Asian Bamboo

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OPPORTUNITIES

Annual Report 2013

OPPORTUNITIES

The pace of change in the Chinese economy and society is unprecedented. Never in history have so many people been lifted out of poverty and an economic superpower been created in such a short period of time. This creates both challenges and opportunities.

Mainly due to socio-economic changes, the supply of farm labour has completely changed over the last few years. Therefore it is our conclusion that the best days of the bamboo plantation business are behind us. However, these changes also give rise to new opportunities and we are excited about entering a new chapter in the Company’s development by diversifying our business to include property development. This will open up completely new avenues which we are eager to explore.

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Income statement

In kEUR unless otherwise stated	2013	2012*	Change
Revenue†	**31,399**	69,397	-55%
Cost of goods sold	**(32,429)**	(71,608)	-55%
FVBA‡	**(24,684)**	(7,837)	215%
Gross profit including FVBA‡	**(25,714)**	(10,048)	156%
Gross profit margin including FVBA‡	**-82%**	-14%	–
Other income	**910**	670	36%
Distribution expenses	**(776)**	(1,326)	-41%
Administrative expenses	**(5,606)**	(7,432)	-25%
Other expenses	**(165,231)**	(54)	–
Profit from operations	**(196,417)**	(18,190)	980%
Share of (loss)/profit of jointly controlled entities	**289**	(319)	-191%
Finance net	**(178)**	(600)	-70%
Income tax	**(61)**	(738)	-92%
Profit for the period (net profit)§	**(196,367)**	(19,847)	889%
Net profit margin§	**-625%**	-29%	–
EPS (EUR)#	**(12.85)**	(1.30)	–

* Comparable numbers are adjusted in accordance with IAS 8
† Revenue for FY 2013 and FY 2012 do not include sales of bamboo fibre as it is treated as a discontinued operation
‡ FVBA is an abbreviation for gain/(loss) arising from changes in the fair value less estimated costs to sell of biological assets
§ Net loss in FY 2013 and FY 2012 do not include any contribution from the bamboo fibre business as it is treated as a discontinued operation
# Computed on the basis of 15,281,100 shares

Cash flow

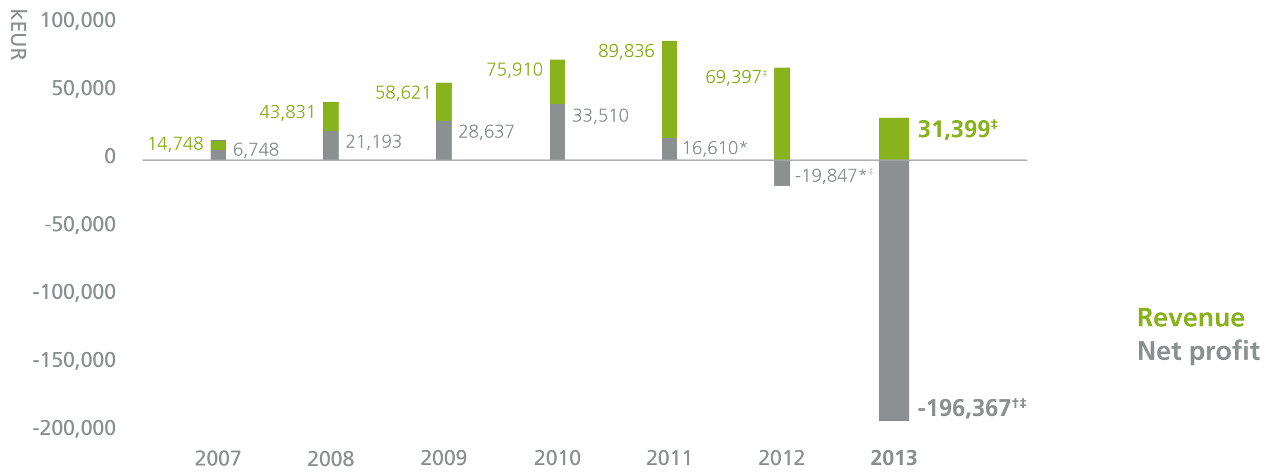
In kEUR unless otherwise stated	2013	2012	Change
Operating cash flows before movements in working capital	**5,054**	11,563	-56%
Net cash generated from operating activities	**(1,144)**	17,616	–
Cash flow used in investing activities	**2,821**	(47,533)	–
Cash flow from financing activities	**(11,230)**	26,467	–
Net increase/(decrease) in cash and cash equivalents	**(9,553)**	(3,450)	177%
Cash and cash equivalents at the end of the year	**28,474**	38,560	-26%

Simplified balance sheet and other selected data

In kEUR unless otherwise stated	2013	2012	Change
Biological assets	**58,294**	83,930	-31%
Lease prepayments	**178,178**	193,370	-8%
Cash and cash equivalents	**28,474**	38,560	-26%
Other assets	**29,179**	32,495	-10%
Total assets	**294,125**	348,355	-16%
Total equity	**86,680**	287,980	-70%
Liabilities	**207,445**	60,375	244%
Total liabilities and equity	**294,125**	348,355	-16%
Size of mature plantations (ha)	**54,511**	54,511	–
Total size of plantations (ha)	**54,511**	54,511	–
Employees	**812**	868	-6%

Financial and Operational Highlights

Revenue and net profit development

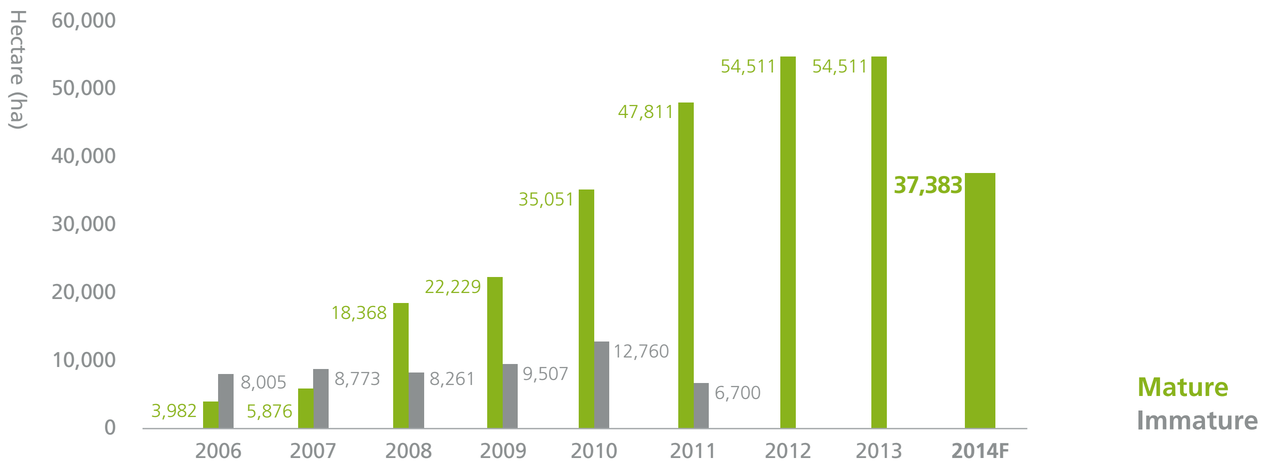


* The net profit numbers in FY 2011 and FY 2012 were heavily influenced by losses arising from changes in the fair value less estimated costs to sell of biological assets, which is a non-cash item

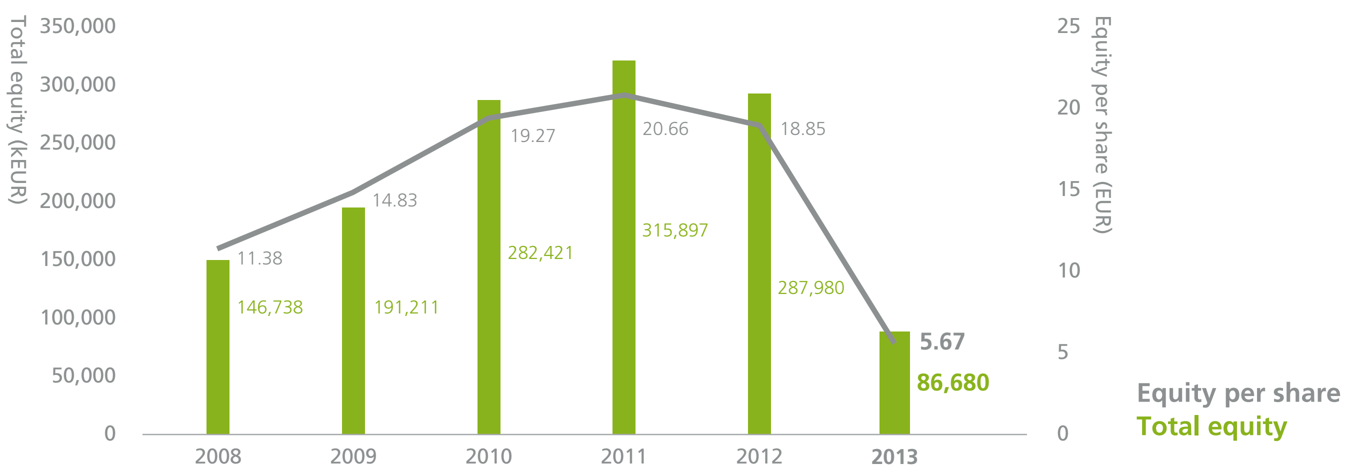
† The net profit numbers in FY 2013 was heavily influenced by losses arising from changes in the fair value less estimated costs to sell of biological assets as well as provisions for onerous contracts, which are all non-cash items

‡ The number does not include the bamboo fibre business as it is treated as a discontinued operation

Plantation size development



Total equity and equity per share development



The Year in Review

FEBRUARY

28 February

FY 2012 preliminary results announcement and guidance for FY 2013

MARCH

28 March

Supervisory Board Meeting

APRIL

28 April

Supervisory Board Meeting

30 April

FY 2012 annual results announcement

MAY

15 May

Q1 2013 results announcement

JUNE

24 June

AGM in Hamburg

25 June

Supervisory Board Meeting

AUGUST

14 August

Q2 2013 results announcement

SEPTEMBER

14-15 September

Supervisory Board Meeting

NOVEMBER

9 November

Q3 2013 results announcement

30 November

Supervisory Board Meeting

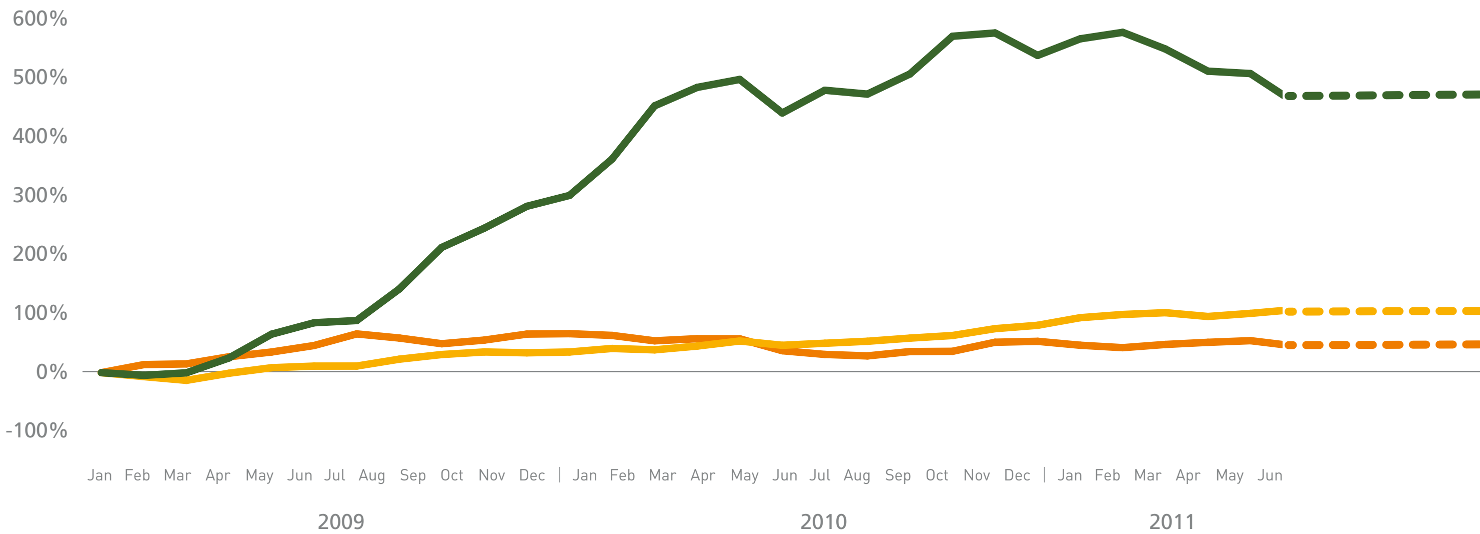
DECEMBER

17 December

Announcement of the results of the strategic review

Asian Bamboo Stock and Investor Relations

Share price and relevant index comparison chart

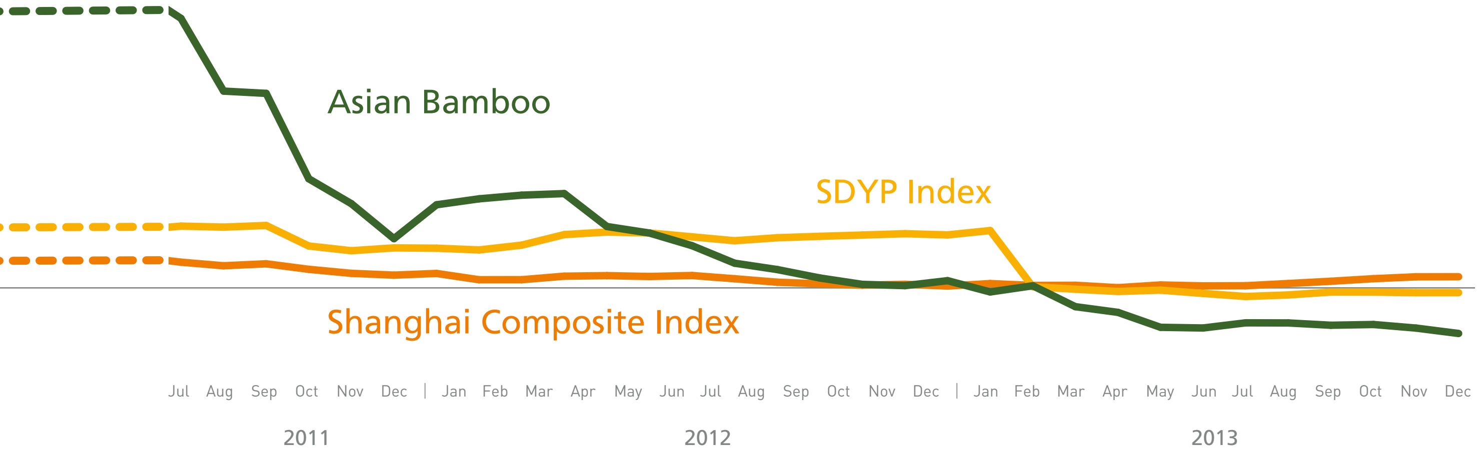


The share price fell sharply during the year. Due to the Management Board's focus on the restructuring and strategic review work, the only investor relations activity was our participation in Deutsche Boerse's Equity Forum over 12-15 November. Our investor relations activities were focused on fulfilling the general transparency and disclosure obligations.

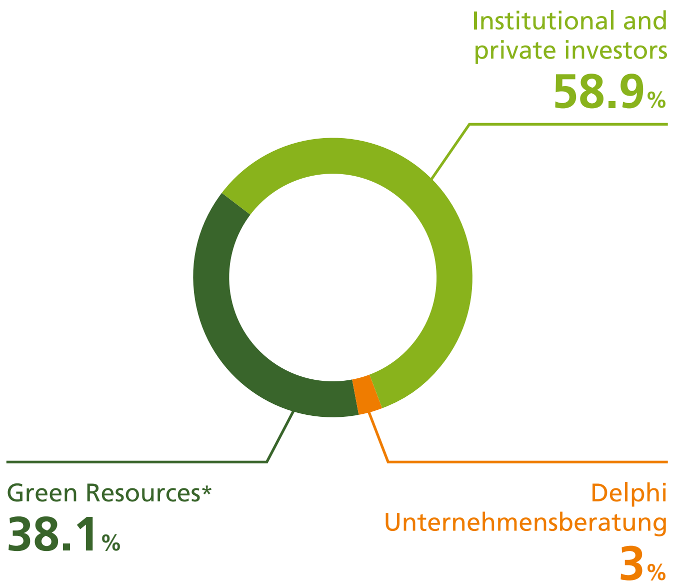
In the future one of our key tasks will be to regain the trust of the financial markets.

During the year, Green Resources Enterprise Holding Ltd. ('Green Resources'), a company wholly owned by Mr Lin Zuojun, CEO and founder, bought a total of 114,253 shares at an average price of EUR 1.77, which increased his stake in the Company to 38.1%.

Our AGM was held on 24 June in Hamburg. Due to the weak operational and financial performance in FY 2013, the Management Board and Supervisory Board will not propose a dividend for FY 2013. However the Management Board and Supervisory Board intend to resume dividend payments once the Company's operational and financial performance improves.



Shareholding structure



* Green Resources is a company wholly owned by Mr Lin Zuojun

Largest shareholders

Name	Shareholding as of latest filing	Shareholding in % of all shares	Date of latest filing
Green Resources*	5,872,253	38.07%	20.12.2013
Delphi Unternehmensberatung	464,503	3.01%	23.12.2013

Share price statistics for FY 2013

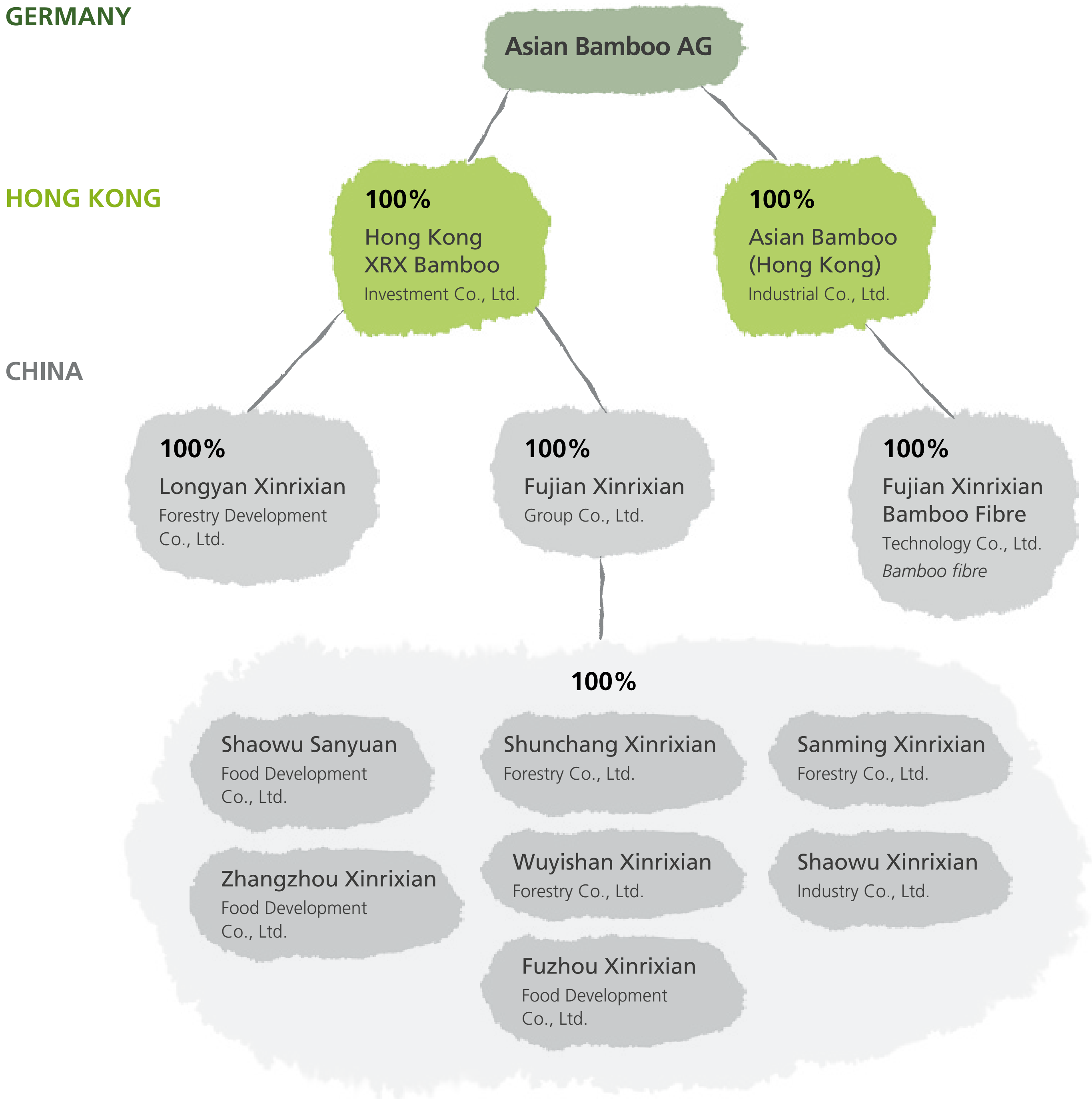
		Date
Highest share price (EUR)	7.34	12.02.2013
Lowest share price (EUR)	0.88	19.12.2013
Average share price (EUR)	3.31	–
Share price at the end of the year (EUR)	1.27	30.12.2013
Average daily trading (shares)	45,348	–
Total number of outstanding shares†	15,425,000	–
Market capitalisation at the end of the year (EUR)	19,589,750	31.12.2013

† 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.

During the year the sale of the Company's 40%-stake in Xinlifeng was completed.


GERMANY
Asian Bamboo AG
HONG KONG
100%
Hong Kong XRX Bamboo
Investment Co., Ltd.
100%
Asian Bamboo (Hong Kong)
Industrial Co., Ltd.
CHINA
100%
Longyan Xinrixian
Forestry Development Co., Ltd.
100%
Fujian Xinrixian
Group Co., Ltd.
100%
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

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Change

Lin Zuojun
CEO and Founder

"The same factors which are working against the Company in the plantation business will work for the Company in the property industry."

CEO's Statement

Dear shareholders,

In 2013 our most important decision was to adopt our new strategy which provides a fresh start for the Company. The transformation of our Company is not an easy process, but we believe that it is both necessary and will open up a whole new set of opportunities.

The conditions for running an agriculture business in Fujian Province remained very difficult in FY 2013. The supply of labour needed for harvesting decreased and harvesting pay rates increased, which led to a significantly smaller harvest and a deterioration in operational and financial performance. Moreover, bad weather conditions affected the winter bamboo shoot harvest.

The negative operating performance led to a loss in the fair value less estimated costs to sell of biological assets ('FVBA* loss') of EUR 24.7 million in the P&L. In addition, provisions for onerous plantation lease contracts caused a loss of EUR 165.2 million in the P&L. These two items, totalling EUR 189.9 million, are the main reasons for the large net loss of EUR 199.9 million. However, they are non-cash items and therefore do not have any impact on the Company's cash flow. Despite the difficult operating conditions, the Company generated positive operating cash flows before movements in working capital of EUR 5.1 million

The key financial indicators for FY 2013, which are well below the guidance set at the beginning of the year for revenues and slightly below the forecast for operating cash flows, are as follows (percentage numbers are year-on-year comparisons):

- Revenue decreased 55% to EUR 31.4 million (2012: EUR 69.4 million)
- Loss in FVBA* of EUR 24.7 million (2012 restated: loss of EUR 7.8 million)
- Negative gross profit, including FVBA-changes, of EUR 25.7 million (2012: negative EUR 10 million)
- Net loss of EUR 199.9 million (2012: net loss EUR 19.8 million)
- Operating cash flow before movements in working capital of EUR 5.1 million (2012: EUR 11.6 million)
- Net cash generated from operating activities of negative EUR 1.1 million (2012: positive EUR 17.6 million).
- Cash and cash equivalents decreased to EUR 28.5 million (2012: EUR 38.6 million) mainly as a result of repayments of bank loans during the year
- Total bank borrowings decreased to EUR 34.7 million (2012: EUR 46.5 million) after repayments of bank loans during the year
- Total equity decreased to EUR 86.7 million (2012: EUR 288 million) mainly due to a reduction in biological assets and impairments of lease prepayments

Our action plan

The root of our problems is the supply of farm labour and cost increases, which we cannot do much about. Therefore, we have to deal with the situation and make the right decisions under the circumstances. The results of our strategic review, of which the most important decision was to enter the property industry, were announced on 16 December 2013. In addition, on 23 March 2014 we were pleased to announce our plans to decrease the plantation size through giving up the rights to around 4,173 hectares (ha) and selling around 12,955 ha.

On 24 April 2014 we announced that the Management Board had signed legally binding agreements to give up the rights to 4,173 ha, thereby cancelling around EUR 9.5 million in outstanding lease fees. We are in advanced discussions about the plantations we intend to sell, which the Management Board expects to raise more than EUR 10 million. The plantations which we plan to sell have a relatively short remaining lease period and generate relatively small revenues compared to the average plantation lease. By taking this action the Management Board strengthens the Company's financial situation ahead of the entry into the property industry and it also believes that the revenue per ha will increase.

The property industry

The Chinese property market has developed favourably over the last 20 years in line with the overall increase in wealth and GDP per capita. It has also been very resilient in times of economic weakness. Despite high interest rates and government initiatives to limit speculation in the property market, prices remain high and volumes are solid.

The same factors which are working against the Company in the plantation business will work for the Company in the property business. Rising salary levels and the urbanisation process will continue to underpin demand for property. Furthermore, many Chinese prefer to invest in real estate rather than keep cash in bank deposits or buy stocks or bonds.

Rural land reform was one of the key items on the agenda at the Third Plenum of the 18th CPC Central Committee meeting in Beijing over 9-12 November 2013. Although many details are yet to be released, it is clear that in the future the Chinese government will allow more flexibility in the use of agricultural land. To the degree that it is possible and reasonable, the

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

Management Board will try to convert parts of its existing agricultural land for property development. It is likely that this strategy will focus on the tourism industry, for example in Wuyishan, which is a popular tourism destination.

In addition to the possible conversion of some of its agricultural land, the Management Board has identified suitable existing property projects which it intends to enter with partners. Asian Bamboo is an attractive partner due to its fund raising abilities, listed status and good relationships with local governments.

The property projects will be managed through separate companies ('project companies') in which a Company subsidiary will become a shareholder. We believe that the Company will be a substantial shareholder in most of these projects, together with other shareholders who are not connected to the Company. The project companies will have their own management teams made up of executives with experience in the property industry who will manage administration, construction, sales and marketing.

I am personally convinced that we will generate very good returns from the property market in the future. Therefore I have agreed to extend a RMB 100 million (around EUR 11.8 million) unsecured and subordinated loan to the Company. Furthermore, I will together with my colleagues in the Management Board also undertake to purchase or place all convertible bonds which are not taken up by our minority shareholders.

Convertible bond ('CB') issue

In order to strengthen the Company's financial situation and prepare for entry into the property business, we plan to issue a convertible bond to all shareholders. The prospectus and the details of the issue of the convertible bond are currently being worked out. However, according to the current plans the key conditions are:

- The offering shall take place after the Annual General Meeting ('AGM'), which will be held on 20 June 2014
- Shareholders will be entitled to subscribe for one convertible bond for every two shares they hold, which means that, following a successful offering, the number of issued shares will increase by 50%. The Management Board and Supervisory Board intend to seek AGM approval for issuing this amount of shares
- The rights to subscribe for the convertible bonds, which are given to all shareholders, will be tradeable, which means that shareholders can sell their rights and other shareholders or non-shareholders can purchase these rights
- The convertible bonds will have a duration of three years and will offer a low yearly interest payment

The final terms and conditions of the offering, together with details of our plans and the operating situation, will be presented in the securities prospectus, which is likely to be released shortly after the next AGM.

FY 2014 trend information and dividends

The conditions in the bamboo industry are likely to remain challenging. The Management Board expects revenue will come in around EUR 30 million and the business will generate positive net operating cash flows of EUR 3 million. Due to the high impairment charges made in 2013, further impairments charges are not likely in FY 2014.

Entering the property industry will provide a fresh start for the Company. The Management Board believes that this business will generate very significant revenue and profit contributions in the future, although revenues and profits are not likely to be generated until 2015 at the earliest.

The Management Board and Supervisory Board will not propose a dividend for FY 2013 at the next Annual General Meeting. However both the Management Board and Supervisory Board intend to resume dividend payments once the Company's operational and financial performances improve.

I wish to thank all shareholders for your support and patience.

Best regards,

Lin Zuojun
CEO and Founder

"We concluded the strategic review and developed an action plan which we are now implementing."

CFO's Interview

How would you summarise 2013?

It became clear to us that we are dealing with structural issues, which are not particularly related to the current business cycle. We are pleased that we concluded the strategic review and developed an action plan which we are now implementing.

How are you going to deal with the plantations?

In order to improve the financial situation ahead of the entry into the property industry, we have given up the rights to some plantations thereby cancelling around EUR 9.5 million in outstanding lease fees and we are planning to sell some plantations. However we will continue managing most of our plantations.

What will happen next?

We will table two key resolutions at the AGM. The first concerns the inclusion of property development as part of the Company's business scope and the second relates to increasing the size of the issue of convertible bonds. Assuming that both resolutions are passed, we will then publish the securities prospectus and go ahead with the convertible bond offering to all shareholders.

Is there a property bubble in China?

We expect the property market in China to go through cycles like everywhere else in the world. Heavily indebted property development companies may face problems when the market slows down and speculators may get burnt, but overall we believe that there is strong underlying demand among first-time buyers and property owners who wish to trade up. In addition, the overall indebtedness among Chinese households remains very low based on international comparisons. In summary, we are confident that for the right projects there will continue to be a good market.

How do you assess the potential for profits in the property industry?

The same factors which are generating headwinds in the plantation business – urbanisation, a strong currency and salary inflation – are creating tail winds for the property industry. Therefore the outlook is promising. There are lots of Chinese property companies listed, particularly in the Hong Kong stock market, and they generally speaking have high profit margins. The property industry is transparent, easy to understand and there is a highly developed infrastructure of architects, construction companies, property agents and other professionals. The Management Board is confident about the future of our company. Therefore we have decided to underwrite the planned CB-offering and Mr Lin Zuojun has extended a EUR 11.8 million loan to the company.

How are you going to run the property business?

The Management Board's main tasks will be to identify attractive property projects, to negotiate good investment terms as well as ensuring that we have sufficient financial resources for the investments. Management of the property projects will be done through project companies, which have their own management teams. In most cases we will not be the only investor in these project companies. Property projects usually run in phases which in practice means that the cash flow from the first phase is used to finance the second phase and so on. We expect that we will start generating revenue and profits from the first project in the second half of 2015.

Is your cash position large enough to be able to invest in these kinds of projects?

We are strengthening our financial position ahead of entering the property industry by selling some land and giving up the rights to the land for those plantations which we haven't paid in full. The planned CB-offering as well as the loan extended by Mr Lin Zuojun will also improve our financial position. As for the property projects themselves, we won't be the only investor. Furthermore, it is possible to obtain domestic loans for property projects. Moreover, significant down payments are often made before the construction work is completed. In addition, the construction companies will finance the construction. In summary, we are confident that we will be able to finance all our property projects with a combination of our internal resources and external support, should it be needed.

Hans-Joachim Zwarg
Chairman of the Supervisory Board

"In FY 2013 we mainly dealt with the structural problems facing the plantation business and developing a strategy for the future."

Report of the Supervisory Board

Dear shareholders,

During FY 2013 the Supervisory Board spent a considerable amount of time working with the Management Board to deal with the structural problems we are facing in the plantation business and developing a strategy for the future. As a result of many long and tough discussions we are pleased that the Supervisory Board and the Management Board have agreed on a strategic direction which we believe is right under the circumstances. For details of the Company's strategy, please refer to the CEO's statement. We are satisfied with the Management Board's execution during this challenging year.

Working relationship between the Supervisory Board ('SB') and the Management Board ('MB')

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

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

At the beginning of the fiscal year the SB defined its scope of work for the year and established monitoring goals. Due to the Company's again weaker than expected operational performance, as in 2012, particular focus was placed on analysing and discussing, together with the MB, the appropriate actions to take under the macro-economic and operational circumstances.

The SB received timely written and oral management reports which gave comprehensive information about the Company's strategy, business planning, operational performance and strategic developments. These reports also included deviation analysis detailing the cause and effect of the actual performance compared to the plans. The SB was further directly involved in all business transactions of major significance to the Company, which were thoroughly discussed with the MB before implementation. All proposals made by the MB were examined and discussed in detail by the SB. Between SB meetings, the Chairman of the SB maintained regular contact with the members of the MB 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.

Meetings of the Supervisory Board ('SB') in FY 2013

During the reporting period the SB held a total of five meetings, of which one was a conference call. 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 28 March, the focus was on the progress of the year-end auditing and on the completion of the annual report. In addition, the declaration on corporate governance, the corporate governance report and the insider list were updated.

At the second meeting, on 28 April, the focus was on the individual and consolidated financial statements for the fiscal year 2012 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 2012 were approved.

At the third meeting on 25 June, the bamboo fibre processing project, the sale of the stake in Xinlifeng and the loan situation were discussed.

At the fourth meeting, on 14-15 September, the Management Board presented an analysis of the plantation business including:

- A deviation analysis of planned and achieved results for the last few years
- Descriptions of key problem areas
- Details of the new organisational structure

During this meeting the Supervisory Board was given the opportunity to ask questions directly to the team responsible for managing the operations of the plantations.

At the fifth meeting, on 30 November, the focus was on the preliminary results of the strategic review and the business plan for FY 2014. In addition, the financial calendar, audit focus and audit schedule for FY 2014 were discussed. At this meeting, the business plan for 2014 was 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 AG comprised only three members in the fiscal year 2013, no committees were constituted.

Personnel matters 2013

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

Financial statements 2013

Our auditor Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft Frankfurt ('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 June 2013, 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 2013 to 31 December 2013. Deloitte issued a qualified audit opinion in respect of the proposed entry into the property industry. Due to the limited information in the group management report on the proposed entry into the property industry Deloitte was unable to assess the risks and benefits associated with this business.

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 good time prior to the Supervisory Board meeting dealing with the approval of such reports held on 11 May 2014. 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 FY 2013. The annual financial statements of Asian Bamboo AG were thus adopted.

As in 2012 we endorsed the Management Board's proposal not to distribute any dividends for the year due to the weak operational and financial performance. We again support the Management Board's intention to resume dividend payments once the Company's performance stabilises.

Corporate governance

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 13 May 2013. Asian Bamboo AG is also largely following the suggestions of the Codex. The Supervisory Board concerned itself with the provisions of the German Corporate Governance Codex in March 2013 when the statement on corporate governance, including the Declaration of Compliance for the fiscal year 2013, was approved by the Supervisory Board. All declarations of compliance are permanently made publicly available on Asian Bamboo AG's web-site on www.asian-bamboo.com.

The yearly statement on corporate governance for FY 2014 was approved in March 2014.

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 30-33 of this annual report.

The 'Remuneration Report' can be found on p 53-55 of this annual report.

Finally, on behalf of the Supervisory Board, 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.

Hamburg, Germany, May 2014

On behalf of the Supervisory Board

Hans-Joachim Zwarg
Chairman of the Supervisory Board

Management Board and Supervisory Board

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 listed companies such as Beiersdorf AG and Phoenix AG (CFO). He was appointed the Chairman of the Supervisory Board in 2007.

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. He was appointed Vice Chairman of the Supervisory Board in 2011.

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. He was appointed to the Supervisory Board in 2007.

Mr Pan graduated from Jiangnan University with a bachelor's degree in industrial fermentation.

CORPORATE SOCIAL RESPONSIBILITIES

CSR Strategy and Activities

Asian Bamboo has always done more than what is legally required in the areas of social and environmental governance. There have been a large number of reports written on the Company in connection with the loan agreements reached with DEG and PROPARCO and the results of these reviews have always been favourable.

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. Since 2012 we have been one of the few Chinese companies to participate in the Carbon Disclosure Project (CDP).

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 the Fujian Province, we are able to apply our 'Close to Nature Forest Management' policy without the use of 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 as bamboo trees:

- grow up to 20 metres in three months, which makes it the ultimate renewable resource, and thus a more sustainable alternative to other types of wood
- sequester more carbon compared to Chinese fir and tropical rain forest*
- develop 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
- have leaves which 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 from Unique Forestry Consultants ('Unique'), a German forestry consulting firm, 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 (later the standard was renamed as GB/T19630-2011) (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, 2012 and 2013.

* 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'.

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.

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 47 in this annual report.

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 working 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. Other benefits include 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 the local government. We also provide personal accident insurance for employees in special positions.

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 30 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 200 employees, including the administrative staff as well as 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 flexible 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, 34 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 and 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. We conduct our own EducAid programme in primary schools in the districts where our plantations are located by giving books, sporting goods and grants to primary schools every year. Amongst others, we have given 26 underprivileged pupils from Longyan Jiangshan Primary School financial support to help their schooling. In April 2011, the Fund supported the 'Loving Care Library' project initiated by the Fujian Provincial Education Department Working Committee.

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, in order to ensure that 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 conducts research into reproduction. As a sponsor, we provide continuous financial support and supply fresh bamboo shoots.

AIESEC Hamburg

We are a partner of AIESEC Hamburg, a local office of AIESEC Germany. AIESEC is the world's largest student-run organisation, active in some 1,700 universities across 107 countries and territories, and providing an international platform for youth leadership, international exchange and internship programmes. In 2013 we sponsored AIESEC Hamburg's 'Hamburg meets Asia' project, comprising a series of cultural events held at the Hamburg University during the period 17-21 June 2013. In addition, as part of the same project, our CSR manager held a workshop on CSR as a governance tool and CSR at Asian Bamboo.

Carbon Disclosure Project ('CDP')

Since 2012 we have been one of the few Chinese companies to participate in the CDP. This required a significant effort from the entire organisation and we are pleased that our Investor CDP response 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 program, 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 have responded 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 2013 CDP responses are available on the CDP website at https://www.cdproject.net/en-US/Results/Pages/Responses.aspx?Search=True&Keyword=asian+bamboo.

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.

* 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

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 Sigle (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.

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 2014. The declarations are permanently available on Asian Bamboo's website www.asian-bamboo.com. The previous Corporate Governance Declaration was dated March 2013. Since then, apart from the deviations mentioned below, the Company complied with all the recommendations of the Codex published on 15 May 2012 as amended on 13 May 2013 in the fiscal year 2013 and will comply with them in the future.

- According to 4.2.3 of the Codex (in the version of 13 May 2013) the total compensation to Management Board members shall comprise fixed and variable components. The remuneration of the Management Board currently does not comprise variable components since the recipients of the previous Stock Option Scheme have agreed to cancel their options. The Supervisory Board intends to review the existing remuneration system and to introduce a new variable component for the remuneration of the Management Board in the future. The Management Board agrees with this procedure.
- According to 4.2.5 of the Codex (in the version of 13 May 2013) model tables provided in the appendix of the codex shall be part of the compensation report. The company however is presenting the compensation report in the same way as last year because it considers the compensation scheme to be very clear and does not believe the model tables offer greater insight.
- According to 5.4.1 paragraph 2 of the Codex (in the version of 13 May 2013), 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 for an adequate representation of women. The Supervisory Board, in principle, 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 have been published on 30 April 2013 and thus not within the 90-day-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 consolidated financial statements of Asian Bamboo for the fiscal year 2013 will be published on 12 May 2014 and thus also not within the 90-day-period; the reason being that the complicated methodology used to assess the value of the plantations, especially in connection with the intended reduction of the plantation size. The Company intends, however, to publish future financial statements within the 90-day-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 co-operation between the Supervisory Board and Management Board. The Company serves the purpose of generating sustainable growth and profits and thus creating shareholder value. At our plantations we practise a 'Close to Nature Forest Management' policy which guarantees sustainability and is described in more detail on p 24 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 26-27 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), co-ordinating 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 17-18 of this annual report. Asian Bamboo discloses the remuneration of the members of the Management Board individually in the remuneration report. The basis for the remuneration and the actual remuneration are described in detail on p 53-55 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. The CEO, Mr Lin, purchased Asian Bamboo shares during the year under review. We were notified of transactions in accordance with Section 15a of the German Stock Corporation Act. We published information about them throughout Europe. The members of the Management Board directly or indirectly hold 38.1% 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 60 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 and the risk management analysis and procedures are continuously updated.

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 Asian Bamboo share, the website also contains the financial calendar which provides an overview on all important events.

Asian Bamboo AG
Hamburg, May 2014

The Supervisory Board **The Management Board**

BUSINESS REVIEW

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Business

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 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.

The bamboo-plantation industry in Fujian Province developed poorly in 2013. The key factors affecting the industry, of which the weak supply of farm labour was the most important, were:

Overall economic weakness

While the overall economic growth rate for China was still very high, mainly as a result of large fixed investment schemes instigated by the government, there were significant problems, particularly in the private sector and the export oriented manufacturing sectors. In the private sector, which generally speaking has less access to funding due to the tight regulation of the financial markets, there was an overall credit squeeze caused by restrictive bank lending, which forced some companies to resort to the grey loan market, which has been widely reported.

Due to the strength of the Chinese currency (renminbi) together with severe wage inflation and other cost increases, the Chinese manufacturing sector, and particularly the export oriented manufacturing sector, has lost competitiveness and has developed relatively poorly.

In 2014 there have been a few examples of Chinese bond issuers which have been unable to make interest rate and debt repayments. In addition, the Chinese listed banks are trading at very low valuations, an indication of financial market concerns about more defaults by Chinese companies, which would reflect broader economic and financial challenges.

Political developments affecting the agriculture industry

The Management Board believes that the agriculture industry remains high on the central government's agenda, but the central government is uncertain about how to deal with the challenges the industry is facing. The zero-taxation of agriculture produce is likely to remain in place for the foreseeable future. Furthermore, following the Third Plenum of the 18th CPC Central Committee meeting in November 2013, it is clear that the government will allow more flexibility in the use of agriculture land land. While there is the potential for government action which could drastically improve operating conditions for the agriculture industry, apart from the flexibility in the use of farm land the Management Board does not see any indications of any major policy changes.

Supply of farm labour

As a result of urbanisation and the rural population's quest for a better life, the percentage of the Chinese population living in the countryside has steadily decreased from 74% in 1990 to 47.4% by the end of 2012. There is a general belief that the urbanisation trend will continue and that the rural population will gradually decrease and could be as low as 30% by 2035.

While all developed countries have gone through the same urbanisation process as China is now going through, most experts and observers are surprised by the speed of the transition. It also appears that the process is much faster in more economically successful and developed provinces such as Fujian Province, where we operate.

In some areas of the agriculture industry there may be opportunities to replace farm labour with machinery. However in the bamboo-plantation industry that is unfortunately not possible. The bamboo forests are dense with bamboo trees, so there is no room for machines to manoeuvre. In addition, particularly for winter bamboo shoot harvesting, certain skills can only be acquired through experience.

In addition to the overall decrease of farm labour in the countryside due to the urbanisation process, the bamboo-plantation industry also faces competition from tea and tobacco plantations. They have for the last few years been able to pay higher harvesting compensation and have managed to lure some farming labour away from the bamboo industry.

Weather conditions

Although overall temperatures were not particularly low in Fujian Province at the beginning of 2013, the persistent frosty conditions in the mountainous areas where most of our plantations are located made these plantations difficult to access and limited the number of harvesting days. Therefore harvesting mainly took place on the plantations at a lower altitude and revenue decreased sharply. These circumstances were widely reported in the local media and there was an overall decrease in agriculture output at the beginning of the year in Fujian Province.

Pricing and customer development

On the positive side the pricing for bamboo shoots and bamboo trees remained largely stable. However, it is very difficult to pass on increases in harvesting costs to customers. The Management Board believes pricing will continue to be stable in the future.

As stated above, there were problems in the private sector in China during 2013 that affected many of our customers. Some had cash flow problems, which we alleviated to some degree by giving extended credit terms. Other companies such as Zhongzhu, which used to be our single largest customer, seriously scaled down its activities. In the construction industry, recently adopted legal regulations on the use of bamboo had a negative impact on the sale of bamboo trees used for scaffolding. Although we did well acquiring new customers, the loss of orders from existing customers, together with the limitations caused by the weak supply of farm labour, led to a sharp decline in overall volumes. Although financial information from other companies in our industry in Fujian Province is difficult to obtain, we are fairly certain that all companies in the bamboo-plantation industry experienced similar problems.

Development of the market for plantation leases

There isn't an active market for buying and selling bamboo plantations and the bamboo trees and bamboo shoots which grow on the plantations. Therefore we estimate the value of the biological assets through a discounted cash flow model. As harvesting volumes have gone down and costs for harvesting have gone up, the profitability of the bamboo-plantation business deteriorated severely and the value of the biological assets was markedly lower. As announced after the balance sheet date, we are preparing to sell some underperforming plantations and some plantations which have a short remaining lease period. For these plantations we are looking at prices which are much lower than we paid in 2009-2011 when the profitability of the bamboo-plantation business was much higher. However, some of our leases are very old and today's prices are more in line with what we paid in the early days. It is natural that the prices go down when there is a shorter period left on the lease.

Despite the current low profitability and lacklustre outlook there are still parties interested in acquiring plantation leases. When we sell plantations it is likely that the buyer will come from the communities where we operate. There are no large scale bamboo-plantation operators in the province other than us.

Our integrated business model

Since the listing in November 2007 the Company acquired bamboo-plantation leases at a rapid pace, particularly during 2008-2010. During this period the business was very profitable and the outlook was positive. In 2011 we launched the bamboo fibre processing project which, at the time, we believed would diversify our business and create demand for bamboo trees from our enlarged plantation size. However, it eventually proved to be a failure and in FY 2013 we decided to discontinue the project due to poor market conditions and prospects. This was also one of the reasons for reducing the total plantation size, which we announced after the balance sheet date.

Even with a smaller plantation size we will maintain the integrated business model, which means that we harvest winter shoots, spring shoots and bamboo trees and process a part of the spring bamboo shoot harvest. Despite the weak sales, the bamboo-plantation business continues to generate positive operating cash flows before movements in working capital. This is because the plantations are paid for up-front and the yearly amortisation, as well as gains/losses in FVBA and the impairments on the lease prepayments through the provisions made for onerous contracts this year, are non-cash items. Overhead costs primarily consist of administrative costs and reclamation costs (cultivation costs), which we to a large degree can control. Harvesting costs are variable and increase/ decrease with harvesting volumes. In summary, positive operating cash flows can be achieved even at very low harvesting and sales levels 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. The only cultivation costs are after reclamation costs, which involve the removal of rocks and vegetation. This work is done in the autumn months and the costs are booked as they are incurred. In FY 2013 we did not conduct any cultivation work and there are currently no plans to conduct reclamation work in 2014. In order to achieve high harvesting rates this work should be done annually, but as we are unable to achieve high harvesting rates at the moment it is the Management Board’s view that it is better to save this money as we would not be able to harvest more anyway due to the lack of available farm labour.

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 and 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.

The farmers get paid in relation to their output and they have complete freedom in choosing 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.

Business Model

PERCENTAGE OF TOTAL SALES

PERCENTAGE OF CATEGORY SALES

27%
Bamboo trees
Harvesting period:
Mainly Q3 and Q4

9%
Key customers

Jiayi
(Bamboo furniture)

Zhongzhu
(Bamboo pulp and fibre)

Xinchen
(Bamboo flooring)

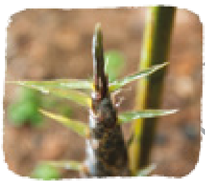
91%
Other customers

Construction

Furniture

Others

8%
Winter shoots
Harvesting period:
Mainly Q4 and Q1



65%
Spring shoots
Harvesting period:
Mainly Q1 and Q2

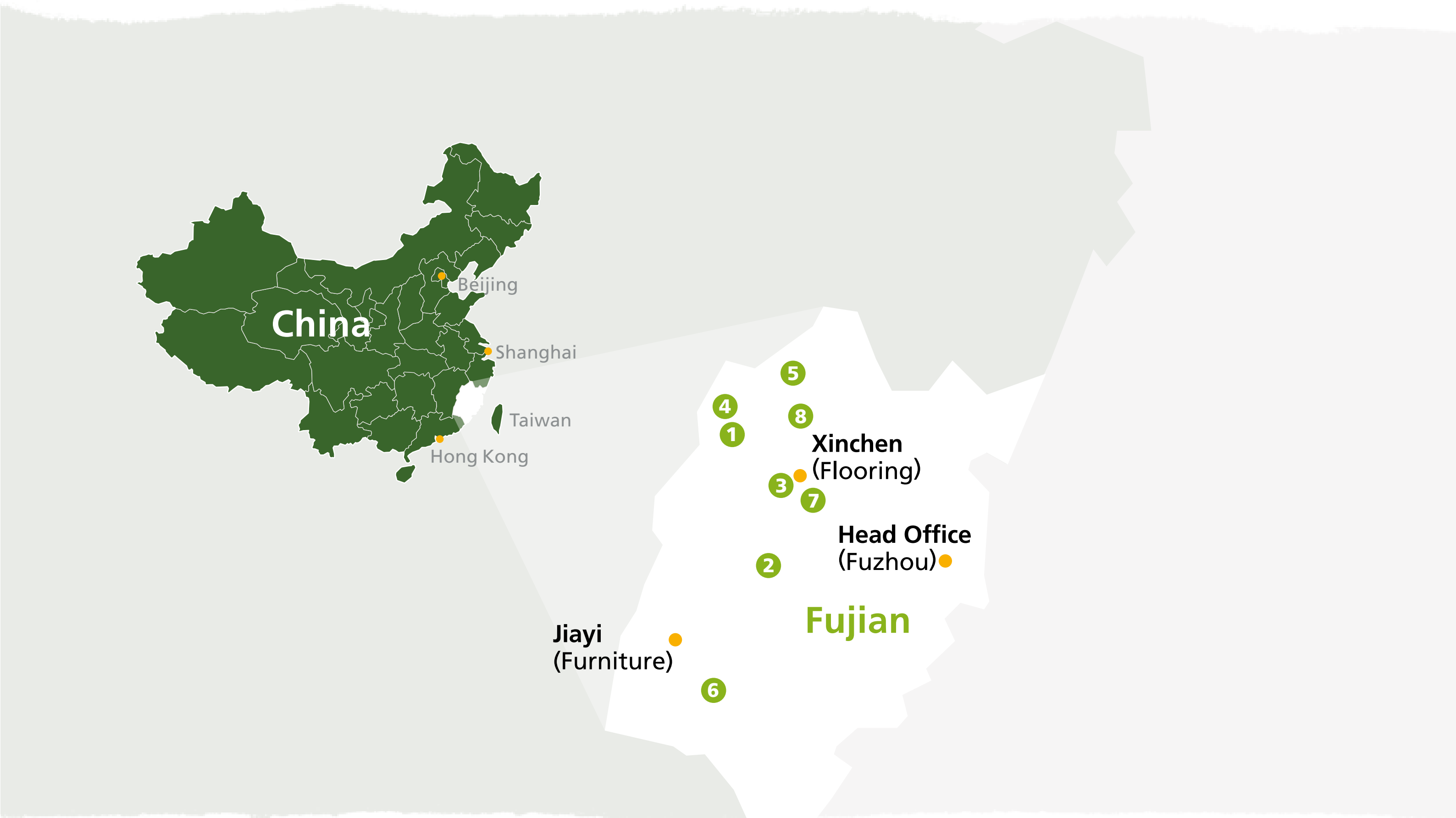
53%
Fresh shoots

Domestic agricultural markets → Wholesale and distribution

47%
Processed shoots

Processing line → 37% Exports to Japan

Processing line → 63% Domestic market



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. In 2013 the harvesting yield fell sharply; for a detailed analysis of the reasons behind the fall in the harvesting yield please refer to the 'Operational overview' section below.

In FY 2013 revenue per ha was EUR 576 (2012: EUR 1,273).

Total plantation size by end of 2013

	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

Revenue per Hectare in FY2013

Bamboo trees

27%

EUR 155
(2012 = EUR 256)

+

Bamboo shoots

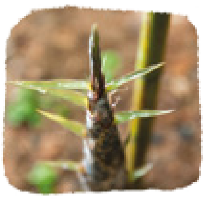
73%

Total bamboo shoots = EUR 421
(2012 = EUR 1,017)

Processed shoots

33%

EUR 189
(2012 = EUR 300)



Fresh spring shoots†

32%

EUR 187
(2012 = EUR 526)

Fresh winter shoots

8%

EUR 45
(2012 = EUR 191)

=

Total revenue

EUR 576*

(2012 = EUR 1,273)*

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 strong 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 contact terms. As our lease terms are very long we have not renegotiated any leases yet.

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.

Our biological assets include the bamboo trees and bamboo shoots which are growing on the bamboo-plantations which we have leased. Spring bamboo shoots which are not harvested grow into bamboo trees. Since the average harvesting cycle for bamboo trees is five years, Asian Bamboo AG owns the economic benefits of the bamboo trees and the bamboo shoots as the weighted average lease duration is 20 years.

There were no changes to the plantation leases during the year. At the end of FY 2013, we had a total plantation size of 54,511 ha.

* 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 total revenue per hectare for the entire year

† Including dried bamboo shoots

Operational overview

In recent years the overall environment for running a bamboo plantation business in China has significantly deteriorated, which has caused the Company's revenue and profitability to decline sharply. Consequently the Management Board began a strategic review of the Company's operations in Q1 2013. The key problems, as identified by the Management Board, are:

- Decreased harvests of bamboo shoots and higher costs for harvesting work due to a shrinking pool of available farm labour in the areas where Asian Bamboo operates and competition for labour from other agriculture industries such as tea and tobacco-leaf plantations
- The prices of bamboo shoots and bamboo trees have increased at a slower rate than the costs for operating the business, which has led to lower profit margins
- Low demand for bamboo trees due to weak exports of bamboo-based products as a result of higher costs and a strong currency (renminbi). At the same time, imported pulp products have gained market share for the same reasons
- Overall economic weakness and restrictive loan policies by Chinese banks, which have hit the private sector particularly hard. Most of our customers are private companies and some of them are having problems financing their business, or their customers, as banks have been instructed to restrict lending, which sometimes mean that existing credit facilities are being cancelled. All lending in China is on a one-year basis which means that loans can be recalled at short notice

The current situation may improve in the future, but for the time being the Management Board does not see any indications of that happening.

Management action

In light of the unsatisfactory operational and financial performance the Management Board initiated two very important projects during 2013:

- The launch of a new organisational structure for plantation management
- A strategic review of the Company's operations

OPERATIONAL HIGHLIGHTS IN FY 2013

- Implemented the new decentralised organisational structure
- Decreased total debt by repaying the first DEG loan
- Completed the strategic review

OPERATING GOALS FOR FY 2014

- Improving cash flow by leasing out or selling some of the plantation leases
- Complete the convertible bond issue to all shareholders
- Make the first investment in the property industry

The launch of a new organisational structure

As a result of the current challenges the Management Board implemented a new decentralised organisation structure, which received an overwhelmingly positive response from the employees. Together with the personnel responsible for plantation management, we are working on identifying ways of streamlining our operations and increasing plantation yields, which we expect will increase efficiencies over time.

In practice this means that the plantations continue to be managed by the subsidiaries ('plantation management centres') operating where the plantations are located (Shaowu, Longyan, Shunchang, Wuyishan and Sanming). However, instead of reporting directly to the Group's CEO they now report to the plantation management centre in Shaowu ('Shaowu'), which has the overall responsibility for co-ordinating our plantation management activities, including the recruitment of farm labour. Shaowu currently manages the Company's largest plantation management centres and also has the longest and most successful track record in plantation management within the Group.

Due to our large plantation size and the complexities of running a plantation business, we believe that this structure will create a better foundation for simplifying and speeding up decision making, generating synergies between the plantations and increasing the plantation yield in the future.

The bamboo shoot processing business is managed by the team at Fuzhou Xinrixian Food Development Co., Ltd, a stable and well-established business.

New incentive scheme

Complementing the decentralised decision-making process described above, our plantation management centres ('the centres') are taking part in an incentive scheme, which aligns employee remuneration more closely with the profitability of each centre. In practice it means that all employees working for the centres receive a fixed yearly salary and a variable bonus, paid at the end of the year, if certain profitability targets are achieved. When calculating profitability, all costs related to plantation management will be included and group overhead costs excluded. We believe that this incentive scheme motivates these employees to look for creative and cost efficient solutions, which will in turn improve revenues and net profits of the centres, which are the main source of revenue and profits for the Group.

A strategic review of the Group's operations

As a result of the difficult macro-economic situation described above, the Management Board, with the approval of the Supervisory Board, has decided the following:

- Reduce the plantation size

  On 22 March 2014, the Supervisory Board of Asian Bamboo AG approved the Management Board's plans to reduce the plantation size through the sale of the rights to plantations in Shaowu (Kangda, Sirong, Minxian, Minda and Yinxin), Shunchang (Wufang), Sanming (Wucun), Wuyishan (Chongan) and Longyan (Hongshan), equivalent to a total plantation size of around 12,955 ha. The Management Board expects that the sale of the rights to these plantations will generate more than EUR 10 million

  On 22 April 2014, termination agreements in relation to the following bamboo plantations in the Longyan region (Buyun, Hongshan and Miaoqian) were signed, which means that short term liabilities of EUR 9.5 million were cancelled

  These plantations have in total accumulated significantly more profits than their total lease fees over the lease period. Only plantations with a short remaining lease period and plantations which currently generate a relatively low return are affected. Therefore the Management Board believes that the future impact on the Company's P&L once these transactions are completed will be much smaller than the impact of the corresponding decrease in the plantation size. The Company will continue self-managing the rest of the plantations, which comprise those that generate a higher return, so it is likely that the future revenue per ha will increase compared to 2013

- The Company will give up the bamboo fibre processing project, due to low overall prices for pulp and cotton and particularly low prices for imported pulp and cotton due to the strength in the Chinese currency – the RMB. Apart from appearing as a discontinued operation in the P&L, this decision will not have any material financial consequences due to the minimal investments made in this business and the low revenue and profit/loss in the past

- The Management Board will continue to develop the decentralised organisation plan, including decentralised decision making and the possibility of paying bonuses to plantation personnel in the event of good results

- The Management Board has identified the property industry as the biggest opportunity. The same factors which are creating headwinds in the plantation business – rising wages, a strong currency and the urbanisation process – are creating tailwinds for the property industry. The state of a property market can always be debated. However, in our view the Chinese property industry has remained strong, despite various government initiatives to dampen price inflation by imposing credit restrictions and high interest rates. Therefore, we plan to enter the property industry through the acquisition of interests in property project companies. These investments in property project companies will not create any synergies with the plantation business of the Group

  The Management Board will not make any commitments on behalf of the Company in any property projects before the resolutions at the AGM have been passed and the proposed fund raising has been completed. Therefore it cannot provide detailed information on future property projects at the moment. However, the Management Board is confident that it can source attractive projects at reasonable valuations which will generate profits for the Group

- The Company intends to issue a convertible bond which will be offered to all shareholders in order to strengthen the Company's capital base and to facilitate its entry into the property industry. The Management Board will undertake to purchase or place out all convertible bonds which are not taken up by the minority shareholders. The preliminary terms for the CB-offering are:

  - The offering shall take place after the Annual General Meeting ('AGM'), which will be held on 20 June 2014
  - Shareholders will be entitled to subscribe for one convertible bond for every two shares they hold, which means that, following a successful offering, the number of issued shares will increase by 50%. The Management Board and Supervisory Board intend to seek AGM approval for issuing this amount of shares. The currently planned value amounts to EUR 15 million
  - The rights to subscribe for the convertible bonds, which are given to all shareholders, will be tradeable, which means that shareholders can sell their rights and other shareholders or non-shareholders can purchase these rights
  - The convertible bonds will have a duration of three years and will offer a low yearly interest payment

Value-based management

Asian Bamboo uses a value-based management system to manage the performance of the Group. Cash flow analysis and EBIT as well as the corresponding returns on sales and capital form the basis for management processes and decision-making at strategic and operating level, e.g. in investment and strategic decisions. We use this guidance system for setting targets, measuring performance and determining compensation.

Our guidance system measures the value created in a period at all levels of the Group. It is calculated as earnings before interest and taxes (EBIT).

Cash flow as operating performance indicator

We think the best indicator to measure the operating performance is the cash flow flow from operating activities. This is because any loss through provisions for onerous lease contracts or in FVBA which is caused by adjustments of price, costs and volume assumptions, which are part of the FVBA calculation, have an impact on P&L whereas the FVBA calculation does not result in any effect on the cash flow.

Revenue analysis

Revenue breakdown

The shortage of farm labour had a very negative impact on our revenue in FY 2013. Although harvesting compensation was increased, the Group still failed to recruit enough farm workers. In addition, adverse weather conditions also had a significant negative impact. Due to the downturn of the downstream bamboo industry and bamboo fine-processing industry, as well as the increase of product transportation costs, the amount of bamboo trees purchased by companies decreased. The sharp fall in sales of bamboo trees was the main cause of the minimal production volumes at Shaowu Zhongzhu, the fibre mill.

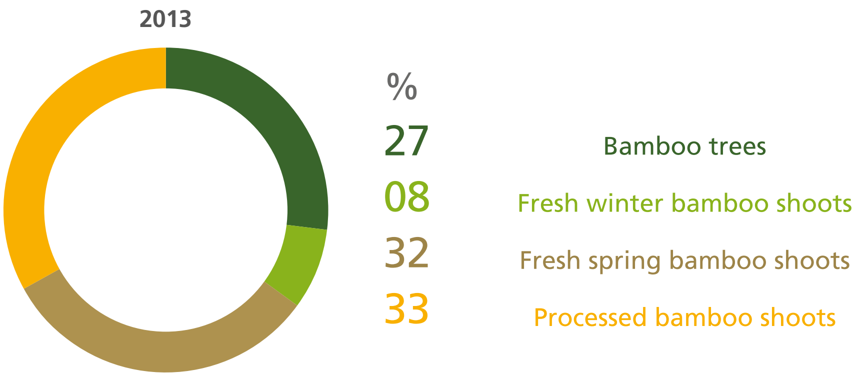
kEUR	**FY 2013**	FY 2012	Change
Bamboo trees	**8,430**	13,933	-39%
Fresh winter bamboo shoots	**2,437**	10,419	-77%
Fresh spring bamboo shoots (including dried bamboo shoots)	**10,207**	28,671	-64%
Processed bamboo shoots	**10,325**	16,374	-37%
Total	**31,399**	69,397	-55%

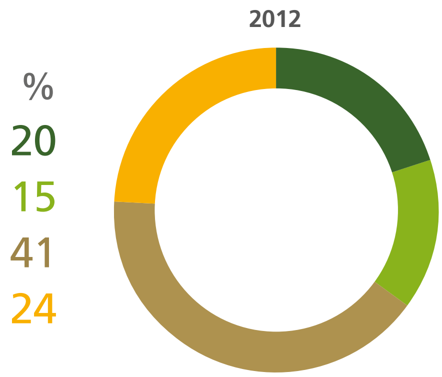
In summary, sales of bamboo shoots (including spring, dried, winter and processed shoots) and sales of bamboo trees accounted for 73% and 27% of total revenue, respectively. Year-on-year, sales of bamboo shoots and bamboo trees decreased by 59% and 39%, respectively.

Spring bamboo shoots (including dried bamboo shoots), processed bamboo shoots and winter bamboo shoots accounted for 32%, 33% and 8% of total revenue, respectively. Year-on-year, sales of processed bamboo shoots, spring bamboo shoots (including dried bamboo shoots) and winter bamboo shoots fell by 37%, 64% and 77%, respectively.

Despite the difficult situation, the total number of customers increased to 332 (2012: 330).

Product mix analysis





kEUR	**FY 2013**	**% of total sales**	FY 2012	% of total sales
Bamboo trees	**8,430**	**27%**	13,933	20%
Fresh winter bamboo shoots	**2,437**	**8%**	10,419	15%
Fresh spring bamboo shoots	**10,207**	**32%**	28,671	41%
Processed bamboo shoots	**10,325**	**33%**	16,374	24%
Total	**31,399**	**100%**	69,397	100%

Winter and spring bamboo shoots (fresh bamboo shoots)

The operating situation for both winter and spring bamboo shoots is very similar. Overall volumes of harvested fresh winter and spring bamboo shoots fell sharply due to weather and harvesting difficulties, while prices were slightly higher compared to a year ago. The winter bamboo shoot harvest was particularly badly affected by cold weather. However, even if the weather had been significantly better, the limited supply of farm labour would still have hampered the overall output. 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 bamboo 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 2013	**%**	FY 2012	%	FY 2011	%	FY 2010	%	FY 2009	%
Sold fresh	**28,974**	**53%**	110,312	69%	125,965	73%	79,270	63%	52,676	55%
Processed	**25,638**	**47%**	49,515	31%	46,309	27%	46,192	37%	43,788	45%
Total	**54,612**	**100%**	159,827	100%	172,274	100%	125,462	100%	96,464	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 2013 we sold around 0.8 million cans which is a sharp decrease from around 1.5 million cans in 2012. Prices in the domestic market were around 25% higher in 2013 compared to 2012, while prices for exports to Japan were around the same. Revenue from selling processed bamboo shoots decreased by 37%.

Bamboo trees

Total sales values of bamboo trees decreased by 39% year-on-year. Sales to our three largest customers, Zhongzhu, Jiayi and Xinchen, were 9% of overall bamboo tree sales (2012: 15%). There was a small increase in the number of customers during the year. However, average purchasing volumes per customer fell sharply due to weakness in the downstream businesses and a slower construction market. Prices were marginally higher year-on-year. Bamboo trees are used for scaffolding and for the production of flooring, furniture and pulp and fibre.

Distribution of bamboo trees ('000 pieces)

FY 2013	FY 2012	FY 2011	FY 2010	FY 2009
3,784	6,277	13,085	13,531	12,589

Discontinued operations: 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 2013 we sold EUR 0.9 million worth of bamboo fibre (2012: EUR 3.5 million).

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.

Following the completion of the Strategic Review, the Management Board decided to discontinue this business mainly due to the weak pricing development for pulp and paper in China and the strength of the Chinese currency (RMB), which has made imports relatively cheaper. This decision will not have any material financial consequences due to the relatively small investments made into this business and the low revenue and profit/loss in the past.

Research and development

In order to maintain our competitiveness, Asian Bamboo Group conducts 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. There were not any research projects launched in 2013. However work continued on the research projects which were initiated in prior years.

Asian Bamboo is financing most of the research work. However the total cost for research and development is not significant.

FINANCIAL REVIEW

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Wealth

The conditions for running an agriculture business in Fujian Province remained very difficult in FY 2013. The supply of labour needed for harvesting decreased and harvesting pay rates increased, which led to a significantly smaller harvest and a deterioration in operational and financial performance. Moreover, bad weather conditions affected the winter bamboo shoot harvest.

The negative operating performance led to a loss in the fair value less estimated costs to sell of biological assets ('FVBA* loss') of EUR 24.7 million in the P&L. In addition, provisions for onerous plantation lease contracts caused a loss of EUR 165.2 million in the P&L. These two items, totalling EUR 189.9 million, are the main reasons for the large net loss of EUR 199.9 million. However, they are non-cash items and therefore do not have any impact on the Company's cash flow. Despite the difficult operating conditions, the Company generated positive operating cash flows before movements in working capital of EUR 5.1 million

The key financial indicators for FY 2013, which are well below the guidance set at the beginning of the year for revenues and slightly below the forecast for operating cash flows, are as follows (percentage numbers are year-on-year comparisons):

- Revenue decreased 55% to EUR 31.4 million (2012: EUR 69.4 million)
- Loss in FVBA* of EUR 24.7 million (2012 restated: loss of EUR 7.8 million)
- Negative gross profit, including FVBA-changes, of EUR 25.7 million (2012: negative EUR 10 million)
- Net loss of EUR 199.9 million (2012: net loss EUR 19.8 million)
- Operating cash flow before movements in working capital of EUR 5.1 million (2012: EUR 11.6 million)
- Net cash generated from operating activities of negative EUR 1.1 million (2012: positive EUR 17.6 million).
- Cash and cash equivalents decreased to EUR 28.5 million (2012: EUR 38.6 million) mainly as a result of repayments of bank loans during the year
- Total bank borrowings decreased to EUR 34.7 million (2012: EUR 46.5 million) after repayments of bank loans during the year
- Total equity decreased to EUR 86.7 million (2012: EUR 288 million) mainly due to a reduction in biological assets and impairments of lease prepayments

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

Analysis of the income statement

Revenue breakdown

kEUR	**FY 2013**	FY 2012	Change
Bamboo trees	**8,430**	13,933	-39%
Fresh winter bamboo shoots	**2,437**	10,419	-77%
Fresh spring bamboo shoots (including dried bamboo shoots)	**10,207**	28,671	-64%
Processed bamboo shoots	**10,325**	16,374	-37%
Total	**31,399**	69,397	-55%

For a detailed revenue analysis, please refer to p 45-46 in this annual report.

Cost of goods sold

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 goods sold. A higher FVBA consequently leads to higher costs per unit and vice versa.

In FY 2013 the total value of cost of goods sold decreased as a result of lower revenue and a significantly lower FVBA. The main reasons for the reduction 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 2013, 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 estimated volumes per hectare (ha) of winter bamboo shoots, spring bamboo shoots and the number of trees per ha were adjusted. The harvesting costs, particularly for bamboo trees increased. While the density of trees was adjusted upwards, the revenue per ha of spring bamboo shoots was significantly adjusted downwards as a result of the harvesting problems described above. This led to yet another sharp downward revision of the biological assets to around EUR 58.3 million in the balance sheet, which was the main reason for the FVBA loss of EUR 24.7 million in the P&L. For details about the adjustments of the assumptions going into the calculation, please refer to the note about biological assets in the notes. They are the result of the developments on the relevant markets described above.

The loss in FVBA in FY 2013 was calculated in the following way (all numbers in kEUR):

Fair value at end of period	58,294
Deduct: Fair value at beginning of period	83,930
Add: Fair value of harvested bamboo trees and bamboo shoots	211
Add: Net foreign exchange differences	(741)
Loss in the fair value	(24,684)

Gross profit including revaluations

Including FVBA changes, the Company recorded a negative gross profit of EUR 25.7 million (2012: negative EUR 10 million) mainly caused by the reduction in the value of biological assets described above.

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 impact the FVBA calculation has 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 910 (2012: kEUR 670) mainly as a result of foreign exchange gains of kEUR 706 (2012: kEUR 438).

Distribution expenses

Distribution expenses are mainly linked to our export business and handling charges for the delivery of bamboo trees. Distribution expenses decreased by 41% to kEUR 776 (2012: kEUR 1,326) during the year, due to a decrease in sales activities.

Administrative expenses

Administrative expenses decreased by 25% to EUR 5.6 million (2012: EUR 7.4 million) due to good cost control. The reserve for the stock option program in the amount of kEUR 186 was dissolved in FY 2013.

Other expenses

Due to the adverse development of the plantation business, the Company booked provisions for onerous plantation lease contracts in the amount of EUR 161.6 million in 2013. The expenses for the formation of these provisions were included in other expenses. There were no comparable expenses in the prior year.

Share of profit/loss of associated companies

The profit from associated companies amounted to kEUR 289 (2012: net loss kEUR 319). In FY 2013 the Company's share of losses from its 40% stake in Xinlifeng was kEUR 84 (2012: net loss kEUR 319). In addition there was a reclassification of currency translation income from the reserve of kEUR 373. On 15 December 2013, the stake in Xinlifeng was sold at a profit of kEUR 33. The purchase price thus approximates the carrying value of the investment. On 27 December 2013, the Company ceased to have significant influence on the operations of Xinlifeng.

Finance net

Finance income as a result of interest income during the year was kEUR 854 (2012: kEUR 1,395) and finance costs were kEUR 1,032 (2012: kEUR 1,995). The finance net for the year was negative kEUR 178 (2012: negative kEUR 600).

Income tax

Income tax expenses amounted to kEUR 61 (2012: kEUR 738). The revenue from unprocessed agricultural products, such as our bamboo trees and bamboo shoots, are tax exempt. Sales of processed foods, such as processed bamboo shoots, are subject to the normal income tax rate in China of 25%. The dividend payments of our operating subsidiaries to our Chinese holding companies in Hong Kong are charged a withholding tax of up to 10%. There is no tax charged on dividend income in Hong Kong. The dividend income of Asian Bamboo AG is subject to a tax of 5% and other income at the AG level is taxed at around 25%.

Result from discontinued operations

In addition to the significant decline in revenues, the loss from the discontinued operation – bamboo fibre – is primarily due to a valuation allowance on advance payments to a supplier in the bamboo fibre business of EUR 3.5 million.

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, the monitoring of the compliance with loan agreements and the treasury management of the Company's cash and cash equivalents.

kEUR	**FY 2013**	FY 2012
Cash and cash equivalents	**28,474**	38,560
Total borrowings	**34,734**	46,522
Net finance position	**(6,260)**	(7,962)

Borrowings

Credit agreements were concluded with DEG and PROPARCO to finance the Group. As at 31 December 2012, there were two loans from DEG and one loan from PROPARCO. In October 2013, the first loan from DEG with a remaining balance of EUR 7.7 million (original loan amount: USD 15 million) was repaid in full. After repaying the first DEG loan in full and making the first repayment rate of the PROPARCO loan of EUR 1.8 million, the bank liabilities decreased to EUR 34.7 million by the end of FY 2013 (2012: EUR 46.5 million). Since financial covenants were broken, which allows the bank to terminate the loan agreements, all loans were classified as short term loans in the balance sheet as at 31 December 2013. Furthermore, there is a risk that DEG and PROPARCO, as development banks, will insist on an early redemption of the loans following our planned entry into the property industry. The Management Board is in close contact with both banks and keeps them continuously informed of all relevant developments and maintains good business relationships. According to the current state of negotiations with the banks, the Management Board believes that, despite the classification of the loans as short term, the Group will only repay a total of EUR 12.1 million to DEG and PROPARCO in FY 2014. To ensure future solvency, given the current nature of the bank loans, measures were taken after the balance sheet date which are explained in the Risk Report.

The details of the loans are:

	Original loan (currency)	Interest rate	Remaining size (EUR)	Scheduled repayment (2014) (EUR)
The second DEG loan	USD 20 million	U.S. Libor +3.5%	EUR 14.5 million	EUR 3 million
The PROPARCO loan	EUR 20 million	Euribor (6 months) +2.5%	EUR 18.2 million	EUR 9.1 million

The first DEG loan

In September 2009, DEG granted a 7-year loan of USD 15 million with an interest rate equal to U.S. Libor + 4.5%. The repayments of this loan began on 15 April 2012 and in October 2013 this loan was repaid in full. There were no additional charges as a result of the early repayment.

The second DEG loan

In December 2011 DEG granted a 7-year loan of USD 20 million with an interest rate equal to U.S. Libor + 3.5%. The loan was disbursed in April 2012 and the repayments of the loan, with 10 semi-annual instalments of USD 2 million each, began on 15 April 2014. According to this schedule the entire loan will be repaid by April 2018. The Group has not given any collateral for the loan.

The PROPARCO loan

In October 2011, PROPARCO granted a 7-year loan of EUR 20 million with an interest rate of Euribor (6 months) + 2.5%. The loan was disbursed in March 2012 and repayments of the loan, with 11 semi-annual instalments of EUR 1.82 million each, began on 30 September 2013. On 9 December 2013, the two parties agreed to an accelerated repayment schedule by which around EUR 9.1 million shall be repaid in 2014 and thereafter around EUR 3.6 million annually. According to this schedule the entire loan will be repaid by 31 March 2017. The Group has not given any collateral for the loan.

Cash flow

Cash flow before movements in working capital was EUR 5.1 million (2012: EUR 11.6 million), mainly due to the decline in revenues. Net cash from operating activities was negative EUR 1.1 million (2012: positive EUR 17.6 million). The difference between the positive operating cash flow before changes in working capital and the negative net operating cash flow was mainly caused by the increase in other current financial assets as well as the decrease in other liabilities.

Net cash used in investing activities amounted to positive EUR 2.8 million (2012: negative EUR 47.5 million), as there were no significant investments made during the year and the Company's 40% stake in Xinlifeng was sold for around EUR 3.2 million.

In 2013, the net cash outflow from financing activities was EUR 11.2 million (2012: net cash inflow of EUR 26.5 million) as, during the year, no fund raising took place and bank loans were repaid. The value of the first DEG loan was around EUR 7.7 million at the repayment date. The other financing activities related to cash inflows and outflows of short-term loans. As decided by the AGM, no dividend was distributed in FY 2013. Cash and cash equivalents decreased to EUR 28.5 million (2012: EUR 38.6 million) mainly due to the repayment of bank loans.

Net working capital (current assets minus current liabilities) decreased to negative EUR 0.6 million (2012: positive EUR 20.6 million), due to a reclassification of loans from long-term to short-term.

The long-term assets are 35% financed by equity. In particular, due to the provisions of onerous lease contracts, total equity decreased by EUR 201.3 million to EUR 86.7 million (2012: EUR 288 million). The equity ratio (total equity/total assets) decreased to 30% (2012: 83%).

The Group remained solvent all throughout FY 2013. To ensure future solvency, the Management Board took certain actions after the balance sheet date, which are described in the Risk Report.

Financial position

kEUR	**FY 2013**	FY 2012	Change
Biological assets	**58,294**	83,930	-31%
Lease prepayments	**178,178**	193,370	-8%
Cash and cash equivalents	**28,474**	38,560	-26%
Other assets	**29,179**	32,495	-10%
Total assets	**294,125**	348,355	-16%
Total equity	**86,680**	287,980	-70%
Liabilities	**207,445**	60,375	244%
Total liabilities and equity	**294,125**	348,355	-16%

At year-end 2012, total assets decreased by 16%, year-on-year, to EUR 294.1 million (2012: EUR 348.4 million).

The biological assets decreased year-on-year by 31% to EUR 58.3 million (2012: EUR 83.9 million) due to lowered expected profitability in the bamboo-plantation business in the future. The biological assets consist of the estimated stocks of bamboo trees and bamboo shoots. Regarding the valuation please refer to the relevant section in the notes.

The lease prepayments were reduced by 8% to EUR 178.2 million (2012: EUR 193.4 million). The proportion of biological assets to total assets as at 31 December 2013 was 20% (2012: 24%) and the lease prepayments were 61% (2012: 56%). Cash and cash equivalents decreased by 26% to EUR 28.5 million (2012: EUR 38.6 million) at the end of the year, mainly due to loan repayments.

The long- and short-term liabilities increased to a total of EUR 207.4 million (2012: EUR 60.4 million) mainly through the provisions for onerous lease contracts amounting to EUR 161.6 million.

Total equity decreased by 70% to EUR 86.7 million (2012: EUR 288 million). The equity ratio (total equity/total assets) decreased to 30% (2012: 83%). 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' salary. Details of the remuneration of the Management Board members in FY 2013, on an individual basis, are displayed in the table below:

kEUR	Year	Fixed salary	Stock options *	Total
Mr Lin Zuojun	**2013**	**554**	**–**	**554**
	2012	531	469	1,000
Mr Jiang Haiyan	**2013**	**240**	**–**	**240**
	2012	225	213	438
Mr Peter Sjovall	**2013**	**293**	**–**	**293**
	2012	288	383	671
Total	**2013**	**1,086**	**–**	**1,086**
	2012	1,044	1,065	2,109

* 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 2012

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 and key employees (stock option scheme 2012) and granted the stock options as shown in the table below. The stock option scheme 2012 and the stock options granted under this scheme were approved by the Annual General Meeting on 24 June 2013 (grant date).

	Options	Strike price	Exercise period
Mr Lin Zuojun	**220,000**	9	5.6.2016-4.6.2017
Mr Jiang Haiyan	**100,000**	9	5.6.2016-4.6.2017
Mr Peter Sjovall	**180,000**	9	5.6.2016-4.6.2017
Key employees	**100,000**	9	5.6.2016-4.6.2017
Total	**600,000**		

On 22 March 2014, the members of the Management Board and key employees decided to forfeit their options.

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 date of passing the resolution (5 June 2012). 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, the Company appointed a third party to use the Black-Scholes option pricing model to assess the value of the scheme at the date of passing the resolution (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 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.

Due to the approval of the stock option program by the AGM on 24 June 2013 a new valuation calculation using the Black-Scholes model was made using this date as the grant date. The assumptions used were the following:

Exercise price	EUR 9.00
Life of the stock options	3.95 years
Share price at grant date	EUR 2.36
Expected historical volatility	63.00%
Expected dividend yield	0.00%
Risk free interest rate	0.64%

According to the Black-Scholes option pricing model, using the assumptions listed above, the fair value of each option was EUR 0.37 and the total value of the stock option scheme was kEUR 222.

No costs were incurred in 2013 for the stock option scheme and the reserve created in 2012 in the amount of kEUR 186 was reversed in the P&L because the Management Board believes that the fulfilment of the performance targets are unlikely.

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 was approved by 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 2013, the Supervisory Board members received a total compensation of kEUR 130 (2012: kEUR 122), which was allocated to the individual Supervisory Board members as follows:

	FY 2013 kEUR	FY 2012 kEUR
Mr Hans-Joachim Zwarg	**72.5**	70
Mr Chris Mcauliffe	**37.5**	35
Mr Pan Chaoran	**20**	17
Total	**130**	122

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 FY 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 38.1% 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.

The share capital shall be conditionally increased by up to EUR 600,000.00 by issuance of up to 600,000 new no par value bearer shares (Conditional Capital 2013). The conditional capital increase shall only be implemented to the extent that owners of stock options, which were issued by Asian Bamboo AG under the Stock Option Program 2012 exercise their stock options on shares. The new no par value bearer shares issued due to the exercise of the stock options shall be entitled to participate in profits from the beginning of the business year for which no resolution of the general shareholders' meeting on distribution of profits has been adopted at the time of the exercise of the stock option. The Management Board is authorised, subject to the approval of the Supervisory Board, to determine the details of the conditional capital increase.

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 accounting 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.

The Supervisory Board, supported by reports issued by the Company's auditor, conducts its own auditing of the annual and consolidated financial statements.

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. In the future, as the Management Board intends to enter the property industry, Asian Bamboo AG will be exposed to further risks linked to the property industry, such as interest rate fluctuations, banking system problems, government policies among others.

Biological assets

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 Group 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.

Organisational structure

The Company has begun implementing a decentralised organisation plan for plantation management, which means that the reliance on the Company's founder and CEO, Mr Lin Zuojun, for decision making is less than before. 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. Following the entry into the property industry, the Group will depend on the quality and experience of the management teams in the project companies which will run these property projects.

Government policies

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.

Financial risks

Risks relating to financial instruments are primarily linked to foreign exchange risks in relation to the bank balances of subsidiaries in Hong Kong and China which are not held in EUR as well as interest rate risk in relation to variable interest-rate loans with DEG and PROPARCO.

The Management Board continuously monitors the exchange rate and interest rate fluctuations and would, if appropriate, enter into hedging transactions. At the moment, this is not considered necessary. Cash and cash equivalents are almost exclusively in bank accounts with reputable financial institutions for which we are not aware of any doubts as to their creditworthiness.

Due to statutory regulations in China limiting the currency flows in and out of the country, there are limitations to the availability of the liquidity of the Chinese subsidiaries to other Group companies. For payments abroad regulatory approvals are required in many cases.

There are financial risks associated with the loans of credit institutions DEG and PROPARCO. Both loan agreements require certain financial ratios (financial covenants) to be achieved, which the Group failed to do in FY 2013. In addition, there are risks that DEG and PROPARCO, as development banks, will insist on an early redemption of the loans following our planned entry into the property industry. The Management Board is in close contact with both banks and keeps them continuously informed of all relevant developments and maintains good business relationships. Even though the Management Board doesn't expect an early redemption of the two loans in FY 2014, the Management Board has taken actions to ensure that the Group has sufficient cash reserves in case of an early redemption.

Partly in order to ensure the solvency of the Group, the Management Board took the following actions after the balance sheet date:

On 22 March 2014, the Supervisory Board of Asian Bamboo AG approved the Management Board's plans to reduce the plantation size through the sale of the rights to plantations in Shaowu (Kangda, Sirong, Minxian, Minda and Yinxin) Shunchang (Wufang), Sanming (Wucun), Wuyishan (Chongan) and Longyan (Hongshan), equivalent to a total plantation size of around 12,955 ha. The Management Board expects that the sale of the rights to these plantations will generate more than EUR 10 million.

On 10 April 2014, through a contract modification to all loan agreements between Group companies, the right to terminate inter-company loans without notice has been given. This means that, in the unlikely event that it is needed, cash can be retrieved from the subsidiaries at short notice.

On 10 April 2014, the founder and CEO of Asian Bamboo AG, Mr Lin Zuojun, agreed to extend an unsecured loan of RMB 100 million (approximately EUR 11.8 million) with a term of one year carrying an interest rate of 3.5%. On 6 May 2014, the funds were disbursed to Fujian Xinrixian Group Co., Ltd.

On 22 April 2014, termination agreements in relation to the following bamboo plantations in the Longyan region (Buyun, Hongshan and Miaoqian) were signed, which means that short term liabilities of EUR 9.5 million were cancelled.

The income and expenses of Asian Bamboo are primarily generated in RMB, so changes in exchange rates may have an adverse effect on the consolidated results of Asian Bamboo AG and thus on the dividends.

Weather

Although it is difficult to prove scientifically, there is increasing empirical evidence that the weather patterns have become more erratic and that the number of rainstorms, typhoons and other disruptive natural forces has increased both in China and the rest of the world. This has had a negative impact on our harvesting volumes over the last few years and we fear that there will be continued impact in the future. There is nothing that the Group can do in this respect.

Supply of farm labour

This is the largest risk for the plantation business and it has already had a very significant negative impact on the Group's operating performance, particularly in the years 2012 and 2013. 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 traditional village life, the available farming population is getting older and smaller. 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 continue 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 on the plantation harvesting model by entering the property industry.

Entry into the property industry

The intended entry into the property industry is linked to a number of risks. Firstly, the Company may not get the necessary support at the Annual General Meeting for a change in the scope of business of the Company's articles of association. Secondly, the Annual General Meeting may not approve the increase in the size of new shares to be issued, which would than mean that the Group can only issue up to around 4.6 million convertible bonds. Thirdly, the Group may not be able to negotiate entry into attractive property projects at reasonable terms. Fourthly, there may be problems obtaining the necessary financing in order to complete the property projects and, finally, there may be negative macro-economic developments such as major financial problems and changes in interest rate policies which may have a negative impact on demand for property in China.

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.

Opportunity report

In light of the very challenging situation of the bamboo-plantation business, the Management Board has identified the property industry as the largest opportunity for the Company. In simple terms the Management Board believes that the same factors which are generating headwinds in the bamboo-plantation business – urbanisation, a strong currency and salary inflation – are creating tail winds for the property industry. The Chinese real estate market has remained strong, despite various government initiatives to dampen the price rises by introducing credit restrictions and high interest rates.

The state of the property industry can always be debated. However, we see that the Chinese property market has remained strong, despite various government initiatives to dampen price increase through imposing credit restrictions and high interest rates. In the initial stage, the Management Board is planning to enter the property industry through the acquisition of interests in property project companies, which already have acquired land and in some cases may already have begun construction. These property projects will not generate any synergies with the Group's bamboo-plantation business.

The Management Board will not make any commitments on behalf of the Company into any property projects before the resolutions at the AGM have been passed and the proposed fund raising has been completed. Therefore it cannot provide detailed information on future property projects at the moment. However, the Management Board is confident that it can source attractive projects at reasonable valuations which will generate profits for the Group.

Reports on events subsequent to the reporting date

On 22 March 2014, the members of the Management Board and key employees decided to forfeit their stock options. In light of the planned changes in the Group's scope of business, to include property development, they believe that the current stock option plan (Stock Option Program 2012) does not create meaningful incentives. Consequently, the stock option program 2012 was terminated as of that day.

On 22 March 2014, the Supervisory Board of Asian Bamboo AG approved the Management Board's plans to reduce the plantation size through the sale of the rights to plantations in Shaowu (Kangda, Sirong, Minxian, Minda and Yinxin) Shunchang (Wufang), Sanming (Wucun), Wuyishan (Chongan) and Longyan (Hongshan), equivalent to a total plantation size of around 12,955 ha. The Management Board expects that the sale of the rights to these plantations will generate more than EUR 10 million.

On 10 April 2014, through a contract modification to all loan agreements between Group companies, the right to terminate inter-company loans without notice has been given. This means that, in the unlikely event that it is needed, cash can be retrieved from the subsidiaries at short notice.

On 10 April 2014, the founder and CEO of Asian Bamboo AG, Mr Lin Zuojun, agreed to extend an unsecured loan of RMB 100 million (approximately EUR 11.8 million) with a term of one year carrying an interest rate of 3.5%. On 6 May 2014, the funds were disbursed to Fujian Xinrixian Group Co., Ltd.

On 22 April 2014, termination agreements in relation to the following bamboo plantations in the Longyan region (Buyun, Hongshan and Miaoqian) were signed, which means that short term liabilities of EUR 9.5 million were cancelled.

Trend Information 2014

Summarised assessment (FY 2013) by the Management Board

During the year the operational performance of the group was much worse than expected at the beginning of the year. The main causes were the decreasing supply of farm labour and the continued failure of the bamboo fibre project. At the end of the year, due to the poor actual performance and bleak outlook, the Management Board felt it necessary to yet again write down the value of biological assets and also make provisions for onerous lease contracts.

During the year, the Management Board implemented a new organisational structure and completed the strategic review. The conclusions of the strategic review, which were reported on 16 December 2013, were that the challenges in the plantation business are structural in nature and thus more likely to persist for some time. Therefore, the Management Board decided to continue managing most of its plantations, to sell the rights of some plantations and to prepare the entry into the property industry. On 22 March 2014, the Management Board decided to give up the rights to some plantations and on 22 April 2014, legally binding contracts were signed in this respect which means that the outstanding lease prepayments on these plantations in the amount of approximately EUR 9.5 million were cancelled. In addition, on 10 April 2014, Mr Lin Zuojun, founder and CEO, agreed to provide the Group with a loan of RMB 100 million (approximately EUR 11.8 million). At the next AGM, which is scheduled to 20 June 2014, the Management Board and Supervisory Board will present some resolutions, which, if adopted, will authorise the Group to enter the property industry and to issue a convertible bond.

Expected general developments FY 2014

Macro-economic environment in 2014

In 2013 China's GDP growth fluctuated within a narrow range of between 7.5-7.8%, which is around the government's target of 7.5%. These levels are historically low, but the Management Board believes that the Chinese economy will grow at a slower pace in the future than it did in the past. At the moment there are a number of factors working against the Chinese economy, namely:

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

At the same time the annual consumer price index change ('inflation') edged up and ended the year at around 3% on a year-on-year basis. The Management Board believes that while certain sectors of the Chinese economy are doing well, industrial production is weak.

The Management Board believes the government is monitoring the economic situation very carefully and if there are signs of economic weakness, the government is ready to implement policies in order to strengthen the economy. The Management Board also believes that the government wants to shift the economic structure from a reliance on manufacturing and exports to a more balanced economy, with a stronger service sector and increasing domestic demand.

Operating conditions in the bamboo-plantation industry in 2014

The conditions in the bamboo-plantation industry were very challenging in 2013 and they are likely to remain so in 2014. The main reason for this is the tight supply of farm labour, which is affecting bamboo shoot harvests and also pushing up harvesting costs. In addition, manufacturing is weak mainly due to higher costs and a strong currency which has affected China's export competitiveness.

The property industry in 2014

The property sector was strong in 2013. According to the National Bureau of Statistics, the total value of sales increased by 19.8% to RMB 8.6 trillion and on average prices rose.

According to the National Bureau of Statistics, the property sector contributes roughly 15% of the country's GDP. It is therefore one of the pillar industries in China and a very important determinant of commodity demand. The Management Board believes that the outlook for 2014 is uncertain, but overall demand is primarily driven by increases in urbanisation and disposable incomes. Further property-tightening curbs are only likely in the major cities where there have been strong gains in property sales prices over the last few years.

FY 2014 trend information and dividends

The risks which the Group are exposed to are explained in the risk report. In particular the Group's results are affected by the development of the bamboo-plantation business, which also affects the valuation of the biological assets. In other words when the expectations of future revenue and profits fall or rise, this has an influence on the value of biological assets and provisions for onerous lease contracts. The net loss in FY 2013 reflects this as most of the losses were caused by impairments of biological assets and the provisions for onerous lease contracts. Due to the very significant impairments made in FY 2013, further impairments in FY 2014 onwards are unlikely. In the future, following the entry into the property industry, the Group will be exposed to additional risks linked to that industry. Overall the Management Board is optimistic about the entry into the property industry and believes that the opportunities are far greater than the risks in the longer term.

Asian Bamboo's bamboo-plantation business in 2014

The conditions in the bamboo industry are likely to remain challenging in 2014. Therefore the Management Board will continue implementing the plan to decentralise the organisation of the bamboo-plantation business, search for opportunities to improve the Company's cash flow by leasing out or selling part of the bamboo-plantations and facilitate the entry into the property industry.

The property business in 2014

Entering the property industry will create a new business segment for the Group. The Management Board believes that this business will create very significant revenue and profit contributions in the future, although revenues and profits are not likely to be generated until 2015 at the earliest.

Revenue, annual result and cash flow 2014

The conditions in the bamboo industry are expected to remain difficult in FY 2014. The Management Board expects revenue of about EUR 30 million and a near break-even result. Net operating cash flows are expected to reach EUR 3 million. The Management Board expects that the reduction of the plantation size will not have any significant impact on the revenues and earnings in FY 2014, and that further impairments of biological assets or provisions for onerous lease contracts in FY 2014 will not be necessary.

Investment strategy 2014

In FY 2014 the Management Board does not plan any investments into the bamboo-plantation business. On the contrary, as announced on 23 March and 24 April, the Management Board plans to sell the rights to some plantations and give up the rights to some plantations. Following the passing of resolutions at the Annual General Meeting and the successful launch of the convertible bond issue, the Management Board plans to undertake its first property project. The size of these investments depends on the negotiations with potential partners and it isn't possible to make a reliable forecast at the moment.

No dividend for FY 2013

At the AGM, the Management Board and Supervisory Board will not propose the distribution of a dividend for FY 2013. However both the Management Board and Supervisory Board intend to resume dividend payments once the Group's operational and financial performances improve.

Summary

The bamboo-plantation business is likely to remain difficult in 2014. The Management Board expects revenue of about EUR 30 million and a near break-even result. Meanwhile, the Management Board will continue to implement its plan to enter the property industry. If all goes according to plan, the Group will make the first real estate investment in 2014. The Management Board is confident that the development of the new business segment will offer substantial longer-term benefits. However revenue from the property industry is not expected to be booked until FY 2015 at the earliest.

Hamburg, Germany, 9 May 2014

On behalf of the Management Board

Lin Zuojun	Jiang Haiyan	Peter Sjovall
CEO	COO	CFO

Consolidated Financial Statements and Notes

Auditors’ Report and Responsibility Statement

Additional Information

Consolidated Statement of Income and Expenses

for the period from 1 January to 31 December 2013

	Note	2013 kEUR	2012* kEUR
Continued operations			
Revenue	4	**31,399**	69,397
Cost of goods sold	5	**(32,429)**	(71,608)
Loss arising from changes in fair value of biological assets	16	**(24,684)**	(7,837)
Gross profit including revaluations		**(25,714)**	(10,048)
Other income	6	**910**	670
Distribution expenses	7	**(776)**	(1,326)
Administrative expenses	8	**(5,606)**	(7,432)
Other expenses	9	**(165,231)**	(54)
Profit/(loss) from operations		**(196,417)**	(18,190)
Share of profit/(loss) of jointly controlled companies	18	**289**	(319)
Finance income	12	**854**	1,395
Finance cost	12	**(1,032)**	(1,995)
Profit before tax for continued operations		**(196,306)**	(19,109)
Income tax	13	**(61)**	(738)
Profit for the year for continued operations (fully attributable to owners of the parent company)		**(196,367)**	(19,847)
Discontinued operations			
Result of discontinued operations	14	**(3,517)**	41
Profit for the year (fully attributable to owners of the parent company)		**(199,884)**	(19,806)
Earnings per share			
For continued and discontinued operations			
Basic and diluted (EUR per share)†	15	**(13.08)**	(1.30)
For continued operations			
Basic and diluted (EUR per share)†	15	**(12.85)**	(1.30)

* Comparable numbers are adjusted in accordance with IAS 8

† Computed on the basis of 15,281,100 shares

Consolidated Statement of Comprehensive Income

for the period from 1 January to 31 December 2013

	2013 kEUR	2012 kEUR
Profit for the year	**(199,884)**	(19,806)
Items which under certain conditions in the future will be reclassified in the statement of income and expenses		
Exchange differences arising from currency translations	**(857)**	(2,185)
Reclassification due to during the financial year disposed foreign business operations	**(373)**	–
Other comprehensive income after tax	**(1,230)**	(2,185)
Total comprehensive income for the year (fully attributable to owners of the parent company)	**(201,114)**	(21,991)

Consolidated Balance Sheet

for the period ending 31 December 2013

	Note	31.12.2013 kEUR	31.12.2012 kEUR
ASSETS			
Non-current assets			
Property, plant and equipment	17	**5,519**	6,109
Biological assets	16	**58,294**	83,930
Lease prepayments	20	**178,178**	193,370
Investments in associated companies	18	**–**	3,368
Other financial assets	19	**2,795**	2,747
		244,786	289,524
Current assets			
Inventories	21	**614**	682
Trade and other receivables	22	**1,591**	1,483
Other financial assets	19	**5,340**	1,406
Lease and other prepayments	20	**13,320**	16,700
Cash and cash equivalents	23	**28,474**	38,560
		49,339	58,831
Total assets		**294,125**	348,355
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		**679**	865
Foreign currency translation reserve		**41,797**	43,027
Statutory reserves of subsidiaries		**9,007**	8,710
Retained earnings		**(112,037)**	88,144
Total equity	24	**86,680**	287,980
Non-current liabilities			
Provisions	26	**157,536**	–
Borrowings	25	**–**	22,039
Deferred taxes	13	**–**	132
		157,536	22,171
Current liabilities			
Provisions	26	**4,038**	–
Borrowings	25	**34,734**	24,483
Trade payables	27	**10,043**	10,769
Other liabilities	28	**769**	2,457
Current tax liabilities		**325**	495
		49,909	38,204
Total liabilities		**207,445**	60,375
Total liabilities and equity		**294,125**	348,355

Consolidated Statement of Changes in Equity

for the period from 1 January to 31 December 2013

	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 2012	15,281	131,953	8,617	679	45,212	114,155	315,897
Consolidated profits for the year	–	–	–	–	–	(19,806)	(19,806)
Other comprehensive income for the year net of income taxes	–	–	–	–	(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 equity settled benefits	–	–	–	186	–	–	186
Dividend payments	–	–	–	–	–	(6,112)	(6,112)
Balance as of 31 December 2012/ 1 January 2013	15,281	131,953	8,710	865	43,027	88,144	287,980
Consolidated profits for the year	–	–	–	–	–	(199,884)	(199,884)
Other comprehensive income for the year net of income taxes	–	–	–	–	(1,230)	–	(1,230)
Total comprehensive income for the year	–	–	–	–	(1,230)	(199,884)	(201,114)
Transfer to the statutory reserves of subsidiaries	–	–	297	–	–	(297)	–
Reversal of reserve of equity settled benefits	–	–	–	(186)	–	–	(186)
Balance as of 31 December 2013	15,281	131,953	9,007	679	41,797	(112,037)	86,680

Consolidated Statement of Cash Flow

for the period from 1 January to 31 December 2013

	Note	2013 kEUR	2012* kEUR
Profit before tax		**(199,823)**	(19,059)
Depreciation of property, plant and equipment		**535**	569
(Gain)/loss arising from changes in fair value of biological assets		**24,684**	7,837
Amortisation of lease prepayments		**12,995**	13,596
Loss/(gain) on disposal of property, plant and equipment		**–**	3
Interest income		**(854)**	(1,518)
Interest expense		**1,032**	1,995
Share of loss/(profit) of jointly controlled entities		**(289)**	319
Provisions		**165,225**	–
Impairment losses on receivables		**3,461**	–
Decreases due to harvest		**211**	10,745
Interest received		**769**	1,395
Interest paid		**(1,612)**	(1,707)
Income taxes paid		**(388)**	(2,798)
Non cash affecting (income)/expenses		**(892)**	186
Operating cash flow before movements in working capital		**5,054**	11,563
(Increase)/decrease in inventories trade receivables, other financial assets and prepayments unless they are allocated to investing or financing activities		**(4,957)**	5,627
(Increase)/decrease in accounts payables and other liabilities unless they are classified as investing or financing activities		**(1,241)**	426
Net cash generated from operating activities		**(1,144)**	17,616
Cash flow from investing activities			
Prepaid bamboo plantation leases and purchase of biological assets		**(230)**	(46,345)
Sale of investment in jointly controlled entities		**3,307**	123
Prepayments for property, plant and equipment		**(256)**	(1,313)
Proceeds from disposal of property, plant and equipment		**–**	2
Net cash used in investing activities		**2,821**	(47,533)
Cash flow from financing activities			
Proceeds from new bank borrowings		**4,875**	37,378
Repayments of borrowings		**(16,105)**	(4,799)
Dividends paid to shareholders		**–**	(6,112)
Cash flow from financing activities		**(11,230)**	26,467
Net increase in cash and cash equivalents		**(9,553)**	(3,450)
Cash and cash equivalents at the beginning of the year		**38,560**	41,980
Foreign exchange differences		**(533)**	30
Cash and cash equivalents at the end of the year	23	**28,474**	38,560

* Comparable numbers are adjusted in accordance with IAS 8

Notes

for the period from 1 January to 31 December 2013

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 31 December 2013 Asian Bamboo AG directly and indirectly owned shares in the following companies:

Company name	Principal activity	Proportion of ownership interest and voting power held 31.12.2013	Equity kEUR 31.12.2013	Profit for the year kEUR 31.12.2013
Investments in fully consolidated subsidiaries				
Asian Bamboo (Hong Kong) Industrial Co., Ltd. (Hong Kong)	Holding Company	100%	(534)	(1,076)
Hong Kong XRX Bamboo Investment Co., Ltd. (Hong Kong)	Holding Company	100%	123,354	(1,060)
Fujian Xinrixian Bamboo Fiber Technology Co., Ltd., Shaowu, China (PRC)	R&D	100%	15,933	(3,517)
Longyan Xinrixian Forestry Development Co., Ltd., Longyan, China (PRC)	Holding Company	100%	(47,011)	(73,998)
Fujian Xinrixian Group Co., Ltd., Fuzhou, China (PRC)	Holding Company	100%	39,953	(2,035)
Shaowu Sanyuan Food Development Co., Ltd., Shaowu, China (PRC)	Bamboo Shoot Processing	100%	3,654	391
Fuzhou Xinrixian Food Development Co., Ltd., Fuzhou, China (PRC)	Bamboo Shoot Processing	100%	3,484	(161)
Shaowu Xinrixian Industry Co., Ltd., Shaowu, China (PRC)	Plantation Management	100%	28,674	(56,722)
Shunchang Xinrixian Forestry Co., Ltd., Shunchang, China (PRC)	Plantation Management and Bamboo Shoot Processing	100%	5,985	(12,847)
Sanming Xinrixian Forestry Co., Ltd., Jiangle County, China (PRC)	Plantation Management	100%	(4,087)	(20,474)
Wuyishan Xinrixian Forestry Co., Ltd., Jiangle County, China (PRC)	Plantation Management	100%	(22,916)	(31,255)
Zhangzhou Xinrixian Food Development Co., Ltd., Zhangzhou, China (PRC)	Bamboo Shoot Processing	100%	1,161	(18)

In 2013 the Company sold its 40% stake in Fujian Xinlifeng Bamboo Group Co., Ltd. for a total consideration of kEUR 3,234. Since 27 December 2013 the Company no longer has any involvement and influence on this company. The completion of the transfer of shares will take place in early 2014.

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 of Asian Bamboo as of 31 December 2013 were based on § 315a HGB in accordance with the International Accounting Standard Board's (IASB), International Financial Reporting Standards (IFRS) and the International Accounting Standards Board (IASB) and the related interpretations (IFRIC) of the IFRS Interpretations Committee (IFRS IC) in line with the application of international accounting standards adopted by the European Union concerning pursuant to Regulation No 1606/2002 of European Parliament and of the Council.

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

The following standards and interpretations were applied for the first time in the financial statements in FY 2013. However, the initial application has no effect on the recognition and measurement of assets and liabilities in the consolidated financial statements and the results in future financial years.

- Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards, amendments relating to fixed transition points and hyperinflation (effective date: 1 January 2013)
- Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards, changes to government loans with an interest rate not reflecting the market level (effective date: 1 January 2013)
- Amendments to IFRS 7 – Disclosures for offsetting financial assets and financial liabilities (effective date: 1 January 2013)
- IFRS 13 – The fair value (effective date: 1 January 2013). It will be governed by a separate standard general rules for measuring fair value. The rules are applied for the first time starting in FY 2013. This results in the Group effects on the presentation in the appendix
- Amendments to IAS 1 – Representations of Items of Other Comprehensive Income (effective date: 1 July 2012), change with respect to the presentation of other comprehensive income. The items of other comprehensive income are presented separately after changing the standards. This is to differentiate between items that are never reclassified to the consolidated profit and items that are, where appropriate, reclassified in future periods in the consolidated result
- Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets (effective date: 1 January 2013)
- Amendment to IAS 19 – Employee Benefits (2011), elimination of the corridor method, as well as changes in the presentation of pension expenses (effective date: 1 January 2013)
- IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine (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)

1. BACKGROUND AND BASIS OF PREPARATION (continued)

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

The following new and amended standards and interpretations that have already been adopted by the IASB for FY 2013 but were not yet effective and have not been recognised in the financial statements as of 31 December 2013:

- IFRS 10 – Consolidated Financial Statements (deviating EU effective date: 1 January 2014)
- IFRS 11 – Joint agreement (deviating EU effective date: 1 January 2014)
- IFRS 12 – Disclosure of Interests in Other Entities (deviating EU effective date: 1 January 2014)
- IAS 28R – Investments in Associates and Joint Ventures (revised 2011) (deviating EU effective date: 1 January 2014)
- IAS 27R – Separate Financial Statements (revised 2011) (deviating EU effective date: 1 January 2014)
- Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosure of Interests in Other Entities and IAS 27 – Separate Financial Statements, the changes relating to the consolidation of investment companies (effective date: 1 January 2014)
- Transitional provisions, amendments to IFRS 10, IFRS 11 and IFRS 12 (deviating EU effective date: 1 January 2014)
- Amendments to IAS 19 – Employee Benefits, Defined benefit plans: employee contributions (effective date: 1 July 2014)
- IFRS 9 – Financial Instruments
- Amendments to IFRS 9 – Financial Instruments
- Hedge accounting and changes to IFRS 9, IFRS 7 and IAS 39
- Amendments to IAS 32 – Financial Instruments: Presentation, Offsetting Financial Assets and Financial Liabilities (effective date: 1 January 2014)
- Amendments to IAS 39 – Financial Instruments: Recognition and Measurement, changes relating to the novation of derivatives and continuation of hedge accounting (effective date: 1 January 2014)
- Amendments to IAS 36 – Impairment of Assets: clarification as to the recoverable amount of non-financial assets (effective date: 1 January 2014)
- IFRIC 21 – Charges (effective date: 1 January 2014)
- Annual improvements to the IFRS cycle from 2010 to 2012 (effective date: 1 July 2014)
- Annual improvements to the IFRS cycle from 2011 to 2013 (effective date: 1 July 2014)

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

1.4 Changes in accounting methods

In FY 2013 the Company changed the presentation of the cultivation costs associated with the biological assets, which resulted in more reliable and relevant information in accordance with IAS 8.14 (b). The prior-year figures were restated accordingly.

Previously the cultivation costs were included in the development of biological assets and reported in the P&L through the change in fair value of biological assets. In order to provide more reliable and relevant information, in accordance with IAS 8.14 (b), this presentation has been changed. In the future the cultivation costs will no longer be shown in the development of biological assets but reported directly in the cost of goods sold, which resulted in the following restatements:

- Consolidated profit and loss statement (P&L): Increase of cost of goods sold by kEUR 22,767 (2012: increase of kEUR 48,960). Reduction of loss in FVBA by kEUR 22,767 (2012: reduction by kEUR 48,960)

1. BACKGROUND AND BASIS OF PREPARATION (continued)

1.4 Changes in accounting methods (continued)

- Consolidated cash flow statement: The item 'loss from the change in FVBA' was reduced by kEUR 22,767 (2012: kEUR 48,960). The item 'increases due to cultivation costs' of kEUR 22,767 (2012: kEUR 48,960) was omitted
- Development of biological assets in accordance with IAS 41.50: The item 'increase due to cultivation costs' in the amount of kEUR 22,767 (2012: kEUR 48,960) was omitted. The item 'loss from the changes in the fair value' was reduced by kEUR 22,767 (2012: kEUR 48,960)

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The following conversion rates have been used:

		31.12.2013	31.12.2012
Year end	EUR 1 = RMB	**8.3491**	8.2207
Average	EUR 1 = RMB	**8.1646**	8.1052
Year end	HKD 1 = RMB	**0.7808**	0.8128
Average	HKD 1 = RMB	**0.7926**	0.8125

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 costs 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
Tenant attachments	6 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property plant and equipment (continued)

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.

2.5 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, assets and liabilities of associates are accounted for in these financial statements using the equity method. Under the equity method, investments in associates are included at cost in the consolidated balance sheet, as adjusted for changes in the Group's share of the profit or loss and other comprehensive income of the associate after the date of acquisition. Losses of an associate in excess of the Group's interest in that associate are not recognised, unless 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 the associated company at the date of acquisition is recognised as goodwill, which is included in the carrying value of the investment and is not tested separately for impairments. Instead, the entire carrying amount of the investment is tested for impairment. A breakdown of impairment losses on the information contained in the carrying amount of the assets, including goodwill value, is not required. A reversal of the impairment is carried out to the extent that the recoverable amount as the proportion increases.

Any excess of the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately as profit. If a consolidated company conducts business transactions with an associated company, profits and losses to the extent of the Group's interest in the relevant associated company should be eliminated.

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 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. At harvest, the carrying amount of biological assets at fair value of the harvested bamboo trees and bamboo shoots decreases.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Biological assets and lease prepayments (continued)

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 the bamboo trees and bamboo shoots located on the plantations. 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.

The plantation lease fees are normally paid up-front for the entire lease period at the beginning of the lease period or when the harvesting rights have been transferred. Until the harvesting rights have been transferred, paid lease prepayments are booked under prepayments. When the harvesting rights have been transferred, expected lease payments are recognised as a liability and increase the value of lease prepayments. Upon receipt of the harvesting rights, a transfer is made from lease prepayments to the biological asset value of the value of the biological assets which exist on the plantation. The residual value of the lease prepayments for bamboo plantations as well as lease prepayments for land is treated in accordance with IAS 17.34 and is amortised on a straight-line basis over the lease term and accounted for as an expense in the profit and loss account.

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'.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial assets (continued)

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.

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 recognises a collateralised borrowing for the proceeds received.

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

2. 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, and 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).

Present obligations arising under onerous contracts are recognised as provisions. An onerous contract is one where the Group is party to a contract for which it is expected that the unavoidable costs to fulfil the contract with the obligations arising from this contract will exceed economic benefits.

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.

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 was 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 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 31.

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 made is such a way that the total cost estimate reflects the change and a corresponding adjustment in the recognition of share-based payments.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Share based payment arrangements (continued)

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 each tax year 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.

The main areas in which estimates relate to the determination of the fair value of biological assets (note 16), the valuation of the provision for onerous contracts (note 26) and the determination of the fair value of stock options issued to Management Board members and other key employees (note 31).

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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 note 16 '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.

For the evaluation of the provisions for onerous contracts the same assumptions have been used for estimating future income as in the valuation of biological assets. These estimates have been provided by the Management Board to the best of their knowledge based upon the current situation and the outlook. It is possible that the actual outcome will deviate from these assumptions.

In 2012, the fair value of the share options, using the Black-Scholes formula, was calculated using the date the Supervisory Board decided to launch the stock option scheme as the grant date. In 2013, the fair value was updated using the date of the AGM approval of the scheme as the grant date and it will remain unchanged during the option term. A change in the estimation of the exercise conditions is taken into account by adjusting the number of equity instruments included in the determination of the amount of 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

	2013 kEUR	2012 kEUR
Bamboo trees	**8,430**	13,933
Fresh winter bamboo shoots	**2,437**	10,419
Fresh spring bamboo shoots (including dry bamboo shoots)	**10,207**	28,671
Processed bamboo shoots	**10,325**	16,374
Total	**31,399**	69,397

In FY 2013, no customers accounted for more than 10% of total revenue.

4.2 Breakdown of revenue according to geographical regions

	2013 kEUR	2012 kEUR
People's Republic of China (PRC)	**27,547**	64,045
Japan	**3,852**	5,352
Total	**31,399**	69,397

5. COST OF SALES

	2013 kEUR	2012 kEUR
Cultivation costs	**22,767**	48,960
Material and packaging costs for processing	**2,102**	14,017
Employee benefits expense	**3,371**	3,808
Other	**4,189**	4,823
Total	**32,429**	71,608

6. OTHER INCOME

	2013 kEUR	2012 kEUR
Exchange rate gains	**706**	438
Others	**204**	232
Total	**910**	670

7. DISTRIBUTION EXPENSES

	2013 kEUR	2012 kEUR
Transportation costs	**293**	498
Other	**483**	828
Total	**776**	1,326

8. ADMINISTRATIVE EXPENSES

	2013 kEUR	2012 kEUR
Staff costs	**3,898**	4,225
Amortisation of property, plant and equipment	**270**	277
Research and development costs	**87**	84
Travel expenses	**129**	402
Rental costs	**371**	498
Legal and advisory fees	**32**	279
Other	**819**	1,667
Total	**5,606**	7,432

9. OTHER EXPENSES

	2013 kEUR	2012 kEUR
Loss on disposal of property, plant and equipment	**–**	2
Provision	**165,225**	–
Others	**6**	52
Total	**165,231**	54

10. HEADCOUNT AND PAY-ROLL EXPENSES

Total personnel costs compared to the previous year were:

	2013 **kEUR**	2012 kEUR
Wages and salaries	**6,677**	7,340
Social security costs	**341**	81
Post employment benefits (defined contribution plan)	**386**	475
Share based payment (equity settled)	**(186)**	186
Total	**7,218**	8,082

Employer contributions to statutory pension insurance in China and Germany amounted to kEUR 386 (2012: kEUR 385). For FY 2014, expenditures are expected to be similar to those in FY 2013.

The Group employed an annual average of 812 people (2012: 868 people):

	2013 **kEUR**	2012 kEUR
Management and administration	**170**	180
Research and development	**3**	6
Manufacturing	**597**	647
Sales	**42**	35
Total	**812**	868

11. DEPRECIATION

Depreciation of property, plant and equipment amounted to kEUR 535 (2012: kEUR 569).

12. FINANCE NET

	2013 **kEUR**	2012 kEUR
Interest income from interest bearing long term deposits	**92**	97
Interest income from bank deposits (category: loans and receivables)	**762**	1,298
Interest and similar income (category: loans and receivables)	**854**	1,395
Interest on overdrafts and bank loans	**(1,669)**	(1,995)
Income from derecognition of interest liabilities	**637**	–
Interest and similar charges (category: other liabilities)	**(1,032)**	(1,995)
Finance net	**(178)**	(600)

13. TAXATION

	2013 kEUR	2012 kEUR
Tax expenses for the current period	**193**	408
Changes in deferred taxes	**(132)**	330
Total income tax expenses in the current financial year from continued operations	**61**	738

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%.

In FY 2012 and FY 2013, Fujian Xinrixian, Sanyuan Xinrixian and Zhangzhou Xinrixian Food Development Co., Ltd. all paid an income tax of 25%.

13.1 Income tax for continued operations

The tax expense for the year can be reconciled to the accounting profit as follows:

	2013 kEUR	2012 kEUR
Profit before tax for continued operations	**(196,306)**	(19,109)
Taxes on income and profits at a tax rate of 25%*	**(49,077)**	(4,777)
Tax reduction because of preferred tax treatment	**7,564**	3,595
Effect on initially unrecognised tax losses	**(159)**	–
Non-deductable expenses	**–**	52
Effects of differing tax rates in other jurisdictions	**212**	320
Other	**(473)**	34
Impact on undeferred taxes on unrecognised tax losses	**41,994**	1,514
Tax expense in income statement	**61**	738
Effective tax ratio	**(0.03)**	(3.86)

* 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% (2012: 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 2013, as the Company recorded a loss, there was no significant tax charged. In 2013 the average effective tax rate was negative 0.03%

13. TAXATION (continued)

13.2 Cumulative amount of deferred taxes

The deferred tax, at a tax rate of 33%, is recognised in the consolidated balance sheet as deferred tax liabilities in the amount of kEUR 132 in FY 2012 (2013: nil) resulting from costs, which are capitalised under IFRS, in connection with the concluded loan agreements. No deferred tax was recognised in Asian Bamboo AG or in the subsidiaries in 2013, due to the uncertainty regarding the realisation date of the loss carry forwards. The loss carry forwards amounted to kEUR 23,216 (2012: nil) for corporation tax purposes and kEUR 22,946 (2012: nil) for trade tax purposes.

No deferred taxes were recognised in the loss carry forwards of subsidiaries, due to the uncertainty regarding the realisation date. The loss carry forwards of subsidiaries amounted to kEUR 20,383 (2012: kEUR 16,793).

Taxable temporary differences associated with investments in subsidiaries for which no deferred taxes were recognised because the Group is able to control the reversal and they will not reverse in the foreseeable future, amounted to kEUR 1,972 (2012: kEUR 143,413). Deductible temporary differences associated with investments in subsidiaries for which no deferred tax assets have been recognised because it is not probable that they will reverse in the foreseeable future amount to kEUR 93,199 (2012: nil).

14. DISCONTINUED OPERATIONS

Discontinuation of the bamboo fibre business

In 2013 the Management Board, with the approval of the Supervisory Board, following the completion of the strategic review of the Group's operations, decided to discontinue the bamboo fibre business.

Analysis of the results from discontinued operations:

The earnings components of the discontinued business – bamboo fibre – in the consolidated income statement (P&L) and in the consolidated cash flow statement are listed below. In FY 2013, these are adjusted to be accounted for as discontinued operations.

	2013 kEUR	2012 kEUR
Result of discontinued operations		
Revenue	**933**	3,458
Cost of goods sold	**(928)**	(3,389)
Other revenue	**7**	122
	12	191
Expenses	**(3,529)**	(141)
Profit before tax	**(3,517)**	50
Tax	**–**	(9)
Result of discontinued operations	**(3,517)**	41

	2013 kEUR	2012 kEUR
Cash flow from discontinued operations		
Net operating cash flow	**(535)**	2,877
Net cash flow from investment activities	**7**	122
Net cash flow	**(528)**	2,999

15. EARNINGS PER SHARE

	31.12.2013 EUR	31.12.2012 EUR
For continued operations	**(12.85)**	(1.30)
For discontinued operations	**(0.23)**	–
Total	**(13.08)**	(1.30)

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

	31.12.2013	31.12.2012
Result after tax of continued operations attributable to owners of the parent company (kEUR)	**(196,367)**	(19,847)
Weighted average number of ordinary shares	**15,281,100**	15,281,100
Basic and diluted earnings per share from continued operations (EUR)	**(12.85)**	(1.30)

	31.12.2013	31.12.2012
Result of discontinued operations attributable to owners of the parent company (kEUR)	**(3,517)**	41
Weighted average number of ordinary shares	**15,281,100**	15,281,100
Basic and diluted earnings per share from discontinued operations (EUR)	**(0.23)**	–

The weighted average number of shares in FY 2013 and 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. With reference to IFRS 2, the stock options which were granted to the members of the Management Board and other key employees 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.

16. 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 a reliable estimate.

16. BIOLOGICAL ASSETS (continued)

Overview of all leased plantations as of 31 December 2013, 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	7
Min Xian	Shaowu	Shaowu	12,910	861	01.01.2003	18	7
Min Da	Shaowu	Shaowu	8,150	543	01.01.2001	20	7
Min Da	Shaowu	Shaowu	6,000	400	01.01.2001	20	7
Min Da	Shaowu	Shaowu	4,500	300	01.01.2003	18	7
Min Run	Shaowu	Shaowu	12,540	836	01.01.2001	20	7
Kang Da	Shaowu	Shaowu	8,860	591	01.01.2003	15	4
Kang Da	Shaowu	Shaowu	8,720	581	01.01.2005	13	4
Si Rong	Shaowu	Shaowu	12,570	838	01.01.2003	15	4
Si Rong	Shaowu	Shaowu	3,070	205	01.01.2005	13	4
Guilin	Shaowu	Shaowu	27,600	1,840	01.02.2008	20	14
Xialan	Shaowu	Shaowu	29,600	1,973	01.02.2008	20	14
Yushan	Shaowu	Shaowu	31,200	2,080	01.01.2008	20	14
Huangjiashan	Shaowu	Shaowu	32,000	2,133	01.01.2008	20	14
Huangjiaji	Shaowu	Shaowu	30,600	2,040	01.02.2008	20	14
Wu Fang	Shunchang	Shunchang	18,620	1,241	01.01.2005	20	11
Lan Xia	Shunchang	Shunchang	17,750	1,183	01.01.2006	30	22
Jin Feng	Shunchang	Shunchang	15,650	1,044	01.01.2006	25	17
Xin Chen	Shunchang	Shunchang	13,580	905	01.01.2006	25	17
Wucun	Sanming	Jiangle	28,700	1,913	07.08.2008	20	15
Rui Yan	Wuyi	Wuyi	11,780	785	01.01.2006	20	12
Li Yang	Wuyi	Wuyi	13,500	900	01.01.2006	20	12
Hua Shun	Shaowu	Guangze	19,490	1,299	01.01.2007	20	13
Yin Xin	Shaowu	Guangze	21,230	1,415	01.01.2007	30	23
Chakou	Shaowu	Shaowu	31,600	2,107	01.11.2009	20	16
Dawang	Sanming	Jiangle	27,409	1,827	21.09.2009	20	16
Xiaowang	Sanming	Jiangle	17,591	1,173	23.09.2009	20	16
Xiang Pu	Shaowu	Shaowu	14,800	987	01.10.2010	20	17
Cheng Dun	Wuyi	Wuyi	16,780	1,119	04.02.2010	20	16
Huang Dun	Wuyi	Wuyi	18,950	1,263	05.03.2010	20	16
Bai Zhang	Wuyi	Wuyi	27,000	1,800	15.06.2010	20	16
Xiao Chi	Longyan	Longyan	36,080	2,405	20.02.2010	20	16
Jiang Shan	Longyan	Longyan	38,930	2,595	20.02.2010	20	16
Bu Yun	Longyan	Longyan	18,700	1,247	01.10.2010	20	17
Hong Shan	Longyan	Longyan	26,000	1,733	01.10.2010	20	17
Miao Qian	Longyan	Longyan	17,900	1,193	01.10.2010	20	17
Yan Shi	Longyan	Longyan	26,000	1,733	10.06.2010	20	16
Xia Sha	Shaowu	Shaowu	12,600	840	01.02.2011	20	17
Xiao Bi	Wuyi	Pucheng	9,700	647	04.03.2011	20	17
Lv Kou	Wuyi	Jianyang	18,600	1,240	09.03.2011	20	17
La Xi	Longyan	Longyan	18,700	1,247	01.02.2011	20	17
Bai Sha	Longyan	Longyan	23,000	1,533	01.02.2011	20	17
Tang Bao	Longyan	Longyan	17,900	1,193	01.02.2011	20	17
Total Plantations			**817,670**	**54,511**			

16. BIOLOGICAL ASSETS (continued)

The Group's Finance Department provides the necessary data for the valuation of the fair value of the biological assets. The valuation is done by external, independent and qualified actuaries, which are commissioned on an annual basis. In the fair value hierarchy of IFRS 13, the fair values of Level 3 were assigned because the valuation parameters are not based on observable market data.

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 2013 through a discounted cash flow method. 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 because of the five-year harvesting cycle. As of 31 December 2013, the discount rates used are; for bamboo trees 13.28% (2012: 13.06%) and bamboo shoots 12.99% (2012: 12.44%).

At the end of FY 2013 and FY 2012, 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 (ha) of spring bamboo shoots as well as cultivation costs was adjusted in line with the market conditions at the balance sheet date. As a result of the decline in revenue per ha of spring 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:

		31.12.2013	31.12.2012
Mature			
Plantations	ha	**54,511**	54,511
Estimated amounts of trees	trees/ha	**2,490**	2,369
Market price of bamboo trees	EUR/tree	**2.23**	2.22
Land rental cost	EUR/ha	**288.69**	290.80
Estimated harvesting	EUR/tree	**0.98**	0.49
Estimated reclamation cost	EUR/ha	**367.44**	370.13
Estimated amount of winter shoots	kg/ha	**23**	21
Market price of winter shoots	EUR/kg	**0.92**	0.93
Estimated harvesting cost	EUR/kg	**0.27**	0.15
Estimated amount of spring shoots	kg/ha	**532**	2,889
Market price of spring shoots	EUR/kg	**0.22**	0.21
Estimated harvesting cost	EUR/kg	**0.11**	0.07

16. BIOLOGICAL ASSETS (continued)

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

	2013 kEUR	2012 kEUR
Carrying amount at 1 January	**83,930**	103,026
Loss arising from changes in fair value	**(24,684)**	(7,837)
Decreases due to harvest	**(211)**	(10,745)
Net foreign exchange differences	**(741)**	(514)
Carrying amount at 31 December	**58,294**	83,930

Information on the use of not easily observed input factors for estimating the fair value (Level 3):

Category	Fair value as of 31 December 2013 (kEUR)	Valuation method	Not easily observed input factors	Range of not easily observed input factors	Correlation of not easily observed input factors on the fair value
Bamboo trees	54,313	DCF calculation	Price of bamboo trees	EUR 2.2-2.26	The higher the price per tree the higher the fair value
			Harvesting costs per bamboo tree	EUR 0.96-1.44	The higher the harvesting costs per tree the lower the fair value
			Discount rate	13.28%	The higher the discount rate the lower the fair value
Winter bamboo shoots	806	DCF calculation	Price per kg	EUR 0.78-1.05	The higher the price per kg the higher the fair value
			Harvesting cost per kg	EUR 0.26	The higher the harvesting cost per kg the lower the fair value
			Discount rate	12.99%	The higher the discount rate the lower the fair value
Spring bamboo shoots	3,175	DCF calculation	Price per kg	EUR 0.18-0.26	The higher the price per kg the higher the fair value
			Harvesting cost per kg	EUR 0.11	The higher the harvesting cost per kg the lower the fair value
			Discount rate	12.99%	The higher the discount rate the lower the fair value

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:

	31.12.2013 kEUR	31.12.2012 kEUR
10% increase	**22,852**	12,403
10% decrease	**(23,565)**	(12,307)

17. TANGIBLE ASSETS

	Buildings kEUR	Improvement on leased fixed assets kEUR	Machinery kEUR	Office equipment kEUR	Motor vehicles kEUR	Construction in progress kEUR	Total kEUR
Cost							
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
As at 1 January 2013	3,662	644	1,353	549	508	2,308	9,024
Additions	–	–	–	1	–	28	29
Disposals	260	–	40	–	–	(300)	–
Effect of foreign currency exchange differences	(58)	(10)	(22)	(8)	(7)	(30)	(135)
As at 31 December 2013	3,864	634	1,371	542	501	2,006	8,918
Accumulated depreciation							
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)
At 1 January 2013	(1,417)	(217)	(802)	(297)	(182)	–	(2,915)
Depreciation expense charged for the year	(252)	(67)	(96)	(74)	(47)	–	(536)
Disposals	–	–	–	1	–	–	1
Effect of foreign currency exchange differences	24	4	15	6	2	–	51
At 31 December 2013	(1,645)	(280)	(883)	(364)	(227)	–	(3,399)
Net carrying amount							
At 31 December 2012	2,245	427	551	252	326	2,308	6,109
At 31 December 2013	2,219	354	488	178	274	2,006	5,519

18. 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. On 15 December 2013, the stake was sold at a consideration of kEUR 3,234. Since 27 December 2013 the Company no longer has any involvement and influence on this company. The completion of the transfer of shares will take place in early 2014. The transaction resulted in a gain of kEUR 33.

Due to the sale of the stake, there was a reclassification of foreign currency exchange gains of kEUR 373 from the reserve of foreign currency translation in the consolidated profit and loss account.

Information on Xinlifeng as of 31 December 2013:

	31.12.2013 kEUR	31.12.2012 kEUR
Total assets	**11,629**	9,391
Total liabilities	**(4,073)**	(1,389)
Net assets	**7,556**	8,002
Group's share of net of associated companies	**3,022**	3,201

	2013 kEUR	2012 kEUR
Total revenue	**2,483**	2,637
Total profit for the period	**(520)**	(797)
Group's share of profits of associates	**(208)**	(319)

19. OTHER FINANCIAL ASSETS

	31.12.2013 kEUR	31.12.2012 kEUR
Loans and receivables carried at amortised cost		
Deposits for leaseholds	**2,795**	2,747
Loans to customers	**3,689**	–
Other	**1,651**	1,406
Total	**8,135**	4,153
Current	**5,340**	1,406
Non-current	**2,795**	2,747
Total	**8,135**	4,153

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

20. 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:

	31.12.2013 kEUR	31.12.2012 kEUR
Long term		
Prepayments for the lease of plantations	**177,856**	193,034
Prepayments for the lease of other land	**322**	336
Total	**178,178**	193,370
Short term		
Prepayments for the lease of plantations (short-term portion)	**12,699**	13,396
Prepayments to suppliers	**539**	3,234
Prepayments for the lease of other land (short-term portion)	**9**	9
Other prepayments	**73**	61
Total	**13,320**	16,700
Grand total	**191,498**	210,070

The prepayments had the following development:

	Plantations kEUR	Prepayments to suppliers kEUR	Commercial properties kEUR	Other kEUR	Total kEUR
Balance at 1 January 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
Additions	–	755	–	73	828
Expenses for the year	(12,986)	–	(9)	(61)	(13,056)
Allowances	–	(3,461)	–	–	(3,461)
Effect of foreign currency exchange differences	(2,889)	11	(5)	–	(2,883)
Balance at 31 December 2013	190,555	539	331	73	191,498
Thereof long-term	177,856	–	322	–	178,178
Thereof short-term	12,699	539	9	73	13,320

21. INVENTORIES

The breakdown of inventories was as follows:

	31.12.2013 kEUR	31.12.2012 kEUR
Packing materials	**202**	184
Unfinished goods	**201**	316
Finished goods	**211**	182
Total	**614**	682

The costs incurred for inventories (bamboo trees and shoots, finishing and packaging material) used in continuing operations during the year amounted to EUR 2.1 million (2012: EUR 14 million). These costs were expensed in cost of sales.

Neither in FY 2013 nor in previous years have there been any write-downs or write-ups on inventories.

22. TRADE AND OTHER RECEIVABLES

	31.12.2013 kEUR	31.12.2012 kEUR
Trade and other receivables	**1,591**	1,483
Total	**1,591**	1,483

Trade and other receivables on 31 December 2013, 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:

	31.12.2013 kEUR	31.12.2012 kEUR
1 year	**68**	67
1-2 years	**30**	22
2-3 years	**19**	–
Total	**117**	89

Neither in FY 2013 nor in previous years have any write-downs or write-ups on trade and other receivables been carried out.

23. CASH AND CASH EQUIVALENTS

	31.12.2013 kEUR	31.12.2012 kEUR
Cash on hand	**28,474**	38,560
Total	**28,474**	38,560
– thereof EUR	**26,000**	29,715
– thereof RMB	**2,260**	7,600
– thereof USD	**31**	630
– thereof other currency	**183**	615
Total	**28,474**	38,560

At 31 December 2013 the geographical location of the Company's cash balances were the following; EUR 2.5 million (2012: EUR 8.2 million) in mainland China, EUR 25.9 million (2012: EUR 30.0 million) in Hong Kong SAR and EUR 0.1 million (2012: EUR 0.3 million) in Germany. 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.

24. EQUITY

24.1 Subscribed capital

The share capital of the parent company amounts to EUR 15,425,000.00 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 2013, the issued capital was EUR 15,281,100 (2012: 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 PROPARCO, 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 these options using the Black-Scholes model was kEUR 679 and has been booked as an expense 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.

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.

24. EQUITY (continued)

24.1 Subscribed capital (continued)

Own shares and share buy back authorisation (continued)

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 participation 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;
- 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.

Authorised share capital

At the AGM on 17 June 2011, the Management Board was, with the approval of the Supervisory Board, authorised to increase the Company's share capital on one or more occasions by up to EUR 7,712,500 by issuing up to 7.7125 million new bearer shares with no par value, on a pro rata basis, with a share capital of EUR 1 each to raise bearer shares with no par value (shares) against cash or contributions in kind ('Authorised capital 2011') up until 16 June 2016. Both ordinary shares and/or preference shares without voting rights can be issued.

The shareholders have, in principle, statutory subscription rights. However, the Management Board is authorised, under certain conditions, with the approval of the Supervisory Board, to exclude shareholder subscription rights, 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 further details and terms of capital increases from authorised capital and for share issues.

24. EQUITY (continued)

24.1 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 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 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 EUR (with a limit to the corresponding EUR equivalent) and can be issued both for in cash and for in kind. 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 through the issuance of up to 4,627,500 bearer shares.

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 issue of new shares shall be determined in each case by the conversion or option price. 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 new shares are, from the beginning of the fiscal year in which they are created, through the exercise of conversion or option rights or the fulfilment of conversion obligations, entitled to their share of the profits; notwithstanding this, the Management Board, with the approval of the Supervisory Board, specify that the new shares from the beginning of the financial year have not yet passed a resolution of the Annual General Meeting regarding the appropriation of retained earnings, by the time of exercise of conversion or option rights, or the fulfilment of conversion obligations, to be entitled to their share of the profits. The Management Board is authorised, with the approval of the Supervisory Board, to stipulate the further details of increasing the contingent capital stock.

In accordance with the resolution by the Annual General Meeting on 24 June 2013, an additional contingent capital was formed as follows, against which, however, a legal challenge is pending:

'The share capital shall be conditionally increased by up to EUR 600,000.00 by issuance of up to 600,000 new no par value bearer shares (Conditional Capital 2013). The conditional capital increase shall only be implemented to the extent that owners of stock options, which were issued by Asian Bamboo AG under the Stock Option Program 2012 exercise their stock options on shares. The new no par value bearer shares issued due to the exercise of the stock options shall be entitled to participate in profits from the beginning of the business year for which no resolution of the general shareholders' meeting on distribution of profits has been adopted at the time of the exercise of the stock option. The Management Board is authorised, subject to the approval of the Supervisory Board, to determine the details of the conditional capital increase.'

24. EQUITY (continued)

24.2 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 equity-settled benefits was the result of the Company granting stock options to PROPARCO. Further information on the aforementioned stock options and to share-based employee compensation can be found in section 31.

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).

25. BORROWINGS

	31.12.2013 kEUR	31.12.2012 kEUR
Secured at amortised cost		
Long-term bank loans	–	22,039
Short-term bank loans	**34,734**	24,483
Total	**34,734**	46,522

At the end of FY 2013, the Company had two domestic loans totalling kEUR 1,797 (2012: 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 2014. The interest rate on these loans is equal to the Chinese central bank's interest rate for one-year loans. Due to the short duration of the loans, the fair value of the loans approximates their book value.

Credit agreements were concluded with DEG and PROPARCO to finance the Group.

As at 31 December 2012, there were two loans from DEG and a loan from PROPARCO. In October 2013, the first loan from DEG, which was originally of USD 15 million, was repaid in full. After the repayment of the first DEG loan and the first repayment on the PROPARCO loan of around EUR 1.818 million, bank liabilities decreased to kEUR 34,734 (2012: kEUR 46,522). Since financial covenants were broken, all loans are classified as short term in the balance sheet.

25. BORROWINGS (continued)

The details of the loan are as follows:

	Original loan	Interest rate (currency)	Remaining size (EUR)	Planned 2014 repayment (EUR)
The first DEG loan	USD 15 million	U.S. Libor + 4.5%	–	–
The second DEG loan	USD 20 million	U.S. Libor + 3.5%	EUR 14.5 million	EUR 3 million
The PROPARCO loan	EUR 20 million	Euribor (6 months) + 2.5%	EUR 18.2 million	EUR 9.1 million

The first DEG loan

In September 2009, DEG granted a 7-year loan of USD 15 million with an interest rate equal to U.S. Libor + 4.5%. The repayments of this loan began on 15 April 2012. In October 2013 this loan was repaid in full, which means that it does not appear in the Company's balance sheet as of 31 December 2013. There were no additional charges as a result of the early repayment.

The second DEG loan

This 7-year loan of USD 20 million was granted on 3 December 2011 and it was disbursed in April 2012. The repayment of the loan, with 10 semi-annual instalments of USD 2 million each, began on 15 April 2014. According to this repayment schedule the loan will be repaid in full by April 2018. The interest rate is equal to U.S. Libor + 3.5%. The Group has not given any collateral for the loan.

The PROPARCO loan

This 7-year loan, of EUR 20 million, was granted in October 2011 and it was disbursed on 1 March 2012. Repayments of this loan, with 11 semi-annual instalments of kEUR 1,818 each, began on 30 September 2013. The interest rate is Euribor (6 months) + 2.5%. The Group has not given any collateral for the loan. On 9 December 2013 the two parties agreed to an accelerated repayment schedule by which around EUR 9.1 million shall be repaid in 2014, split in two instalments, and thereafter around EUR 3.6 million shall be repaid annually. According to this schedule the entire loan will be repaid by 31 March 2017.

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

26. PROVISIONS

	31.12.2013 kEUR	31.12.2012 kEUR
Provisions for lease prepayments	**161,574**	–
Total	**161,574**	–
Longer term	**4,038**	–
Shorter term	**157,536**	–
Total	**161,574**	–

	Onerous lease contracts kEUR
As of 1 January 2013	–
Added provisions	165,225
Foreign exchange differences	(3,651)
As of 31 December 2013	**161,574**

The provision for onerous lease contracts represents the present value of the difference between future lease costs and lower expected income from the use of or any subletting of the bamboo plantations. The estimates may change due to fluctuating revenue expectations from their use or from rental income if they are rented out. The remaining lease terms range between 4 and 23 years. Expected future cash inflows and outflows are discounted using an interest rate of 13.28%.

27. TRADE PAYABLES

All trade payables are due within one year and are non-interest bearing. The Management Board considers the carrying values as a reasonable approximation of the fair value.

28. OTHER LIABILITIES

	31.12.2013 kEUR	31.12.2012 kEUR
Liabilities against employees	**412**	417
Advances from customers	**–**	1,080
Other financial liabilities	**357**	960
Total	**769**	2,457

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

29. COMMITMENTS AND CONTINGENCIES

29.1 Operating lease commitments

The Group leases land, plantations and factory and office buildings 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:

	2013 kEUR	2012 kEUR
Plantations	**13,390**	13,488
Other land	**9**	9
Buildings	**528**	622
Total	**13,927**	14,119

Future minimum lease payments under operating leases as at 31 December 2013 are as follows:

	31.12.2013 kEUR	31.12.2012 kEUR
Lease of buildings		
Within 1 year	**381**	421
After 1 year but within 5 years	**1,396**	1,567
After 5 years	**3,473**	3,969
Total	**5,250**	5,957

29.2 Contingent liabilities and assets

As of 31 December 2013 the Group did not have any significant contingent assets or liabilities.

30. 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.

For businesses and individuals who have a material impact on the Group, please refer to note 41 on shareholdings in Asian Bamboo AG.

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:

	2013 kEUR	2012 kEUR
Short term employee benefits	**1,134**	1,119
Pension costs	**6**	9
Equity settled share based compensation	**(186)**	186
Total	**954**	1,314

Compensation to members of the Supervisory Board

The total remuneration to the members of the Supervisory Board was kEUR 130 (2012: kEUR 122).

31. SHARE-BASED COMPENSATION

On 5 June 2012, the Supervisory Board resolved to launch a stock option scheme for the members of the Management Board and key employees (stock option scheme 2012) and granted the stock options as follows; Mr Lin Zuojun 220,000 options, Mr Peter Sjovall 180,000 options, Mr Jiang Haiyan 100,000 options and key employees 100,000 options. The stock option scheme 2012 is equity settled, which means that the Company will not make any payment if the options are exercised. The stock option scheme 2012 and the stock options granted under this scheme were approved at the AGM on 24 June 2013.

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 2012).

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% calculated on 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%
Risk free interest rate:	0.39%

31. SHARE-BASED COMPENSATION (continued)

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 EUR 1.3 million. The cost of this option program is spread over four years and in 2012 amounted to kEUR 186 pro rata

Due to approval by the AGM, a new calculation using the Black-Scholes model was made using the grant date of 24 June 2013.

Exercise price:	EUR 9.00
Life of the stock options:	3.95 years
Share price at grant date:	EUR 2.36
Expected historical volatility:	63%
Expected dividend yield:	0.00%
Risk free interest rate:	0.64%

According to the Black-Scholes option pricing model, using the assumptions listed above, the fair value of each option was EUR 0.37 and the total value of the stock option scheme was kEUR 222.

No costs were incurred in 2013 and the reserve created in 2012 in the amount of kEUR 186 in the P&L was reversed because the Management Board believes that the fulfilment of performance targets is unlikely.

On 22 March 2014, the members of the Management Board and key employees decided to forfeit their stock options. In light of the planned changes in the Group's scope of business to include property development, they believe that the current stock option plan (Stock Option Program 2012) does not create meaningful incentives. Consequently, the stock option program 2012 was terminated as of that day.

32. FINANCIAL INSTRUMENTS

The financial instruments are as follows:

	31.12.2013 kEUR	31.12.2012 kEUR
Financial assets		
Loans and receivables		
Cash and cash equivalents	**28,474**	38,560
Trade receivables	**1,591**	1,483
Other financial assets	**8,135**	4,153
Total	**38,200**	44,196
Financial liabilities		
Financial liabilities valued at cost		
Borrowings	**34,734**	46,522
Trade payables	**10,043**	10,769
Other financial liabilities	**357**	960
Grand total	**45,134**	58,251

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 2,795 (2012: kEUR 2,747). The book value at the balance sheet date approximate fair values.

32. FINANCIAL INSTRUMENTS (continued)

Since the determination of the fair value of all financial assets and financial liabilities is done based on quoted unadjusted prices in active markets, these fair values exclusively belong to fair values of Level 1.

Interest relating to financial instruments is recorded as interest income or interest expense. The income related to the categories loans and receivables is kEUR 854 (2012: kEUR 1,395), resulting from interest on bank deposits. There was no income related to 'For sale' assets. Costs related to financial liabilities were kEUR 1,032 (2012: kEUR 1,995) resulting from interest rate payments on loans and short-term borrowings.

33. 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.

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 receivables, 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:

Counterparty	Loan amount	Interest rate	Term until
PROPARCO	EUR 20 million	Euribor+250 bp	March 2017
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 2013 would increase/decrease by kEUR 174 (2012: increase/decrease kEUR 221). Other income after taxes of the Group will not change.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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	
	31.12.2013 kEUR	31.12.2012 kEUR	**31.12.2013 kEUR**	31.12.2012 kEUR
EUR	**25,682**	29,064	**56,838**	83,928
USD	**91**	824	**14,624**	24,333
Other	**262**	878	**–**	–
Total	**26,035**	30,766	**71,462**	108,261

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

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			
In kEUR	**2013 EUR/RMB**	**2013 USD/RMB**	2012 EUR/RMB	2012 USD/RMB	**2013 EUR/RMB**	**2013 USD/RMB**	2012 EUR/RMB	2012 USD/RMB
Consolidated net profit	**(242)**	**692**	(773)	1,119	**267**	**765**	855	(1,237)
Other income	**1,725**	**–**	3,386	–	**(1,907)**	**–**	(3,742)	–
Total	**1,483**	**692**	2,613	1,119	**(1,640)**	**765**	(2,887)	(1,237)

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.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The future cash outflows from financial liabilities are as follows:

	Less than 3 months kEUR	3-6 months kEUR	6-12 months kEUR	More than 1 year kEUR	Cash outflows kEUR	Book value kEUR
As of 31 December 2013						
Financial liabilities	32,937	38	1,864	–	34,839	34,734
Trade payables	10,043	–	–	–	10,043	10,043
Other	–	–	769	–	769	769
Total	42,980	38	2,633	–	45,651	45,546
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

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

The Group's capital management serves the purpose of supporting the objectives of the Group as a whole.

The capital structure of the Group consists of net debt (refer to note 25 for details), as well as equity.

The net debt ratio is calculated as follows:

	31.12.2013 kEUR	31.12.2012 kEUR
Borrowings*	**34,734**	46,522
Cash and cash equivalents	**28,474**	38,560
Net debt	**6,260**	7,962
Equity†	**86,680**	287,980
Net debt/equity ratio	**7.2%**	2.8%
Equity ratio	**29.5%**	82.7%

* Liabilities denote long and short term borrowings (excluding derivatives and guaranteed transactions), as explained in note 25

† Equity includes all capital and all reserves of the Group

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Additional comments on capital management (continued)

The Management Board continuously monitors the Company's capital structure. The focus is on ensuring the liquidity and creditworthiness and the longer term sustainability of the Group's operations. With the exception of bank loans which we entered into in 2011 of EUR 20 million and USD 20 million, respectively, all lease contracts have been financed by equity and retained earnings. Due to a sharp decline in the bamboo-plantation business which resulted in a very high consolidated net loss for the year 2013, the equity ratio decreased significantly.

There are financial risks associated with the DEG and PROPARCO loans. Both loans require that certain financial ratios (financial covenants) are achieved, which the Group failed to do in FY 2013. In addition, there are risks that DEG and PROPARCO, as development banks, will insist on an early redemption of the loans following our planned entry into the property industry. The Management Board is in close contact with both banks and continuously informed them of all relevant developments of the Group in order to maintain good business relationships. Even though the Management Board doesn't expect an early redemption of the two loans in FY 2014, the Management Board has taken actions to ensure that the Group has sufficient cash reserves in case of an early redemption.

Partly in order to ensure the solvency of the Group, the Management Board took the following actions after the balance sheet date:

On 22 March 2014, the Supervisory Board of Asian Bamboo AG approved the Management Board's plans to reduce the plantation size through the sale of the rights to the plantations in Shaowu (Kangda, Sirong, Minxian, Minda and Yinxin), Shunchang (Wufang), Sanming (Wucun), Wuyishan (Chongan) and Longyan (Hongshan), equivalent to a total plantation size of around 12,955 ha. The Management Board expects that the sale of the rights to these plantations will generate more than EUR 10 million.

On 10 April 2014, through a contract modification to all loan agreements between Group companies, the right to terminate inter-company loans without notice has been given. This means that, in the unlikely event that it is needed, cash can be retrieved from the subsidiaries at short notice.

On 10 April 2014, the founder and CEO of Asian Bamboo AG, Mr Lin Zuojun, agreed to extend an unsecured loan of RMB 100 million (approximately EUR 11.8 million) with a term of one year carrying an interest rate of 3.5%. On 6 May 2014, the funds were disbursed to Fujian Xinrixian Group Co., Ltd.

On 22 April 2014, termination agreements in relation to the following bamboo plantations in the Longyan region (Buyun, Hongshan and Miaoqian) were signed, which means that short term liabilities of EUR 9.5 million were cancelled.

To finance the planned entry into the property industry, the Management Board is preparing the issue of a convertible bond to all shareholders, which will improve the Company's capital structure in the medium term.

34. NOTES TO THE CASH FLOW STATEMENT

The cash flow statement has been prepared in accordance with IAS 7 and shows the net cash flow from operating activities and the investing and financing activities. Net cash flow from operating activities was based and determined on the indirect method, while the net cash flows from investing and financing activities were determined using the direct method.

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

35. SEGMENT INFORMATION

According to IFRS 8, the external segment reporting must be based on the internal organisation of the Group. In FY 2013, 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.

36. 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:

	31.12.2013 kEUR	31.12.2012 kEUR
People's Republic of China (PRC)	**241,991**	283,409

37. 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), Director of Sprint Capital Partners, Hong Kong SAR
Mr Pan Chaoran, professor, Administrative Director of the Fujian and Taiwan Food Technology Association, Fuzhou, PRC

38. REMUNERATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The total remuneration paid to members of the Management Board was kEUR 1,086 (2012: kEUR 2,109). 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 130 (2012: kEUR 122).

39. AUDITING FEES

At the Annual General Meeting on 24 June 2013, Deloitte & Touche GmbH ('Deloitte') was appointed as the auditor of Asian Bamboo AG and the Group for FY 2013. Total fees paid to Deloitte, which are entirely related to auditing, amount to kEUR 120 (2012: kEUR 120).

40. 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.

41. 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):

Shareholding of the Management Board
In 2013 Mr Lin Zuojun, through his wholly owned investment company – Green Resources Enterprise Holding Ltd. – purchased 114,253 shares of Asian Bamboo AG for a total consideration of around kEUR 202 on the Frankfurt Stock Exchange (XETRA), which is equivalent to an average share price of EUR 1.7653.

41. SHAREHOLDINGS IN ASIAN BAMBOO AG (continued)

At the end of the year, Mr Lin Zuojun, through Green Resources, owned 5,872,253 voting rights equivalent to 38.1% of all shares.

Of these voting rights, 38,1% (5.872.253) belong to Mr Lin Zuojun, through Green Resources Enterprises Holdings Ltd., Road Town, Tortola (British Virgin Islands) pursuant to section 22 (1) sentence 1 no. 1 WpHG.

23 December 2013

On 23 December 2013, Delphi Unternehmensberatung Aktiengesellschaft, Heidelberg, Germany, notified us pursuant to section 21 para. 1 WpHG that its voting rights in Asian Bamboo AG have exceeded the threshold of 3% of the voting rights on 19 December 2013 and amounted to 3.01% (464,503 voting rights) as of that date.

Of these voting rights, 0.65% (99,550 voting rights) are attributed to Delphi Unternehmensberatung Aktiengesellschaft pursuant to section 22 (1) sentence 1 no. 1 WpHG.

On 23 December 2013, Mr Wilhelm Konrad Thomas Zours, Germany, notified us pursuant to section 21 para. 1 WpHG that his voting rights in Asian Bamboo AG have exceeded the threshold of 3% of the voting rights on 19 December 2013 and amounted to 3.01% (464,503 voting rights) as of that date.

Of these voting rights, 3.01% (464,503 voting rights) are attributed to Mr Wilhelm Konrad Thomas Zours pursuant to section 22 (1) sentence 1 no. 1 WpHG.

28 November 2013

On 26 November 2013, Norges Bank (the Central Bank of Norway), Oslo, Norway, notified us pursuant to section 21 para. 1 WpHG that its voting rights in Asian Bamboo AG have fallen below the threshold of 3% of the voting rights on 22 November 2013 and amounted to 2.87% (443,054 voting rights) as of that date.

On 26 November 2013, the Ministry of Finance, Oslo, Norway, on behalf of the State of Norway, notified us pursuant to section 21 para. 1 WpHG that the voting rights of the state of Norway in Asian Bamboo AG have fallen below the threshold of 3% of the voting rights on 22 November 2013 and amounted to 2.87% (443,054 voting rights) as of that date.

Of these voting rights, 2.87% (443,054 voting rights) are attributed to the state of Norway pursuant to section 22 (1) sentence 1 no. 1 WpHG.

8 May 2013

The Wellington Trust Company, N/A Multiple Common Trust Funds Trust, Global Agriculture Portfolio, Boston, Massachusetts, United States, notified us on 6 May 2013, informed us, in accordance with § 21 paragraph 1 WpHG, that its percentage of voting rights of Asian Bamboo AG on 2 May 2013 has fallen below the threshold of 3% and on that day amounted to 2.49% (384,812 voting rights).

Of these voting rights, 2.49% (384,812 voting rights) are attributed to the Wellington Trust Company, N/A Multiple Common Trust Funds Trust, Global Agriculture Portfolio, pursuant to § 22 Section 1 Sentence 1 No. 2 WpHG.

2, Wellington Management Company, LLP, Boston, Massachusetts, United States, notified us on 7 May 2013, in accordance with § 21 paragraph 1 WpHG, that its voting rights in Asian Bamboo AG fell below the threshold of 3% on 6 May 2013, and amounted to 2.84% (437,491 voting rights) on that day. Of these voting rights, 2.84% (437,491 voting rights) was attributed to the Wellington Management Company, LLP, in accordance with § 22 paragraph 1 sentence 1 no.6 WpHG.

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 held directly by BNP Paribas Investment Partners S.A.

19 October 2011

On 19 October 2011, GAM Holding AG, Zurich, Switzerland, has notified us pursuant to section 21 para 1 WpHG that its voting rights in Asian Bamboo AG have exceeded the threshold of 3% of the voting rights on 8 August 2011 and amounts to 3.03% (467,183 voting rights) as of that date. All 467,183 voting rights are attributed to GAM Holding AG pursuant to section 22 para. 1 sentence 1 no. 6 in connection with sentence 2 WpHG.

41. SHAREHOLDINGS IN ASIAN BAMBOO AG (continued)

14 January 2011

On 14 January 2011, Investec Asset Management Ltd., London, United Kingdom, has notified us pursuant to section 21 para 1 WpHG that the voting rights of Investec Asset Management Ltd. in Asian Bamboo AG has exceeded the threshold 3% of the voting rights on 13 January 2011 and amounts to 3.08% as of that date (474,768 voting rights). All 474,768 voting rights are attributed to Investec Asset Management Ltd. pursuant to section 22 para. 1 sentence 1 no. 6 WpHG.

8 December 2009

On 7 December 2009, BNP Paribas OBAM N.V. (ex Fortis OBAM N.V.), Amsterdam (The Netherlands), notified us pursuant to section 21 para. 1 WpHG that its voting rights in Asian Bamboo AG exceeded the 3% and 5% threshold on 5 November 2009 and amounted to 5.69% as of that date (798,000 voting rights).

42. REPORTS ON EVENTS SUBSEQUENT TO THE REPORTING DATE

On 22 March 2014, the members of the Management Board and key employees decided to forfeit their stock options. In light of the planned changes in the Group's scope of business, to include property development, they believe that the current stock option plan (Stock Option Program 2012) does not create meaningful incentives. Consequently, the stock option program 2012 was terminated as of that day.

On 22 March 2014, the Supervisory Board of Asian Bamboo AG approved the Management Board's plans to reduce the plantation size through the sale of the rights to the plantations in Shaowu (Kangda, Sirong, Minxian, Minda and Yinxin), Shunchang (Wufang), Sanming (Wucun), Wuyishan (Chongan) and Longyan (Hongshan), equivalent to a total plantation size of around 12,955 ha. The Management Board expects that the sale of the rights to these plantations will generate more than EUR 10 million.

On 10 April 2014, through a contract modification to all loan agreements between Group companies, the right to terminate inter-company loans without notice has been given. This means that, in the unlikely event that it is needed, cash can be retrieved from the subsidiaries at short notice.

On 10 April 2014, the founder and CEO of Asian Bamboo AG, Mr Lin Zuojun, agreed to extend an unsecured loan of RMB 100 million (approximately EUR 11.8 million) with a term of one year carrying an interest rate of 3.5%. On 6 May 2014, the funds were disbursed to Fujian Xinrixian Group Co., Ltd.

On 22 April 2014, termination agreements in relation to the following bamboo plantations in the Longyan region (Buyun, Hongshan and Miaoqian) were signed, which means that short term liabilities of EUR 9.5 million were cancelled.

43. AUTHORISATION OF FINANCIAL STATEMENTS

The Management Board of Asian Bamboo AG presented the current IFRS consolidated financial statements to the Board for approval on 9 May 2014.

Hamburg, Germany, 9 May 2014

On behalf of the management

Lin Zuojun	Jiang Haiyan	Peter Sjovall
CEO	COO	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 2013 to 31 December 2013. 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.

With the exception of the audit issue in the paragraph below, 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 with the exception for the issue highlighted in the following paragraph;

Our audit has not led to any qualification with the exception of the following reservation: Due to the limited information in the group management report on the proposed entry into the property industry, we could not assess the risks and benefits associated with this business. Therefore, it cannot be excluded that insofar the group management report contains errors.

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, 9 May 2014

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Lüdke)
Wirtschaftsprüfer
[German public auditor]

(Eilers)
Wirtschaftsprüfer
[German public auditor]

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, 9 May 2014

On behalf of the management

Lin Zuojun	Jiang Haiyan	Peter Sjovall
CEO	COO	CFO

Financial Calendar FY 2014

27 May
Q1 2014 Results announcement

20 June
AGM

14 August
Q2 2014 Results Announcement

14 November
Q3 2014 Results Announcement

24-26 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**

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