annual climate change reporting request, on a scale of 0 to 100. In 2012, Asian Bamboo AG received the highest CDP Carbon Disclosure Score among all first-time responders with a public response in Germany. This accomplishment reflects thorough understanding of the impacts of climate change related risks and opportunities to your business together with above average transparency about emissions, management, strategies and other climate change related activities.

Berlin, October 15, 2012

Steven Tebbe
Managing Director
CDP Europe

Susan Dreyer
Director, Head of Programs & Markets
CDP Germany & Austria

FirstCarbon SOLUTIONS

CORPORATE GOVERNANCE

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

Ever since our IPO and our listing on the regulated market ('Prime Standard', Deutsche Börse) in 2007, we have fulfilled our responsibilities as a listed company. Risk management and corporate social responsibilities ('CSR') continue to be very important to our Company, particularly in light of the operational and social challenges the last two years have brought to China.

Asian Bamboo is a conservatively managed company. As a German company, we have an independent Supervisory Board and we use advisers which are leaders in their respective fields, such as Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft (www.deloitte.com) as our auditor, CMS Hasche Siegle (www.cms-hs.com) as our German legal adviser, King & Wood (www.kingandwood.com) as our Chinese legal adviser and Jones Lang Lasalle Sallmanns (www.jllsallmanns.com) as the independent valuer of our biological assets. Among other activities, King & Wood prepares a yearly legal due diligence report, which includes a review of all contracts entered into during the year.

The German Corporate Governance Codex ('the Codex')

Since its inception in 2002, 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 in line with the Codex and help underpin the Company's success. The Management Board and Supervisory Board are explicitly committed to following and supporting the goals and the spirit of the Codex.

Declaration of Compliance

The Management Board and Supervisory Board dealt with the issues of Corporate Governance and, in particular, the provisions of the German Corporate Governance Codex. In accordance with Section 161 of the German Stock Corporation Act, the Management Board and Supervisory Board jointly issued the yearly Corporate Governance Declaration in March 2013. The declarations are permanently available on Asian Bamboo's website www.asian-bamboo.com. The previous Corporate Governance Declaration was dated March 2012. Since then, apart from the deviations mentioned below, the Company complied with all the recommendations of the Codex published on 26 May 2010 as amended on 15 May 2012 (as published in the Federal Gazette on 15 June 2012) in the fiscal year 2012 and will comply with them in the future.

- According to 5.4.1 paragraph 2 of the Codex (in the version of 15 May 2012), regarding appointments to the Supervisory Board, specific objectives shall be taken into account for dealing with the composition of the board in terms of age, international experience, potential conflicts of interest and diversity. In particular, these targets should provide an adequate representation of women.

  The Supervisory Board decided in March 2012 that the majority of the Supervisory Board members (i.e. at least two members) should be independent and that the Supervisory Board should also have members with significant international experience. Both these requirements are fulfilled.

  In addition, in March 2012, the Supervisory Board decided that, as a general rule, members of the Management Board and Supervisory Board should not be more than 72 years of age. This means that since March 2012 the Company also complies with the recommendations of section 5.1.2 paragraph. 2 sentence 3 and section 5.4.1 paragraph 2 of the Codex. Until March 2012, no such age limits were provided for, as it was the Company's view that the appointment or election as a board member should primarily be based on professional skills.

  The Supervisory Board, in principle, also agrees with an adequate representation of women on the Supervisory Board. The Company reserves the right, however, to propose the current Supervisory Board members for another term at the next regular Supervisory Board elections in 2014 as they possess knowledge and experience that may still be needed by the Company. However, from the term after the next term, at the latest, the Company intends to appoint at least one female member to the Supervisory Board. The Supervisory Board therefore plans to search for adequately qualified women to be included in the selection process and to be proposed for election by the shareholders.

- According to 7.1.2 of the Codex, the consolidated financial statements shall be publicly accessible within 90 days following the end of the fiscal year. The consolidated financial statements of Asian Bamboo for the fiscal year 2012 will be published on 30 April 2013 and thus not within the 90-days-period; the reason being that – apart from the general challenges connected with the auditing of a German stock corporation whose operating entities are mainly located in China – the preparation and auditing of certain parts of the consolidated financial statements took longer than in previous years. The Company intends, however, to publish future financial statements within the 90-days-period, as it has done in the past.

Information on the practice of corporate governance: Basic principles of entrepreneurial activities and management

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 through close and constructive cooperation between the Supervisory Board and Management Board. The Company serves a dual purpose of both generating profits and growth, thus creating shareholder value, as well as playing a key role in the development of the agriculture sector 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 p 26-27 of this annual report. With the Xinrixian Research Centre, we have our own research and development centre located on the campus of Fuzhou Agriculture and Forestry University. We treat our employees and business partners with great respect. Details of our employee policies are described on p 28-30 of this annual report.

As a listed company, our accounts are audited by a reputable auditor. In addition, we disclose significantly more information than is legally required. Furthermore, we are using third party experts to advise and audit other relevant 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 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 Articles of Association. All shares rank pari passu and equal one vote at the AGM. There are neither shares conferring multiple voting rights nor are there any preferred shares.

Shareholders may exercise their voting rights in person, through a representative or through the Company's proxy representative. The invitation to the AGM contains detailed explanations about the exercise of voting rights (including the exercise through representatives) and the shareholders' rights. The applicable AGM related reports and information, including the annual report and agenda, are made available at www.asian-bamboo.com. Following the AGM, the participation and the voting results will also be published on this website.

Management Board and Supervisory Board

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

Management Board

The Management Board of Asian Bamboo AG currently comprises three members, Mr Lin Zuojun, Mr Jiang Haiyan and Mr Peter Sjovall. The responsibilities of each member of the Management Board are defined in the organisational chart of the Management Board. However, certain areas, such as developing the Group's strategy, negotiating key agreements (e.g. plantation leases and other investment agreements), coordinating the daily operations as well as financial reporting, fund raising, investor relations and reporting to the Supervisory Board are joint responsibilities of all members of the Management Board.

The members of the Management Board and the Supervisory Board are regularly informed about the company's key activities and financial performance by means of monthly reports.

In addition, the Management Board meets on a regular basis to discuss and decide on matters of significant importance. Mr Qiu Hai, Chief Financial Controller, is also present at these meetings. For further details of the co-operation between the Management Board and the Supervisory Board, please refer to p 20-22 of this annual report.

In accordance with the Codex, Asian Bamboo discloses the remuneration of the members of the Management Board individually. The basis for the remuneration and the actual remuneration are described in detail on p 56-57 of this annual report.

Supervisory Board

The Supervisory Board of Asian Bamboo AG comprises three members, Mr Hans-Joachim Zwarg (Chairman), Mr Chris McAuliffe (Vice Chairman) and Mr Pan Chaoran.

The Supervisory Board is responsible for supervising and advising the Management Board. Both tasks are primarily carried out during Supervisory Board meetings. Between Supervisory Board meetings, the Chairman of the Supervisory Board maintains regular contact with the members of the Management Board to discuss issues of particular importance as well as questions regarding strategy, planning, business development, risk situation, risk management and compliance. The Supervisory Board is further responsible for the appointment of the members of the Management Board, the determination of their remuneration as well as the review and approval of the annual financial statements of the Company.

In accordance with the recommendations of the Code, the Supervisory Board resolved the objectives for its composition in March 2012. According to the resolution, the majority of its members shall be independent and there shall also be members with significant international experience. Both requirements are currently met and were also met at the time of the resolution. In addition, the Supervisory Board has – in view of the recommendations of the Code – introduced a general age limit for the members of the Supervisory Board. The Supervisory Board in principle also supports an appropriate representation of women on the board and plans to have a female member at the latest from the term after the next term. The objectives for the composition of the Supervisory Board are explained in more detail in the Declaration of Compliance.

Directors' Dealings

According to Section 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) if the total consideration is larger than EUR 5,000 within one calendar year.

There were no directors' dealings in the fiscal year 2012. 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 in accordance with the International Financial Reporting Standards (IFRS) and the individual financial statements of Asian Bamboo AG are prepared in accordance with German GAAP (generally accepted accounting rules) and the German Commercial Code (HGB). Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft was appointed at the general shareholders' meeting as auditor and 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 discussed, and reported on the main results of their audit.

Corporate compliance

Compliance with the relevant statutory provisions and internal company policies is an essential part of Asian Bamboo's corporate governance. It is therefore a key duty of all employees and departments to ensure compliance with all applicable provisions in their respective areas of responsibility.

We have developed a code of conduct for the entire Group which is described in our employee manual and handed out to every new 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 management report in the chapter 'Risk Report' on p 61 in this annual report. In accordance with statutory provisions, the Company's risk management system is designed to detect significant risks early so that appropriate measures can be taken to reduce, diversify, shift or avoid the potential impact of these risks and to secure the continuance of the company. The risk management process is supported through the controlling and auditing functions. In 2011, the Management Board updated the Company's risk management procedures to further strengthen this area.

Transparency

Shareholders and other interested parties are informed by Asian Bamboo AG about the Company's financial standing and business developments of significant importance mainly through financial reports (annual and quarterly reports), press conferences, analyst and press meetings, press releases, ad hoc announcements and at the Annual General Meeting. Information can be also obtained both in English and German on the Company's website at www.asian-bamboo.de or www.asian-bamboo.com. Apart from detailed information on Asian Bamboo Group and the share price, the website also contains the financial calendar which provides an overview on all important events.

Asian Bamboo AG
Hamburg, Germany, April 2013

The Supervisory Board The Management Board

BUSINESS REVIEW

"Asian Bamboo is entering a new phase where our vertical diversification and international projects will play a more important role."

Jiang Haiyan
COO

BUSINESS MODEL

Percentage of total sales

5%
FIBRE

19%
BAMBOO TREES
Harvesting period:
Mainly Q3 and Q4

62%
SPRING SHOOTS
Harvesting period:
Mainly Q1 and Q2

14%
WINTER SHOOTS
Harvesting period:
Mainly Q4 and Q1

Percentage of category sales

15%
Top three customers

Jiayi
(Bamboo furniture)

Zhongzhu
(Bamboo pulp and fibre)

Xinchen
(Bamboo flooring)

85%
Other customers

Construction

Furniture

Others

64%
Fresh shoots

Domestic agricultural markets → **Wholesale and distribution**

36%
Processed shoots

Processing line →
- **40%** Exports to Japan
- **60%** Domestic market

Operating conditions

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 climate and mountainous terrain. 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 a lot of room for us to grow. We estimate that we currently lease only around 1.7% of the total Moso Bamboo plantation forest area in China.

Our integrated business model

Early on we identified the strategic value of developing an integrated business model in order to create a more diversified and a broader revenue base. We remain committed to this business model and we are constantly looking at ways to further diversify our operations. At the moment our focus is on developing the bamboo fibre business and the export business.

From a financial point of view, our business model is robust and resilient. The plantations are paid for up-front and the yearly amortisation is a non-cash item. The assessment of the fair value of biological assets creates an impact on the P&L, which exaggerates the underlying business development. However

"Shaowu is our oldest and most established office. We continue to build on our strong customer base."

Zhang Xingqing
General Manager, Shaowu Xinrixian Industry Co., Ltd.

that is a non-cash item. Overhead costs primarily consist of administrative costs and reclamation costs (cultivation costs). Harvesting costs are variable and increase/decrease with harvesting volumes. In summary, positive cash flows will be achieved when sales are stable and when sales volumes are high, the business is very profitable.

Cultivation

The plantations are the foundation of our business model and they play a crucial role in maintaining the quality of our products and a steady output. We are fortunate that the bamboo plantations need neither irrigation nor fertilisers as the bamboo shoots and bamboo trees grow naturally. We do, however, spend money on soil cultivation. Work is done in the autumn months and the costs are booked as they are incurred. These cultivation costs, which we call reclamation fees, are linked to the plantation size, which means that the larger/smaller plantation area we possess, the higher/lower these costs are.

Harvesting

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 textiles, flooring as well as interior decoration.

The bamboo trees are primarily harvested between August to December. Winter shoots and spring shoots are both harvested from the same root, but they grow independently. Winter shoots are mainly harvested from November to February and spring shoots in March through April. Winter bamboo shoots which are not harvested will die. 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 can grow more than 100 cm in one day.

Many of the farmers from whom we lease the plantations continue working for us. In addition, farmers from other villages or provinces also participate in the harvesting work. The harvesting labour is organised by independent 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.

Total plantation size by end of 2012

	Location	Area (ha)
1	Shaowu	19,875
6	Longyan	14,880
2	Sanming	4,913
3	Shunchang	4,374
5	Wuyishan	4,067
4	Guangze	2,715
7	Nanping	2,447
8	Jianyang	1,240
	Total plantation size	54,511

The farmers get paid in relation to their output and they have complete freedom in choosing when and how much time they spend working on our plantations. As the farmers only work during harvesting periods, they are likely to have other sources of income. In total, we estimate that there are around 10,000 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 diversified harvest 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.

"Despite an overall challenging environment, we continue to locate new customers."

Zhang Hongcheng
Vice General Manager, Marketing Department

REVENUE PER HECTARE IN FY 2012

Bamboo trees

20%

EUR 256

(2011 = EUR 562)

+

Bamboo shoots

80%

Total bamboo shoots = EUR 1,017

(2011 = EUR 1,428)

Processed shoots

24%

EUR 300

(2011 = EUR 413)

Fresh spring shoots‡

41%

EUR 526

(2011 = EUR 668)

Fresh winter shoots

15%

EUR 191

(2011 = EUR 347)

=

Total revenue

EUR 1,273*

(2011 = EUR 1,990)†

In FY 2012 the harvesting volumes decreased for the following reasons:

- A weak harvest of bamboo shoots, particularly winter bamboo shoots
- A slow pace of development of the fibre business which led to limited demand
- An overall weak economic situation in China

Revenue per ha was EUR 1,273 (2011: EUR 1,990).

Our plantations

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 located 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 usually 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. At the end of a lease we expect to renegotiate the contract terms. As our lease terms are very long we have not renegotiated any leases yet.

* This number excludes revenue from bamboo fibre sales

† This number was calculated by dividing the total revenue each month by the relevant mature plantation size for that month and then adding up each month's revenue per hectare for a total revenue per hectare for the entire year

‡ including dried bamboo shoots

The contracts are legally binding and there are no additional payments or other arrangements other than the up-front lease payment. A part of the total sum will be paid when the contract to lease the plantation is signed, with the balance paid when the harvesting rights are transferred, which generally takes place within a year after the contract to lease the plantation is signed. 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.

There were no changes to the plantation leases during the year. At the end of FY 2012, we had a total plantation size of 54,511 ha.

Operational overview

Our business model, which has worked very well in the past, showed significant weakness in 2012. An overall weak economy in combination with poor weather and problems in recruiting enough harvesting labour resulted in a significant deterioration in the financial performance. While the overall economic growth rates in China were maintained at high levels, the various cooling measures, initiated by the government to influence the development of the property market, had a negative impact on the construction and furniture industries which are key industries for us. The food industry was largely stable. We believe that we are facing a longer term challenge to secure enough farm labour as the rural population is decreasing as the younger generation is overwhelmingly moving to the large cities. This urbanisation process is happening all over China.

In this context, our diversification into bamboo fibre processing, which is a much less labour intensive industry, is particularly important. However, we also expect the labour situation to improve as the current economic slowdown, which is government engineered, is likely to result in less overall demand for labour over time. In addition, we also expect that the government will take a proactive stance in order to secure food supply at reasonable prices to the Chinese population.

During the year, we continued with our business development and plantation management activities such as: bamboo high yield technology training, GLOBALGAP certification, organic bamboo certification and preparations for a Forest Stewardship Council ('FSC') certification.

OPERATIONAL HIGHLIGHTS IN FY 2012

- Developed a higher quality bamboo pulp
- Began producing from the entire plantation size of 54,511 ha
- Increased the total number of customers by 37% to 319 (2011: 233 customers)
- Completed the new factory for processed bamboo shoots in Longyan

OPERATING GOALS FOR FY 2013

- Increase revenue per ha compared to FY 2012
- Develop additional distribution channels for our fresh and processed products both inside and outside China
- Develop additional distribution channels for bamboo fibre both domestically and internationally
- Find a long term partner for the bamboo fibre business

Revenue analysis

Revenue breakdown

kEUR	**FY 2012**	FY 2011	Change
Bamboo trees	**13,933**	24,937	-44%
Fresh winter bamboo shoots	**10,419**	15,737	-34%
Fresh spring bamboo shoots (including dried bamboo shoots)	**28,671**	29,280	-2%
Processed bamboo shoots	**16,374**	14,801	11%
Bamboo fibre (ADBP)	**3,458**	5,081	-32%
Total	**72,855**	89,836	-19%

Sales of bamboo shoots (including spring, dried, winter and processed shoots), bamboo trees and bamboo fibre accounted for 76%, 19% and 5% of total revenue, respectively. Year-on-year, sales of bamboo shoots, bamboo trees and bamboo fibre decreased by 7%, 44% and 32%, respectively. The sharp fall in sales of bamboo trees was a result of the weak economy and minimal production volumes at Shaowu Zhongzhu, the fibre mill.

Spring bamboo shoots (including dried bamboo shoots), processed bamboo shoots and winter bamboo shoots accounted for 39%, 23% and 14% of total revenue, respectively. Year-on-year, sales of processed bamboo shoots were up by 11%, while sales of spring bamboo shoots (including dried bamboo shoots) and winter bamboo shoots fell by 2% and 34%, respectively. The sharp decrease in sales of winter bamboo shoots was primarily caused by weather related factors.

The total number of customers increased by 37% to 319, of which 281 customers purchased fresh products and 22 bought processed bamboo shoots. Most of our new customers are located in Longyan and Wuyishan, where some of the plantations which most recently became mature are located.

Product mix analysis

	FY 2012	**% of total sales**	FY 2011	% of total sales
Bamboo trees	**13,933**	**19%**	24,937	28%
Fresh winter bamboo shoots	**10,419**	**14%**	15,737	17%
Fresh spring bamboo shoots (including dried bamboo shoots)	**28,671**	**39%**	29,280	33%
Processed bamboo shoots	**16,374**	**23%**	14,801	16%
Bamboo fibre (ADBP)	**3,458**	**5%**	5,081	6%
Total	**72,855**	**100%**	89,836	100%

Fresh winter bamboo shoots

Overall volumes fell sharply due to weather and harvesting difficulties, while prices were slightly higher compared to a year ago. We marginally increased the percentage of winter bamboo shoots sold under our own brand name 'Xinrixian', as a percentage of the total sales value of fresh winter shoots, to 52% (2011: 51%). 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.

Distribution of winter shoots in '000 kg

FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
10,709	18,025	15,521	13,224	8,516

“Wuyishan is a UNESCO World Heritage Site, which means that special operational considerations will have to be taken into account.”

Huang Zhiping
General Manager, Wuyishan Xinrixian. Forestry Co., Ltd.

Fresh spring bamboo shoots

As a result of slightly higher prices and slightly lower volumes of our fresh spring shoots (including dried bamboo shoots), revenues in FY 2012 were similar to those of FY 2011. Our fresh products are sold mainly in cities through wholesale markets such as the Agricultural Product Trading Centres. The vast majority of our fresh spring shoots are sold in the south-eastern provinces of Fujian, Zhejiang and Jiangsu and the city of Shanghai. Naturally, Fujian province is our most important market overall.

Distribution of spring shoots in ‘000 kg

	FY 2012	**%**	FY 2011	%	FY 2010	%	FY 2009	%	FY 2008	%
Sold fresh	**110,312**	**69%**	125,965	73%	79,270	63%	52,676	55%	36,067	45%
Processed	**49,515**	**31%**	46,309	27%	46,192	37%	43,788	45%	44,334	55%
Total	**159,827**	**100%**	172,274	100%	125,462	100%	96,464	100%	80,401	100%

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 spring shoots as the skin and other non-edible parts are removed. In 2012 we sold 1.51 million cans which is around 8% more than in 2011.

Revenue from selling processed bamboo shoots increased by 11%. We exported around 410,000 cans to Japan, which is around 90,000 cans fewer than in 2011, while we increased domestic sales. The domestic wholesale market, which is primarily located in Fujian province, Shanghai, Beijing, Nanjing, Qingdao and Zhuhai, remained stable.

Bamboo trees

Mainly due to minimal production volumes at Zhongzhu, sales to Zhongzhu in 2012 decreased by around 90% compared to 2011; total sales values of bamboo trees decreased by 44% year-on-year. On the positive side, we added 34 customers during the year, mainly in Longyan and Wuyishan. Our three largest customers, Zhongzhu, Jiayi and Xinchen, accounted for 15% of overall bamboo tree sales (2011: 51%).

We expect sales of bamboo fibre, which generated only around 5% of total revenue in 2012, to increase significantly in 2013, which will lead to larger demand for bamboo trees. In addition, we also believe it is likely that there will be an improvement in the overall economic climate in 2013.

Distribution of bamboo trees (‘000 pieces)

FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
6,277	13,085	13,531	12,589	9,702

Bamboo fibre

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 polymerisation.

Bamboo fibres have a wide range of applications, but they are primarily used for textile fabric production as a direct substitute for other textile fibres, cotton and viscose. In FY 2012 we sold EUR 3.5 million worth of bamboo fibre, which is around EUR 1.6 million less than the year before, as we focused on developing a higher quality product. We are having ongoing discussions with a number of domestic and multinational corporations about future business relationships.

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.

The production is done by Zhongzhu as an OEM manufacturer. We are selling our bamboo trees to Zhongzhu and buying bamboo fibres which are produced according to our requirements. This is a cost effective arrangement which gives us complete flexibility for the future. At the moment, Zhongzhu's annual production capacity amounts to around 20,000 tonnes. Zhongzhu's production process comfortably meets all local environmental regulations.

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 and it was funded through a donation made by Asian Bamboo's founder, Mr Lin Zuojun, in his personal capacity. In 2010 we set up a Research & Development sub-centre in Guilin Village, Shaowu City, close to many of our plantations.

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

Since its inception, 22 technical specifications and operational standards have been drafted and filed, mainly in the areas of bamboo forestry cultivation, bamboo shoot processing and bamboo timber fine processing. In addition, the research centre has a long list of achievements:

- In 2010, the Xinrixian Research Centre was approved by the Science and Technology Department of Fujian Province and named the 'Fujian Provincial Engineering Research Centre for Bamboo and Bamboo Shoots Processing Enterprises'
- In February 2012, the provincial standards of 'Standards on high yielding technology of Moso bamboo' were approved by the Fujian Provincial Administration of Quality and Technology Supervision
- In May 2012, the Group's patent named 'A compound bamboo shoot sporoderm-broken enzyme and preparation method of bamboo shoot dietary fibre' was authorised by the State Intellectual Property Office of the People's Republic of China (SIPO)
- In November 2012, the technological planning project named 'Application research on key technology of unshelled bamboo shoots preservation', which Xinrixian Group applied for in 2010, passed inspection by experts from Fuzhou Science and Technology Bureau

In 2012, we launched a number of research projects including setting up a technical research platform and continued work on the 'Standards on high yielding technology of Moso bamboo' and other related standards, which are projects supported by the Fujian provincial government.

"In 2012 we began the process of achieving an FSC certification, which will further support our international business development."

Yuan Zongshen
Vice General Manager, Business Development Department

FINANCIAL REVIEW

"Despite the weak operational performance in FY 2012, our financial position remains strong."

Qiu Hai

Financial Controller

FINANCIAL REVIEW

The financial performance was negatively affected by the deteriorating macro-economic environment and the significant loss in the fair value of biological assets ('FVBA'*). As domestic and international markets were weak, revenue per hectare fell, while plantation costs, such as cultivation costs and amortisation, increased due to a larger plantation size. In summary, we achieved the following performance (percentage numbers are year-on-year comparisons):

- Revenue decreased 19% to EUR 72.9 million (2011: EUR 89.8 million)
- Cost of sales decreased 42% to EUR 26 million (2011: EUR 44.7 million)
- Loss in FVBA* of EUR 56.8 million (2011: Loss of EUR 18.9 million)
- Negative gross profit, including FVBA* changes, of EUR 10 million (2011: Positive gross profit of EUR 26.2 million)
- Net loss of EUR 19.8 million (2011: Net profit of EUR 16.2 million)
- Net cash from operating activities decreased 37% to EUR 17.6 million (2011: EUR 27.9 million)

Analysis of the income statement

Revenue breakdown

kEUR	**FY 2012**	FY 2011	Change
Bamboo trees	**13,933**	24,937	-44%
Fresh winter bamboo shoots	**10,419**	15,737	-34%
Fresh spring bamboo shoots (including dried bamboo shoots)	**28,671**	29,280	-2%
Processed bamboo shoots	**16,374**	14,801	11%
Bamboo fibre (ADBP)	**3,458**	5,081	-32%
Total	**72,855**	89,836	-19%

For a detailed revenue analysis, please refer to p 47 in this annual report.

Cost of sales

The harvested bamboo trees and shoots are, in accordance with IFRS, valued at fair value less estimated costs to sell ('Fair value', 'FVBA'). When the bamboo trees and shoots are harvested and sold, the fair value is charged as cost of sales. A higher FVBA consequently leads to higher costs per unit and vice versa.

In fiscal year 2012, due to a reduction in FVBA, cost of sales decreased. The main reasons for the reduction in FVBA are explained in the following section.

Gain/loss arising from changes in the fair value of biological assets less estimated costs to sell ('FVBA' changes)

At the end of FY 2012, the assumptions used in the FVBA calculation were adjusted with respect to prices, costs and volumes to better reflect the current market conditions as shown in external market data and control counts at the balance sheet date. In particular, the revenue per hectare of winter bamboo shoots and spring bamboo shoots and the number of trees per hectare were adjusted. While the density of trees and the costs were adjusted upwards, the revenue per ha of winter bamboo shoots and spring bamboo shoots was adjusted downwards and the net result was a significant downward revision. For details about the adjustments of the assumptions used in the calculation, please refer to p 86 in the notes.

The loss in FVBA in FY 2012 was calculated in the following way (all numbers in kEUR):

Fair value at end of period	83,930
Deduct: Fair value at beginning of period	103,026
Deduct: Cultivation costs	48,960
Add: Fair value of harvested bamboo trees and bamboo shoots	10,745
Deduct/(add): Net foreign exchange differences:	(514)
Gain (loss) in the fair value	(56,797)

"Our internal bookkeeping is done according to domestic and international accounting standards."

Yan Fengqin
Accountant, Finance Department

* FVBA is an abbreviation for gain/loss arising from changes in the fair value less estimated costs to sell for biological assets

Gross profit including revaluations

Including FVBA changes, the Company recorded a negative gross profit of EUR 10 million (2011: Positive gross profit of EUR 26.2 million).

Given the close link between FVBA and the cost of sales, as a result of the biological asset accounting methods, the Management Board deems it appropriate to specify the gross profit margin including FVBA changes.

Due to the high volatility caused by the FVBA calculation on the Company's P&L, the Management Board is of the opinion that the cash flow statement should be considered when assessing the Company's profitability as the valuation of the biological assets does not have any impact on the cash flow statement.

Other income

Other operating income amounted to kEUR 670 (2011: kEUR 180) mainly as a result of foreign exchange gains of kEUR 438.

Distribution expenses

Distribution expenses are mainly linked to our export business and handling charges for the delivery of bamboo trees. Due to weakness in demand for bamboo trees, our distribution expenses increased as we transported the trees longer distances. Distribution expenses increased by 7% to EUR 1.4 million (2011: EUR 1.3 million) during the year.

Administrative expenses

Administrative expenses increased by 12% to EUR 7.5 million (2011: 6.7 million). R&D costs in connection with the bamboo fibre processing project were EUR 0.1 million (2011: EUR 1 million). Stock option related costs were negative kEUR 186 compared to positive kEUR 881 in 2011.

Share of profit/loss of associated companies

The company's share of Xinlifeng's net loss was kEUR 319 (2011: profit of kEUR 100).

Finance net

Finance income as a result of interest income during the year was EUR 1.5 million (2011: EUR 1.1 million) and finance costs were EUR 2 million (2011: EUR 1 million). The finance net for the year was negative EUR 0.5 million (2011: positive EUR 0.1 million). The negative finance net was caused by increased borrowing as a result of the disbursement of the DEG and Proparco loans.

Income tax

In FY 2012 income tax was EUR 0.7 million (2011: EUR 2.3 million). 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 generated from the sales of fresh shoots and bamboo trees. The applicable tax rate for sales of processed products was 25% during the year (2011: 24%).

Financials

Principles and objectives of financial management

Asian Bamboo AG, as the parent company, is ultimately responsible for the longer term financial management of the Group, while the operating companies take care of the short term financing. Due to the structure of company, the responsible management personnel are the same both for the parent company and the operating companies. The financial management mainly deals with securing the funding needed to expand the Company's business operations and the treasury management of the Company's cash and cash equivalents.

kEUR	**FY 2012**	FY 2011
Cash and cash equivalents	**38,560**	41,980
Total borrowings	**46,523**	14,035
Net finance position	**(7,963)**	27,945

Loan agreements have been concluded with DEG and PROPARCO to finance the Group.

On 18 October 2011, a seven-year loan agreement of EUR 20 million with a current annual interest rate of 2.84% (six month Euribor + 2.5%) was entered into with PROPARCO.

As part of the loan agreement a set of financial covenants was agreed upon, which is a commitment by Asian Bamboo AG to comply with certain financial ratios. These financial covenants include; net debt to operating cash flow, investments to operating cash flow and total borrowings to shareholder equity.

Due to the decline in revenues for the fiscal year and the resulting decline in operating cash flows, a cash flow-based financial covenant has been broken. This entitles PROPARCO to terminate the loan agreement therefore the loan has been reclassified from long-term to short-term on the balance sheet. The Management Board maintains close contact with PROPARCO and continuously informs PROPARCO about the ongoing development of the Group. It is the Management Board's intention to maintain the Company's good relationship with PROPARCO, which may lead to an adjustment of the financial covenants. Once there is no covenant breach, the loan will be reclassified from short-term to long-term on the balance sheet.

On 3 December 2011, a seven-year loan agreement of USD 20 million with a current annual interest rate of 4.1% (six month Libor + 3.5%) was entered into with DEG.

As part of the loan agreement a set of financial covenants were agreed upon, which is a commitment by Asian Bamboo, to comply with certain financial ratios. These financial covenants include; borrowings to equity, net debt to EBITDA, current assets to current liabilities and operating cash flow to financial cost (debt service ratio).

Currently, all the covenants agreed upon with DEG are met. The Management Board monitors the business development closely in order to detect any risks to the financial situation.

Cash flow before working capital changes decreased by 67% to EUR 11.6 million (2011: EUR 34.8 million), while net cash from operating activities decreased 37% to EUR 17.6 million (2011: EUR 27.9 million). The decrease compared to last year is mainly due to the decline in revenues.

Net cash used in investing activities amounted to EUR 47.5 million (2011: EUR 39 million), of which EUR 46.3 million was used for plantation leases.

Net cash from financing activities amounted to positive EUR 26.5 million (2011: negative EUR 5.8 million) due to the disbursement of the DEG and Proparco loans in 2012. There are no unutilised credit facilities.

In FY 2012, a dividend of EUR 6.1 million (2011: EUR 5.5 million) was paid as decided by the AGM.

Cash and cash equivalents decreased to EUR 38.6 million (2011: EUR 42 million).

Net working capital (current assets minus current liabilities) improved significantly to EUR 20.6 million (2011: EUR 0.8 million) as nearly all accounts payables in relation to the plantation leases were paid in 2012.

Overall, due to positive cash flows from operating activities and low debt levels, the group maintained a strong financial position as of 31 December 2012. The long-term assets remain largely financed by equity. Despite the decrease in shareholder equity of EUR 27.9 million caused by the net loss, the equity ratio (total equity/total assets) improved to 83% (2011: 81%).

Financial position

kEUR	**FY 2012**	FY 2011	Change
Biological assets	**83,930**	103,026	-19%
Lease prepayments	**193,370**	208,844	-7%
Cash and cash equivalents	**38,560**	41,980	-8%
Other assets	**32,495**	37,998	-14%
Total assets	**348,355**	391,848	-11%
Total equity	**287,980**	315,897	-9%
Liabilities	**60,375**	75,951	-21%
Total liabilities and equity	**348,355**	391,848	-11%

At year-end 2012, total assets decreased by 11%, year-on-year, at EUR 348 million (2011: EUR 392 million).

The biological assets decreased year-on-year by 19% to EUR 83.9 million (2011: EUR 103.0 million). They consist of the estimated stocks of bamboo trees and bamboo shoots. For the evaluation we refer to p 84-86 in the notes. The long-term lease prepayments were reduced mainly through amortisation by 7% to EUR 193.4 million (2011: EUR 208.8 million). The proportion of biological assets to total assets as at 31 December 2012 were 24% (2011: 26%) and biological assets to long-term lease prepayments were 56% (2011: 53%). Cash and cash equivalents decreased by 8% to EUR 38.6 million (2011: EUR 42 million) at the end of the year.

The liabilities were reduced by 21% to EUR 60.4 million (2011: EUR 76.0 million). The bank liabilities increased while the liabilities in connection to the plantation leases decreased.

Total equity decreased by 9% to EUR 288 million (2011: EUR 315.9 million). The equity ratio (total equity/total assets) improved to 83% (2011: 81%). The Company held 143,900 treasury shares by the end of the year.

Remuneration of the Management Board and Supervisory Board

Remuneration of the Management Board

The compensation is determined in accordance with § § 87 paragraph 1, 107 paragraph 3 sentence 3 AktG by the Supervisory Board. The compensation of the Management Board is based on the size and area of activity and the financial position of Asian Bamboo AG as well as the requirements set forth in § 87 AktG. 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 are entitled to a severance payment equal to three months' salaries. Details of the remuneration of the Management Board members in FY 2012, on an individual basis, are displayed in the table below:

kEUR	Year	Fixed salary	Stock options*	Total
Mr Lin Zuojun	**2012**	**531**	**469**	**1,000**
	2011	389	–	389
Mr Jiang Haiyan	**2012**	**225**	**213**	**438**
	2011	179	–	179
Mr Peter Sjovall	**2012**	**288**	**383**	**671**
	2011	207	–	207
Total	**2012**	**1,044**	**1,065**	**2,109**
	2011	775	–	775

* The stock options were valued at grant date based upon a theoretical calculation using the Black-Scholes option pricing model. For details of the assumptions used in the computation and the number of stock options issued to each member of the Management Board please refer to the tables below

Stock option scheme 2010 ('the old 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**	31.00	2.9.2014-2.9.2015
Mr Jiang Haiyan	**100,000**	31.00	2.9.2014-2.9.2015
Mr Peter Sjovall	**180,000**	31.00	2.9.2014-2.9.2015
Total	**500,000**		

The terms of the old scheme and the assumptions used in the fair value calculation of the value of the options were as follows:

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%
Risk free interest rate	1.34%

Since the performance target cannot be achieved, the Supervisory Board deemed the scheme to have failed on 5 June 2012. In FY 2012 and FY 2011 there were not any expenses booked for this scheme. The reserve created in 2010 in the amount of kEUR 881 was dissolved in FY 2011.

Stock option scheme 2012 ('the new scheme')

On 5 June 2012, after the old scheme was deemed to have failed, the Supervisory Board resolved to launch a new stock option scheme for the Management Board (stock option scheme 2012) and granted the stock options as shown in the table below to the members of the Management Board. The stock option scheme 2012 and the stock options granted under this scheme are subject to the approval of the Annual General Meeting.

	Options	Strike price	Exercise period
Mr Lin Zuojun	**220,000**	9.00	5.6.2016-4.6.2017
Mr Jiang Haiyan	**100,000**	9.00	5.6.2016-4.6.2017
Mr Peter Sjovall	**180,000**	9.00	5.6.2016-4.6.2017
Total	**500,000**		

The strike price of EUR 9 per share was set as approximately an 11% premium to the share price of EUR 8.08 on the grant date (5 June).

The options can be exercised between 5 June 2016 and 4 June 2017, assuming that the performance target has been met. The performance target is equal to an annual average increase of adjusted EBITDA by at least 8% on the base of an adjusted EBITDA of EUR 30.044 million at the end of FY 2011. This means that an adjusted EBITDA of EUR 40.875 million must be achieved by the end of FY 2015 in order for the options to be exercised.

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 (5 June 2012). The result of the computation is to some degree determined by the assumptions used, which are summarised below:

Exercise price	EUR 9.00
Life of the stock options	5 years
Share price at grant date	EUR 8.08
Expected historical volatility	36.59%
Expected dividend yield	1.35%
Risk free interest rate	0.39%

According to this calculation, the fair value of each option was EUR 2.13 and the value for the entire scheme is EUR 1.3 million. In FY 2012 the Company booked expenses of kEUR 186 for the new scheme.

Remuneration of the Supervisory Board

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. In the event the services do not cover a full year, the remuneration is to be paid on a pro rata basis. In addition to the basic remuneration, each member receives a meeting attendance fee of kEUR 2.5 for participation at regular board meetings.

In addition to the fixed remuneration, the members of the Supervisory Board shall be granted remuneration based on the Company's entrepreneurial success ('Variable Remuneration').

On 5 June 2012, the previous Variable Remuneration programme was cancelled and a new Variable Remuneration programme was proposed, which is subject to the approval of the Annual General Meeting on 24 June 2013. According to the new Variable Remuneration programme, the following compensation will be paid to the members of the Supervisory Board provided that the performance target has been met; EUR 30,000 for ordinary members, EUR 60,000 for the deputy chairman and EUR 120,000 for the chairman.

The performance target is equal to an annual average increase of adjusted EBITDA by at least 8% on the base of an adjusted EBITDA of EUR 30.044 million at the end of FY 2011. This means that an adjusted EBITDA of at least EUR 40.875 million must be achieved by the end of FY 2015 in order for the variable compensation to be paid.

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 2012, the Supervisory Board members received a total compensation, excluding VAT, of kEUR 122 (2011: kEUR 120), which was allocated to the individual Supervisory Board members as follows:

	FY 2012 kEUR	FY 2011 kEUR
Mr Hans-Joachim Zwarg	**70**	70
Mr Chris Mcauliffe	**35**	35
Mr Pan Chaoran	**17**	15
Total	**122**	120

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 the notional amount of EUR 1 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.

By the end of March 2013, Asian Bamboo held 143,900 own shares. In accordance with § 71b of the German Stock Corporation Act (AktG), these shares do not have any voting or other rights.

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

Green Resources Enterprise Holding Limited, an entity wholly owned by Mr Lin Zuojun, who is chairman of the Management Board of Asian Bamboo, holds 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 with no restrictions.

Appointment and dismissal of Management Board members

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 section 1 and 3 AktG). 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.

Amendments to the Articles of Association

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 the Company's statutes 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

Authorised share capital

Pursuant to the resolution of the general shareholders' meeting held on 17 June 2011, the Management Board is authorised to increase the share capital of the Company with the consent of the Supervisory Board until 16 June 2016, one or several times by up to a total of EUR 7,712,500.00, issuing up to a total of 7,712,500 new no par value bearer shares, each representing EUR 1.00 of the share capital, in consideration of contributions in cash or in kind. In each case ordinary shares and/or preference shares may be issued. The shareholders are generally entitled to their statutory subscription rights. The Management Board is, however, authorised to exclude the shareholders' subscription rights, with the approval of the Supervisory Board, in certain cases, in particular:

- 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;
- if required to equal fractional amounts;
- if shares are issued in consideration of contributions in cash not exceeding the computed proportion of 10% of the share capital (1,542,500 shares) for the new shares issued excluding the subscription rights; 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;
- to grant subscription rights to the holders of convertible bonds, convertible participation 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 section 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 programmes.

The Management Board is authorised, with the approval of the Supervisory Board, to determine the rights to, and the details and the conditions of, the capital increase out of the authorised capital and the issuing of new shares.

Contingent capital

The Management Board was authorised by the general shareholders' meeting held on 17 June 2011, to issue, subject to the approval of the Supervisory Board, bearer and/or nominal (i) convertible bonds and/or (ii) optional bonds and/or (iii) convertible participating rights and/or (iv) optional participating rights and/or (v) participating rights and/or (vi) participating bonds (or a combination of these instruments) ((i) to (iv) jointly referred to hereinafter as 'financial instruments' and (i) to (vi) jointly 'instruments') one or more times until 16 June 2016 in a total nominal amount of up to EUR 250,000,000.00 with a term of no more than 15 years and to grant the bearers or creditors of financial instruments conversion rights or options on new bearer shares of the Company with a pro-rata amount of nominal capital of up to a total of EUR 4,627,500.00 in accordance with the detailed provisions of the convertible and warrant bond conditions or convertible and participating right conditions.

The instruments may be issued against contributions in cash and/or in kind. The shareholders are generally entitled to their statutory subscription rights with respect to the instruments. However, the Management Board is authorised, with the approval of the Supervisory Board, to fully or partially exclude the subscription rights of the Company's shareholders in certain cases, in particular:

- if required to equal fractional amounts;
- if the instruments are issued in connection with the acquisition of companies, parts of companies or participations in companies or for the purpose of gaining other participations in kind;
- if required to grant the bearers or creditors of then outstanding options or convertible bonds or convertible participating rights a subscription right for convertible bonds and optional bonds or convertible participating rights or optional participating rights or participating rights or participating bonds to the extent which they would be entitled to after exercising the conversion rights or option or after meeting the conversion obligation;
- provided that financial instruments are issued for cash and the issue price does not fall significantly short of the theoretical fair value of partial debentures or the partial participating rights determined in accordance with recognised financial-mathematical methods.

The terms of the bonds may also provide for dilution-protection in favour of the creditors of the bonds. Finally, the Management Board is authorised, with the approval of the Supervisory Board, to determine the further details regarding the issuance and terms of endowment of financial instruments.

In order to serve the bonds, the share capital of the Company was increased conditionally by up to EUR 4,627,500 through the issuance of up to 4,627,500 bearer shares. The sole purpose of the increase in contingent capital stock is to grant stock rights to the bearers or creditors of financial instruments, which are issued by the Company until 16 June 2016. The increase in contingent capital in accordance with the provisions of the convertible bond or convertible participating right conditions also serves for the issuance of shares to bearers or creditors of convertible bonds, which come with a conversion obligation. The increase in contingent capital will only be carried out insofar as these rights are exercised or the bearers or creditors obligated to meet this conversion obligation and provided that no treasury or otherwise created shares are provided to satisfy these rights. The Management Board is authorised, with the approval of the Supervisory Board, to stipulate the further details of increasing the contingent capital stock.

Share buy back

The general shareholders' meeting held on 17 June 2011 authorised the Management Board to repurchase treasury shares with an aggregate notional amount of the share capital of up to EUR 1,542,500.00 until the expiration of 16 June 2016. This authorisation can be exercised in whole or in instalments, once or several times.

In connection with the loan agreement with PROPARCO, which was concluded in FY 2011, 143,900 stock options were granted against the own shares. The stock options have an exercise price of EUR 26.34 and can only be exercised between three and seven years after the loan agreement was signed.

The repurchase of treasury shares may, at the discretion of the Management Board, be effected through the stock market or by means of a public purchase offer to all shareholders. If the shares are repurchased through the stock market, the consideration 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 purchase offer 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 purchase 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 through the stock market or by means of a public purchase offer to all shareholders, the Management Board is authorised, under certain circumstances and subject to the approval of the Supervisory Board, to dispose of treasury shares that have been purchased on the basis of the aforesaid or previous authorisations, in each case while excluding the shareholders' acquisition or subscription rights, as follows:

- The treasury shares may be offered to third parties as consideration within the context of company mergers or for the direct or indirect acquisition of companies, parts of companies or participations in companies or of other assets;
- The treasury shares may be sold for cash if they are sold at a price which is not significantly lower than the stock market price of same-class Company shares at the time of the sale;
- The treasury shares may also be used to discharge conversion or subscription rights or conversion privileges in respect of convertible bonds and convertible participating rights as well as optional bonds and optional participating rights or conversion obligations under convertible bonds;
- The treasury shares may also be used for options granted to institutional investors providing financing to the company or its subsidiaries;
- The treasury shares may be redeemed and cancelled without a further resolution of the general shareholders' meeting on the redemption or the cancellation.

The Management Board, subject to the approval of the Supervisory Board, is authorised to grant option rights for treasury shares to institutional investors providing financing to the Company or its subsidiaries under exclusion of the shareholders' purchase or subscription rights.

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.

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 accounting related internal control system and risk management system

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. Furthermore, staff in the accounting department receive training on accounting issues on a regular basis. For certain defined areas accounting industry experienced external experts are utilised. They receive detailed work instructions from management and their work results are continually monitored by management.

The financial systems, which are generally based on 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 carried out on received or forwarded accounting and financial data to determine the accuracy and completeness of the data. For payments, plausibility tests are conducted.

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

Relevant accounting processes are regularly reviewed by the independent internal auditing function.

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 appropriate staffing, the use of adequate software and clear legal and internal requirements, such as a predefined report format for subsidiaries, provide the basis for a proper, uniform and continuous accounting 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 about 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 decentralised decision-making process to ensure that all staff members 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, supply of labour, changing consumer preferences, currency movements, customers and other general business risks related to running a business in China.

The value of the biological assets is determined through a net present value calculation with the following key parameters; total plantation size, land rental cost, reclamation cost, estimated amount of trees, market price and harvesting costs of bamboo trees and market prices and costs for winter bamboo shoots and spring bamboo shoots. Changes to any of the parameters will have an impact on the total value of the biological assets.

Physical risks to the plantations include insects, blooming, climate change, weather, theft and damage. The Company has technical personnel at the Plantation Development Centres who work closely with our research centres in order to protect the plantations. A third party risk assessment report stated that the overall risk to the Company's plantations is manageable.

There are no viable insurance products available to the Company to insure itself against the potential property damage, therefore any damage caused by such events are not insured against. The plantation leases generally have a term of 20 years. We assume that when the contracts expire extensions can be agreed at reasonable terms. So far, however, no lease terms have been renegotiated.

The total sales value of bamboo trees distributed to our three largest customers, Shaowu Zhongzhu, Jaiyi and Xinchen, as a percentage of the total sales value of bamboo trees was 15%. 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.

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 operating environment in China for running an agriculture business is challenging, but the policies of the Chinese government is characterised by a supportive stance towards investments in the agriculture sector with the aim of improving the 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.

There are risks relating to financial instruments, 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 and PROPARCO. 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.

Furthermore, there is a financial risk associated with the loans entered into with DEG and PROPARCO. As part of the loan agreements sets of financial covenants, in the shape of certain financial ratios, have been agreed upon. During the year, due to weaker than expected operating cash flows, a financial covenant agreed upon with PROPARCO was broken, which entitles PROPARCO to terminate the loan agreement. From the Company's perspective there are sufficient cash reserves to cover the repayment of the loan to PROPARCO in the event that PROPARCO decided to terminate the loan. The Management Board maintains close contact with PROPARCO and continuously informs PROPARCO about the ongoing development of the Group. It is the Management Board's intention to maintain the Company's good relationship with PROPARCO, which may lead to an adjustment of the financial covenants.

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.

The Management Board believes that Asian Bamboo is faced with a longer term problem of recruiting farm labour. As Chinese living standards improve and there are increasingly many opportunities for the younger generation to pursue outside the traditional village life, the available farming population is getting older and smaller in size. Therefore it has become increasingly difficult for the Company to recruit farm labour. The Management Board is doing all it can to remedy the situation, but it is possible that this situation will remain for some time and that there is no simple longer term solution. Therefore, the Management Board has begun its strategy of diversifying the Company's business away from a total reliance upon the plantation harvesting model. The bamboo fibre processing project is the most important activity, but the Management Board is also looking at increasing its international business as well as other potential strategic options.

Overall the Management Board is confident that the Company can survive even a worst case scenario, as the Company has limited fixed costs and the variable costs are only incurred when there are actual sales.

Reports on events subsequent to the reporting date

There were no events subsequent to the reporting date which warrant reporting.

OUTLOOK

Macro-economic outlook

The Management Board believes that the structure of the Chinese economy is improving, but it is unlikely that it will go back to the same type of export-led growth that we had in the past due to the transformation that the Chinese economy is going through, while at the same time government spending will have to decrease and overall debt levels will have to be reduced in many more mature economies. There is likely to be continued weakness in the manufacturing sectors as China's export competitiveness has weakened due to higher costs and a strong currency. At the same time we see solid growth in the service sectors and in domestic consumption.

In Q4 2012 and Q1 2013 there have been signs of the Chinese economy stabilising as the GDP numbers are fluctuating within a relatively narrow range, exports have been steady and inflation has remained at a low level. The Management Board believes that China's economy will grow more slowly in the next few years than it did in the past. However, it still believes that the economy will offer opportunities and that relatively slower growth may also be helpful in terms of improving the labour supply situation.

The Management Board believes that the demand for bamboo trees will gradually recover and it is pleased that Zhongzhu resumed production in March/April 2013. However, general softness in the export sector and a sluggish construction market will have a dampening effect on overall demand. The Management Board believes the Company can sell all the bamboo shoots it can harvest.

Despite the challenge of recruiting farm labour, we maintain a positive outlook on the bamboo industry and the Chinese economy in the longer term. We believe that the bamboo industry will continue to do well as there is growing demand for organically grown vegetables and sustainable materials. In addition, we believe that the Chinese economy will continue to achieve superior growth compared to the more established economies for the following key reasons:

- China's work force is highly productive and competitive and Chinese companies are gaining market share globally
- Due to wealth effects, consumption levels in China are rising rapidly, while personal borrowing remains low
- The Chinese government does not hesitate to make decisions which may have a short term negative impact on the economy in order to secure longer term sustainable development
- The Chinese economy continues to grow and, according to IMF estimates, is expected to become the world's largest economy by 2016

We believe that our corporate strategy is well aligned with the Chinese government's macro-economic goals. Organic agriculture remains one of the government's key priorities and our involvement in bamboo fibre processing fits the domestic consumption story and global consumers' preferences for sustainable materials. In addition, we are confident that we can, over time, absorb the higher labour costs and pass on the cost increases to consumers due to their increased spending power.

Bamboo trees

Primarily due to weakness in the construction industry in China and various export oriented industries as a result of sluggish overseas demand, we expect demand for bamboo trees to continue to be weaker than previously, whereas we expect prices to be at least stable. In the longer term we are optimistic, both in terms of volume growth and pricing development, as we expect a rebound in economic activity and that we will continue to benefit from the global trend towards the use of sustainable materials. The successful implementation of the bamboo fibre processing project will be a key driver for demand for bamboo trees in the future.

In addition, we expect the bamboo tree trading centre, which began operating in December 2011, to improve both distribution and the pricing mechanism of bamboo trees. The project has been developed together with the government of Shaowu City and it is an important step in the development of the bamboo industry in that area.

Bamboo shoots

We continue to see strong demand and a favourable pricing development 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. Demand for bamboo shoots appears to be stable even in times of economic recession. Beginning in FY 2012, our annual production capacity for processed bamboo shoots will be 1.8 million cans.

Operational

In light of the current macro-economic uncertainties, the Management Board has decided not to lease any more plantations or to invest more in the bamboo fibre processing project until the Company's growth prospects have become clearer.

As a result of the weak operational performance, which is primarily caused by the difficulties of recruiting enough farm labour, the Management Board will conduct a thorough analysis of all aspects of the Company's operations and strategic options, which will result in a review of the Company's strategy.

Profitability and dividends

Due to the adverse impact of weather and problems recruiting enough farm labour, the Management Board expects to achieve revenues of at least EUR 50 million. Due to the low expected revenue, the Management Board decided not to conduct any reclamation work this year, which will reduce the yearly costs in FY 2013 by around EUR 20 million compared to FY 2012. Furthermore, the Management Board believes that the Company will achieve close to positive operating cash flows and that the Company will record a net loss of around EUR 13 million. The difference between the expected net loss and the close to positive operating cash flows is largely made up by the amortisation charges, which are non-cash items, of around EUR 10 million. FVBA*, which is another non-cash item, may have an impact on the earnings, but the Management Board deems it impossible to forecast that impact.

In FY 2013 it is likely that the Company will make at least some progress in resolving the challenging issues it is faced with. In addition, the outlook for the fibre business has improved. Therefore the Management Board believes that revenue, operating cash flows and net earnings will record moderate improvements in FY 2014 compared to FY 2013.

In FY 2013, the Company plans to make the final payment on the existing plantation leases of EUR 9.9 million. There are no major investments planned for 2013 and beyond for the time being.

Due to the weak operational and financial performance in FY 2012, the Management Board and Supervisory Board will not propose a dividend for FY 2012. If the Company reports operating cash flows above EUR 20 million in FY 2014, the Company will pay a dividend for that year.

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

Hamburg, Germany, 26 April 2013

Asian Bamboo AG
The Management Board

* FVBA is an abbreviation for gain/(loss) arising from changes in the fair value less estimated costs to sell of biological assets

Consolidated financial statements and notes

Responsibility statement and auditors' report

Additional information

CONSOLIDATED STATEMENT OF INCOME AND EXPENSES

for the period from 1 January to 31 December 2012

	Note	2012 kEUR	2011 kEUR
Revenue	4	**72,855**	89,836
Cost of sales	5	**(26,037)**	(44,721)
Loss arising from changes in fair value of biological assets	15	**(56,797)**	(18,926)
Gross profit including revaluations		**(9,979)**	26,189
Other income	6	**670**	180
Distribution expenses	7	**(1,432)**	(1,343)
Administrative expenses	8	**(7,501)**	(6,682)
Other expenses	9	**(21)**	(35)
Profit from operations		**(18,263)**	18,309
Share of (loss)/profit of jointly controlled entities	17	**(319)**	100
Finance income	12	**1,518**	1,115
Finance cost	12	**(1,995)**	(996)
Profit before tax		**(19,059)**	18,528
Income tax	13	**(747)**	(2,340)
Profit for the year (fully attributable to owners of the parent company)		**(19,806)**	16,188
Earnings per share			
Basic and diluted (EUR per share) *	14	**(1.30)**	1.06

* Computed on the basis of 15,281,100 shares in FY 2012 and 15,287,453 shares in FY 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 31 December 2012

	2012 kEUR	2011 kEUR
Profit for the year	**(19,806)**	16,188
Exchange differences arising from currency translations	**(2,185)**	23,334
Other comprehensive income	**(2,185)**	23,334
Total comprehensive income for the year (fully attributable to owners fo the parent company)	**(21,991)**	39,522

CONSOLIDATED BALANCE SHEET

for the period ending 31 December 2012

	Note	31.12.2012 kEUR	31.12.2011 kEUR
ASSETS			
Non-current assets			
Property, plant and equipment	16	**6,109**	5,421
Biological assets	15	**83,930**	103,026
Lease prepayments	19	**193,370**	208,844
Investments in associated companies	17	**3,368**	3,710
Other financial assets	18	**2,747**	3,160
Deferred tax assets	13	**–**	356
		289,524	324,517
Current assets			
Inventories	20	**682**	1,658
Trade and other receivables	21	**1,483**	3,400
Other financial assets	18	**1,406**	920
Lease and other prepayments	19	**16,700**	19,373
Cash and cash equivalents	22	**38,560**	41,980
		58,831	67,331
Total assets		**348,355**	391,848
EQUITY AND LIABILITIES			
Share capital		**15,425**	15,425
Par value of own shares		**(144)**	(144)
Issued capital		**15,281**	15,281
Capital reserves		**131,953**	131,953
Equity-settled employee benefits reserve		**865**	679
Foreign currency translation reserve		**43,027**	45,212
Statutory reserves of subsidiaries		**8,710**	8,617
Retained earnings		**88,144**	114,155
Total equity	23	**287,980**	315,897
Non-current liabilities			
Borrowings	24	**22,039**	9,268
Deferred taxes	13	**132**	158
		22,171	9,426
Current liabilities			
Borrowings	24	**24,483**	4,767
Trade payables	25	**10,769**	57,304
Other liabilities	26	**2,457**	1,711
Current tax liabilities		**495**	2,743
		38,204	66,525
Total liabilities		**60,375**	75,951
Total liabilities and equity		**348,355**	391,848

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 1 January to 31 December 2012

	Issued capital kEUR	Capital reserves kEUR	Statutory reserves of subsidiaries kEUR	Equity-settled benefits reserve kEUR	Foreign currency translation reserve kEUR	Retained earnings kEUR	Total kEUR
1 January 2011	15,295	131,953	8,191	881	21,878	104,223	282,421
Consolidated profit for the year	–	–	–	–	–	16,188	16,188
Other comprehensive income for the year, net of income tax	–	–	–	–	23,334	–	23,334
Total comprehensive income for the year	–	–	–	–	23,334	16,188	39,522
Transfer to the statutory reserves of subsidiaries	–	–	426	–	–	(426)	–
Recognition of share-based payments	–	–	–	(881)	–	–	(881)
Dividend payments	–	–	–	–	–	(5,503)	(5,503)
Recognition of issued stock options	–	–	–	679	–	–	679
Buy back of ordinary shares	(14)	–	–	–	–	(327)	(341)
Balance as of 31 December 2011/ 1 January 2012	15,281	131,953	8,617	679	45,212	114,155	315,897
Consolidated profit for the year	–	–	–	–	–	(19,806)	(19,806)
Other comprehensive income for the year, net of income tax	–	–	–	–	(2,185)	–	(2,185)
Total comprehensive income for the year	–	–	–	–	(2,185)	(19,806)	(21,991)
Transfer to the statutory reserves of subsidiaries	–	–	93	–	–	(93)	–
Recognition of share-based payments	–	–	–	186	–	–	186
Dividend payments	–	–	–	–	–	(6,112)	(6,112)
Balance as of 31 December 2012	15,281	131,953	8,710	865	43,027	88,144	287,980

CONSOLIDATED STATEMENT OF CASH FLOW

for the period from 1 January to 31 December 2012

	Note	2012 kEUR	2011 kEUR
Profit before tax		**(19,059)**	18,528
Depreciation of property, plant and equipment		**569**	513
(Gain)/loss arising from changes in fair value of biological assets		**56,797**	18,926
Amortisation of lease prepayments		**13,596**	11,122
Loss/(Gain) on disposal of property, plant and equipment		**3**	(5)
Interest income		**(1,518)**	(1,115)
Interest expense		**1,995**	996
Share of loss/(profit) of jointly controlled entities		**319**	(100)
Increases due to cultivation costs		**(48,960)**	(42,990)
Decreases due to harvest		**10,745**	30,131
Interest received		**1,395**	1,024
Interest paid		**(1,707)**	(1,116)
Income taxes paid		**(2,798)**	(434)
Non cash affecting income/expenses		**186**	(692)
Operating cash flow before movements in working capital		**11,563**	34,788
Increase/decrease in inventories, trade receivables, other financial assets and prepayments unless they are allocated to investing or financing activities		**5,627**	(7,680)
Increase/decrease in accounts payables and other liabilities unless they are classified as investing or financing activities		**426**	756
Net cash generated from operating activities		**17,616**	27,864
Cash flow from investing activities			
Prepaid bamboo plantation leases and purchase of biological assets		**(46,345)**	(38,365)
Sale of investments in jointly controlled entities		**123**	–
Payments for property, plant and equipment		**(1,313)**	(669)
Proceeds from disposal of property, plant and equipment		**2**	30
Net cash used in investing activities		**(47,533)**	(39,004)
Cash flow from financing activities			
Payments in connection with share buyback		**–**	(341)
Proceeds from new bank borrowings raised		**37,378**	2,223
Repayments of borrowings		**(4,799)**	(2,223)
Dividends paid to shareholders		**(6,112)**	(5,503)
Cash flow from financing activities		**26,467**	(5,844)
Net increase in cash and cash equivalents		**(3,450)**	(16,984)
Cash and cash equivalents at beginning of year		**41,980**	56,658
Foreign exchange difference		**30**	2,306
Cash and cash equivalents at the end of the year	22	**38,560**	41,980

NOTES

for the period from 1 January to 31 December 2012

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, 2012 Asian Bamboo AG directly and indirectly owned shares in the following companies:

Company name	Principal activity	Proportion of ownership interest and voting power held 31.12.2012	Equity kEUR 31.12.2012	Profit for the year kEUR 2012
Investments in fully consolidated subsidiaries				
Asian Bamboo (Hong Kong) Industrial Co., Ltd. (Hong Kong)	Holding Company	100%	526	(1,224)
Hong Kong XRX Bamboo Investment Co., Ltd. (Hong Kong)	Holding Company	100%	75,513	(2,541)
Fujian Xinrixian Bamboo Fiber Technology Co., Ltd., Shaowu, China (PRC)	R&D	100%	19,675	37
Longyan Xinrixian Forestry Development Co., Ltd., Longyan, China (PRC)	Holding Company	100%	25,748	(4,024)
Fujian Xinrixian Group Co., Ltd., Fuzhou, China (PRC)	Holding Company	100%	42,597	(3,965)
Shaowu Sanyuan Food Development Co., Ltd., Shaowu, China (PRC)	Bamboo Shoot Processing	100%	3,322	126
Fuzhou Xinrixian Food Development Co., Ltd., Fuzhou, China (PRC)	Bamboo Shoot Processing	100%	3,698	141
Shaowu Xinrixian Industry Co., Ltd., Shaowu, China (PRC)	Plantation Management	100%	85,457	(5,346)
Shunchang Xinrixian Forestry Co., Ltd., Shunchang, China (PRC)	Plantation Management and Bamboo Shoot Processing	100%	18,838	(1,268)
Sanming Xinrixian Forestry Co., Ltd., Jiangle County, China (PRC)	Plantation Management	100%	16,183	(1,039)
Wuyishan Xinrixian Forestry Co., Ltd., Jiangle County, China (PRC)	Plantation Management	100%	7,767	(2,540)
Zhangzhou Xinrixian Food Development Co., Ltd., Zhangzhou, China (PRC)	Bamboo Shoot Processing	100%	1,197	(20)
Investments in associates				
Fujian Xin Li Feng Bamboo Group Co., Ltd., Sanming, China (PRC)	Manufacturing Plywood	40%	8,002	(797)

On 10 February 2012 Fujian Xinrixian Group Co., Ltd. sold its 20% stake in Fujian Haoming Industry Co., Ltd. This divestment will help streamline the group's operating structure.

1. BACKGROUND AND BASIS OF PREPARATION (continued)

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

Currency 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.

- Amendments to IFRS 7 – Disclosures for transfers of financial assets (effective date: 1 July 2011)

The following new and amended standards and interpretations have been issued by the IASB and which are already been adopted, but for the 2012 financial year were not yet required to be applied in the consolidated financial statements as of 31 December 2012:

- Amendments to IFRS 1 – Drastic hyperinflation and removal of fixed dates for first-time adopters (effective date: 1 January 2013)
- Amendment to IAS 12 – Deferred tax: Recovery of underlying assets (effective date: 1 January 2013)
- Amendment to IAS 1 – Representations of items of other comprehensive income (effective date: 1 July 2012)
- Amendment to IAS 19 – Employee benefits (2011) (effective date: 1 January 2013)
- IFRS 10 – Consolidated financial statements (effective date: 1 January 2013)
- IFRS 11 – Joint agreement (effective date: 1 January 2013)
- IFRS 12 – Details of shareholdings in other companies (effective date: 1 January 2013)
- IFRS 13 – Measuring the fair value (effective date: 1 January 2013)
- IAS 28 – Investments in associates and common stock companies (revised 2011) (effective date: 1 January 2013)
- Amendments to IAS 32 – Offsetting of financial assets and financial liabilities (effective date: 1 January 2014)
- Amendments to IFRS 7 – Information on the offsetting of financial assets and financial liabilities (effective date: 1 January 2013)
- Amendments to IFRS 9 – Financial instruments: Classification and measurement (financial assets) (effective date: 1 January 2015)
- Amendments to IFRS 9 – Financial instruments: Classification and measurement (financial liabilities) (effective date: 1 January 2015)
- Amendments to IFRS 7 – Amendments to IFRS 1 – Government loans (effective date: 1 January 2013)
- Revised transitional rules of IFRS 10, IFRS 11 and IFRS 12 (effective date: 1 January 2013)
- Annual Improvements to IFRS cycle from 2009 to 2011 for IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34 (effective date: 1 January 2013)

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared on the basis of historical costs and production costs, unless other accounting principles are stated in the following sections. Historical acquisition or production costs are generally based on the fair value of the consideration given in exchange for the assets.

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

The principal accounting policies are set out below.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. Control is achieved where the Company 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. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those 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 subsidiaries 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 parent company is the consolidated reporting currency. 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 recognised directly in the reserve from currency translation as part of equity.

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 recognised 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Functional and presentation currency (continued)

The following conversion rates have been used:

		31.12.2012	31.12.2011
Year end	EUR 1 = RMB	**8.2207**	8.1588
Average	EUR 1 = RMB	**8.1052**	8.9960
Year end	HKD 1 = RMB	**0.8128**	0.8107
Average	HKD 1 = RMB	**0.8125**	0.8336

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 calculated so that the acquisition or production cost of assets less their residual values are depreciated over their estimated period of use:

Machinery equipment	5-10 years
Motor vehicles	5-10 years
Buildings	10-20 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 risks 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 (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 considered 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 the profit and loss statement.

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 lease prepayments

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

The initial recognition of the biological assets, in the amount of the fair value less estimated costs to sell, of the bamboo trees and the bamboo shoots which are growing on the plantation is done following receipt of harvesting rights for a leased plantation. Because market values are currently not available for determining the biological assets, the determination of the fair value is based on the present value of expected net cash flows discounted at current market rates. The incurred cost of cultivation of the plantations are recognised directly as access to biological assets, as the cultivation measures usually also lead to an increase in the fair value of biological assets. At harvest, the carrying amount of biological assets at fair value of the harvested bamboo trees and bamboo shoots decreased.

Due to the close link between the fair value of biological assets and the cost of sales, as a result of the accounting treatment of biological assets, the Management Board considers it appropriate to disclose the gross profit including changes in fair value of biological assets.

The biological assets are reassessed at each balance sheet date and correspond to the fair value of plantations located on the bamboo trees and bamboo shoots. Changes in the fair value, which are not caused by an increase in plantation size or currency movements, are recognised in the profit and loss account.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Biological assets and other non-financial assets (continued)

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 recognised as lease payments for commercial properties in accordance with IAS 17.34, is amortised over the contract period, over a straight line, as an expense in the income statement.

2.7 Inventories

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

- Agricultural materials and packing materials – purchase cost on a weighted average basis.
- Finished goods – direct material and labour costs plus production-related administrative costs based on normal operating capacity.

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 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 holds financial assets included in 'loans and receivables'. In the previous year the Group also held financial instruments classified as 'available-for-sale financial assets'.

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 carried at amortised cost using the effective interest method, less any impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial assets (continued)

In FY 2011, the Group's available-for-sale financial assets related to an investment in an equity instrument that did not have a quoted price in an active market and whose fair value could not be reliably determined. That investment was stated at cost less assessed impairment loss.

The Group's financial assets are assessed at each reporting date for indications of the need for impairments. Financial assets are considered impaired when there is objective evidence that the expected future cash flows have been impacted by one or more events that occurred after the initial recognition. Objective evidence of impairment includes the following events:

- 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

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 carried 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 recognise 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 either as financial assets at fair value or as other financial liabilities.

The Group's financial liabilities relate exclusively to the category 'Loans and receivables carried at amortised cost'. Other financial liabilities (including borrowings, trade payables and other payables) are subsequently measured at amortised cost using the effective interest method. 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 the profit and loss statement.

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 sales 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.

Revenue from the sale of goods is recognised when the goods have been delivered and the ownership has been transferred, which generally coincides with the transfer of the legal title.

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 recognised 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Share based payment arrangements (continued)

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 the number of equity instruments which 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 the income statement such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to the recognition of share-based payments as part of total equity. It is performed such that the total cost estimate reflects the change and a corresponding adjustment in the recognition of share-based payments.

For cash-settled share-based payments, a liability for the services received is recognised and assessed initially at fair value. Until the liability is settled, the fair value of the liability is measured with any changes in fair value recognised in the profit or loss statement for the year.

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 recognised 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 recognised for all taxable temporary differences. Deferred tax assets are recorded so far as 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 estimated costs to sell, a net present value calculation is conducted by an independent expert. The details of the underlying assumptions are disclosed in Section 15 'Biological assets'. Significant estimates relate to the number of bamboo trees and expected revenues from bamboo shoots, future selling 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.

The calculation of the fair value of the equity-settled stock options was made by an independent expert on the basis of the Black-Scholes option pricing model in FY 2010 and FY 2012 when the options were granted. The fair value of the options was calculated as of issue date and does not change over the life-time of the options. A change in the assumptions about the vesting conditions will be reflected in the number of equity instruments included in the transaction.

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.

At each reporting date, the Group assesses the useful lives of property and equipment. During the current financial year, no adjustments were made to the useful lives assessment.

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 revenue according to products

	2012 kEUR	2011 kEUR
Bamboo trees	**13,933**	24,937
Fresh winter bamboo shoots	**10,419**	15,737
Fresh spring bamboo shoots (including dry bamboo shoots)	**28,671**	29,280
Processed bamboo shoots	**16,374**	14,801
Bamboo fibre (ADBP)	**3,458**	5,081
Total	**72,855**	89,836

In FY 2012, two customers accounted for more than 10% of total revenue representing sales of EUR 10.1 million and EUR 7.8 million, respectively.

4.2 Breakdown of revenue according to geographical regions

	2012 kEUR	2011 kEUR
People's Republic of China (PRC)	**67,503**	83,937
Japan	**5,352**	5,899
Total	**72,855**	89,836

5 COST OF SALES

	2012 kEUR	2011 kEUR
Harvested bamboo trees and shoots	**10,745**	30,131
Material and packaging costs for processing	**3,273**	2,982
Bamboo fibre (ADBP)	**3,388**	4,908
Employee benefits expense	**3,808**	3,810
Other	**4,823**	2,890
Total	**26,037**	44,721

6. OTHER INCOME

	2012 kEUR	2011 kEUR
Gains on disposal of property, plant and equipment	**–**	17
Government grants	**–**	33
Exchange rate gains	**438**	130
Others	**232**	–
Total	**670**	180

7. DISTRIBUTION EXPENSES

	2012 kEUR	2011 kEUR
Transportation costs	**582**	511
Other	**850**	832
Total	**1,432**	1,343

8. ADMINISTRATIVE EXPENSES

	2012 kEUR	2011 kEUR
Staff costs	**4,273**	2,088
Amortisation of property, plant and equipment	**278**	124
Research and development costs	**84**	992
Travelling expenses	**408**	360
Rental costs	**498**	530
Legal and advisory fees	**279**	220
Other	**1,681**	2,368
Total	**7,501**	6,682

9. OTHER EXPENSES

	2012 kEUR	2011 kEUR
Loss on disposal of property, plant and equipment	**2**	12
Others	**19**	23
Total	**21**	35

10. HEADCOUNT AND PAY-ROLL EXPENSES

Total personnel costs compared to the previous year were:

	2012 kEUR	2011 kEUR
Wages and salaries	**7,339**	6,321
Social security costs	**81**	62
Post employment benefits (defined contribution plan)	**475**	396
Share based payment (equity settled)	**186**	(881)
Total	**8,081**	5,898

Employer contributions to statutory pension insurance in China and Germany amounted to kEUR 475 (2011: kEUR 396). For FY 2013, expenditures are expected to be similar to those in FY 2012.

The Group employed an annual average of 868 people (2011: 903 people):

	2012 kEUR	2011 kEUR
Management and administration	**180**	157
Research and development	**6**	8
Manufacturing	**647**	694
Sales	**35**	44
Total	**868**	903

11. DEPRECIATION

Depreciation of property, plant and equipment amounted to kEUR 569 (2011: kEUR 513).

12. FINANCE NET

	2012 kEUR	2011 kEUR
Interest income from interest bearing long term deposits	**97**	91
Interest income from bank deposits (category: loan and receivables)	**1,421**	1,024
Interest and similar income (category: loans and receivables)	**1,518**	1,115
Interest on overdrafts and bank loans	**(1,995)**	(996)
Interest and similar charges (category: other liabilities)	**(1,995)**	(996)
Finance net	**(477)**	119

13. TAXATION

	2012 kEUR	2011 kEUR
Current tax expense in respect of the current year	**417**	987
Deferred tax expense (income) reduced by carry forwards	**330**	1,353
Total	**747**	2,340

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 Shaowu Xinrixian, Shunchang Xinrixian Forestry Co., Ltd. and Sanming Xinrixian Forestry Co., Ltd., Wuyishan Xinrixian Forestry Co. and Longyan Xinrixian Forestry Development Co., Ltd 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. Other subsidiaries involved in bamboo shoot processing, are subject to an income tax of 25%.

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. Beginning in FY 2012 all subsidiaries involved in bamboo shoot processing, which includes the recently established Zhangzhou Xinrixian Food Development Co., Ltd., are subject to an income tax of 25%.

13.1 Income tax recognised in profit and loss

The amount of taxation charged to the income statement represents:

	2012 kEUR	2011 kEUR
Profit before tax	**(19,059)**	18,528
Taxes on income and profits at a tax rate of 25%*	**(4,765)**	4,632
Tax reduction because of preferred tax treatment	**3,760**	(5,526)
Effect on initially unrecognised tax losses	**1,432**	649
Non-deductable expenses	**52**	14
Effects of differing tax rates in other jurisdictions	**325**	5
Other	**(56)**	2,566
Tax expense in income statement	**747**	2,340
Effective tax ratio	**(3.92)**	12.63

* 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 has been in force since 1 January 2008, the corporate tax rate is 25% (2011: 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. In FY 2012, as the Company recorded a loss, there was no tax charged. In 2012 the average effective tax rate was negative 3.92%

14 EARNINGS PER SHARE

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

	31.12.2012	31.12.2011
Profit for the year attributable to owners of the Company (kEUR)	**(19,806)**	16,188
Weighted average number of ordinary shares for the purposes of basic earnings per share	**15,281,100**	15,287,453
Basic earnings per share (EUR)	**(1.30)**	1.06

The weighted average number of shares in FY 2012 was 15,281,100. There was no change in the number of shares during the year. At the balance sheet date, the Company had 15,281,100 common shares. For FY 2011 the weighted average number of shares was calculated as follows. For the first 156 days of the year the total number of shares was 15,295,100. Then the Company bought back 14,000 share between 6-27 June, which meant that the total number of shares changed nearly every day during that period. For the last 187 days of the year the total number of shares was 15,281,100. The weighted average number of shares during the year was 15,287,453.

With reference to IFRS 2, the stock options which were granted to the management team in 2010 and 2012 and to PROPARCO in 2011 did not have any dilutive impact, because 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 shoots and bamboo trees which are growing on the plantations. Spring bamboo shoots which are not harvested will grow into trees. Since the average harvest cycle of bamboo trees is 5 years and the weighted average lease term is 20 years, Asian Bamboo is the owner of the bamboo trees and the bamboo shoots which are growing on the plantations. The biological assets are valued in accordance with IAS 41.10 and the Company uses historical data to estimate future revenue and cost streams to derive at a reliable estimate.

15. BIOLOGICAL ASSETS (continued)

Overview of all leased plantations as of 31 December 2012, which were all classified as mature:

Location	Company	Area	Plantation size (mu)	Plantation size (ha)	Date of lease agreement (DD.MM.YYYY)	Lease period	Number of years left of lease period
Plantations leased and harvesting rights obtained							
Min Xian	Shaowu	Shaowu	10,810	721	01.01.2001	20	8
Min Xian	Shaowu	Shaowu	12,910	861	01.01.2003	18	8
Min Da	Shaowu	Shaowu	8,150	544	01.01.2001	20	8
Min Da	Shaowu	Shaowu	6,000	400	01.01.2001	20	8
Min Da	Shaowu	Shaowu	4,500	300	01.01.2003	18	8
Min Run	Shaowu	Shaowu	12,540	836	01.01.2001	20	8
Kang Da	Shaowu	Shaowu	8,860	591	01.01.2003	15	5
Kang Da	Shaowu	Shaowu	8,720	581	01.01.2005	13	5
Si Rong	Shaowu	Shaowu	12,570	838	01.01.2003	15	5
Si Rong	Shaowu	Shaowu	3,070	205	01.01.2005	13	5
Guilin	Shaowu	Shaowu	27,600	1,840	01.02.2008	20	15
Xialan	Shaowu	Shaowu	29,600	1,974	01.02.2008	20	15
Yushan	Shaowu	Shaowu	31,200	2,080	01.01.2008	20	15
Huangjiashan	Shaowu	Shaowu	32,000	2,133	01.01.2008	20	15
Huangjiaji	Shaowu	Shaowu	30,600	2,040	01.02.2008	20	15
Wu Fang	Shunchang	Shunchang	18,620	1,241	01.01.2005	20	12
Lan Xia	Shunchang	Shunchang	17,750	1,183	01.01.2006	30	23
Jin Feng	Shunchang	Shunchang	15,650	1,044	01.01.2006	25	18
Xin Chen	Shunchang	Shunchang	13,580	905	01.01.2006	25	18
Wucun	Sanming	Jiangle	28,700	1,913	07.08.2008	20	16
Rui Yan	Wuyi	Wuyi	11,780	785	01.01.2006	20	13
Li Yang	Wuyi	Wuyi	13,500	900	01.01.2006	20	13
Hua Shun	Shaowu	Guangze	19,490	1,299	01.01.2007	20	14
Yin Xin	Shaowu	Guangze	21,230	1,415	01.01.2007	30	24
Chakou	Shaowu	Shaowu	31,600	2,107	01.11.2009	20	17
Dawang	Sanming	Jiangle	27,409	1,827	21.09.2009	20	17
Xiaowang	Sanming	Jiangle	17,591	1,173	23.09.2009	20	17
Xiang Pu	Shaowu	Shaowu	14,800	987	01.10.2010	20	18
Cheng Dun	Wuyi	Wuyi	16,780	1,119	04.02.2010	20	17
Huang Dun	Wuyi	Wuyi	18,950	1,263	05.03.2010	20	17
Bai Zhang	Wuyi	Wuyi	27,000	1,800	15.06.2010	20	17
Xiao Chi	Longyan	Longyan	36,080	2,405	20.02.2010	20	17
Jiang Shan	Longyan	Longyan	38,930	2,595	20.02.2010	20	17
Bu Yun	Longyan	Longyan	18,700	1,247	01.10.2010	20	18
Hong Shan	Longyan	Longyan	26,000	1,733	01.10.2010	20	18
Miao Qian	Longyan	Longyan	17,900	1,193	01.10.2010	20	18
Yan Shi	Longyan	Longyan	26,000	1,733	10.06.2010	20	17
Xia Sha	Shaowu	Shaowu	12,600	840	01.02.2011	20	18
Xiao Bi	Wuyi	Pucheng	9,700	647	04.03.2011	20	18
Lv Kou	Wuyi	Jianyang	18,600	1,240	09.03.2011	20	18
La Xi	Longyan	Longyan	18,700	1,247	01.02.2011	20	18
Bai Sha	Longyan	Longyan	23,000	1,533	01.02.2011	20	18
Tang Bao	Longyan	Longyan	17,900	1,193	01.02.2011	20	18
Total Plantations			**817,670**	**54,511**			

15. BIOLOGICAL ASSETS (continued)

The bamboo trees and bamboo shoots which are growing on the plantations are valued at fair value less estimated costs to sell as of 31 December 2012. The fair value is calculated as the present value of expected cash flows from the sale of bamboo trees and bamboo shoots after deducting expected cash-related 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 bamboo shoots are included in costs to sell such as land rental costs, reclamation costs, harvesting costs and selling costs. The expected cash flows from the harvesting of the bamboo trees in the future are discounted. The discount rate used for FY 2012 and FY 2011 was 13%.

At the end of FY 2012 and FY 2011, the assumptions going into the FVBA calculation were adjusted with respect to prices, costs and volumes to better reflect the current market conditions as shown in external market data and control counts at the balance sheet date. In particular, the estimate of the revenue per hectare of winter bamboo shoots was reduced significantly and the estimate of the revenue per hectare of spring bamboo shoots as well as cultivation costs were adjusted in line with the market conditions at the balance sheet date. As a result of the decline in revenue per ha of spring and winter shoots and the relatively constant density of bamboo trees, the cost increases could not be fully compensated. Consequently this led to a reduction in the fair value of biological assets.

Regarding the changes to the parameters, please refer to the table below:

		31.12.2012	31.12.2011
Mature			
Plantations	ha	**54,511**	54,511
Estimated amounts of trees	trees/ha	**2,369**	2,215
Market price of bamboo trees	EUR/tree	**2.22**	1.91
Land rental cost	EUR/ha	**290.80**	262.01
Estimated harvesting cost	EUR/tree	**0.49**	0.44
Estimated reclamation cost	EUR/ha	**370.13**	283.46
Estimated amount of winter shoots	kg/ha	**21**	238
Market price of winter shoots	EUR/kg	**0.93**	0.84
Estimated harvesting cost	EUR/kg	**0.15**	0.09
Estimated amount of spring shoots	kg/ha	**2,889**	3,585
Market price of spring shoots	EUR/kg	**0.21**	0.19
Estimated harvesting cost	EUR/kg	**0.07**	0.07

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

	2012 kEUR	2011 kEUR
Carrying amount at 1 January	**103,026**	99,788
Loss arising from changes in fair value	**(56,797)**	(18,926)
Increases due to new plantation leases	**–**	1,647
Increases due to cultivation costs	**48,960**	42,990
Decreases due to harvest	**(10,745)**	(30,131)
Net foreign exchange differences	**(514)**	7,658
Carrying amount at 31 December	**83,930**	103,026

15. BIOLOGICAL ASSETS (continued)

An increase/decrease in market prices for bamboo shoots and bamboo trees and the costs by 10% would result in the following changes to the fair value of biological assets:

	31.12.2012 kEUR	31.12.2011 kEUR
10% increase	**12,403**	10,852
10% decrease	**(12,307)**	(10,755)

16. TANGIBLE ASSETS

	Buildings kEUR	Improvement on leased fixed assets kEUR	Machine kEUR	Office equipment kEUR	Motor vehicles kEUR	Construction in progress kEUR	Total kEUR
Cost							
As at 1 January 2011	3,347	600	1,247	478	487	5	6,164
Additions	8	–	13	15	40	998	1,074
Disposals	–	–	–	–	(39)	–	(39)
Effect of foreign currency exchange differences	273	49	103	41	39	103	608
As at 31 December 2011	3,628	649	1,363	534	527	1,106	7,807
As at 1 January 2012	3,628	649	1,363	534	527	1,106	7,807
Additions	62	–	1	24	–	1,227	1,314
Disposals	–	–	–	(1)	(14)	–	(15)
Effect of foreign currency exchange differences	(28)	(5)	(11)	(8)	(5)	(25)	(82)
As at 31 December 2012	3,662	644	1,353	549	508	2,308	9,024
Accumulated depreciation							
At 1 January 2011	(867)	(77)	(517)	(136)	(100)	–	(1,697)
Depreciation expense charged for the year	(218)	(62)	(118)	(68)	(47)	–	(513)
Disposals	–	–	–	–	14	–	14
Effect of foreign currency exchange differences	(93)	(13)	(55)	(18)	(11)	–	(190)
At 31 December 2011	(1,178)	(152)	(690)	(222)	(144)	–	(2,386)
At 1 January 2012	(1,178)	(152)	(690)	(222)	(144)	–	(2,386)
Depreciation expense charged for the year	(253)	(69)	(118)	(80)	(49)	–	(569)
Disposals	–	–	–	–	11	–	11
Effect of foreign currency exchange differences	14	4	6	5	–	–	29
At 31 December 2012	(1,417)	(217)	(802)	(297)	(182)	–	(2,915)
Net carrying amount							
At 31 December 2011	2,450	497	673	312	383	1,106	5,421
At 31 December 2012	2,245	427	551	252	326	2,308	6,109

17. INVESTMENTS IN ASSOCIATED COMPANIES

On 11 January 2010, Hong Kong XRX Bamboo Investment Co., Ltd., (Hong Kong XRX) acquired a 40% stake in Fujian Xinlifeng Bamboo Group Co., Ltd., ('Xinlifeng'), a leading manufacturer of bamboo plywood in Fujian Province. In FY 2012, Xinlifeng recorded a net loss of kEUR 797 (2011: Net profit of kEUR 250), of which kEUR 319 was attributable to the Company. The book value of the Company's stake in Xinlifeng as of 31 December 2012 was kEUR 3,368 (2011: kEUR 3,710).

Information on Xinlifeng as of 31 December 2012:

	31.12.2012 kEUR	31.12.2011 kEUR
Total assets	**9,391**	10,370
Total liabilities	**(1,389)**	(883)
Net assets	**8,002**	9,487
Group's share of net of associated companies	**3,201**	3,795

	31.12.2012 kEUR	31.12.2011 kEUR
Total revenue	**2,637**	5,798
Total profit for the period	**(797)**	250
Group's share of profits of associates	**(319)**	100

18. OTHER FINANCIAL ASSETS

	31.12.2012 kEUR	31.12.2011 kEUR
Financial assets classified as available for sale		
Investment in Fujian Haoming Industrial Co., Ltd	**–**	123
Loans and receivables carried at amortised cost		
Deposits for leaseholds	**2,747**	2,672
Other	**1,406**	1,408
Total	**4,153**	4,080
Current	**1,406**	920
Non-current	**2,747**	3,160
Total	**4,153**	4,080

Deposits relate to the plantation leases and are repayable at the end of the lease period. The longest lease period is around 30 years.

19. LEASE PREPAYMENTS AND OTHER PREPAYMENTS

Asian Bamboo's leases usually have a maturity of 20 years. The leases include the land and the associated biological assets. The leases are accounted for under IAS 17 as operating leases. All plantation lease payments, which are made in one or more instalments, are due at the beginning of the lease or at the granting of the harvesting rights. Outstanding lease payments are booked as liabilities.

In general, the lease prepayments exceed the fair value of biological assets (bamboo trees and bamboo shoots). The residual value of the lease payments for the bamboo plantations is amortised linearly and recognised in accordance with IAS 17:34 as an expense in the profit and loss account over the lease term.

Prepayments comprise:

	31.12.2012 kEUR	31.12.2011 kEUR
Long term		
Prepayments for the lease of plantations	**193,034**	208,496
Prepayments for the lease of other land	**336**	348
Total	**193,370**	208,844
Short term		
Prepayments for the lease of plantations (short-term portion)	**13,396**	12,997
Prepayments to suppliers	**3,234**	6,294
Prepayments for the lease of other land (short-term portion)	**9**	9
Other prepayments	**61**	73
Total	**16,700**	19,373
Grand total	**210,070**	228,217

The prepayments had the following development:

	Plantations kEUR	Prepayments to suppliers kEUR	Commercial properties kEUR	Other kEUR	Total kEUR
Balance at 1 January 2011	174,548	–	338	66	174,952
Additions	40,822	6,294	–	73	47,189
Expenses for the year	(11,113)	–	(8)	(66)	(11,187)
Effect of foreign currency exchange differences	17,236	–	27	–	17,263
Balance at 31 December 2011	221,493	6,294	357	73	228,217
Additions	–	–	–	61	61
Expenses for the year	(13,587)	(3,056)	(9)	(73)	(16,725)
Effect of foreign currency exchange differences	(1,476)	(4)	(3)	–	(1,483)
Balance at 31 December 2012	206,430	3,234	345	61	210,070
Thereof long-term	193,034	–	336	–	193,370
Thereof short-term	13,396	3,234	9	61	16,700

20. INVENTORIES

Inventories had the following breakdown:

	31.12.2012 kEUR	31.12.2011 kEUR
Packing materials	**184**	174
Unfinished goods	**316**	1,238
Finished goods	**182**	246
Total	**682**	1,658

Cost of inventories including bamboo trees, bamboo shoots, processing materials, packaging materials and bamboo fibres, are booked as expenses, as part of cost of sales, during the year. In FY 2012 these costs amounted to EUR 17.4 million (2011: EUR 38 million)

Neither in FY 2012 nor in previous years have there been any write-downs or write-ups on inventories.

21. TRADE AND OTHER RECEIVABLES

	31.12.2012 kEUR	31.12.2011 kEUR
Trade receivables	**1,483**	3,400
Total	**1,483**	3,400

Trade and other receivables on 31 December 2012, the balance sheet date, did not include any major claim against any single customer.

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:

	31.12.2012 kEUR	31.12.2011 kEUR
60-90 days	**67**	64
90-120 days	**22**	4
Total	**89**	68

Neither in FY 2012 nor in previous years have any write-downs or write-ups on trade and other receivables been carried out.

22. CASH AND CASH EQUIVALENTS

	31.12.2012 kEUR	31.12.2011 kEUR
Cash on hand	**38,560**	41,980
Total	**38,560**	41,980
– thereof EUR	**29,715**	28,245
– thereof RMB	**7,600**	13,238
– thereof USD	**630**	104
– thereof other currency	**615**	393
Total	**38,560**	41,980

At 31 December 2012 the geographical location of the Company's cash balances were the following; EUR 8.2 million (2011: EUR 13.7 million) in mainland China and EUR 30.0 million (2011: EUR 27.4 million) in Hong Kong SAR. Cash transfers from mainland China to other countries or to the special administrative regions of Hong Kong and Macau require the formal approval of the 'State Administration of Foreign Exchange' ('SAFE'). Consequently the Group does not have unlimited access to these funds.

23. EQUITY

23.1 Subscribed 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 143,900 shares which the parent company held as of the balance sheet date was deducted from share capital. Consequently, as of the balance sheet date of 31 December 2012, the issued capital was EUR 15,281,100 (2011: EUR 15,281,100).

Own shares and share buy back authorisation

The shares which were bought back during the months April-October 2009 and June 2011, in total 143,900 own shares, are equal to EUR 143,900 or 0.9% of the share capital.

In connection with the loan agreement with PROPARCO, which was concluded in FY 2011, 143,900 stock options were granted against the own shares. The stock options have an exercise price of EUR 26.34 and can only be exercised between three and seven years after the loan agreement was signed. Since the stock options were granted for no consideration for the purpose of strengthening the relationship with investors has been granted, it is not accounted for under IFRS 2, but as a capital transaction in accordance with IAS 32. The fair value determined at grant date of options using the Black-Scholes model and a corresponding surplus of EUR 679 formed in the income statement.

The AGM of 17 June 2011 authorised the Management Board to acquire its own shares with a nominal share capital of a total of EUR 1,542,500.00 up until 16 June 2016. The authorisation may be exercised wholly or in parts, one or more times.

23. EQUITY (continued)

23.1 Subscribed capital (continued)

Own shares and share buy back authorisation (continued)

The acquisition of treasury shares can be made at the discretion of the Management Board on the Stock Exchange or through a public tender offer to all shareholders. If the acquisition of own shares takes place on the Stock Exchange, the amount paid per share by the company (excluding transaction costs) shall not exceed the opening price in XETRA trading (or a comparable successor system) on the Frankfurt stock exchange by more than 10%. If the acquisition of own shares (see above) takes place through a public tender offer to all shareholders of the Company, the offered purchase price per share (excluding transaction costs) shall not exceed the average closing price in XETRA trading (or a comparable successor system) on the Frankfurt Stock Exchange on 4 to 10 trading days prior to the date of publication by more than 20%. The volume of the offer may 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 through the stock market or by means of a public purchase offer to all shareholders, the Management Board is authorised, under certain circumstances and subject to the approval of the Supervisory Board, to dispose of treasury shares that have been purchased on the basis of the aforesaid or previous authorisations, in each case while excluding the shareholders' acquisition or subscription rights, as follows:

- The treasury shares may be offered to third parties as consideration within the context of company mergers or for the direct or indirect acquisition of companies, parts of companies or participations in companies or of other assets;
- The treasury shares may be sold for cash if they are sold at a price which is not significantly lower than the stock market price of same-class Company shares at the time of the sale;
- The treasury shares may also be used to discharge conversion or subscription rights or conversion privileges in respect of convertible bonds and convertible participating rights as well as optional bonds and optional participating rights or conversion obligations under convertible bonds;
- The treasury shares may also be used for options granted to institutional investors providing financing to the company or its subsidiaries;
- The treasury shares may be redeemed and cancelled without a further resolution of the general shareholders' meeting on the redemption or the cancellation.

The Management Board, subject to the approval of the Supervisory Board, is authorised to grant option rights for treasury shares to institutional investors providing financing to the Company or its subsidiaries under exclusion of the shareholders' purchase or subscription rights.

The previous authorisation to purchase and use treasury shares, relating to the shareholders' resolution of 7 June 2010, was cancelled by the AGM on 17 June 2011.

23. EQUITY (continued)

23.1 Subscribed capital (continued)

Authorised share capital

The Management Board is authorised, with the approval of the Supervisory Board, based on the authorisation of the AGM on 7 June 2010, to increase the share capital of the Company 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.

On 16 June 2010, the Management Board and the Supervisory Board decided to partially utilise 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 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 in accordance with § 272 paragraph 2, No. 1 HGB.

At the AGM on 17 June 2011, the provisions for authorised capital 2010 of EUR 7.0125 million was cancelled and the Management Board was authorised, upon the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions by up to EUR 7,712,500 through the issue of up to 7.7125 million new ordinary bearer shares with no par value (shares) with a prorated amount of the share capital increase of EUR 1 in cash or in kind ('Authorised Capital 2011'), by the issue of common stock and/or non-voting preference shares, up to 16 June 2016.

The shareholders are generally entitled to their statutory subscription rights. The Management Board is, however, authorised to exclude the shareholders' subscription rights, with the approval of the Supervisory Board, in certain cases, in particular:

- 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;
- if required to equal fractional amounts;
- if shares are issued in consideration of contributions in cash not exceeding the computed proportion of 10% of the share capital (1,542,500 shares) for the new shares issued excluding the subscription rights; 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;
- to grant subscription rights to the holders of convertible bonds, convertible participation 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 section 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 programmes.

The Management Board is authorised, with the approval of the Supervisory Board, to determine the rights to, and the details and the conditions of the capital increase out of the authorised capital and the issuing of new shares.

23. EQUITY (continued)

23.1 Subscribed capital (continued)

Contingent capital

The Management Board is authorised, with the approval of the Supervisory Board, to issue bearer and/or nominal (i) convertible bonds and/or (ii) optional bonds and/or (iii) convertible participating rights and/or (iv) optional participating rights and/or (v) participating rights and/or (vi) participating bonds (or a combination of these instruments) ((i) to (iv) jointly referred to hereinafter as 'financial instruments' and (i) to (vi) jointly 'instruments') one or more times until 16 June 2016 in a total nominal amount of up to EUR 250,000,000.00 with a term of no more than 15 years and to grant the bearers or creditors of financial instruments conversion rights or options on new bearer shares of the Company with a pro-rata amount of nominal capital of up to a total of EUR 4,627,500.00 in accordance with the detailed provisions of the convertible and warrant bond conditions or convertible and participating right conditions.

The financial instruments can also be issued in the legal currency of an OECD country other than in Euros (with a limit to the corresponding Euro equivalent). They can also be issued by direct or indirect majority holding companies of the Company if issuing the financial instruments is in the interest of Group financing. In this case, the Management Board is authorised, with the approval of the Supervisory Board, to take over the guarantees for the financial instruments for the Company and to grant the bearers or creditors of such financial instruments conversion rights or options on new bearer shares of the Company.

The nominal capital is increased conditionally by up to EUR 4,627,500.00 through the issuance of up to 4,627,500 bearer shares.

The sole purpose of the increase in contingent capital stock is to grant stock rights to the bearers or creditors of financial instruments until 16 June 2016. The increase in contingent capital in accordance with the provisions of the convertible bond or convertible participating right conditions also serves for the issuance of shares to bearers or creditors of convertible bonds, which come with a conversion obligation. The new shares are issued at each conversion or option price to be stipulated. The increase in contingent capital can only be carried out insofar as these rights are exercised or the bearers or creditors obligated to meet this conversion obligation and provided that treasury shares are not provided to satisfy these rights. The new shares participate in profits from the start of the fiscal year in which they appear 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 timeframe of exercising conversion rights or options or meeting conversion obligations. The Management Board is authorised, with the approval of the Supervisory Board, to stipulate the further details of increasing the contingent capital stock.

The, on the AGM on 7 June 2010, adopted, authorisations of issuance of warrants and/or convertible bonds and the existing Conditional Capital 2010 I according to § 4 (5) of the statutes were upheld by the AGM on 17 June 2011.

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 statutory reserve of 5% of the share capital of Asian Bamboo AG.

b) Equity-settled benefits reserve

The reserve for the equity-settled benefits was the result of granting stock options by the Company to PROPARCO, which extended a loan to the company. Further information on the above-mentioned stock options can be found in section 24. Additional information on share-based employee compensation can be found in section 29.

23. EQUITY (continued)

23.2 Reserves and retained earnings (continued)

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 foreign 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.

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 1,730).

24. BORROWINGS

	31.12.2012 kEUR	31.12.2011 kEUR
Secured at amortised cost		
Long-term bank loans	**22,039**	9,268
Short-term bank loans	**24,483**	4,767
Total	**46,522**	14,035

At the end of FY 2012, the Company had two domestic loans for a total of kEUR 2,190. All loans granted in China are short-term loans which are usually renewed annually. This means that from an accounting point of view these loans are being repaid in 2013. 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 1,695. Due to the short duration of the loans, the fair value of the loans approximates their book value.

On 18 October 2011, a seven-year loan agreement of EUR 20 million with a current annual interest rate of 2.84% (six month Euribor + 2.5%) was entered into with PROPARCO.

As part of the loan agreement a set of financial covenants was agreed upon, which is a commitment by Asian Bamboo AG to comply with certain financial ratios. These financial covenants include; net debt to operating cash flow, investments to operating cash flow and total borrowings to shareholder equity. The loan was disbursed on 1 March 2012. Repayments of this loan, with 11 semi-annual instalments of kEUR 1,818 each, will begin on 30 September 2013. The Group has not given any collateral for the loan.

24. BORROWINGS (continued)

In connection with this loan agreement PROPARCO was granted 143,900 stock options. The options have an exercise price of EUR 26.34 and can only be exercised between the third and the seventh year of the loan agreement. Since the options were granted for no consideration for the purpose of strengthening the relationship between Asian Bamboo and PROPARCO, it is not accounted for under IFRS 2, but as a capital transaction in accordance with IAS 32. The fair value of these stock options, which was determined at grant date using the Black-Scholes option pricing model, corresponds to a reserve for equity-settled benefits in the amount of kEUR 679 which was booked as a cost in FY 2011.

Due to the decline in revenues for the fiscal year and the resulting decline in operating cash flows, a cash flow-based financial covenant has been broken. This entitles PROPARCO to terminate the loan agreement therefore the loan has been reclassified from long-term to short-term on the balance sheet. The Management Board maintains close contact with PROPARCO and continuously informs PROPARCO about the ongoing development of the Group. It is the Management Board's intention to maintain the Company's good relationship with PROPARCO, which may lead to an adjustment of the financial covenants. Once there is no covenant breach, the loan will be reclassified from short-term to long-term on the balance sheet. Please also refer to the comments in the annual report on financing and financial risks in the Risk Report.

In addition, the short-term bank loans include the current portion of loan repayment to the DEG in the amount of kEUR 2,293.

As regards to the long-term loans:

In September 2009, DEG granted a 7-year loan of USD 15 million. The repayment of the loan, in semi-annual instalments of kEUR 1,150 (USD 1.5 million), began on 15 April 2012. The annual interest rate is equal to U.S. Libor + 4.5%. The Group has not given any collateral for the loan. On 31 December 2012, the total book value of this loan was kEUR 9,175 of which the long-term portion and the short-term portion amounted to kEUR 6,881 and kEUR 2,294, respectively.

On 3 December 2011, DEG granted a 7-year loan of USD 20 million. The repayment of the loan will begin on 15 April 2014. The annual interest rate is equal to U.S. Libor + 3.5%. The Group has not given any collateral for the loan. The entire loan is booked as a long-term loan. This loan was disbursed in 2012, which means that it was not part of the 2011 balance sheet. On 31 December 2012, this loan was valued at kEUR 15,158.

The Management Board is of the opinion that the fair value of the variable rate debt equals their carrying value.

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 LIABILITIES

	31.12.2012 kEUR	31.12.2011 kEUR
Liabilities against employees	**417**	362
Advances from customers	**1,080**	53
Other financial liabilities	**960**	1,296
Total	**2,457**	1,711

All other liabilities are due within one year. Trade accounts receivable are 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. COMMITMENT 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:

	2012 kEUR	2011 kEUR
Plantations	**13,488**	11,024
Other land	**9**	8
Buildings	**622**	560
Total	**14,119**	11,592

Future minimum lease payments under operating leases as at 31 December 2012 are as follows:

	31.12.2012 kEUR	31.12.2011 kEUR
Lease of buildings		
Within 1 year	**421**	405
After 1 year but within 5 years	**1,567**	1,413
After 5 years	**3,969**	3,920
Total	**5,957**	5,738

27.2 Contingent liabilities and assets

As of 31 December 2012 the Group did not have any significant contingent assets or liabilities.

28. RELATIONSHIPS WITH RELATED PARTIES

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. There were no direct transactions between the Group and other related parties. 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 recognised in the financial statements for compensation paid to the Management Board and other members of the management team are as follows:

	31.12.2012 kEUR	31.12.2011 kEUR
Short term employee benefits	**1,119**	806
Pension costs	**9**	6
Equity settled share based compensation	**186**	(881)
Total	**1,314**	(69)

Compensation to members of the Supervisory Board

The total remuneration to the members of the Supervisory Board was kEUR 122 (2011: kEUR 120). The numbers exclude VAT.

29. SHARE-BASED COMPENSATION

On 2 September 2010 a stock option scheme was entered into which granted Lin Zuojun, Peter Sjovall and Jiang Haiyan, 220,000, 180,000 and 100,000 options, respectively. The stock option scheme is share settled which means that there will not be any payment made by the Company.

The strike price of the stock option scheme was 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 options could 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%

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 2011, the Company did not book any costs for this scheme and reversed the booking of kEUR 881 which was made in 2010 as, based upon the view of the Management Board, it is improbable that the performance target will be met. In 2012, the Supervisory Board deemed the scheme to have lapsed due to the failure to meet the performance target.

On 5 June 2012, after the old scheme was deemed to have failed, the Supervisory Board resolved to launch a new stock option scheme for the Management Board (stock option scheme 2012) and granted the stock options to the members of the Management Board as follows; Mr Lin Zuojun 220,000 options, Mr Peter Sjovall 180,000 options and Mr Jiang Haiyan 100,000 options. The stock option scheme 2012 is equity settled, which means that the Company will not make any payment. The stock option scheme 2012 and the stock options granted under this scheme are subject to the approval of the annual general meeting.

The strike price of EUR 9 per share was set as approximately an 11% premium to the share price of EUR 8.08 on the grant date (5 June).

The options can be exercised between 5 June 2016 and 4 June 2017, assuming that the performance target has been met. The performance target is equal to an annual average increase of adjusted EBITDA by at least 8% on the base of and an adjusted EBITDA of EUR 30.044 million at the end of FY 2011. This means that an adjusted EBITDA of EUR 40,875 million must be achieved by the end of FY 2015 in order for the options to be exercised.

In line with IFRS guidelines, the Company appointed a third party to use the Black-Scholes option pricing model to assess the value of the scheme at the grant date (5 June 2012). The result of the computation is to some degree determined by the assumptions used, which are summarised below:

Exercise price:	EUR 9.00
Life of the stock options:	5 years
Share price at grant date:	EUR 8.08
Expected historical volatility:	36.59%
Expected dividend yield:	1.35%
Riskless interest rate:	0.39%

According to the Black-Scholes option pricing model, using the assumptions listed above, the fair value of each option was EUR 2.13 and the total value of the stock option scheme was kEUR 1,278.

The option cost is expensed over four years. In 2012 the expense for the option scheme was kEUR 186 on a pro-rata basis.

30. FINANCIAL INSTRUMENTS

The financial instruments are as follows:

	31.12.2012 kEUR	31.12.2011 kEUR
Financial assets		
Amortised cost		
Cash and cash equivalents	**38,560**	41,980
Trade receivables	**1,483**	3,400
Other financial assets	**4,153**	3,957
Total	**44,196**	49,337
Available for sale		
Investments	**–**	123
Grand total	**44,196**	49,460
Financial liabilities		
Amortised cost		
Borrowings	**46,522**	14,035
Trade payables	**10,769**	57,304
Other financial liabilities	**960**	1,296
Grand total	**58,251**	72,635

Cash and cash equivalents, trade receivables and other financial assets are short-term assets (remaining maturity is less than a year) with exception for an amount of kEUR 2,747 (2011: kEUR 3,160). The book value at the balance sheet date approximate fair values.

Interest relating to financial instruments is recorded as interest income or interest expense. The income related to the categories loans and receivables is kEUR 1,518 (2011: kEUR 1,115), resulting from interest on bank deposits. There was no income related to 'For sale' assets. Costs related to financial liabilities were kEUR 1,995 (2011: kEUR 996) resulting from interest rate payments on loans 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 from the normal course of business.

As the Group does not hold any financial derivative instruments for trading or as a hedge against fluctuations in interest rates and exchange rates as of this moment, this has not been deemed necessary.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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, if necessary, net of an allowance for doubtful receivable, estimated by management based on current economic conditions. No allowance for overdue receivables was accounted for.

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

The Group has entered into the following loan arrangements:

Lender	Loan amount	Interest rate	Expiration
DEG	USD 15 million	U.S. Libor+450 bp	September 2016
PROPARCO	EUR 20 million	Euribor+250 bp	September 2018
DEG	USD 20 million	U.S. Libor+350 bp	October 2018

The interest rate expenses, as well as interest rate income of our loans and deposits, are subject to potential fluctuations. If interest rates move 50 basis points higher/lower and all other variables were held constant, the net income for FY 2012 would increase/decrease by kEUR 221 (2011: increase/decrease kEUR 103). Other income after taxes of the Group will 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 those 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 reporting currencies in which the Group's financial instruments are used. As the Group sells bamboo shoots to Japan, there is a currency risk caused by fluctuations of the RMB against the yen. In addition, the Group is also exposed to the risk of currency fluctuations of the RMB against the EUR due its EUR bank deposits held in China and Hong Kong. Similarly, the Group is exposed to the effects of exchange rate volatility in the RMB against the USD through its USD loan agreements with DEG.

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

	Assets		Debt	
	31.12.2012 kEUR	31.12.2011 kEUR	**31.12.2012 kEUR**	31.12.2011 kEUR
EUR	**29,064**	27,587	**83,928**	85,259
USD	**824**	112	**24,333**	11,584
Other	**878**	759	**–**	–
Total	**30,766**	28,458	**108,261**	96,843

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

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk (continued)

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

	5% increase				5% decrease			
	2012	**2012**	2011	2011	**2012**	**2012**	2011	2011
In kEUR	**EUR/RMB**	**USD/RMB**	EUR/RMB	USD/RMB	**EUR/RMB**	**USD/RMB**	EUR/RMB	USD/RMB
Consolidated net profit	**(773)**	**1,119**	(639)	573	**855**	**(1,237)**	707	(573)
Other income	**3,386**	**–**	3,386	–	**(3,742)**	**–**	(3,742)	–
Total	**2,613**	**1,119**	2,747	573	**(2,887)**	**(1,237)**	(3,035)	(573)

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

Liquidity risk

Liquidity risk arises from the possibility that the Group is unable to meet its obligations towards other counterparties. 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 solid financial situation, there is no real liquidity risk.

	Less than 3 months	3-6 months	6-12 months	More than 1 year	Cash outflows	Book value
As of 31 December 2012						
Financial liabilities	20,179	3,654	1,444	25,998	51,275	46,522
Trade payables	–	–	10,769	–	10,769	10,769
Other	–	–	960	–	960	960
Total	20,179	3,654	13,173	25,998	63,004	58,251
As of 31 December 2011						
Financial liabilities	52	3,708	1,706	11,667	17,133	14,035
Trade payables	1,328	–	55,976	–	57,304	57,304
Other	1,296	–	–	–	1,296	1,296
Total	2,676	3,708	57,682	11,667	75,733	72,635

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. As long as the planned revenues are achieved, the risks to the plantations consist of insects, blooming, climate change, weather, theft and damage. The Company has technical personnel at the Plantation Development Centres who work closely with our research centres in order to protect the plantations. 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

Asian Bamboo's capital management strategy serves the purpose of supporting the Company's business development objectives, particularly in terms of ensuring liquidity and creditworthiness, in order to create shareholder value. With the exception of the bank loans of about EUR 11 million entered into in 2009 and EUR 20 million and USD 20 million entered into in 2011, all plantation leases were financed by the issuance of equity or the redeployment of generated profits. The Management Board does not plan any further increase in debt and, consequently, the current low level of debt level will be reduced as the Company has begun paying down the debt. The Company's debt/equity-ratio is well within the targeted capital structure.

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 2012, and in prior years, Asian Bamboo was mainly 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

The long-term assets of the group, with the exception of deferred tax assets, financial assets and shares in associated companies, have the following geographical distribution:

	31.12.2012 kEUR	31.12.2011 kEUR
People's Republic of China (PRC)	**283,408**	317,291
Total	**283,408**	317,291

35. MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS

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), independent consultant, Sierksdorf, Germany
Mr Chris McAuliffe (Vice Chairman), consultant, Hong Kong SAR
Mr Pan Chaoran, professor, Fuzhou, PRC

Up until 30 August 2012, Mr Zwarg was the chairman of the Supervisory Board of ZhongDe Waste Technology AG, Frankfurt am Main, Germany.

36. REMUNERATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The total remuneration paid to members of the Management Board was kEUR 1,044 (2011: kEUR 775). With regard to the information specified in § 314 paragraph 1 No. 6 point A sentence 1 to 8 HGB, we refer to the Remuneration Report as part of the Management Report.

The total remuneration paid to members of the Supervisory Board amounted to kEUR 122 (2011: kEUR 120). The previous year's number includes VAT.

37. AUDITING FEES

At the Annual General Meeting on 24 May 2012, Deloitte & Touche GmbH ('Deloitte') was appointed as the auditor of Asian Bamboo AG and the Group for FY 2012. Total fees paid to Deloitte, which are entirely related to auditing amount to kEUR 120 (2011: kEUR 240).

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

Up to the date of approval of the financial statements, Asian Bamboo AG received the following notices from shareholders in the Company pursuant to the Securities Trading Act (WpHG):

2 April 2013

On 2 April 2013, the Ministry of Finance, Oslo, Norway, in the name and on behalf of the state of Norway, notified us pursuant to section 21 paragraph 1 WpHG that the voting rights of the state of Norway in Asian Bamboo AG had fallen below the threshold of 3% of the voting rights on 7 January 2013 and amounted to 2.96% (456,780 voting rights) as of that date.

Of these voting rights, 2.96% (456,780 voting rights) are to be attributed to the state of Norway pursuant to section 22 (1) sentence 1 no. 1 WpHG. Attributed voting rights are held via companies which are controlled by the state of Norway and whose holdings of voting rights amount to 3% each or more in Asian Bamboo.

28 March 2013

On 28 March 2013, Norges Bank (the Central Bank of Norway), Oslo, Norway, notified us pursuant to section 21 paragraph 1 WpHG that its voting rights in Asian Bamboo AG had fallen below the threshold of 3% of the voting rights on 7 January 2013 and amounted to 2.96% (456,780 voting rights) as of that date.

7 June 2012

On 6 June 2012, BNP Paribas Investment Partners S.A., Paris, France, notified us pursuant to section 21 paragraph 1 WpHG that its voting rights in Asian Bamboo AG had fallen below the threshold of 5% of the voting rights on 1 June 2012 and amounted to 3.08% (474,748 voting rights) as of that date.

All 474,748 voting rights are being held directly by BNP Paribas Investment Partners S.A.

5 June 2012

On 5 June 2012, BNP Paribas Investment Partners S.A., Paris, France, notified us pursuant to section 21 paragraph 1 WpHG that its voting rights in Asian Bamboo AG had fallen below the threshold of 5% of the voting rights on 1 June 2012 and amounted to 3.08% (474,748 voting rights) as of that date.

Of these 474,748 voting rights, 375,348 voting rights (2.43% of the total voting rights) are attributed to BNP Paribas Investment Partners S.A. pursuant to section 22 paragraph 1 sentence 1 number 6 WpHG.

17 January 2012

On 17 January 2012, Wellington Management Company, LLP, Boston, Massachusetts, USA, notified us pursuant to section 21 paragraph 1 WpHG that its voting rights in Asian Bamboo AG had fallen below the threshold of 5% of the voting rights on 13 January 2012 and amounted to 4.98% (768,593 voting rights) as of that date.

All 768,593 voting rights are attributed to Wellington Management Company, LLP pursuant to section 22 paragraph 1 sentence 1 number 6 WpHG.

39. SHAREHOLDINGS IN ASIAN BAMBOO AG (continued)

7 December 2011

On 6 December 2911, the Wellington Trust Company, NA Multiple Common Trust Funds Trust, Global Agriculture Portfolio, Boston, Massachusetts, notified us that, pursuant to § 21 paragraph 1 WpHG, its voting rights in Asian Bamboo AG on 6 June 2011 exceeded the threshold of 3% and on that day amounted to 3.12% (480,623 voting rights). All 480,623 voting rights are attributed to Wellington Trust Company, NA Multiple Common Trust Funds Trust, Global Agriculture Portfolio in accordance with § 22 Section 1 Sentence 1 No. 2 WpHG.

19 October 2011

On 19 October 2011, GAM Holding AG, Zurich, Switzerland, notified us that, pursuant to § 21 paragraph 1 WpHG, its percentage of voting rights in Asian Bamboo AG on 8 August 2011 exceeded the threshold of 3% and amounted to 3.03% (467,183 voting rights). All 467,183 voting rights are attributed to GAM Holding AG in accordance with § 22 Section 1 Sentence 1 No. 2 WpHG.

14 January 2011

On 14 January 2011, Investec Asset Management Ltd., London, United Kingdom, notified us that, pursuant to § 21 paragraph 1 WpHG, its percentage of voting rights in Asian Bamboo AG on 13th January 2011 exceeded the threshold of 3% and amounted to 3.08% (474,768 voting rights). All 474,768 voting rights are attributable to Investec Asset Management Ltd. in accordance with § 22 Section 1 Sentence 1 no. 2 WpHG.

8 December 2009

On 7 December 2009, BNP Paribas OBAMA N.V. (ex OBAMA Fortis NV), with headquarters in Amsterdam (Netherlands), notified us that, in accordance with § 21 paragraph 5, its voting rights in Asian Bamboo AG in November 2009 exceeded the threshold of 3% and 5% and on that day amounted to 5.69% (798,000 voting rights).

40. REPORTS ON EVENTS SUBSEQUENT TO THE REPORTING DATE

There were no events subsequent to the reporting date which warrants reporting.

41. AUTHORISATION OF FINANCIAL STATEMENTS

The Management Board of Asian Bamboo AG presented the current IFRS consolidated financial statements to the Board for approval on 26 April 2013.

Hamburg, Germany, 26 April 2013

On behalf of the management

Lin Zuojun
CEO

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, 26 April 2013

On behalf of the management

Lin Zuojun
CEO

Jiang Haiyan
COO

Peter Sjovall
CFO

AUDITORS' REPORT

We have audited the 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 1 January 2012 to 31 December 2012. 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 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 institute of chartered accountants (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 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.

Frankfurt am Main, 26 April 2013

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Lüdke)
Wirtschaftsprüfer
[German public auditor]

(Eilers)
Wirtschaftsprüfer
[German public auditor]

FINANCIAL CALENDAR FY 2013

14 May
Q1 2013 Results announcement

4 June
Participation in DZ Bank Sustainable Technologies Conference in Zurich

24 June
AGM

14 August
Q2 2013 Results Announcement

8 November
Q3 2013 Results Announcement

11-13 November
Participation in the German equity forum

CONTACTS

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

Designed and produced by Sedgwick Richardson: www.sedgwick-richardson.com

Asian Bamboo AG

China
26th Floor, Xin-Ri-Xian Centre
No.98-1, Jiangbin East Avenue
Mawei District, Fuzhou 350015
P.R.China

Tel +86 (0) 591 8802 6008
Fax +86 (0) 591 8802 6898

Hong Kong
Room 1708, Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

Tel +852 2851 0260
Fax +852 2543 3343

Germany
Stadthausbrücke 1-3, 20355 Hamburg

Tel +49 (0) 40 37644 798
Fax +49 (0) 40 37644 500

Listed on: Frankfurt Stock Exchange, Prime Standard
Stock Code: 5AB
ISIN: DE000A0M6M79

www.asian-bamboo.com

FSC www.fsc.org
MIX
Paper from responsible sources
FSC® C010883