Asian Bamboo

Responsible Growth

ANNUAL REPORT 2011

Responsible growth

The long term development and sustainability of our company have always been foremost on our minds and the foundation of all our management decisions. We have grown very rapidly over the last couple of years while at the same time maintaining a conservative balance sheet and minimising our risks. We are pleased with our current industry position which we expect to strengthen further. In summary:

- In our industry we are by far the largest company and the only one listed on the main board of a reputable stock exchange
- We have a strong financial position, solid cash flows and the ability to raise capital
- We have taken the first step on the path towards further diversification through our bamboo fibre processing project
- Our founder and largest shareholder is actively involved in the company on a day-to-day basis and we have had the same management team in place since 2008
- We are guided by a set of strong corporate governance and CSR principles which go far beyond the legal minimum
- We are highly rated by experts in the fields of agriculture, CSR, financial communication and accounting

We continue to see great opportunities in our industry and are making preparations for further expansion.

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Asian Bamboo at a glance

Income statement

In kEUR unless otherwise stated	2011	2010	Change
Revenue	**89,836**	75,910	18%
Cost of sales	**(44,721)**	(48,768)	-8%
FVBA*	**(18,926)**	17,191	–
Gross profit including FVBA-changes	**26,189**	44,333	-41%
Gross profit margin including FVBA-changes	**29%**	58%	–
Other operating income	**180**	666	-73%
Distribution expenses	**(1,343)**	(619)	117%
Administrative expenses	**(6,682)**	(7,885)	-15%
Other operating expenses	**(35)**	(32)	9%
Profit from operations	**18,309**	36,463	-50%
Share of profit/(loss) of jointly controlled companies	**100**	(70)	–
Finance net	**119**	(612)	–
Income tax	**(2,340)**	(2,271)	3%
Profit for the period (net profit)	**16,188**	33,510	-52%
Net profit margin	**18%**	44%	–
EPS (EUR)†	**1.06**	2.29	-54%

*FVBA is an abbreviation for gain/(loss) arising from changes in the fair value less costs to sell of biological assets
† Computed on the basis of 15,287,453 shares in FY 2011 and 14,654,552 shares in FY2010

Cash flow

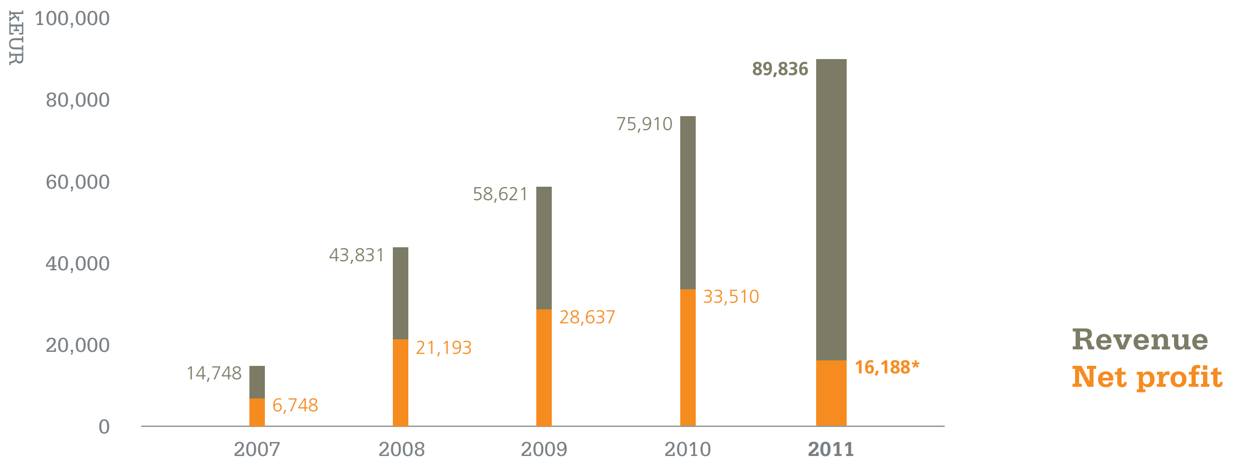
In kEUR unless otherwise stated	2011	2010	Change
Operating cash flows before movements in working capital	**34,788**	35,618	-2%
Net cash generated from operating activities	**27,864**	33,501	-17%
Cash flow used in investing activities	**(39,004)**	(58,836)	-34%
Cash flow from financing activities	**(5,844)**	51,222	–
Net increase/(decrease) in cash and cash equivalents	**(16,984)**	25,887	–
Cash equivalents at the end of the period	**41,980**	56,658	-26%

Simplified balance sheet and other selected data

In kEUR unless otherwise stated	2011	2010	Change
Biological assets	**103,026**	99,788	3%
Lease prepayments	**208,844**	164,940	27%
Cash and cash equivalents	**41,980**	56,658	-26%
Other assets	**37,998**	25,320	50%
Total assets	**391,848**	346,706	13%
Total equity	**315,897**	282,421	12%
Total liabilities	**75,951**	64,285	18%
Total liabilities and equity	**391,848**	346,706	13%
Size of mature plantations (ha)	**54,511**	35,051	56%
Size of immature plantations (ha)	**–**	12,760	–
Total size of plantations (ha)	**54,511**	47,811	14%
Employees	**903**	770	17%

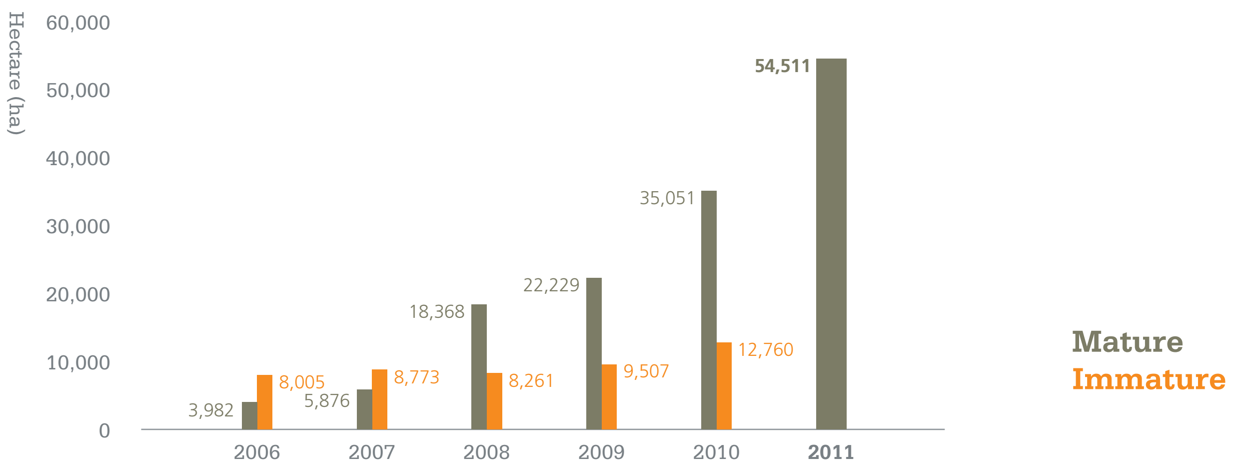
Financial and operational highlights

Revenue and net profit development

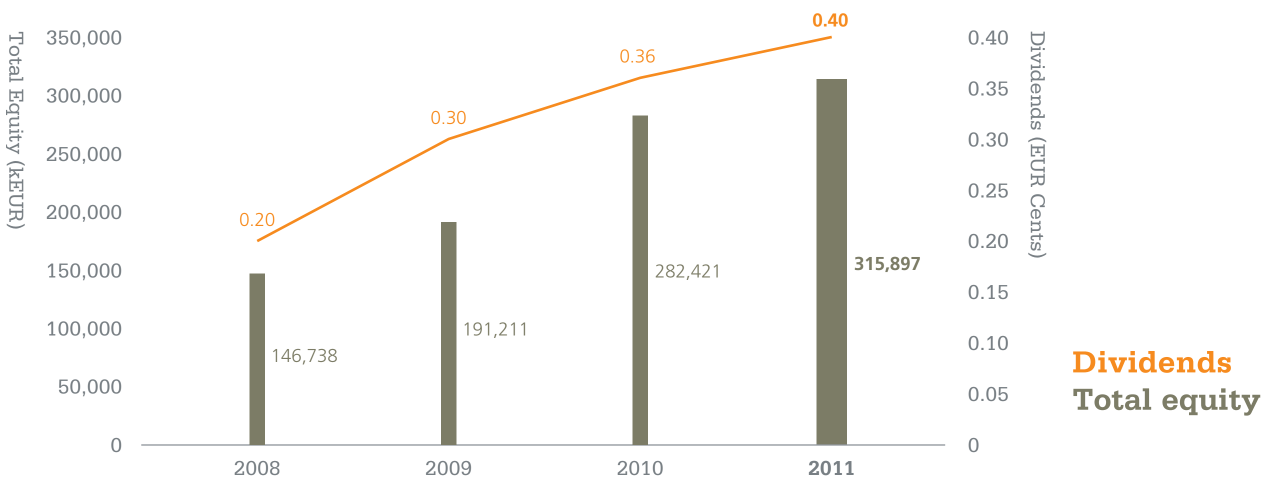


* The net profit in FY 2011 was heavily influenced by a loss arising from changes in the fair value less costs to sell of biological assets, which is a non-cash item

Plantation size development



Total equity and dividend development



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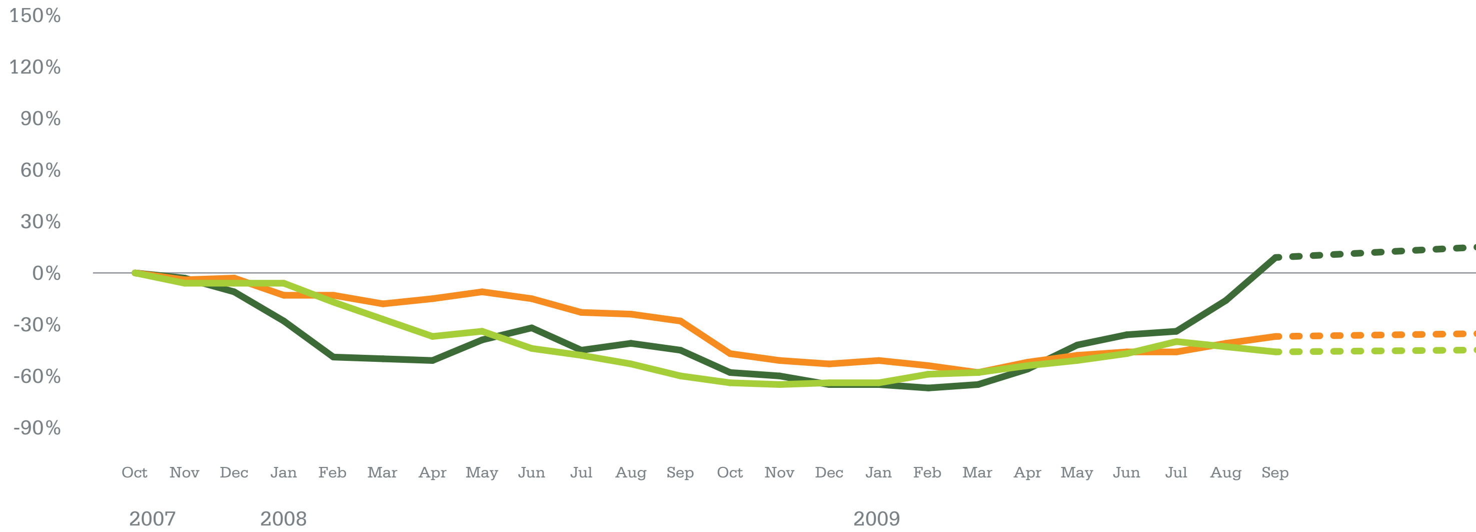
Asian Bamboo stock and investor relations

Share price and relevant index comparison chart



The share price fell sharply during the year. At the moment we feel strongly that the share price does not reflect the Company's fundamentals and the outlook for our business. To regain a fair valuation of our Company will be one of our key objectives in FY 2012. In FY 2011, average daily trading volumes in our stock were up 35% at around 73,000 shares a day (2010: 54,000 shares/day) compared to the previous year.

We have good relationships with many leading investment banks and during the year we conducted several road shows and met investors in New York, Boston, London, Milan, Vienna, Zurich, Brussels, Amsterdam, Frankfurt, Paris and Hong Kong. In addition we participated in the following conferences:

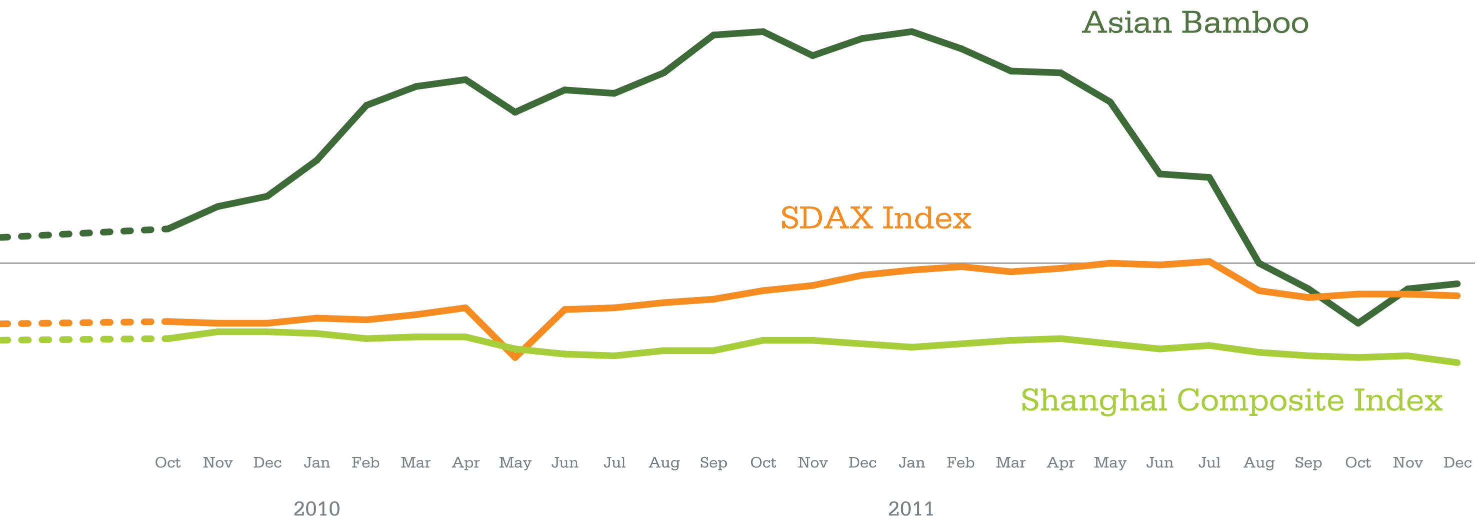
- HSBC's SRI conference in Frankfurt on 1-2 February
- Credit Suisse's small and mid-cap conference in London on 7-8 June
- Merrill Lynch's small and mid-cap conference in London on 28-29 June
- Norges Bank Investment Management's (NBIM) water seminar in Stockholm on 24 August
- JP Morgan's small/mid-cap conference in London on 15-16 September
- IQPC's CFO Summit in Singapore on 18 October
- Deutsche Boerse's Equity Forum on 21-23 November

We are putting considerable effort into communicating with our shareholders and are proud that we are gaining outside recognition for our efforts. For the fourth consecutive year, our Annual Report won prizes at the ARC Awards (http://www.mercommawards.com/arc.htm). In FY 2011 we won the following awards for our FY 2010 Annual Report:

- Grand Award for written content
- Gold in the agriculture category for written content
- Silver in the agriculture category for the overall report
- Bronze in the agriculture category for illustrations

Our AGM was held on 17 June in Hamburg. On 20 June, the first working day following the AGM, we paid a dividend of EUR 36 cents per share for FY 2010. The Management Board and Supervisory Board will propose a dividend for FY 2011 of EUR 40 cents per share to be confirmed by the AGM on 24 May 2012 and paid the first working day thereafter.

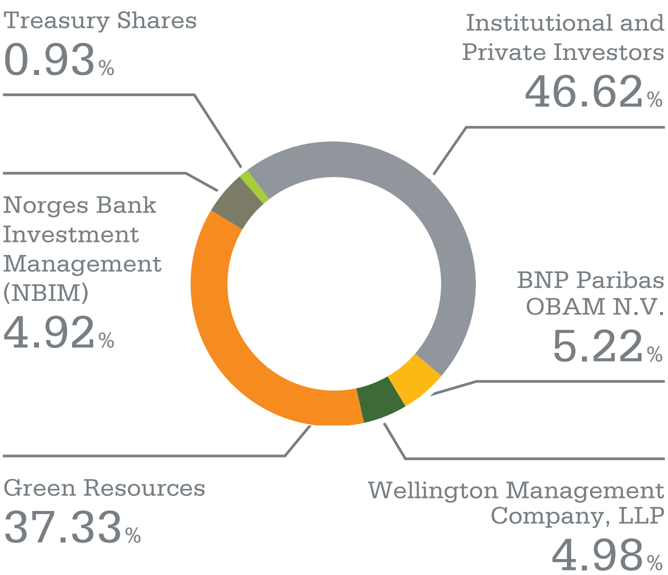
The Company bought back 14,000 shares during the year at an average price of EUR 24.41, which means that the Company holds 143,900 shares as of the end of the year. These treasury shares are part of an option agreement with PROPARCO.



Mr Lin Zuojun, the Company's founder and CEO, bought 6,000 shares, which meant that his shareholding in the Company increased to 37.3%.

In FY 2012 we will continue to strengthen our investor relations activities, with the aim of further widening our shareholder base and achieving a fair valuation of our stock.

Shareholding structure



Largest shareholders

Name	Shareholding as of latest filing	Shareholding in % of all shares	Date of latest filing
Green Resources (Lin Zuojun)	5,758,000	37.33%	27.6.2011
BNP Paribas OBAM	798,000	5.22%	7.12.2009
Wellington	768,593	4.98%	17.1.2012
Norges Bank	758,897	4.92%	14.11.2011

Share price statistics for FY 2011

		Date (German)
Highest share price (EUR)	40.51	4.1.2011
Lowest share price (EUR)	7.81	5.10.2011
Average share price (EUR)	24.59	–
Share price at the end of the year (EUR)	14.89	–
Average daily trading (shares)	72,864	–
Total number of outstanding shares*	15,425,000	–
Market capitalisation at the end of the year (EUR million)	229.6	31.12.2011

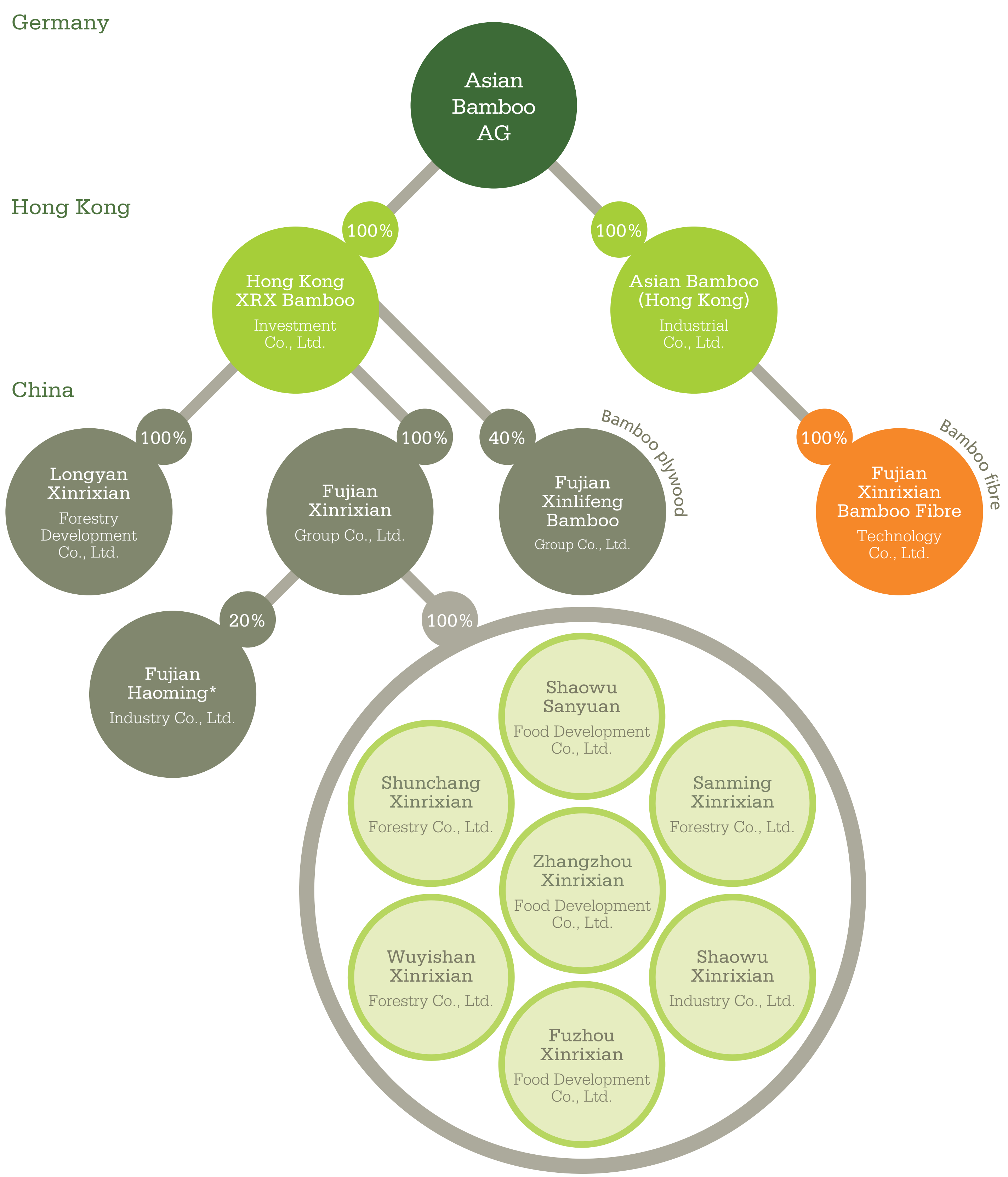
* Out of the total number of shares, 143,900 shares are held as treasury shares. These treasury shares are part of an option agreement with PROPARCO

Corporate structure

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

On 7 July 2011, Fujian Xinrixian Group Co., Ltd. established Zhangzhou Xinrixian Food Development Co., Ltd., which is a 100% owned subsidiary. This company is in the process of building a new processing plant for bamboo shoots, which is expected to commence production in May 2012.

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



* On 10 February 2012 Fujian Xinrixian Group Co., Ltd. sold its 20% stake in Fujian Haoming Industry Co., Ltd.

Leadership

I believe that bamboo will become a more important source of sustainable wood and textile fibre in the future

– Anja Holst

Anja Holst is the Director of Investor Relations at Asian Bamboo. She joined the Company in October 2008 and works out of the Hamburg office.

Management and Supervisory Board

Lin Zuojun

Jiang Haiyan

Peter Sjovall

Management Board

Lin Zuojun
CEO and Chairman of the Management Board

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

Mr Lin is responsible for 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 30 years of management experience. He is currently also the chairman of the Supervisory Board of ZhongDe Waste Technology AG.

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

Pan Chaoran

Member of the Supervisory Board

Mr Pan is a food technology and science expert. He works as a professor at the Fujian Agriculture and Forestry University. In addition, he serves as an Administrative Director of the Fujian and Taiwan Food Technology Association, Vice Secretary General and Administrative Director of the Fujian Beverage Association and a representative of the 12th Fuzhou People's Congress.

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

Chris McAuliffe

Vice Chairman of the Supervisory Board

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

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

CEO's statement

'There are now indications that inflation rates are stabilising and that the government is adopting more supportive economic policies.'

Dear shareholders,

In FY 2011 we consolidated our leading position in the bamboo industry and solidified our financial situation by signing agreements for around EUR 35 million in long-term debt. Operationally we experienced a strong first quarter, a weaker second quarter followed by an unusually weak second half of the year as a result of the global debt crisis and the effect of domestic credit tightening. Mainly due to an increase in the mature plantation size we managed to grow total revenues. However, on a per hectare basis, revenues fell sharply. Sales of bamboo shoots held up reasonably well, but sales of bamboo trees fell short of our target mainly for the following reasons:

- Zhongzhu, the bamboo fibre factory, produced and sold less bamboo fibre than we had anticipated
- The construction industry was sluggish as a result of the government's housing policies
- The credit situation, particularly for small companies, was challenging due to the government's restrictive credit policies
- Export demand was weak as a result of high unemployment and the sovereign debt crisis in Europe and the US

In summary, we achieved the following financial performance, which fell short of our previously stated guidance (percentage numbers are year-on-year comparisons):

- Revenue increased 18% to EUR 89.8 million (2010: EUR 75.9 million)
- Cost of sales decreased 8% to EUR 44.7 million (2010: EUR 48.8 million)
- Loss in the Fair Value of Biological Assets ('FVBA') of EUR 18.9 million (2010: Gain of EUR 17.2 million)
- Gross profit including FVBA-changes decreased 41% to EUR 26.2 million (2010: EUR 44.3 million), equivalent to a gross profit margin including FVBA-changes of 29% (2010: 58%)
- Net profit decreased 52% to EUR 16.2 million (2010: EUR 33.5 million), equivalent to a net profit margin of 18% (2010: 44%)

The loss in FVBA was caused by adjustments to prices, costs and volume assumptions, which are part of the FVBA calculation, to better reflect the current operating environment. We regret the volatility in the Company's P&L caused by the FVBA calculation and wish to emphasise that the FVBA calculation does not have any effect on the cash flow. Our cash flows remained solid (percentage numbers are year-on-year comparisons):

- Cash flow before working capital changes decreased 2% to EUR 34.8 million (2010: EUR 35.6 million)
- Net cash from operating activities decreased 17% to EUR 27.9 million (2010: EUR 33.5 million)

In addition, our balance sheet remains very strong (year-end numbers):

- Biological assets were EUR 103 million (2010: EUR 99.8 million)
- Total assets were EUR 391.8 million (2010: EUR 346.7 million)
- Cash and cash equivalents were EUR 42 million (2010: EUR 56.7 million)
- Total bank borrowings were EUR 14 million (2010: EUR 13.5 million)

Business development

Despite the challenging operating environment we continued to improve our products, strengthen our organisation and widen our distribution network. During the year we launched the following key projects:

Bamboo tree trading centre ('the trading centre')

The trading centre began operating on 5 December 2011. The centre, a physical market comprising around six hectares, is located in Shaowu close to many of our plantations. It serves as a bridge between buyers and sellers of bamboo trees. The Management Board expects the trading centre will improve both distribution and the pricing mechanism of bamboo trees.

Lin Zuojun
CEO and Founder

The project has been developed together with the government of Shaowu City and it is an important step in the development of the bamboo industry in that area.

New processing factory for bamboo shoots

Construction of the new bamboo shoot processing factory commenced in 2011 and we expect it to be ready in Q2 2012, in time for the peak processing season. The new factory will increase our total annual production capacity of processed bamboos shoots from 1.4 million to 1.8 million cans.

Bamboo fibre processing

We made good progress on both the production and marketing side. Our product is of high quality and we are already selling to six customers while we are in advanced discussions with several other large domestic and international customers. We are confident this project is on the right track and that we will achieve our future goal of annual production and sales of 100,000 tonnes. For more details on bamboo fibre processing, please refer to p 51-54 in this annual report. In FY 2012 we will continue to develop key strategic relationships and projects with the aim of growing demand for our products.

Financial position

Our Company is managed very conservatively and has primarily relied on equity financing during the first phase of our development. As our business is maturing and we were able to borrow funds at attractive rates we entered into loan agreements for around EUR 35 million in FY 2011. We are particularly pleased that we managed to negotiate these debt deals with high quality counterparties in the middle of a financial crisis and at attractive terms. These funds were not disbursed by the end of FY 2011, therefore they do not appear on the FY 2011 balance sheet. Overall our debt levels are low compared to the overall level of equity and our operating cash flow levels (see table below).

Key financial data and ratios

	31.12.2011 kEUR	31.12.2012 Forecast kEUR
Total equity	315,897	>350,000
Short term borrowings	4,767	4,767
Long term borrowings (7 years maturity)	9,268	42,345
Total borrowings	14,035	47,112
Total borrowings/Total equity	0.04	<0.13
Operating cash flow	27,864	>37,152
Total borrowings/Operating cash flow	0.5	<1.27

We are now even better positioned to take advantage of future opportunities. For a complete summary of our fund raising activities from the IPO onwards, please refer to the table below. In broader terms, we are in a phase of our development in which we will invest less relative to our profits and rely less on equity financing than we did in the past.

Fund raising history

Date	Amount	Method	Price	Counterparty
3 December 2011	USD 20 million	7-year loan		DEG
18 October 2011	EUR 20 million	7-year loan		PROPARCO
17 June 2010	EUR 43 million	Share placement	EUR 31/ share	Credit Suisse/ Liberum Capital
20 October 2009	EUR 25 million	Share placement	EUR 20/ share	Sal. Oppenheim/ MM Warburg
20 September 2009	USD 15 million	7-year loan		DEG
16 November 2007	EUR 75 million	IPO	EUR 17/ share	Sal. Oppenheim/ Bank of China International

Corporate and social responsibilities ('CSR')

We have always taken our CSR responsibilities very seriously* as we believe that it is not only the right thing to do, but it also makes economic sense. The economic benefits of running companies in a socially responsible way are now supported by scientific evidence presented in a recent study[†] done by scientists at Harvard Business School. Their report stated that 'High sustainability companies[‡] significantly outperform their counterparts over the long-term, both in terms of stock market and accounting performance'.

In this context we are pleased to report that we have strengthened our CSR organisation by appointing Ines Gavrilut as CSR-Manager, based in Germany. She will play a key role in liaising with our shareholders and other stakeholders on CSR related matters. During the year, Ms Gavrilut took part in Norges Bank's seminar on water issues which took place during the World Water Week in Stockholm and she initiated our participation, as one of the first Chinese companies ever, in both the Carbon Disclosure Project* and the CDP Water Disclosure Project*. Furthermore we joined the United National Global Compact initiative*. We are also planning to take part in Norges Bank's seminar on water issues in Singapore on 4 July 2012.

Ahead of our second loan agreement with DEG, Unique, a German forestry consulting company, conducted follow up due diligence, based upon their first due diligence in FY 2009, during which they visited around 10% of our plantations and did interviews with farmers in five villages. In this report it was confirmed that the living conditions of the local farmers had been improved as the average earnings of the farmers had doubled and that the local economy, the local communication system and education for children had been improved.

The quality of the bamboo plantations were assessed by comparing data collected during the site visits with published literature and expert knowledge on Moso bamboo. Generally the quality and management of the bamboo plantations were deemed to be high to very high. In addition, it was found that the homogeneity and regularity of the plantations were very high although the plantations are located in very different regions of Fujian Province.

Macro-economic outlook

Whereas we see some uncertainty and short term weakness in demand[§], we maintain a longer term positive outlook on the bamboo industry and the Chinese economy. We believe that the bamboo industry will continue to do well as there is growing demand for organically grown vegetables and sustainable materials. In addition, we believe that the Chinese economy will continue to achieve superior growth due to its productive labour force, a rising standard of living and steady economic policies. According to IMF estimates, the Chinese economy is expected to become the world's largest economy by 2016.

In our view, the short to medium term outlook has improved as there are now indications that inflation rates in China are stabilising and the government is adopting more supportive economic policies. Furthermore, there are indications of improvements in the US labour market, which may be a precursor to a broader recovery for the world economy.

FY 2012 guidance

Primarily driven by an increase in the mature plantation size, we expect an improved financial performance in FY 2012 including:

- Revenue of at least EUR 120 million
- A net profit margin of at least 40%
- Free cash flow positive (operating cash flow being larger than capital expenditures)

The Management Board and Supervisory Board will propose a final dividend of EUR 40 cents per share to be confirmed by the AGM on 24 May 2012. The dividend, once confirmed, will be paid on the first working day following the AGM.

Finally, I would like to thank our shareholders, employees, partners and customers and everyone who has supported the company throughout this challenging year. We appreciate your contributions and look forward to continue delivering strong results and solidifying our leading position in the Chinese bamboo industry further in FY 2012. On behalf of the management team I would like to emphasise that we are more committed than ever to growing the company and creating shareholder value.

Best regards,

Lin Zuojun
CEO and Founder

* For more details on our CSR activities, please refer to p 26-33 in this annual report

† The report 'The Impact of a Corporate Culture of Sustainability on Corporate Behavior and Performance', written by Robert G. Eccles, Ioannis Ioannou and George Serafeim, can be downloaded at http://www.hbs.edu/research/pdf/12-035.pdf

‡ High sustainability companies were defined as companies, out of the matched sample of 180 companies, which voluntarily adopted environmental and social policies many years ago

§ For a more detailed analysis of the macro-economic situation please refer to section 'Macro-economic outlook' on p 67 in this annual report

CFO interview

'We believe it is important to plan ahead and to be financially prepared as the economic cycles appear to becoming shorter.'

How do you summarise FY 2011?

It was a very challenging time as the operating environment in China deteriorated throughout the year. In addition, there were corporate governance issues surrounding several Chinese companies. On the positive side, we began the bamboo fibre processing business, launched the bamboo tree trading centre and completed loan agreements with both DEG and PROPARCO.

With hindsight, are you satisfied with the way the management team handled this crisis?

Of course we are not satisfied when we did not meet our business targets set at the beginning of the year. However, in our view we made the right decisions both in terms of investments and fund raising. We are pleased that we had a strong set of corporate governance principles in place with a dual board structure, a 'Big-4' auditor and the support of high quality advisors long before the financial markets zoomed in on those issues. We are in a stronger industry and financial position than ever, which means that we are well positioned for the future.

What were the reasons behind the reversal in FVBA* from last year's gain to this year's loss?

The FVBA calculation is sensitive to the assumptions used for prices, costs and volumes ('the assumptions'). Had we kept the assumptions from the FVBA calculation in FY 2010 unchanged we would have recorded a significant gain in FVBA in FY 2011. However, as the business environment had deteriorated compared with the situation a year ago, it was deemed appropriate to adjust the assumptions going into the FVBA calculation to better reflect this. This change in the assumptions caused the loss in FVBA in FY 2011.

Do the lower assumptions used in the FVBA calculation mean that you have a negative outlook for FY 2012?

We used the actual numbers in FY 2011 as a basis for the assumptions. There is a good chance that FY 2012 will turn out better than FY 2011.

With the volatility in the net profit caused by FVBA, do you still link dividend payments to the net profit?

As the net profit in FY 2011 was heavily influenced by the loss in FVBA, which is a non-cash item, we are not basing the dividend solely on the net profit as we did in previous years. As we are in a strong financial position and we have less aggressive investment plans at the moment than we have had in previous years, the Management Board and Supervisory Board will propose to increase the dividend to EUR 40 cents per share.

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

Peter Sjovall
CFO

What's your assessment of the bamboo fibre processing project so far?

Obviously the overall development of this project has been delayed by the unusually sharp fall in the prices of pulp and cotton. However, we made good progress during the year and entered a number of negotiations with domestic and international companies which we believe will lead to major contracts in the future. So far we have only invested EUR 1 million in this project which means that we still have all options open to us in terms of how to grow and structure this business. In summary, we are still confident that this business will develop well and that it offers tremendous potential in the longer term.

When will you begin leasing new plantations?

At the moment, we don't have any plans for leasing additional plantations and our focus has shifted towards expanding our distribution network and growing the fibre business. When an upward trend for the revenue per hectare numbers have been established, we will carefully consider resuming our plantation lease programme.

Why did you go ahead with the loan agreements when you don't have any short term investment plans?

The fund raising was done in anticipation of investment opportunities in the future. We believe it is important to plan ahead and to be prepared as the economic cycles appear to becoming shorter. Now we are in a position to take full advantage of future opportunities which we expect to emerge as every crisis also creates opportunities.

Are you planning any fund raising in FY 2012?

No. Following the equity fund raising in previous years and the two debt deals in FY 2011, we do not plan to raise any funds at all in FY 2012. This means that I will be able to devote more time to the Company's business development projects.

Have there been any changes to the risks you are exposed to?

During the year we updated our risk management system. We did not identify any new risks, but we are paying particular attention to the issues of labour supply, pricing development for our products and accounts receivables. Overall we expect growth in China to slow down from the exceptionally high levels seen in recent years and that there will be a trend towards consolidation in many industries. The winners are likely to be the largest companies in each industry.

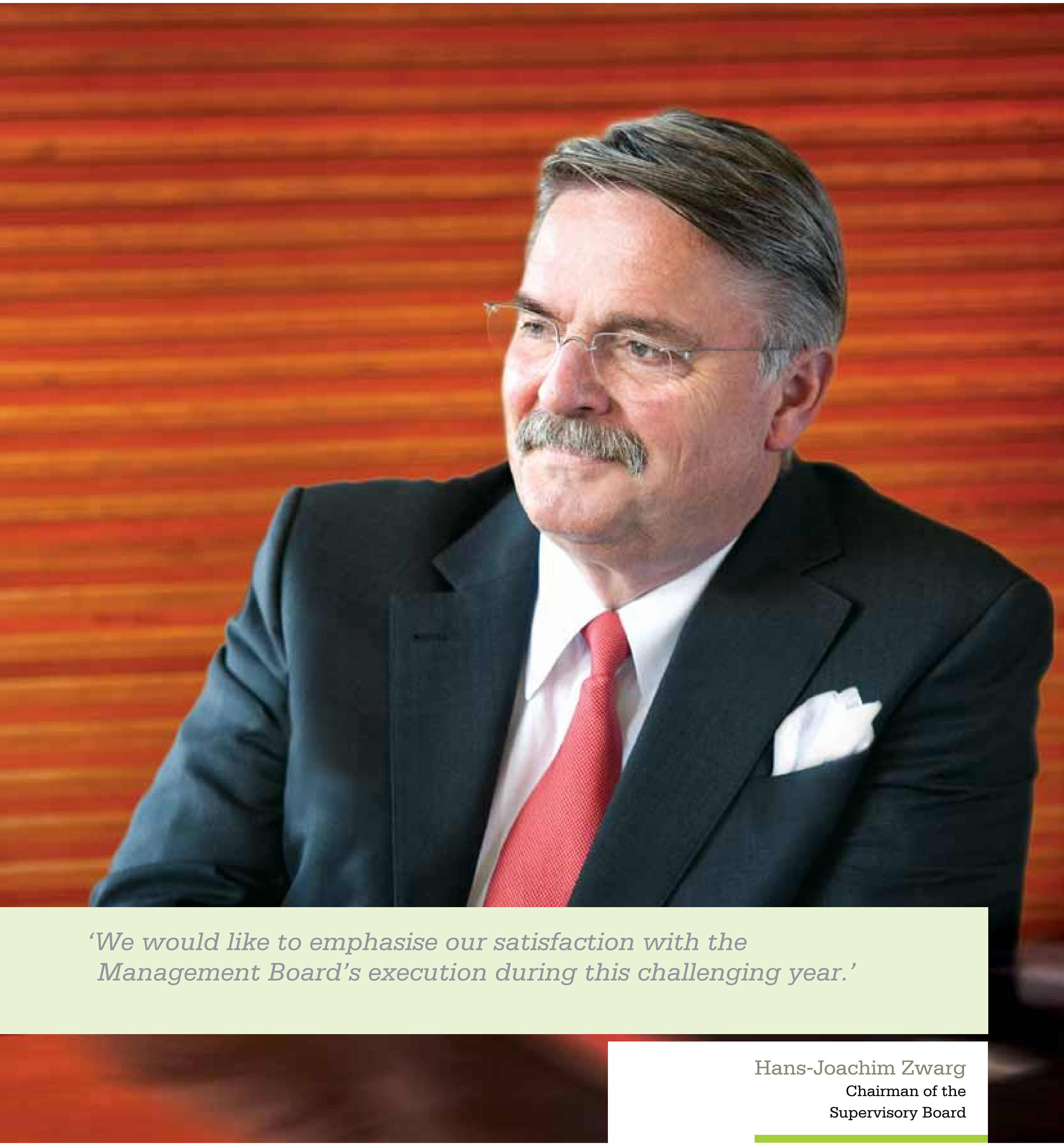
How do you see the Chinese economy evolving in the years ahead?

We expect the Chinese economy to continue its transformation from being largely export-driven to relying more on domestic consumption. It is likely that much of the economic growth in the future will be generated by smaller cities and the countryside, which has, up until now, been lagging behind the larger cities. Due to cost and wage pressure, low value added industries are likely to be squeezed out. At the same time, we expect consumers to be increasingly sophisticated, demanding and less price sensitive. Overall, we expect the Chinese economy to gradually align itself with those of more developed countries.

How quickly do you think the share price can go back to the levels of FY 2010?

In my view, the valuation of our company was never particularly high and as we continue to grow the business I am confident that we can reach new highs in the future. We are a well-known company and many investors also see us as a well-managed company with a clear strategy and a strong industry position. The trends towards sustainability and organic foods will continue to underpin our business growth. We will continue with our investor relations activities with the aim of widening our shareholder base and regaining a fair valuation of our Company.

Report of the Supervisory Board



'We would like to emphasise our satisfaction with the Management Board's execution during this challenging year.'

Hans-Joachim Zwarg
Chairman of the
Supervisory Board

Dear shareholders,

FY 2011 was a disappointing year for the world economy. What appeared to be the early stages of a global recovery were quashed by the sovereign debt turmoil and associated political crisis. Even in China, although the country maintained its astounding growth, there were problems in parts of the economy.

We would like to emphasise our satisfaction with the Management Board's execution during this challenging year, which positioned the Company well and laid the foundation for future growth.

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

Working relationship between the Supervisory Board and the Management Board

The Supervisory Board worked in accordance with the Articles of Association and the Rules of Procedure. Particular focus was placed on analysing and deciding on the strategic direction of the Group, key decisions which required Supervisory Board approval, monitoring compliance with the German corporate governance code, the auditing of financial statements (including quarterly reports) of Asian Bamboo AG and the Group and decisions around personnel issues for both the Management Board and Supervisory Board. All transactions which required Supervisory Board approval were scrutinised at an early stage. At the beginning of the year the Supervisory Board defined the scope of work for the year and established our monitoring goals. We monitored the actions of the Management Board and also supported the Management Board with advice on a variety of issues, including the strategic direction of the Company, business development and risk management.

There was an ongoing exchange of information between the Management Board and the Supervisory Board which complied with the requirements of § 90 of the German Stock Corporation Act (AktG). The Management Board presented us with regular, thorough and timely information at the four regular Supervisory Board meetings and through written and oral reports. Particular importance was attached to the following issues – the overall situation of Asian Bamboo, corporate and investment planning, policy and strategy and fund raising. All information presented to us was reviewed and scrutinised and we immediately gave our feedback to the Management Board. The Supervisory Board also dealt with the monitoring of financial reporting processes, the effectiveness of internal accounting and control systems and ensuring the independence of the auditor.

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

Meetings of the Supervisory Board in FY 2011

At the four Supervisory Board meetings we paid particular attention to the following issues:

19 March:
Discussions concerning the financial statements, the consolidated financial statements, the audit report and audit issues with the auditor; submission of the insider list and the decision about the date and venue for the AGM 2011.

16 June:
Preparations for the Annual General Meeting 2011; progress on the bamboo fibre processing project; the conversion of loans to equity between Asian Bamboo AG and Hong Kong XRX Bamboo Investment Co., Ltd; overview of the current Investor Relations and Corporate Social Responsibility organisational structure.

17 September:
Discussions around business development in light of the deteriorating macro-economic situation; PROPARCO loan agreement and organisational development and plans.

3 December:
Approval of the terms of the DEG loan agreement; approval of the basic business plan for FY 2012; audit schedule and focus of the FY 2011 Annual Report and discussions about the Corporate Governance Declaration.

In addition, at each Supervisory Board meeting the following issues were discussed – the current business development, financial planning, key business activities and investment plans. All members of the Supervisory Board and the Management Board participated in every meeting during the year.

On 12 October, by written circulation, the Supervisory Board approved the loan agreement of up to EUR 20 million between Asian Bamboo AG and PROPARCO. In addition, telephone conferences and extraordinary meetings were convened.

According to the German Stock Corporation Act a committee must have at least three members to be able to make a decision. Therefore, as the Supervisory Board of Asian Bamboo comprised only three members in FY 2011, no committees were constituted.

During the period there were no conflicts of interests involving any Supervisory Board male members.

Personnel matters in FY 2011

On 1 January 2011, Chris McAuliffe was appointed to the Supervisory Board by the District Court of Hamburg. At the AGM on 17 June, he was appointed for the period up until the AGM of FY 2013. The two other members of the Supervisory Board, Mr Hans-Joachim Zwarg and Pan Chaoran, were also re-appointed at the AGM for the period up until the AGM of FY 2013.

On 18 April 2011 the Chairman of the Supervisory Board re-appointed the current Management Board members for another term from 1 July 2011 to 30 September 2015.

Financial statements in FY 2011

Following a decision at the AGM on 17 June 2011, the Supervisory Board appointed Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft ('Deloitte') as the Company's auditors. Deloitte audited, as prepared by the Management Board, the individual financial statements and the management report for Asian Bamboo AG, prepared in accordance with the German Commercial Code (HGB). It also audited the financial statements and the management report for Asian Bamboo group, prepared in accordance with the International Financial Reporting Standards ('IFRS') as adopted by the European Union and § 315a of the German Commercial Code (HGB), for the period 1 January – 31 December 2011. The auditing was carried out in line with the legal requirements and corporate governance recommendations. Deloitte issued unqualified statements for the audit.

At the Supervisory Board meeting on 18 March 2012, drafts of the annual financial statements of Asian Bamboo AG and the consolidated financial statements were discussed in detail in the presence of the auditor. The auditor reported on the main results of the audit, the control and risk management system with regards to accounting and answered questions and provided supplemental information. The auditor stated that no conflicts of interest existed and that no other services had been provided. In addition, the auditor detailed the scope, focus and costs of the audit.

Following our own examination of the drafts of the annual financial statements and the consolidated financial statements as well as the auditors' report which was presented to us at the Supervisory Board meeting on 18 March 2012, we raised no objections to the financial statements and the Management Report of Asian Bamboo AG, the consolidated financial statements, the report regarding dealings with related parties which is part of the Management Board's final declaration in this report and the auditors' report. By a unanimous decision of the Supervisory Board on 26 March 2012, the audited accounts of Asian Bamboo AG and the consolidated financial statements of 31 December 2011, which contained no material changes to the drafts and were supported by an unqualified Auditor's report, were adopted. The Supervisory Board approved the proposal of the Management Board to distribute a portion of the profit of Asian Bamboo AG amounting to around 6.1 million euros to shareholders.

Corporate governance

On 18 March 2011, pursuant to § 161 of the German Corporate Governance Code ('the Codex'), the Management Board and the Supervisory Board updated the corporate governance declaration. The updated corporate governance declaration was immediately made available on Asian Bamboo's website. In May 2011 it was necessary to update the corporate governance declaration and the revised version was made public on 2 May 2011. The current corporate governance declaration and the corporate governance report to the Supervisory Board are, pursuant to Section 3.10 of the Codex, presented in a separate chapter, p 35, in this annual report.

On 18 March 2012, the statement on corporate governance, including the Declaration of Compliance for the fiscal year 2011, was approved by the Management Board and Supervisory Board. Apart from the deviations presented in the corporate governance declaration, Asian Bamboo AG complies with all recommendations of the Codex in its current version as of 26 May 2010. Asian Bamboo AG is also largely following the suggestions of the Codex. All declarations of compliance are permanently made publicly available on Asian Bamboo AG's web-site on www.asian-bamboo.com

On behalf of the Supervisory Board
Hamburg, Germany, March 2012

Hans-Joachim Zwarg
Chairman of the Supervisory Board

Corporate Social Responsibility

> *I teach out of love and care for the children*
>
> – Xie Min

Xie Min has been teaching English at the Heyuan Primary School for one year. The new school building was completed in 2011, partly funded by donations from Asian Bamboo.

CSR strategy and activities

Corporate and Social Responsibility (CSR) is an integral part of our operations and we are committed to shouldering voluntary social and environmental responsibilities above and beyond compliance with our legal obligations. We believe that the return on our investments, and in the end our shareholder value, can only be maximised if long term social and environmental considerations are incorporated into our business strategy.

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

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

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

In recognition of our efforts to support the development of the domestic agriculture industry, as well as our contribution to the government's efforts to raise farmers' incomes, we were awarded the status of National Key Flagship Enterprise in FY 2008, an honour which was re-confirmed following an audit in FY 2010. Furthermore, as part of our loan agreements with DEG and PROPARCO, we have committed to implementing an environmental and social action plan (ESAP), which will further align our operations with global best practice.

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

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

Plantation management

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

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

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

According to an independent third party study carried out by forestry consultants Unique GmbH ('Unique'), a company based in Germany, both the average density of bamboo trees and the average tree diameter have increased as a result of our plantation management following a lease agreement. This study also confirmed that our harvesting rates are within sustainable ranges and concluded that: 'The expert team generally received a very positive impression concerning the management of the bamboo plantations by the Company with regard to environmental compliance and performance. Becoming involved in the villages as an important stakeholder in local natural resource management, the Company plays and will play a key role in local rural development.'

In August 2009, Fujian Xinrixian Group Co., Ltd., a wholly owned subsidiary of Asian Bamboo AG, passed the GLOBALGAP[†] on-site assessment. The certification was confirmed in FY 2010 and FY 2011.

In July 2011, Standards on High Yielding Technology of Moso Bamboo (DB35/T 1194-2011) drafted by the Group were approved by the Standard Validation Committee in Fujian Province as the first standards on Moso bamboo forestry cultivation in Fujian Province.

Food safety

Bamboo shoots which are not sold fresh are processed at our processing factories. The bamboo shoots go through a cooking and sterilisation process and are then cut, sliced or shredded before either being canned or vacuum sealed. Our processed products contain no additives and strictly comply with the international quality control system 'HACCP'.

We have built our own research centre on the campus of Fujian Agriculture and Forestry University. We are particularly focusing our research efforts in the areas of bamboo plantation cultivation techniques and the preservation of processed bamboo shoots. At our processing factories the bamboo shoots arrive less than 16 hours after being harvested and go through a sterilisation and cooking process without losing their natural taste and nutritional value. The processing of the organic bamboo shoots is in strict accordance with the highest food safety standards and we have obtained organic food accreditations in China, Japan, Europe and the US.

Organic food accreditations

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

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

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

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

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

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

* 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 and the certification is subject to a three year revision cycle and requires continuous improvements in line with technological and market developments. 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'.

In December 2009, an on-site organic certification review by ECOCERT China was conducted with visits to our bamboo plantations and processing factories. Following the review the following certifications were achieved: GB/T19630-2005 (Chinese Organic Product Standard), JAS (Japanese Agricultural Standard), NOP (National Organic Program, USA), EC834/2007 and EC889/2008 (Requirement of European Union for Organic Food). These certifications were confirmed in FY 2010 and FY 2011.

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

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 lunch subsidies. In addition we offer other activities, including Chinese New Year celebrations, an annual health check up, staff incentive trips, access to the company library and booking of sports venues. All employees receive our company newspaper, The Bamboo Road, on a bi-monthly basis. It contains articles about corporate news, our corporate values, political and economic developments and employee news.

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

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 70 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 700 employees, including the administrative staff as well as employees in all processing factories and plantations.

In light of the relatively low level of skill among farmers in China, the Group has engaged specialists in the bamboo industry to provide them with more than 20 flexible and practical training sessions which combine relevant modern technology with practical applications. In this way the farmers gain access to the latest technical know-how and cultivation technology. As a result, the overall economic benefits of cultivating Moso bamboo have been greatly improved.

In July 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 20 employees have received support from the fund.

Community involvement

In March 2010 we launched the Xinrixian Village Development Fund ('the Fund') in order to further co-ordinate and strengthen our Corporate and Social Responsibility activities. The Fund 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 FY 2011.

In April 2011, the Fund supported the 'Loving Care Library' project through a donation which was used to purchase school books. This project, which was initiated by the Fujian Provincial Education Department Working Committee, focused on supporting schools in poor mountainous regions. In addition, we conduct our own EducAid programme in primary schools in the districts where our plantations are located by donating school supplies, books, sporting goods and grants to primary schools every year. Moreover, we have given 26 underprivileged pupils continuous financial support to help with their schooling.

We have also made donations to people hit by natural calamities and illnesses. We supported the relief work following the Wenchuan and Qinghai earthquakes and the rainstorms in Fujian province. In April 2011, the Group sponsored the medical treatment of Chi Xiaofang, a university student at the Fujian Agricultural and Forestry University who was diagnosed with leukemia. Furthermore, to ensure the unprivileged people enjoy the Chinese New Year, every winter teams from our company led by key officials of local subsidiaries send cash and festive goods such as rice and cooking oil to poor rural families.

Other CSR activities

Straits (Fuzhou) Giant Panda Research Centre

In January 2010 Asian Bamboo became a sponsor of the Straits (Fuzhou) Giant Panda Research Centre (formerly named the Fuzhou Giant Panda Research Centre), which focuses on protecting these rare animals and research into reproduction. As a sponsor, we provide financial support and supply fresh bamboo shoots.

AIESEC Hamburg

We are a partner of AIESEC Hamburg, which is part of an international student organisation that engages in international exchange and internship programmes. In November we had a student from Ukraine working at our office in Hamburg on an Annual Report related project. We plan to continue our co-operation with AIESEC Hamburg in FY 2012.

Carbon Disclosure Project ('CDP')

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 opportunity, and to drive investments towards a low carbon economy. At the same time, it helps companies measure their carbon footprint, cut costs, anticipate risks and pursue opportunities related to climate change. To date, about 3,700 organisations around the world measure and disclose their greenhouse gas emissions and climate change strategies through CDP, with the purpose of being able to set carbon reduction targets and make performance improvements. We are proud to be one of the first Chinese companies participating in this project.

CDP Water Disclosure Project

CDP also has a water disclosure program, which focuses mainly on water management, water-related risks and opportunities, as well as water accounting. This program aims to drive 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 decided to respond to the CDP Water Disclosure information request as well, on a voluntary basis.

Both emission and water data are 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 responses to the Investor CDP and the CDP Water Disclosure will be made public on the CDP website by December 2012. For more information about CDP, please visit their web-site at www.cdproject.net.

United Nations Global Compact

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

Corporate governance

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

During the year weaknesses in the areas of accounting, management and corporate governance were exposed in some Chinese listed companies, most of which had been listed through a reverse take-over process. Ever since we listed through an IPO process we have fulfilled our responsibilities as a listed company by following statutory requirements and regulations while at the same time achieving rapid growth and high profitability. In FY 2011 we committed further resources to risk management and corporate and social responsibility activities. We believe that these areas will become increasingly important in the future as the complexity of our operations increases and we continue to lead the development of the Chinese bamboo industry. For these reasons we have chosen the theme 'Responsible growth' for this annual report.

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

The German Corporate Governance Codex ('the Codex')

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

Corporate governance declaration

The Management Board and Supervisory Board dealt with the issues of corporate governance and, in particular, the provisions of the German Corporate Governance Code ('the Codex'). In accordance with § 161 of the German Stock Corporation Act, the Management Board and Supervisory Board jointly issued the yearly Corporate Governance Declaration on 18 March 2012. The declaration was immediately and permanently made available on Asian Bamboo's website at www.asian-bamboo.com. Apart from the deviations mentioned below, the Company complied with all the recommendations of the Codex as amended on 26 May 2010 in the fiscal year 2011 and will comply with them in the future.

- Section 2.3.1 paragraph 3 and section 2.3.3 sentence 2 mention the option of arranging for an absentee ballot ('postal voting system') without explicitly recommending that. The Company believes that implementing a postal voting system would create considerable practical and legal problems. The Management Board therefore decided, as it did for the AGM in 2011, not to implement a postal voting system for the 2012 AGM. The Management Board is therefore not using the authorisation under § 23 paragraph 6 of the articles of association, which authorises a postal voting system. Shareholders still have the option of arranging proxy voting by electronic means.
- According to 5.4.1 paragraph 2, regarding appointments to the Supervisory Board, concrete objectives shall be taken into account for dealing with the composition of the board in terms of age, international experience, potential conflicts of interest and diversity. In particular, these targets should provide an equitable representation of women. The Supervisory Board has decided on 18 March 2012 that the majority of the Supervisory Board members should be independent and that the Board should also have members with significant international experience, which already has been the case in the Company. In addition, the Supervisory Board on 18 March 2012 decided that board members should not be more than 72 years of age. The Supervisory Board agrees in principle with an adequate representation of women on the board. The Company reserves the right, however, at the next regular board elections in 2014 to again propose the current Supervisory Board members for another term as they possess the relevant knowledge and experience needed by the Company. However, from the term after the next term, the company intends to appoint a 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.
- Sections 5.1.2 para. 2 sentence 3 and section 5.4.1 paragraph 2 of the Codex recommend to stipulate age limits for the members of the Management Board and the Supervisory Board. In the fiscal year 2011, the by-laws and the statutes of the Company did not provide for such age limits, the reason being that in the Company's view the appointment or election as a board member should primarily be based on professional skills. In the Supervisory Board's resolution on the goals for the composition of the governing bodied, the Supervisory Board has – in view of the aforementioned recommendations – introduced a general age limit for the members of the Management Board and the Supervisory Board, so that since 18 March 2012 the Company also complies with the recommendations of section 5.1.2 para. 2 sentence 3 and section 5.4.1 para. 2 of the Codex.
- Section 5.4.6 para. 2 of the Codex recommends to provide for a variable remuneration component for the members of the Supervisory Board. Until 17 June 2011, the Company's Supervisory Board members only received a fixed remuneration and no performance related remuneration, the reason being that in view of the Company a fixed remuneration better serves the task and particularly the independence of the Supervisory Board members. In view of the recommendation of Section 5.4.6 para. 2 of the Codex, however, the annual general meeting of the Company held on 17 June 2011 introduced a variable remuneration for the members of the Supervisory Board, so that the Company from that date on also complies with the recommendation of section 5.4.6 para. 2 of the Codex.

Information of the practice of corporate governance

Asian Bamboo AG is committed to the principles of good and responsible corporate governance. The Company's aim is to gain and maintain the trust of our shareholders, customers and employees by managing our Company in a transparent and responsible manner and through close and constructive co-operation between the Supervisory Board and Management Board. The Company serves a dual purpose of both generating profits and creating shareholder value for our shareholders as well as playing a key role in the development of the agriculture sector and the countryside in China.

At our plantations we practise a 'Close to Nature Forest Management' policy which guarantees sustainability and is described in more detail on p 26 of this annual report. Our research and development is carried out at the Xinrixian Research Centre, located on the campus of Fuzhou Agriculture and Forestry University. We treat our employees and business partners with great respect and our employee policies are described on p 28-30 of this annual report.

As a listed company our accounts are audited by a reputable auditor. In addition, we disclose significantly more information than is legally required. Furthermore, we are using third party experts to advise and audit other parts of the business.

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

Shareholders and Annual General Meeting ('AGM')

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

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

Management Board and Supervisory Board

Management Board ('MB')

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

The MB of Asian Bamboo AG currently comprises three members, Mr Lin Zuojun, Mr Jiang Haiyan and Mr Peter Sjovall. The responsibilities of each member of the MB are defined in the organisational chart of the MB. The MB is jointly responsible for developing the Company's strategy, negotiating key agreements such as plantation leases and other investment agreements, co-ordinating the daily operations as well as financial reporting, fund raising, investor relations and financial reporting to the SB.

The company's key activities and financial performance are summarised on a monthly basis and circulated to the management team and the SB. In addition, the MB meets on a regular basis to make decisions. At these meetings, Mr Qiu Hai, Financial Controller, and Mr Lin Yuanyin, Vice President, are also present. The working relationship between the MB and the SB is described in detail on p 22 of this annual report.

In accordance with the Codex, Asian Bamboo presents the remuneration of the members of the MB and the SB individually. The basis for the remuneration and the actual remuneration are described in detail on p 60-61 of this annual report.

Supervisory Board ('SB')

The SB of Asian Bamboo AG comprises three members, Mr Hans-Joachim Zwarg (chairman), Mr Chris McAuliffe (vice chairman) and Mr Pan Chaoran. The SB is responsible for supervising the MB and for the election of the members of the MB, the determination of their remuneration as well as the review and approval of the annual financial statements of the Company. The Chairman of the SB maintains frequent contact with the members of the MB to discuss issues of particular importance.

According to new legislation in Germany (BilMoG), the SB has to audit the quality of the accounting systems and the Chairman of the SB conducted such an audit in February 2010. In particular, the Chairman looked into the financial reporting process, the effectiveness of the internal risk management system (RMS) and internal control systems (ICS), the effectiveness of internal audit systems and the auditing process and conducted interviews with key personnel in the finance department.

Directors' dealings

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

In June, Green Resources Enterprise Holding Ltd. ('Green Resources'), a company wholly owned by Mr Lin Zuojun, founder and CEO of Asian Bamboo, purchased 6,000 shares at an average price of EUR 25.02, which increased the stake of Green Resources in the Company to 37.3%.

The members of the Management Board directly or indirectly hold 37.3% of the shares in Asian Bamboo AG.

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

Accounting and auditing

The annual consolidated financial statements of the Group are prepared pursuant to the International Financial Reporting Standards (IFRS) and the individual financial statements of Asian Bamboo AG are prepared according to the German accounting rules and the German Commercial Code (HGB). Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft was appointed at the general shareholders' meeting as auditor and has audited the consolidated and individual financial statements. The auditors attended the Supervisory Board's meeting when the individual and consolidated financial statements were approved, and reported on the main results of their audit and answered questions from the Supervisory Board.

Corporate compliance

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

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

Risk management

Asian Bamboo's risk management policies are described in detail in the 'Risk Report' on p 65-66 in this annual report. They are designed in accordance with statutory provisions to detect significant risks early so that appropriate measures can be taken to minimise the potential impact of these risks. The Risk Management process is supported through the controlling and auditing functions. During the year, the Management Board has updated the Company's risk management procedures.

Transparency

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

Asian Bamboo AG
Hamburg, Germany March 2012

The Supervisory Board The Management Board

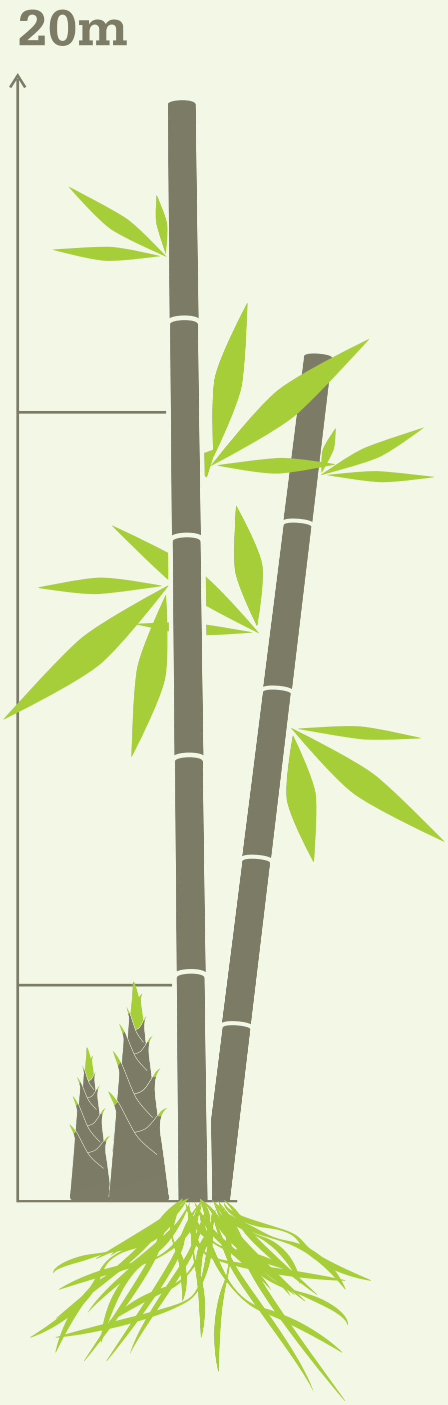
Business Review

"Larger scale farming generates a higher and more stable income"

– Zhang Zhenggui

Zhang Zhenggui is a farmer living in a village close to Shaowu. He has been working on Asian Bamboo's plantations for four years.

Business Model



PERCENTAGE
OF TOTAL SALES

6%

Fibre

28%

Bamboo trees

HARVESTING PERIOD:
MAINLY Q3 AND Q4

48%

Spring shoots

HARVESTING PERIOD:
MAINLY MARCH TO MAY

18%

Winter shoots

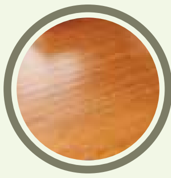
HARVESTING PERIOD:
MAINLY NOVEMBER TO MARCH

PERCENTAGE OF CATEGORY SALES

51%
TOP FIVE CUSTOMERS


JIAYI
(BAMBOO FURNITURE)

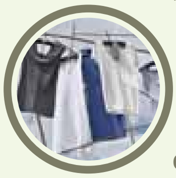

ZHONGZHU
(BAMBOO PULP AND FIBRE)


XINCHEN
(BAMBOO FLOORING)

49%
OTHER CUSTOMERS


CONSTRUCTION


FURNITURE


OTHERS

66%
FRESH SHOOTS

DOMESTIC AGRICULTURAL MARKET

WHOLESALE AND DISTRIBUTION

34%
PROCESSED SHOOT

PROCESSING LINE

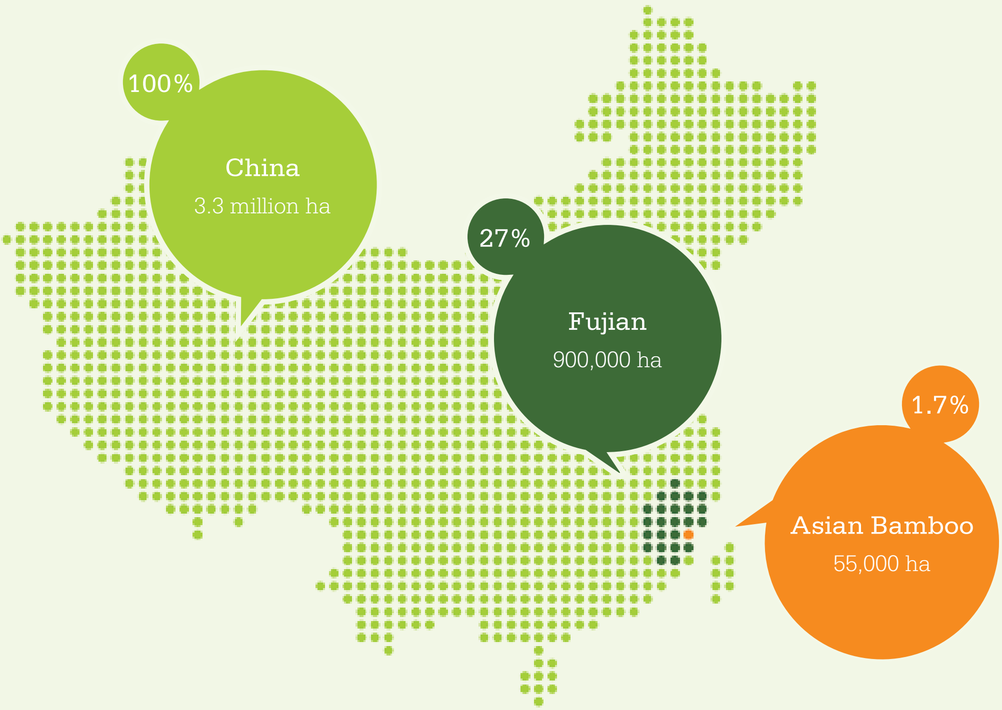
40%
EXPORTS TO JAPAN

60%
DOMESTIC MARKET

51%
BRANDED 'XINRIXIAN'

49%
UNBRANDED

Total Moso bamboo forest size in China



China possesses most of the world's Moso Bamboo resources. In China, Moso Bamboo is particularly abundant in Fujian Province due to a combination of the province's climate and mountainous terrain. The total size of the Moso Bamboo forests in Fujian province is around 900,000 ha, equivalent to 27% of China's total Moso Bamboo forest area of around 3.3 million ha.

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

Harvesting

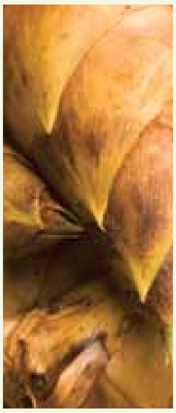
The trees are primarily harvested from August to December. Due to its strength and flexibility, the bamboo tree can be used in a variety of applications. For centuries it has been used as scaffolding and an input material for furniture making. In recent years, bamboo has been increasingly used for the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

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

Revenue per hectare in FY 2011

Bamboo trees

+ Bamboo shoots
Total bamboo shoots = EUR 1,428 (72%)



Total revenue
EUR 1,990*
(2010 = EUR 2,461)†

Bamboo trees
EUR 562
28%

Processed shoots
EUR 347
17%

Fresh spring shoots‡
EUR 668
34%

Fresh winter shoots
EUR 413
21%

Around 50% 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 labour service companies and the farmers are not on our pay-roll, which means that we do not have any social or pension liabilities for them.

The farmers get paid in relation to their output and they have complete freedom in choosing when and how much time they would like to spend working on our plantations. As the farmers only work during harvesting periods, they are likely to have other sources of income. Relatively speaking, the income which the farmers can obtain from working for us is attractive and we have not experienced any problems in securing harvesting labour. In total, we estimate that there are around 10,000 farmers working on our plantations during the year.

Plantation yield

As we are harvesting winter shoots, spring shoots and bamboo trees every year, we are able to generate a high return from our plantations. The winter and spring shoots are harvested annually, whereas the bamboo trees are normally harvested during the third to fifth year, after the quality of the tree has improved.

In FY 2011 our harvesting volumes were particularly affected by weak demand for bamboo trees as a result of the credit tightening in China and the global economic weakness. Revenue per ha was EUR 1,990 (2010: EUR 2,461).

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

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

‡ including dried bamboo shoots

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

Most of our plantations are 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.

Total plantation size by end of 2011

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

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. We pay a part of the total lease fee when signing the contract and the balance is paid at around the time when the harvesting rights are transferred, which generally happens within a year of the contract being signed. At the end of a lease we expect to renegotiate the contact terms. As our lease terms are very long we have not renegotiated any leases yet.

The contracts are legally binding and there are no additional payments or other arrangements other than the up-front lease payment. 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.

During the year we added 6,700 ha of plantations, which took the total plantation size to 54,511 ha, and a total of 19,460 ha of plantations were reclassified as mature.

The development of our plantations during the year was as follows:

Development of plantations

(All numbers in hectares)	31.12.2010	New	Reclassified in 2011	**31.12.2011**
Mature	35,051	–	19,460	**54,511**
Immature	12,760	6,700	(19,460)	–
Total	47,811	6,700	–	**54,511**

At the end of FY 2011, we had a total plantation size of 54,511 ha of mature plantations.

Operational review

Our plantation business is a cash cow. All our plantation leases are paid up-front and once the investments are made, cash flows are high and stable. As a rule of thumb, the plantation leases become more profitable over time as the lease fee is fixed and prices for the output products continue to rise. Our key challenges are rising labour cost, developing distribution channels and to maintain a high pace of growth despite having a larger plantation size. We view our integrated business model and access to capital as our two key competitive advantages.

There is still only limited competition for plantation leases, offering huge opportunities for us to grow our business. We expect it to remain difficult for our competitors, which are much smaller than we are, to access capital. We will continue to expand our integrated business model and a key initiative is the bamboo tree trading centre. Next year we will have an annual production capacity of processed bamboo shoots of 1.8 million cans and we aim for a total plantation size of 100,000 ha in the future.

Business analysis – Plantations

Status

Industry structure	Fragmented among both producers and buyers
Demand	Very stable for bamboo shoots, relatively stable for bamboo trees
Investments	Very capital intensive
Profit margins	High
Differentiating factors	Integrated business model and access to capital

Challenges

- Ageing labour force, rising harvesting costs
- Rising plantation costs
- Growth will slow down due to law of large numbers

Opportunities

- Still no competition for plantations
- Huge room to grow
- Plantations are likely to become increasingly profitable over time as the lease fee is unchanged and product inflation is likely
- Further room to expand the integrated business model
- Bamboo tree trading centre opens up new opportunities

Goals

- Development of the bamboo tree trading centre in Shaowu
- An annual production capacity of processed bamboo shoots of 1.8 million cans
- A longer term goal of a total plantation size of 100,000 ha

Operational highlights in FY 2011

- Began producing and selling bamboo fibre
- Leased 6,700 ha of plantations which took our total plantation size to 54,511 ha
- Increased the total number of customers to 233 (2010: 182 customers)
- Increased the percentage of fresh winter shoots sold under our Xinrixian label, as a percentage of the total sales value of fresh winter shoots, to 51% (2010: 45%)
- Increased the percentage of spring shoots sold fresh, as a percentage of the total value of the bamboo spring shoot harvest, to 66% (2010: 57%)
- Began operations at the bamboo tree trading centre
- Commenced construction of the new processing factory for bamboo shoots in Longyan

Operating goals for FY 2012

- Increase revenue per ha compared to FY 2011
- Develop additional distribution channels for our fresh and processed products
- Develop additional distribution channels for bamboo fibre both domestically and internationally
- Find a long term partner for the bamboo fibre business
- Complete the new factory for processed bamboo shoots in Longyan and start production

Revenue analysis

Revenue breakdown

kEUR	FY 2011	FY 2010	Change
Bamboo trees	**24,937**	25,895	-4%
Fresh winter bamboo shoots	**15,737**	13,743	15%
Fresh spring bamboo shoots (including dried bamboo shoots)	**29,280**	19,082	53%
Processed bamboo shoots	**14,801**	14,460	2%
Bamboo fibre (ADBP)	**5,081**	–	–
Paper	–	2,730	–
Total	**89,836**	75,910	18%

Despite the challenging macro-economic development, revenue increased by 18% to EUR 89.8 million (2010: EUR 75.9 million) mainly due to a larger plantation size. However, revenue per hectare decreased year-on-year. In local currency terms (RMB), the selling prices for bamboo trees were stable, whereas the selling prices for fresh bamboo shoots fell slightly and selling prices for processed bamboo shoots rose slightly.

94% of revenue was derived from plantation based revenue and 6% came from sales of bamboo fibre. Sales of fresh bamboo shoots, including dried bamboo shoots, performed very well and increased 53% year-on-year. As part of the product mix, this product category increased from 25% in FY 2010 to 32% in FY 2011. On the other hand, sales of bamboo trees developed relatively poorly and decreased by 4% in absolute terms. Its share of the product mix fell from 34% in FY 2010 to 28% in FY 2011. Sales of fresh winter shoots increased by 15% and maintained its share of the product mix. Sales of processed bamboo shoots were constrained by production limitations and the total revenue for this product category increased only 2%, which resulted in a decrease in its share of the product mix from 19% in FY 2010 to 16% in FY 2011. Overall bamboo shoots accounted for around 66% of revenue in FY 2011, up from 62% in FY 2010. There were no sales of paper in FY 2011.

The number of customers increased by 28% to 233, of which 192 customers purchased fresh products and 41 bought processed bamboo shoots. Most of our new customers are located in Longyan and Wuyishan, where some of the plantations which most recently became mature are located.

Breakdown of sales

Breakdown of sales

	FY 2011	% of total sales	FY 2010	% of product mix
Bamboo trees	**24,937**	**28%**	25,895	34%
Fresh winter bamboo shoots	**15,737**	**18%**	13,743	18%
Fresh spring bamboo shoots	**29,280**	**32%**	19,082	25%
Processed bamboo shoots	**14,801**	**16%**	14,460	19%
Bamboo fibre (ADBP)	**5,081**	**6%**	–	–
Paper	–	–	2,730	4%
Total	**89,836**	**100%**	75,910	100%

Fresh winter bamboo shoots

In FY 2011, we increased the percentage of winter bamboo shoots sold under our own brand name ‘Xinrixian’, as a percentage of the total sales value of fresh winter shoots, to 51% (2010: 45%). We believe that increasing brand awareness is a differentiating factor which will support our premium market position. Our key markets were Fujian Province, Jiangsu Province, Zhejiang Province, Guangdong Province and Shanghai. Exports to Japan, the US, Canada and other overseas markets via agents have delivered steady growth.

Distribution of fresh winter shoots (kEUR)

	FY 2011	%	FY 2010	%	FY 2009	%	FY 2008	%
Unbranded	**7,711**	**49%**	7,525	55%	6,231	63%	6,047	100%
Branded (Xinrixian)	**8,026**	**51%**	6,218	45%	3,585	37%	–	–
Total	**15,737**	**100%**	13,743	100%	9,816	100%	6,047	100%

Fresh spring bamboo shoots

Our fresh products are sold mainly in cities through wholesale markets such as the Agricultural Product Trading Centres. The vast majority of our fresh spring shoots are sold in the south-eastern provinces of Fujian, Zhejiang and Jiangsu and the city of Shanghai. Naturally, Fujian province is our most important market overall.

Distribution of spring shoots in '000 kg

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

Processed bamboo shoots

Bamboo shoots which are not sold fresh are processed at our processing factories. The bamboo shoots go through a cooking and sterilisation process and are then cut, sliced or shredded before either being canned or vacuum sealed. Our processed products contain no additives and strictly comply with the international quality control system 'HACCP'.

The processed bamboo shoots are generally sold in cans. Each can contains around 11 kg of shoots and 7 kg of water. However, we need around 33 kg of raw spring shoots to produce 11 kg of processed spring shoots as the skin and other non-edible parts are removed. This means that we used around 46,300 tonnes of fresh spring shoots, which is equal to around 27% of the total spring shoot harvest, to produce 1.4 million cans of processed shoots in FY 2011.

Revenue from selling processed bamboo shoots increased by 2% driven by slightly higher prices. Our annual processing capacity of 1.4 million cans was unchanged in FY 2011. We exported around 500,000 cans to Japan, a similar level to last year. In addition we also exported a relatively small amount of processed bamboo shoots to Spain during the year. The domestic wholesale market, which is primarily located in Fujian Province, Shanghai, Beijing, Nanjing, Qingdao and Zhuhai, remained stable.

In order to strengthen brand awareness among end consumers, our 'Xinrixian' brand of soft-packaged, fine-processed bamboo shoots were sold in around 33 supermarkets in Fujian Province. The response from consumers was positive and sales of these products increased by around 14% year-on-year.

We have nearly finalised the move of our existing fine processing plant in Mawei to Longyan and the building of two additional raw processing plants there. The new processing plants are closer to the Company's plantations and labour costs are expected to be lower. In addition, the Company's overall annual production capacity of processed bamboo shoots will increase from the current level of 1.4 million cans to 1.8 million cans. The total investment is approximately EUR 3.9 million and production is expected to commence in Q2 2012, in time for the peak season for bamboo shoot processing.

Bamboo trees

We added 26 customers of which one, Longyan Jiayi ('Jiayi'), became a strategic partner. Jiayi is one of the largest companies within the areas of bamboo flooring, bamboo furniture and bamboo crafts in Fujian Province. Impacted by a weak construction market, Xinlifeng experienced a sharp decline in sales. Therefore, Xinlifeng is no longer a strategic partner. Our five largest customers, including Zhongzhu, Jiayi and Xinchen, accounted for 51% of overall bamboo tree sales.

Overall, we sold around the same amount of bamboo trees in FY 2011 as we did in FY 2010. There were a number of reasons why demand for bamboo trees did not increase:

- Zhongzhu, the bamboo fibre factory, produced and sold less bamboo fibre than we had anticipated
- The construction industry was sluggish as a result of the government's housing policies
- The credit situation, particularly for small companies, was challenging due to the government's restrictive credit policies
- Export demand was weak as a result of high unemployment and the sovereign debt crisis in Europe and the US

On a positive note, we expect sales of bamboo fibre, which generated only around 6% of total revenue in 2011, will increase significantly in 2012, which will lead to larger demand for bamboo trees. In addition, we also believe that it is likely that there will be an improvement in the overall economic climate in FY 2012.

On 5 December the bamboo tree trading centre ('the trading centre') began operating. The trading centre, a physical market comprising around six hectares, is located in Shaowu close to many of the our plantations. It serves as a bridge between buyers and sellers of bamboo trees. The Management Board expects the trading centre will improve both distribution and the pricing mechanism of bamboo trees. The project was developed with the government of Shaowu City and is an important step in the development of the bamboo industry in that area.

Business analysis – Bamboo fibre

Status

Industry structure	Concentrated among both producers and buyers
Demand	Relatively stable
Investments	Linked to production capacity
Profit margins	Average
Differentiating factors	Control of material supply, production process and distribution relationships

Challenges

- Reaching a critical size and a competitive unit cost
- Develop key distribution relationships
- Environmental considerations

Opportunities

- Growing demand for bamboo fibre due to its high quality and consumer preferences for sustainable materials
- Relatively high cost of cotton and oil
- Technological improvements in the production process

Goals

- Production of 100,000 tonnes of bamboo fibre annually
- Co-operation with a multinational corporation

Bamboo fibres

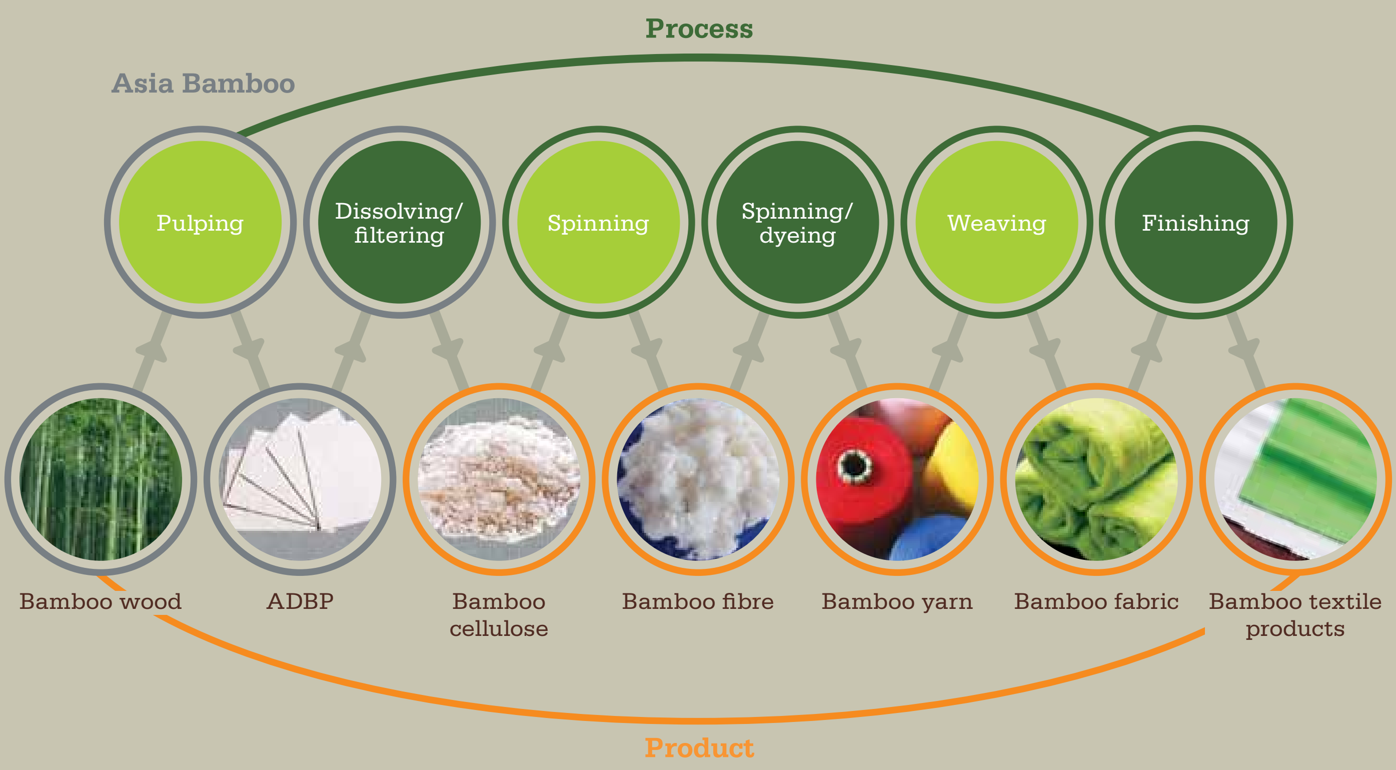
The bamboo fibre business has a completely different industry structure from the rest of our business as it is dominated by a few larger players, both on the sell and the buy side. Demand is relatively stable and is generally growing. The investments needed are significant, but once made they can be amortised over a very long period of time. Profit margins are average, but large volumes can create high profits. We view the control of material supply, production process and distribution relationships as our key competitive advantages in this industry.

Overall we have a very positive outlook on this industry as we see:

- Growing demand for bamboo based fibre due to its high quality and consumer preferences for sustainable materials
- Continued relatively high costs of cotton and oil
- The potential for technological improvements in the production process

For the next couple of years, we will focus on reaching a critical size and a competitive unit cost, developing key distribution relationships and taking environmental considerations well beyond the legal minimums. It is our goal to reach production of 100,000 tonnes of bamboo fibre annually and to co-operate with a multinational corporation.

Background on using bamboo for textile production



The production process and distribution

Since mid-2009 we have been working on the bamboo fibre processing project and so far we have invested only around EUR 1 million in R&D. The technical name for the product is Acetified Dissolving Bamboo Pulp, which is a high-purity dissolving pulp with a high cellulose (fibre) content, high degree of whiteness and polymerization.

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 2011 we sold EUR 5.1 million of bamboo fibre, which was below our expectations. Nevertheless we are satisfied with the interest shown by both domestic and multinational corporations and we expect demand to increase in FY 2012. We will focus on improving the quality of the bamboo fibre and adding new distribution channels. Furthermore, we have started discussions with a number of domestic and multinational corporations about future business relationships.

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

We are using Shaowu Zhongzhu ('Zhongzhu') as an OEM manufacturer. Our dealings with Zhongzhu are on an arm's length basis. We are selling bamboo trees at market prices to Zhongzhu and buying bamboo fibre, which is produced based on our requirements. This is a cost effective arrangement which gives us complete flexibility for the future. At the moment Zhongzhu's annual production capacity of bamboo fibre is around 20,000 tonnes.

Compared to cotton, cellulose fibres are cheaper and more environmentally friendly. Bamboo, as a renewable resource which does not require any irrigation and fertilisers, is generally viewed as the most environmentally friendly and inexpensive material. To produce cellulose fibres, the wood is processed into dissolving pulp.

The most commonly used raw materials for producing textiles are cotton and petroleum. Cotton is the most universal of textile fibres, associated with purity and positive natural qualities. However, it is a fragile crop which requires large amounts of pesticides, herbicides, fertilisers and irrigation.

Petroleum, which is the basis for polyester, nylon and acrylic, is a non-renewable resource with a significant negative environmental impact. In recent years, due to the high costs of cotton and petroleum in combination with an increasing environmental awareness among consumers, alternative materials have gained popularity. The key alternative material is viscose, which is produced from wood.

Research and development

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

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

In January 2010 we set up a Research & Development sub-centre in Guilin Village, Shaowu City, close to many of our plantations. Through the sub-centre, scientific experiments and cultivation training is being carried out directly on the plantations, helping to accelerate the application of scientific results.

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

In July 2011, Standards on High Yielding Technology of Moso Bamboo (DB35/T 1194-2011) drafted by the Group were approved by the Standard Validation Committee in Fujian Province as the first standards on Moso bamboo forestry cultivation in Fujian Province.

In 2011, research was conducted in the following areas:

Bamboo shoot processing: Research was conducted to study coating preservative technology to mitigate browning, dehydration, mildewing and other problems related to the storage of winter bamboo shoots. Tests to enhance the preservation of winter bamboo shoots were completed and the relevant technical solutions have provided guidance for production techniques.

Bamboo fibre processing: Research focused on the clean production process of bamboo fibre dissolving pulp with high whiteness and alpha cellulose, low gray iron and appropriate kinematic viscosity, which provides necessary technical support for bamboo fibre processing and will significantly promote the added value of bamboo tree processing.

Financial Review

It's my goal to build up the bamboo fibre business

– Cheng Li Yong

Cheng Li Yong is leading the bamboo fibre processing project. He has worked in bamboo pulp and fibre production for more than 15 years and with Asian Bamboo for two years.

Financial review

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

- Revenue increased 18% to EUR 89.8 million (2010: EUR 75.9 million)
- Cost of sales decreased 8% to EUR 44.7 million (2010: EUR 48.8 million)
- Loss in FVBA of EUR 18.9 million (2010: Gain of EUR 17.2 million)
- Gross profit including FVBA-changes decreased 41% to EUR 26.2 million (2010: EUR 44.3 million), equivalent to a gross profit margin including FVBA-changes of 29% (2010: 58%)
- Net profit decreased 52% to EUR 16.2 million (2010: EUR 33.5 million), equivalent to a net profit margin of 18% (2010: 44%)

Analysis of the income statement

Revenue

kEUR	**FY 2011**	FY 2010	Change
Bamboo trees	**24,937**	25,895	-4%
Fresh winter bamboo shoots	**15,737**	13,743	15%
Fresh spring bamboo shoots	**29,280**	19,082	53%
Processed bamboo shoots	**14,801**	14,460	2%
Bamboo fibre (ADBP)	**5,081**	–	–
Paper	–	2,730	–
Total	**89,836**	75,910	18%

For a detailed revenue analysis, please refer to p 48 in this annual report.

Cost of sales

The harvested bamboo trees and shoots are, in accordance with IFRS, valued at fair value less estimated costs to sell ('Fair value', 'FVBA'). When the bamboo trees and shoots are harvested and sold, the fair value is charged as cost of sales. A higher FVBA consequently leads to higher costs per unit and vice versa. In fiscal year 2011, due to a reduction in FVBA, cost of sales decreased. The main reasons for the reduction in FVBA are explained in the following section.

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

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

The loss in the fair value in FY 2011 was calculated in the following way (all numbers in kEUR):

Fair value at end of period	103,026
Deduct: Fair value at beginning of period	(99,788)
Deduct: Increases due to new plantation leases	(1,647)
Deduct: Cultivation costs	(42,990)
Add: Fair value of harvested bamboo trees and bamboo shoots	30,131
Deduct: Net foreign exchange differences	(7,658)
Gain (loss) in the fair value	(18,926)

Gross profit including revaluations

The gross profit including FVBA-changes decreased by 41% to EUR 26.2 million (2010: EUR 44.3 million), corresponding to a gross profit margin including FVBA-changes of 29% (2010: 58%).

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

Due to the high volatility caused by the FVBA calculation on the Company's P&L, the Management Board is of the opinion that the cash flow statement should be considered when assessing the Company's profitability.

Other operating income

Other operating income of kEUR 180 (2010: kEUR 666) is mainly related to foreign exchange gains of kEUR 130 and grants received from provincial governments for the industrialisation of the agriculture industry in the amount of kEUR 33.

Distribution and selling expenses

Distribution expenses are mainly linked to our export business and handling charges for the delivery of bamboo trees. Due to weakness in demand for bamboo trees, our distribution expenses increased as we transported the trees longer distances. Distribution expenses increased by 117% to kEUR 1,343 (2010: kEUR 619) during the year.

Administrative expenses

Administrative expenses decreased by 15% to EUR 6.7 million (2010: 7.9 million). In FY 2011 there were costs for R&D linked to the bamboo fibre processing project of around EUR 1 million. Stock option related costs were positive kEUR 881, as the expenses for the stock option scheme, of kEUR 881 booked in FY 2010, were reversed as the probability of reaching the performance target was deemed to be low.

Other operating expenses

Other operating expenses amounted to kEUR 35 (2010: kEUR 32).

Share of profit/loss of jointly controlled entity

The company's share of Xinlifeng's net profit was kEUR 100 (2010: loss of kEUR 70).

Finance net

Finance income, as a result of interest income, during the year was kEUR 1,115 (2010: kEUR 300) and finance costs were kEUR 996 (2010: kEUR 912). The finance net for the year was positive kEUR 119 (2010: negative kEUR 612).

Income tax

In FY 2011 income tax was EUR 2.3 million (2010: EUR 2.3 million). In accordance with PRC tax regulations, agriculture enterprises selling trees and preliminary agricultural products are fully tax exempt. As a result, our operating subsidiaries are only paying income tax on the profit generated from sales of processed products, not on the profit generated from the sales of fresh shoots and bamboo trees. The applicable tax rate for sales of processed products was 24% during the year (2010: 22%).

Financial

Cash flow before working capital changes decreased by 2% to EUR 34.8 million (2010: EUR 35.6 million). Net cash from operating activities decreased 17% to EUR 27.9 million (2010: EUR 33.5 million), mainly as a result of the prepayments made in connection with the bamboo fibre processing projects which were around EUR 6.3 million as of the end of FY 2011.

Net cash used in investing activities amounted to EUR 39 million (2010: EUR 58.8 million) of which EUR 38.3 million was used for plantation leases.

Net cash from financing activities amounted to negative EUR 5.8 million (2010: positive EUR 51.2 million) as we did not raise any capital in FY 2011. The Company entered into two loan agreements, with PROPARCO and DEG, in FY 2011. These are facility loan agreements and the Company can decide when the disbursements take place (subject to the fulfilment of conditions precedent).

In FY 2011, a dividend of EUR 5.5 million (2010: EUR 4.1 million) was paid as decided by the AGM.

Cash and cash equivalents decreased to EUR 42 million (2010: EUR 56.7 million), equivalent to 10.7% of total assets.

Net working capital (current assets minus current liabilities) amounted to EUR 0.8 million. (2010: EUR 17.1 million). This decrease is due to the increase in accounts payables relating to the plantation leases.

Overall, due to the solid cash flows from operating activities and the cash raised in the capital increase, the group has a strong financial position as of 31 December 2011. The long-term assets remain fully financed by equity. The equity ratio was 80.6% (2010: 81.5%)

Financial position

kEUR	FY 2011	FY 2010	Change
Biological assets	**103,026**	99,788	3%
Lease prepayments	**208,844**	164,940	27%
Cash and cash equivalents	**41,980**	56,658	-26%
Other assets	**37,998**	25,320	50%
Total assets	**391,848**	346,706	13%
Total equity	**315,897**	282,421	12%
Total liabilities	**75,951**	64,285	18%
Total liabilities and equity	**391,848**	346,706	13%

At year-end 2011, total assets were up by 13%, year-on-year, at EUR 392 million (2010: EUR 347 million).

Biological assets increased by 3% year-on-year to EUR 103.0 million (2010: EUR 99.8 million). Lease prepayments increased by 27% to EUR 208.8 million (2010: EUR 164.9 million), mainly as the result of an increase in the total plantation size. Out of total assets, biological assets and lease prepayments accounted for 26% (2010: 29%) and 53% (2010: 48%), respectively.

With respect to the estimated value of bamboo trees and bamboo shoots, we refer to the notes relating to the biological assets.

Cash and cash equivalents decreased by 26% to EUR 42 million (2010: EUR 56.7 million) at the end of the year.

Liabilities increased by 18% to EUR 76 million (2010: EUR 64.3 million).

Total equity increased by 12% to EUR 316 million (2010: EUR 282 million). The equity ratio was 81% (2010: 81%). We bought back 14,000 shares during the year which meant that 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 under § § 87 paragraph 1, 107 paragraph 3 sentence 3 AktG. The compensation of the Management Board is based on the size and area of activity and the financial position of Asian Bamboo AG. The remuneration of the Management Board consists of a fixed salary, payable in 14 monthly salaries, and a variable component in the form of long-term stock options.

The Management Board members are entitled to a severance payment equal to three months' salary. Details of the remuneration of the Management Board members in FY 2011, on an individual basis, are displayed in the table below:

kEUR	Year	Fixed salary	Stock options*	Total
Lin Zuojun	**2011**	**389**	–	**389**
	2010	328	3,874	4,202
Jiang Haiyan	**2011**	**179**	–	**179**
	2010	156	1,761	1,917
Peter Sjovall	**2011**	**207**	–	**207**
	2010	136	3,170	3,306
Total	**2011**	**775**	–	**775**
	2010	620	8,805	9,425

* The stock options were valued at grant date based upon a theoretical calculation using the Black-Scholes option pricing model resulting in a value per option of EUR 17.61. In FY 2010 there were in total 500,000 options issued to the members of the Management Board with the following breakdown; Lin Zuojun (220,000), Peter Sjovall (180,000) and Jiang Haiyan (100,000).

There was not any variable compensation paid for the year.

Stock option scheme 2010 ('the scheme')

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

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

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

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

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

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

According to this calculation, the fair value of each option was EUR 17.61 and the value for the entire scheme is EUR 10.6 million. In FY 2011 we eliminated the costs booked for this scheme in FY 2010 as there were uncertainties about the probability of the performance target being met. The probability of reaching the performance target will be assessed on a quarter to quarter basis.

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

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

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").

The Variable Remuneration amounts to EUR 15,000.00 for ordinary members of the Supervisory Board, EUR 30,000.00 for the deputy chairman of the Supervisory Board and EUR 60,000.00 for the chairman of the Supervisory Board, provided that the following target has been fulfilled:

The consolidated adjusted earnings before interest and taxes as reflected on or derivable from the consolidated financial statements of Asian Bamboo AG must have been increased by at least 10% on the average in the financial years ending on 31 December 2010, 2011, 2012 and 2013 compared to the respective previous years.

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 2011, the Supervisory Board members received a total compensation, excluding VAT, of kEUR 120 (2010: kEUR 146). The previous year's number includes VAT.

	2011 kEUR	2010 kEUR
Mr Hans-Joachim Zwarg (Chairman)	**70**	83
Mr Wolfgang Jensen	–	42
Mr Chris McAuliffe (Vice Chairman)	**35**	–
Mr Pan Chaoran	**15**	21
Total	**120**	146

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

Subscribed capital

The subscribed capital (share capital) of Asian Bamboo AG amounts to EUR 15.425 million and is divided into 15.425 million no par value bearer shares with the notional amount of EUR 1 each.

Restrictions regarding voting rights and the right to transfer shares

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

By the end of March 2012, Asian Bamboo held 143,900 own shares. In accordance with § 71b of the German Stock Corporation Act (AktG), these shares do not have any voting or other rights.

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

Green Resources Enterprise Holding Limited, an entity wholly owned by Mr Lin Zuojun, who is chairman of the Management Board of Asian Bamboo, holds 37.3% of the shares in Asian Bamboo AG, providing it with a corresponding amount of votes.

Shares with special rights

There are no shares with special control powers.

Voting rights of employees

The employees, who hold shares, exercise their (voting) rights directly with no restrictions.

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

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

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

The dismissal of members of the Management Board can only be for important reasons (§ 84 paragraph 3 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. 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 statues according to §§ 179, 133 AktG and § 26 paragraph 1, a simple majority of the cast votes is required unless a majority representing all shares is required.

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

Authority of Management Board to buy back and issue shares

Authorised share capital

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

- if a capital increase of the share capital for contribution in kind is carried out to enable the Company to acquire companies, parts of companies or participations in companies or to acquire other contributions in kind;
- if required to equal fractional amounts;

- if shares are issued in consideration of contributions in cash not exceeding the computed proportion of 10% of the share capital (1,542,500 shares) for the new shares issued excluding the subscription rights; the shares must be sold at an issue price which is not significantly lower (in terms of section 203 paragraph 1 and 2, section 186 paragraph 3 Sentence 4 AktG) than the stock market price of same-category Company shares at the day when the issue price is finally fixed by the Management Board;
- to grant subscription rights to the holders of convertible bonds, convertible participation rights or option rights to an extent they would be entitled to in case of execution of their conversion right or option right respectively;
- for granting shares to the members of the Management Board, members of the management of affiliated companies in terms of section 15 AktG, executive managers of the Company or affiliated companies or to employees of the Company or employees of affiliated companies in connection with employees´ participation programmes.

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

Contingent capital

The Management Board was authorised by the general shareholders' meeting held on 17 June 2011, to issue, subject to the approval of the Supervisory Board, bearer and/or nominal (i) convertible bonds and/or (ii) optional bonds and/or (iii) convertible participating rights and/or (iv) optional participating rights and/or (v) participating rights and/or (vi) participating bonds (or a combination of these instruments) ((i) to (iv) jointly referred to hereinafter as 'financial instruments' and (i) to (vi) jointly 'instruments') one or more times until 16 June 2016 in a total nominal amount of up to EUR 250,000,000.00 with a term of no more than 15 years and to grant the bearers or creditors of financial instruments conversion rights or options on new bearer shares of the Company with a pro-rata amount of nominal capital of up to a total of EUR 4,627,500.00 in accordance with the detailed provisions of the convertible and warrant bond conditions or convertible and participating right conditions. The instruments may be issued against contributions in cash and/or in kind. The shareholders are generally entitled to their statutory subscription rights with respect to the instruments. However, the Management Board is authorised, with the approval of the Supervisory Board, to fully or partially exclude the subscription rights of the Company's shareholders in certain cases, in particular:

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

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

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

Share buy back

The general shareholders' meeting held on 17 June 2011 has 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, acceptations 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.

Description of the characteristics of the internal control system and risk management system with regard to the financial reporting process under § 289 paragraph 3 HGB

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.

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

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

Sample testing is carried on received or forwarded accounts 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. In addition, independent experts are engaged to produce a quarterly report on the functioning of the internal control system.

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

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

Risk report

The most important factor for early risk detection is the day-to-day involvement of the Management Board under the leadership of the Company's largest shareholder, Mr Lin Zuojun, in the company's operations and development of all aspects of the value chain. Discussions 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.

As long as the planned level of income from harvesting activities is reached, there is in terms of biological assets no other risk than the potential damage caused by disease, fire or other extraordinary events. As there are no viable insurance products available to the Company to insure itself against the potential property damage, any damage caused by such events 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.

In FY 2011, Longyan Jiayi ('Jiayi') replaced Xinlifeng as one of our strategic partner companies. The total sales value of bamboo trees distributed to our five largest customers, including Shaowu Zhongzhu ('Zhongzhu'), Jiayi and Xinchen, as a percentage of the total sales value of bamboo trees, was 51%. We monitor the credit quality of our partners carefully and work closely with them. Therefore we do not see any particular risk in this concentration of sales to our partner companies.

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

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

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

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

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

Reports on events subsequent to the reporting date

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

On 1 March 2012 the loan from PROPARCO of EUR 20 million was disbursed.

Outlook

Macro-economic outlook

In our view, the short to medium term global macro-economic landscape remains challenging, with several western countries already faced with structurally high unemployment implementing austerity measures as a response to severe fiscal deficits and a worsening credit outlook. This situation is likely to put further pressure on global growth. The situation is much better in China, where economic growth remains at very high levels. However, sluggish global growth together with the effects of higher domestic credit tightening – China's central bank has raised rates five times since October 2010 in an effort to rein in inflation – are having a negative effect on GDP growth.

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

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

The short to medium term outlook has improved for the following reasons:

- There are now indications that inflation rates in China are stabilising and the government is adopting more supportive economic policies
- There are indications of improvements in the US labour market, which may be a precursor to a broader recovery

As highlighted in the government's current 5-year plan, the Chinese economy is going through a period of structural adjustment towards greater sustainability and sophistication. Rising labour and production costs, combined with a strengthening currency, have squeezed the profit margins of low value-added business, some of which is moving to lower wage countries such as Indonesia and Vietnam. At the same time, higher salaries and wealth effects mean that the Chinese consumer enjoys increased spending power and that the Chinese economy is increasingly driven by domestic consumption.

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

Bamboo trees

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

In addition, we expect the bamboo tree trading centre, which began operating on 5 December 2011, to improve both distribution and the pricing mechanism of bamboo trees. The project has been developed together with the government of Shaowu City and it is an important step in the development of the bamboo industry in that area.

Bamboo shoots

We continue to see strong demand and a favourable pricing development for our organically grown bamboo shoots as consumers are becoming increasingly conscious of food quality issues and bamboo shoots are gaining in popularity, particularly in the northern parts of China where traditionally bamboo shoots are not eaten as much as in the southern regions. Demand for bamboo shoots appears to be stable even in times of economic recession. Beginning in FY 2012 our annual production capacity for processed bamboo shoots will be 1.8 million cans.

Operational

In light of the current macro-economic uncertainties, the Management Board has decided not to lease any more plantations or to invest more in the bamboo fibre processing project until the macro-economic outlook has become clearer. In the longer term, we are aiming at a total plantation size of at least 100,000 ha and to be able to produce 100,000 tonnes of bamboo fibres annually.

However we continue expanding our distribution networks for fresh and processed organic bamboo shoots within China to reap the benefits of the continued rise in living standards. As for the bamboo fibre processing project we continue to negotiate with new domestic and international customers. It is our goal to form a strategic partnership with a multinational corporation.

Profitability and dividends

In FY 2012, driven by a significant increase in the total mature plantation size and an increased contribution from the fibre business, we expect to achieve revenue of at least EUR 120 million and a net profit margin of at least 40%, resulting in a net profit of at least EUR 48 million. Furthermore, we expect to be able to increase revenue and net profits further in FY 2013 as a result of a forecast increase in the revenue per hectare.

As the net profit in FY 2011 was heavily influenced by the loss in FVBA*, which is a non-cash item, we are not basing the dividend solely on the net profit as we did in previous years. As we are in a strong financial position and we have less aggressive investment plans at the moment than we have had in previous years, the Management Board and Supervisory Board will propose to increase the dividend to EUR 40 cents per share.

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

Hamburg, Germany, March 2012

Asian Bamboo AG
The Management Board

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

Consolidated financial statements and notes

Responsibility statement and auditors' report

Additional information

Consolidated statement of income and expenses

for the period from 1 January to 31 December 2011

	Note	2011 kEUR	2010 kEUR
Revenue	4	**89,836**	75,910
Cost of sales	5	**(44,721)**	(48,768)
Gain/(loss) arising from changes in the fair value less cost to sell of biological assets	15	**(18,926)**	17,191
Gross profit including revaluations		**26,189**	44,333
Other operating income	6	**180**	666
Distribution expenses	7	**(1,343)**	(619)
Administrative expenses	8	**(6,682)**	(7,885)
Other operating expenses	9	**(35)**	(32)
Profit from operations		**18,309**	36,463
Share of profit/(loss) of jointly controlled entities	17	**100**	(70)
Finance income	12	**1,115**	300
Finance cost	12	**(996)**	(912)
Profit before tax		**18,528**	35,781
Income tax	13	**(2,340)**	(2,271)
Profit for the year (fully attributable to owners of the parent company)		**16,188**	33,510
Earnings per share			
Basic and diluted (EUR per share) *	14	**1.06**	2.29

* Computed on the basis of 15,287,453 shares in FY 2011 and 14,654,552 shares in FY 2010

Consolidated statement of comprehensive income

for the period from 1 January to 31 December 2011

	2011 kEUR	2010 kEUR
Profit for the year	**16,188**	33,510
Exchange differences arising from currency translations	**23,334**	19,243
Other comprehensive income	**23,334**	19,243
Total comprehensive income for the year (fully attributable to owners of the parent company)	**39,522**	52,753

Consolidated balance sheet

for the period ending 31 December 2011

	Note	31.12.2011 kEUR	31.12.2010 kEUR
ASSETS			
Non-current assets			
Property, plant and equipment	16	**5,421**	4,467
Biological assets	15	**103,026**	99,788
Lease prepayments	19	**208,844**	164,940
Investments in associates	17	**3,710**	3,329
Other financial assets	18	**3,160**	2,491
Deferred tax assets	13	**356**	1,551
		324,517	276,566
Current assets			
Inventories	20	**1,658**	1,299
Trade and other receivables	21	**3,400**	1,943
Other financial assets	18	**920**	204
Current tax assets		**–**	24
Lease and other prepayments	19	**19,373**	10,012
Cash and cash equivalents	22	**41,980**	56,658
		67,331	70,140
Total assets		**391,848**	346,706
EQUITY AND LIABILITIES			
Share capital		**15,425**	15,425
Par value of own shares		**(144)**	(130)
Issued capital		**15,281**	15,295
Capital reserves		**131,953**	131,953
Equity-settled employee benefits reserve		**679**	881
Foreign currency translation reserve		**45,212**	21,878
Statutory reserves of subsidiaries		**8,617**	8,191
Retained earnings		**114,155**	104,223
Total equity	23	**315,897**	282,421
Non-current liabilities			
Borrowings	24	**9,268**	11,261
Deferred taxes	13	**158**	–
		9,426	11,261
Current liabilities			
Borrowings	24	**4,767**	2,267
Trade payables	25	**57,304**	48,357
Other liabilities	26	**1,711**	400
Current tax liabilities		**2,743**	2,000
		66,525	53,024
Total liabilities		**75,951**	64,285
Total liabilities and equity		**391,848**	346,706

Consolidated statement of changes in equity

for the period from 1 January to 31 December 2011

	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 2010	13,895	91,608	5,415	–	2,635	77,658	191,211
Consolidated profit for the year	–	–	–	–	–	33,510	33,510
Other comprehensive income for the year, net of income tax	–	–	–	–	19,243	–	19,243
Total comprehensive income for the year	–	–	–	–	19,243	33,510	52,753
Transfer to the statutory reserves of subsidiaries	–	–	2,776	–	–	(2,776)	–
Recognition of share-based payments	–	–	–	881	–	–	881
Dividend payments	–	–	–	–	–	(4,169)	(4,169)
Issue of ordinary shares	1,400	42,000	–	–	–	–	43,400
Cost	–	(1,655)	–	–	–	–	(1,655)
Balance as of 31 December 2010/ 1 January 2011	15,295	131,953	8,191	881	21,878	104,223	282,421
Consolidated profit for the year	–	–	–	–	–	16,188	16,188
Other comprehensive income for the year, net of income tax	–	–	–	–	23,334	–	23,334
Total comprehensive income for the year	–	–	–	–	23,334	16,188	39,522
Transfer to the statutory reserves of subsidiaries	–	–	426	–	–	(426)	–
Recognition of share-based payments	–	–	–	(881)	–	–	(881)
Dividend payments	–	–	–	–	–	(5,503)	(5,503)
Recognition of issued stock options	–	–	–	679	–	–	679
Buy back of ordinary shares	(14)	–	–	–	–	(327)	(341)
Balance as of 31 December 2011	15,281	131,953	8,617	679	45,212	114,155	315,897

Consolidated statement of cash flow

for the period from 1 January to 31 December 2011

	Note	2011 kEUR	2010 kEUR
Profit before tax		**18,528**	35,781
Depreciation of property, plant and equipment		**513**	516
(Gain)/loss arising from changes in fair value less costs to sell of biological assets		**18,926**	(17,191)
Amortisation of lease prepayments		**11,122**	8,258
(Gain)/loss on disposal of property plant and equipment		**(5)**	–
Interest income		**(1,115)**	(300)
Interest expense		**996**	912
Share of (profit)/loss of associates		**(100)**	70
Increases due to cultivation costs		**(42,990)**	(28,751)
Decreases due to harvest		**30,131**	36,735
Restricted cash		**–**	710
Interest received		**1,024**	205
Interest paid		**(1,116)**	(909)
Income taxes paid		**(434)**	(418)
Non cash affecting income/expenses		**(692)**	–
Operating cash flows before movements in working capital		**34,788**	35,618
Increase/decrease in inventories, trade receivables, other financial assets and prepayments unless they are allocated to investing or financing activities		**(7,680)**	4,100
Increase/decrease in accounts payable and other liabilities unless they are classified as investing or financing activities		**756**	(6,217)
Net cash generated from operating activities		**27,864**	33,501
Cash flow from investing activities			
Prepaid bamboo plantation leases and purchase of biological assets		**(38,365)**	(54,799)
Investments in associated companies		**–**	(3,344)
Investment in other companies		**–**	(111)
Payments for property, plant and equipment		**(669)**	(587)
Proceeds from disposal of property, plant and equipment		**30**	5
Net cash used in investing activities		**(39,004)**	(58,836)
Cash flow from financing activities			
Proceeds from issue of equity instruments		**–**	43,400
Costs for issue of equity instruments		**–**	(1,655)
Payments in connection with share buyback		**(341)**	–
Proceeds from new bank borrowings raised		**2,223**	13,646
Repayments of borrowings		**(2,223)**	–
Dividends paid to shareholders		**(5,503)**	(4,169)
Cash flow from financing activities		**(5,844)**	51,222
Net increase in cash and cash equivalents		**(16,984)**	25,887
Cash and cash equivalents at beginning of year		**56,658**	28,433
Foreign exchange difference		**2,306**	2,338
Cash and cash equivalents at the end of the year	22	**41,980**	56,658

Notes

for the period from 1 January to 31 December 2011

1. BACKGROUND AND BASIS OF PREPARATION

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

The Company (Asian Bamboo AG) was formed by means of a notarial deed of incorporation (Gründungsurkunde) dated 13 September 2007.

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

Business purpose of the company

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

Group structure of the Asian Bamboo Group

As at December 31, 2011 Asian Bamboo AG directly and indirectly owned shares in the following companies:

Company name	Principal activity	Proportion of ownership interest and voting power held 31.12.2011	Equity kEUR 31.12.2011	Profit for the year kEUR 2011
Investments in fully consolidated subsidiaries				
Asian Bamboo (Hong Kong) Industrial Co., Ltd. (Hong Kong)	Holding Company	100%	1,746	1,652
Hong Kong XRX Bamboo Investment Co., Ltd. (Hong Kong)	Holding Company	100%	45,096	(2,405)
Fujian Xinrixian Bamboo Fiber Technology Co., Ltd., Shaowu, China (PRC)	R&D	100%	12,456	88
Longyyan Xinrixian Forestry Development Co., Ltd., Longyan, China (PRC)	Holding Company	100%	29,941	5,122
Fujian Xinrixian Group Co., Ltd., Fuzhou, China (PRC)	Holding Company	100%	46,860	(441)
Shaowu Sanyuan Food Development Co., Ltd., Shaowu, China (PRC)	Bamboo Shoot Processing	100%	3,222	951
Fuzhou Xinrixian Food Development Co., Ltd., Fuzhou, China (PRC)	Trading	100%	3,587	513
Shaowu Xinrixian Industry Co., Ltd., Shaowu, China (PRC)	Plantation Management	100%	91,416	8,564
Shunchang Xinrixian Forestry Co., Ltd., Shunchang, China (PRC)	Plantation Management	100%	20,241	1,013
Sanming Xinrixian Forestry Co., Ltd., Jiangle County, China (PRC)	Plantation Management	100%	17,338	1,650
Wuyishan Xinrixian Forestry Co., Ltd., Jiangle County, China (PRC)	Plantation Management	100%	10,349	4,297
Zhangzhou Xinrixian Food Development Co., Ltd., Zhangzhou, China (PRC)	Bamboo Shoot Processing	100%	1,226	–
Investments in associates				
Fujian Xin Li Feng Bamboo Group Co., Ltd., Sanming, China (PRC)	Manufacturing Plywood	40%	9,487	250
Other Investments				
Fujian Haoming Industrial Co., Ltd., Fuzhou, China (PRC)	Trading of paper	20%	436	(55)

1. BACKGROUND AND BASIS OF PREPARATION (continued)

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

On 7 July Fujian Xinrixian Group Co., Ltd. established Zhangzhou Xinrixian Food Development Co., Ltd., which is a 100% owned subsidiary. This company is in the process of building a new processing plant for bamboo shoots, which is expected to commence production in May 2012.

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

Currency restrictions

Dividends to be paid by the operating Chinese subsidiaries generally have to be approved by Chinese government bodies. In addition, dividends are only payable if Chinese statutory reserves satisfy the related legal requirements.

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

1.2 Statement of Compliance

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

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

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

- Amendment of IFRS 1 – Limited Exemption from Comparative IFRS 7 (effective date: 1 July 2010)
- Amendment of IFRS 1 – Changes in accounting policies (effective date 1 January 2011)
- Amendments of IFRS 1 – Exception with respect to the assumed acquisition or production costs for event-driven investigations of fair value (effective date 1 January 2011)
- Amendments of IFRS 1 – Exception with respect to acquisition or production costs assumed in price-regulated companies (effective date 1 January 2011)
- Amendments of IFRS 3 – Mergers and acquisitions: Review of non-controlling interests, not replaced and voluntarily replaced share-based compensation programmes, transitional provisions for contingent purchase price payments from a business combination that occurred before the date of mandatory, first-time application of IFRS 3 (2008) (effective date 1 July 2010)
- Amendments of IFRS 7 – Financial Instruments: increased understanding of qualitative data as a relief (effective date 1 January 2011)
- Amendments of IAS 1 – Presentation of Financial Statements: Reconciliation of other comprehensive income (effective date 1 January 2011)
- Amendments of IAS 24 – Related party disclosures (effective date 1 January 2011)
- Amendments of IAS 27 – Consolidated and Individual Financial Statements: consequential amendments (effective date: 1 July 2010)
- Amendments of IAS 32 – Classification of Rights (effective date: 1 February 2010)
- Amendments of IAS 34 – Disclosure of significant events and transactions in interim financial reports (effective date 1 January 2011)
- New interpretation of IFRIC 19 – Repayment of financial liabilities by equity instruments (effective date: 1 July 2010)
- Revised interpretation of IFRIC 13 – Clarification regarding the determination of fair value at issue of loan instruments (effective date 1 January 2011)
- Revised interpretation of IFRIC 14 – Voluntary prepaid contributions under the minimum funding requirements (effective date 1 January 2011)

1. BACKGROUND AND BASIS OF PREPARATION (continued)

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

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

The following new and revised standards and interpretations which have already been adopted by the IASB, but which were not yet in effect for FY 2011, have not been considered in the consolidated financial statements as of 31 December 2011:

- Amendments of IFRS 1 – Removal of references to the firm implementation date for first-time users of IFRS (effective date: 1 July 2011)
- Amendments of IFRS 7 - Improving information on transfer of financial assets (effective date: 1 July 2011)
- Amendments of IFRS 1 – A strong high inflation (effective date: 1 July 2011)
- Amendments of IFRS 9 – Financial Instruments: Recognition and Measurement (financial assets) (effective date 1 January 2015)
- Amendments of IFRS 9 – Financial Instruments: Recognition and Measurement (financial liabilities) (effective date 1 January 2015)
- Amendments of IFRS 10 – Consolidated Financial Statements (effective date 1 January 2013)
- Amendments of IFRS 11 – Joint Arrangements (effective date 1 January 2013)
- Amendments of IFRS 12 – details of shareholdings in other companies (effective date 1 January 2013)
- Amendments of IAS 27 (2011) – Separate financial statements (effective date 1 January 2013)
- Amendments of IAS 28 (2011) – Investments in Associates and Joint Ventures (effective date 1 January 2013)
- Amendments of IFRS 13 – Determination of fair value (effective date 1 January 2013)
- Amendments of IAS 1 – Presentation of other comprehensive income (2011) (effective date: 1 July 2012)
- Amendments of IAS 12 – Income Taxes (effective date 1 January 2012)
- Amendments of IAS 19 – Employee Benefits (effective date 1 January 2013)
- New interpretation of IFRIC 20 – Stripping Costs in the production phase of a developed open pit mine (effective date 1 January 2013)

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

The principal accounting policies are set out below.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation

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

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

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

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and remain consolidated until the date such control ceases.

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

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

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

2.3 Functional and presentation currency

The currency of the Group is the Euro. The functional currency of the 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:

		31.12.2011	31.12.2010
Year end	EUR 1 = RMB	**8.1588**	8.8220
Average	EUR 1 = RMB	**8.9960**	8.9712
Year end	HKD 1 = RMB	**0.8107**	0.8565
Average	HKD 1 = RMB	**0.8336**	0.8716

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property plant and equipment

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

Property, plant and equipment in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of the assets less their residual values over their estimated useful lives, using the straight-line method, as follows:

Machinery equipment	10 years
Motor vehicles	10 years
Buildings	10 to 20 years
Office equipment	5 years

The estimated residual values, useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists management makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in the income statement.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.5 Investments in associates

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Investments in associates (continued)

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

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

2.6 Biological assets and other non-financial assets

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

The initial recognition of a biological asset, at fair value, is made when the harvesting rights have been obtained. The fair value for the plantation is equal to the fair value of the bamboo trees and the bamboo shoots, which are growing on the plantation, less costs to sell. Costs to sell include costs incurred in the cultivation of the plantations and they are recognized to the extent as the cultivation measures lead to an increase in the fair value of biological assets. At harvest, the carrying value (fair value) are reduced and the fair value of the harvested bamboo trees and bamboo shoots are booked as cost of sales. Given the close link between the fair value of biological assets and the cost of sales, as a result of this accounting treatment of the biological assets, the Management Board deems it appropriate to specify the gross margin including changes arising from changes in the fair value of biological assets less estimated costs to sell ('FVBA').

The biological assets are reassessed at each balance sheet date and correspond to the fair value of plantations located on the bamboo trees and bamboo shoots less estimated costs to sell. 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 paid up-front for the entire lease period in two instalments; the first instalment is paid when the contract is signed and the second instalment is paid when the harvesting rights have been transferred. When the harvesting rights have been obtained, the account payables are moved to long term prepayments. At the same time, the fair value less estimated costs to sell of the plantations are booked as biological assets to represent the value of the existing bamboo trees and bamboo shoots on the plantations. The remaining value of the long term prepayments, which is recognised as lease payments for commercial properties in accordance with IAS 17.34, is amortised over the contract period, over a straight line, as an expense in the income statement.

2.7 Inventories

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

- Agricultural materials and packing materials – purchase cost on a weighted average basis.
- Finished goods – costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

The net 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial assets

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

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

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

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

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

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

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

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

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

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

2. 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 as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

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

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

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

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

2.11 Provisions

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

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

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate of the obligation. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Leasing

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

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

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

2.13 Revenue recognition

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

All of the Group's revenues result from the 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 recognized 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 or 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Government grants

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

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

2.16 Retirement benefit costs

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

2.17 Share based payment arrangements

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

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments which will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the income statement such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to the recognition of share-based payments as part of total equity. It is performed such that the total cost estimate reflects the change and a corresponding adjustment in the recognition of share-based payments.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Taxation

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

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from such investments are recognised only to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to income taxes levied by the same taxation authority.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

These estimates are conducted for determining the Fair Value of Biological Assets and the costs associated with issuing share options to Management Board members and other senior executives.

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

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

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

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

	2011 **kEUR**	2010 kEUR
Bamboo trees	**24,937**	25,895
Fresh winter bamboo shoots	**15,737**	13,743
Fresh spring bamboo shoots (including dry bamboo shoots)	**29,280**	19,082
Processed bamboo shoots	**14,801**	14,460
Bamboo fibre (ADBP)	**5,081**	–
Paper	**–**	2,730
Total	**89,836**	75,910

In FY 2011, one customer accounted for more than 10% of total revenue (kEUR 13,739). In FY 2010, two customers accounted for more than 10% of total revenue (kEUR 19, 980).

4.2 Breakdown of revenue according to geographical regions

	2011 **kEUR**	2010 kEUR
People's Republic of China	**83,937**	70,556
Japanese and other markets	**5,899**	5,354
Total	**89,836**	75,910

5. COST OF SALES

	2011 kEUR	2010 kEUR
Harvested bamboo trees and shoots	**30,131**	36,735
Material and packaging costs for processing	**2,982**	3,193
Paper	**4,908**	2,589
Employee benefits expense	**3,810**	1,406
Other	**2,890**	4,845
Total	**44,721**	48,768

6. OTHER OPERATING INCOME

	2011 kEUR	2010 kEUR
Gains on disposal of property, plant & equipment	**17**	–
Government grants	**33**	104
Exchange rate gains	**130**	561
Others	**–**	1
Total	**180**	666

7. DISTRIBUTION EXPENSES

	2011 kEUR	2010 kEUR
Transportation costs	**511**	262
Salaries	**–**	3
Other	**832**	354
Total	**1,343**	619

8. ADMINISTRATIVE EXPENSES

	2011 kEUR	2010 kEUR
Staff costs	**2,088**	5,105
Amortisation of property, plant and equipment	**124**	80
Research and development costs	**992**	87
Other	**3,478**	2,613
Total	**6,682**	7,885

9. OTHER OPERATING EXPENSES

	2011 kEUR	2010 kEUR
Loss on disposal of property plant and equipment	**12**	–
Others	**23**	32
Total	**35**	32

10. HEADCOUNT AND PAY-ROLL EXPENSES

Total personnel costs compared to the previous year were:

	2011 kEUR	2010 kEUR
Wages and salaries	**6,321**	3,412
Social security costs	**62**	45
Post employment benefits (defined contribution plan)	**396**	220
Share based payment (equity settled)	**(881)**	881
Share based payment (cash settled)	**–**	1,958
Total	**5,898**	6,516

Employer contributions to statutory pension insurance in China and Germany amounted to kEUR 396 (2010: kEUR 220). For FY 2012, expenditures are expected to be similar to those in FY 2011.

The Group employed an annual average of 903 people (2010: 770 people):

	2011 kEUR	2010 kEUR
Management and administration	**157**	131
Research and development	**8**	8
Manufacturing	**694**	589
Sales	**44**	42
Total	**903**	770

11. DEPRECIATION

Depreciation of property, plant and equipment amounted to kEUR 513 (2010: kEUR 516).

12. NET INTEREST INCOME

	2011 kEUR	2010 kEUR
Interest income from interest bearing long term deposits	**91**	95
Interest income from bank deposits (category: loan and receivables)	**1,024**	205
Interest and similar income (category: loans and receivables)	**1,115**	300
Interest on overdrafts and bank loans	**(996)**	(912)
Interest and similar charges (category: other liabilities)	**(996)**	(912)
Net interest income	**119**	(612)

13. TAXATION

	2011 kEUR	2010 kEUR
Current tax expense in respect of the current year	**987**	1,969
Deferred tax expense (income) reduced by carry forwards	**1,353**	302
Total	**2,340**	2,271

The subsidiaries which are trading in agricultural products in the PRC are tax exempt (Regulation for the Implementation of the Enterprise Income Tax Law of the People's Republic of China of 6 December 2007, section 86, published by the State Council, effective 1 January 2008). The subsidiaries Shaowu Xinrixian, Shunchang Xinrixian Forestry Co., Ltd. and Sanming Xinrixian Forestry Co., Ltd., Wuyishan Xinrixian Forestry Co. and Longyan Xinrixian Forestry Development Co., Ltd are therefore tax exempt on income from the cultivation of bamboo shoots and bamboo trees. Documentation is provided by the relevant tax authorities on an annual basis. Other subsidiaries involved in bamboo shoot processing, are subject to an income tax of 25%.

According to a circular (Guofa (2007) No. 39) issued by the State Council, for five years Fujian Xinrixian qualifies for transitional tax rates at 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012. The rough processing of bamboo shoots by Sanyuan Xinrixian does not fall within the scope of tax exemption and should be subject to income tax at the statutory rate of 25%, in line with the normal corporate tax rate in China. Beginning in FY 2012 all subsidiaries involved in bamboo shoot processing, which includes the recently established Zhangzhou Xinrixian Food Development Co., Ltd., are subject to an income tax of 25%.

13.1 Income tax recognised in profit and loss

The amount of taxation charged to the income statement represents:

	2011 kEUR	2010 kEUR
Profit before tax	**18,528**	35,781
Taxes on income and profits at a tax rate of 25%*	**4,632**	8,944
Tax reduction because of preferred tax treatment	**(5,526)**	(10,089)
Effect on initially unrecognised tax losses	**649**	(290)
Non-deductable expenses	**14**	410
Effects of differing tax rates in other jurisdictions	**5**	1,740
Other	**2,566**	1,556
Tax expense in income statement	**2,340**	2,271
Effective tax ratio	**12.63**	6.35

* 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% (2010: 25%). The Chinese subsidiary tax rate of 25% is the most appropriate tax rate for the tax reconciliation bill, because the taxable activities of the Group in Germany are very limited. The average effective tax rate is 12.6% in FY 2011 (2010: 6.4%).

13. TAXATION (continued)

13.2 Cumulative amount of deferred taxes

The result of calculating the deferred tax liabilities of the consolidated balance sheet, using a tax rate of 33%, is tax loss carry forwards of Asian Bamboo AG of kEUR 1,104 (2010: kEUR 4,747). The losses of subsidiaries, which were set on the basis of uncertainty about the implementation date of deferred tax assets, amount to kEUR 9,280 (2010: kEUR 5,932). Deferred tax liabilities on outside-base differences in the amount of kEUR 1,374 (2010: kEUR 1,365) were not set, since the group can influence the time of realisation of these deferred tax liabilities. Temporary differences between the consolidated book value and the tax bases set on the account of the tax exemption, led to deferred tax liabilities in the amount of kEUR 3,705 (2010: kEUR 7,463).

14. EARNINGS PER SHARE

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

	31.12.2011	31.12.2010
Profit for the year attributable to owners of the Company (kEUR)	**16,188**	33,510
Weighted average number of ordinary shares for the purposes of basic earnings per share	**15,287,453**	14,654,552
Basic earnings per share (EUR)	**1.06**	2.29

The weighted average number of shares in FY 2011 was calculated as follows. For the first 156 days of the year the total number of shares was 15,295,100. Then the Company bought back 14,000 share between 6-27 June, which meant that the total number of shares changed nearly every day. For the last 187 days of the year the total number of shares was 15,281,100. The weighted average number of shares during the year was 15,287,453.

The stock options which were granted to the management team in 2010 do not have any dilutive impact, because, according to IFRS 2, the actual share price was lower than the conversion plus the expenses to be booked in the years to come. Also the stock options which were granted to PROPARCO in connection with the loan agreement do not have any dilutive effect as the exercise price was above the average share price for the period.

15. BIOLOGICAL ASSETS

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

Overview of all leased plantations as of 31 December 2011:

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	9
Min Xian	Shaowu	Shaowu	12,910	861	01.01.2003	18	9
Min Da	Shaowu	Shaowu	8,150	543	01.01.2001	20	9
Min Da	Shaowu	Shaowu	6,000	400	01.01.2001	20	9
Min Da	Shaowu	Shaowu	4,500	300	01.01.2003	18	9
Min Run	Shaowu	Shaowu	12,540	836	01.01.2001	20	9
Kang Da	Shaowu	Shaowu	8,860	591	01.01.2003	15	6
Kang Da	Shaowu	Shaowu	8,720	581	01.01.2005	13	6
Si Rong	Shaowu	Shaowu	12,570	838	01.01.2003	15	6
Si Rong	Shaowu	Shaowu	3,070	205	01.01.2005	13	6
Guilin	Shaowu	Shaowu	27,600	1,840	01.02.2008	20	16
Xialan	Shaowu	Shaowu	29,600	1,973	01.02.2008	20	16
Yushan	Shaowu	Shaowu	31,200	2,080	01.01.2008	20	16
Huangjiashan	Shaowu	Shaowu	32,000	2,133	01.01.2008	20	16
Huangjiaji	Shaowu	Shaowu	30,600	2,040	01.02.2008	20	16
Wu Fang	Shunchang	Shunchang	18,620	1,241	01.01.2005	20	13
Lan Xia	Shunchang	Shunchang	17,750	1,183	01.01.2006	30	24
Jin Feng	Shunchang	Shunchang	15,650	1,043	01.01.2006	25	19
Xin Chen	Shunchang	Shunchang	13,580	905	01.01.2006	25	19
Wucun	Sanming	Jiangle	28,700	1,913	07.08.2008	20	17
Rui Yan	Wuyishan	Wuyishan	11,780	785	01.01.2006	20	14
Li Yang	Wuyishan	Wuyishan	13,500	900	01.01.2006	20	14
Hua Shun	Shaowu	Guangze	19,490	1,299	01.01.2007	20	15
Yin Xin	Shaowu	Guangze	21,230	1,415	01.01.2007	30	25
Chakou	Shaowu	Shaowu	31,600	2,107	01.11.2009	20	18
Dawang	Sanming	Jiangle	27,409	1,827	21.09.2009	20	18
Xiaowang	Sanming	Jiangle	17,591	1,173	23.09.2009	20	18
Xiang Pu	Shaowu	Shaowu	14,800	987	01.10.2010	20	19
Cheng Dun	Wuyishan	Wuyishan	16,780	1,119	04.02.2010	20	18
Huang Dun	Wuyishan	Wuyishan	18,950	1,263	05.03.2010	20	18
Bai Zhang	Wuyishan	Wuyishan	27,000	1,800	15.06.2010	20	18
Xiao Chi	Longyan	Longyan	36,080	2,405	20.02.2010	20	18
Jiang Shan	Longyan	Longyan	38,930	2,595	20.02.2010	20	18
Bu Yun	Longyan	Longyan	18,700	1,247	01.10.2010	20	19
Hong Shan	Longyan	Longyan	26,000	1,733	01.10.2010	20	19
Miao Qian	Longyan	Longyan	17,900	1,193	01.10.2010	20	19
Yan Shi	Longyan	Longyan	26,000	1,733	10.06.2010	20	18
Xia Sha	Shaowu	Shaowu	12,600	840	01.02.2011	20	19
Xiao Bi	Wuyishan	Pucheng	9,700	647	04.03.2011	20	19
Lu Kou	Wuyishan	Jianyang	18,600	1,240	09.03.2011	20	19
La Xi	Longyan	Longyan	18,700	1,247	01.02.2011	20	19
Bai Sha	Longyan	Longyan	23,000	1,533	01.02.2011	20	19
Tang Bao	Longyan	Longyan	17,900	1,193	01.02.2011	20	19
Total Plantations			**817,670**	**54,511**			

15. BIOLOGICAL ASSETS (continued)

The biological assets include the bamboo shoots and bamboo trees which are growing on the plantations. Spring bamboo shoots which are not harvested will grow into trees. Since the average harvest cycle of bamboo trees is 5 years and the weighted average lease term is 20 years, Asian Bamboo is the owner of the bamboo trees and the bamboo shoots which are growing on the plantations. The biological assets are valued in accordance with IAS 41.10 and the Company uses historical data to estimate future revenue and cost streams to derive at a reliable estimate.

The bamboo trees and bamboo shoots which are growing on the plantations are valued at fair value less costs to sell as of 31 December 2011. The fair value is calculated as the present value of expected cash flows from the sale of bamboo trees, shoots and less expected harvesting and selling costs. The estimated sales revenue depends on the market prices of already harvested bamboo trees and bamboo shoots of comparable age and quality in the region where the plantations are located. All costs directly attributable to the sale of bamboo trees and shoots are included in costs to sell such as land rental costs, reclamation costs, harvesting costs and selling costs. The expected cash flows from the harvesting of the bamboo trees in the future are discounted. The discount rates used are 13% to 31 December 2011 and 12.7% to 31 December 2010.

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

Regarding the change of each parameter, please refer to the table below:

		31.12.2011	31.12.2010
Mature			
Plantations	ha	**54,511**	35,051
Estimated amounts of trees	trees/ha	**2,215**	2,084
Market price of bamboo trees	EUR/tree	**1.91**	1.91
Land rental cost	EUR/ha	**262.01**	249.58
Estimated harvesting cost	EUR/tree	**0.44**	0.45
Reclamation cost	EUR/ha	**283.46**	217.36
Estimated amount of winter shoots	kg/ha	**238**	380
Market price of winter shoots	EUR/kg	**0.84**	0.92
Estimated harvesting cost	EUR/kg	**0.09**	0.09
Estimated amount of spring shoots	kg/ha	**3,585**	5,135
Market price of spring shoots	EUR/kg	**0.19**	0.21
Estimated harvesting cost	EUR/kg	**0.07**	0.07

		31.12.2011	31.12.2010
Immature			
Plantations	ha	–	12.761
Estimated amount of trees	trees/ha	–	2.171
Market price of bamboo trees	EUR/tree	–	1,91
Land rental cost	EUR/ha	–	282,01
Estimated harvesting cost	EUR/tree	–	0,45
Reclamation cost	EUR/ha	–	217,36

15. BIOLOGICAL ASSETS (continued)

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

	2011 kEUR	2010 kEUR
Carrying amount at 1 January	**99,788**	68,068
Gains arising from changes in fair value	**(18,926)**	17,191
Increases due to new plantation leases	**1,647**	14,300
Increases due to cultivation costs	**42,990**	28,751
Decreases due to harvest	**(30,131)**	(36,735)
Net foreign exchange differences	**7,658**	8,213
Carrying amount at 31 December	**103,026**	99,788

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

	31.12.2011 kEUR	31.12.2010 kEUR
10% increase	**10,852**	10,934
10% decrease	**(10,755)**	(10,876)

16. TANGIBLE ASSETS

	Buildings kEUR	Improvement on leased fixed assets kEUR	Machine kEUR	Office equipment kEUR	Motor vehicles kEUR	Construction in progress kEUR	Total kEUR
Cost							
At 1 January 2010	3,003	538	976	258	284	31	5,090
Additions	–	–	88	185	167	49	489
Disposals	–	–	(10)	–	–	–	(10)
Transferred from construction in progress	–	–	79	–	–	(79)	–
Effect of foreign currency exchange differences	344	62	114	35	36	4	595
As at 31 December 2010	3,347	600	1,247	478	487	5	6,164
As at 1 January 2011	3,347	600	1,247	478	487	5	6,164
Additions	8	–	13	15	40	998	1,074
Disposals	–	–	–	–	(39)	–	(39)
Effect of foreign currency exchange differences	273	49	103	41	39	103	608
As at 31 December 2011	3,628	649	1,363	534	527	1,106	7,807
Accumulated depreciation							
At 1 January 2010	(579)	(11)	(329)	(81)	(54)	–	(1,054)
Depreciation expense charged for the year	(219)	(62)	(154)	(41)	(40)	–	(516)
Disposals	–	–	5	–	–	–	5
Effect of foreign currency exchange differences	(69)	(4)	(39)	(14)	(6)	–	(132)
As at 31 December 2010	(867)	(77)	(517)	(136)	(100)	–	(1,697)
At 1 January 2011	(867)	(77)	(517)	(136)	(100)	–	(1,697)
Depreciation expense charged for the year	(218)	(62)	(118)	(68)	(47)	–	(513)
Disposals	–	–	–	–	14	–	14
Effect of foreign currency exchange differences	(93)	(13)	(55)	(18)	(11)	–	(190)
At 31 December 2011	(1,178)	(152)	(690)	(222)	(144)	–	(2,386)
Net carrying amount							
At 31 December 2010	2,480	523	730	342	387	5	4,467
At 31 December 2011	2,450	497	673	312	383	1,106	5,421

17. INVESTMENTS IN ASSOCIATED COMPANIES

On 11 January 2010, Hong Kong XRX Bamboo Investment Co., Ltd., (Hong Kong XRX) acquired a 40% stake in Fujian Xinlifeng Bamboo Group Co., Ltd., ('Xinlifeng'), a leading manufacturer of bamboo plywood in Fujian Province. In FY 2011, Xinlifeng recorded a net profit of kEUR 250, of which kEUR 100 was attributable to the Company. Taking into account the share of net income of kEUR 100, the book value as of 31 December 2011 was kEUR 3,710.

Information on Xinlifeng as of 31 December 2011:

	31.12.2011 **kEUR**
Total assets	**10,370**
Total liabilities	**(883)**
Net assets	**9,487**
Group's share of net of associated companies	**3,795**

	2011 **kEUR**
Total revenue	**5,798**
Total profit for the period	**250**
Group's share of profits of associates	**100**

18. OTHER FINANCIAL ASSETS

	31.12.2011 **kEUR**	31.12.2010 kEUR
Available for sale		
Investment in Fujian Haoming Industrial Co., Ltd	**123**	113
Loans and receivables carried at amortised cost		
Deposits for leaseholds	**2,672**	2,378
Other	**1,285**	204
Total	**4,080**	2,695
Current	**920**	204
Non-current	**3,160**	2,491
Total	**4,080**	2,695

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

19. LEASE PREPAYMENTS AND OTHER PREPAYMENTS

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 done in one or more installments, are due at the beginning of the lease or at the granting of the harvesting rights. Outstanding lease payments are booked as liabilities.

Prepayments comprise:

	31.12.2011 kEUR	31.12.2010 kEUR
Long term		
Prepayments for the lease of plantations	**208,496**	164,610
Prepayments for the lease of other land	**348**	330
Total	**208,844**	164,940
Short term		
Prepayments for the lease of plantations (short-term portion)	**12,997**	9,938
Prepayments to suppliers	**6,294**	–
Prepayments for the lease of other land (short-term portion)	**9**	8
Other prepayments	**73**	66
Total	**19,373**	10,012
Grand total	**228,217**	174,952

The prepayments had the following development:

	Plantations kEUR	Prepayments to suppliers kEUR	Commercial properties kEUR	Other kEUR	Total kEUR
Balance at 1 January 2010	89,240	–	312	90	89,642
Additions	82,062	–	–	66	82,128
Expenses for the year	(8,251)	–	(7)	(90)	(8,348)
Effect of foreign currency exchange differences	11,497	–	33	–	11,530
Balance at 31 December 2010	174,548	–	338	66	174,952
Additions	40,822	6,294	–	73	47,189
Expenses for the year	(11,113)	–	(8)	(66)	(11,187)
Effect of foreign currency exchange differences	17,236	–	27		17,263
Balance at 31 December 2011	221,493	6,294	357	73	228,217
Thereof long-term	208,496	–	348	–	208,844
Thereof short-term	12,997	6,294	9	73	19,373

20. INVENTORIES

Inventories had the following breakdown:

	31.12.2011 kEUR	31.12.2010 kEUR
Packing materials	**174**	139
Semi-finished goods	**1,238**	794
Finished goods	**246**	366
Total	**1,658**	1,299

Cost of inventories (bamboo trees, bamboo shoots, processing materials, packaging materials, paper and bamboo fibres) are recognised as expenses, as part of cost of sales, during the year. In FY 2011 they were EUR 38.021 million (2010: EUR 42.516 million)

Neither in FY 2011 nor in previous years have any write-downs or write-ups on inventories been carried out.

21. TRADE AND OTHER RECEIVABLES

	31.12.2011 kEUR	31.12.2010 kEUR
Trade receivables	**3,400**	1,943
Total	**3,400**	1,943

Trade and other receivables on 31 December 2011, the balance sheet date, included claims against a single customer in the amount of kEUR 1,502, which is equivalent to 44% of the total amount of trade and other receivables.

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

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

	31.12.2011 kEUR	31.12.2010 kEUR
60-90 days	**64**	89
90-120 days	**4**	–
Total	**68**	89

Neither in FY 2011 nor in previous years have any write-downs or write-ups on trade and other receivables been carried out.

22. CASH AND CASH EQUIVALENTS

	31.12.2011 kEUR	31.12.2010 kEUR
Cash on hand	**41,980**	56,658
Total	**41,980**	56,658
– thereof EUR	**28,245**	51,374
– thereof RMB	**13,238**	4,642
– thereof USD	**104**	501
– thereof other currency	**393**	141
Total	**41,980**	56,658

Of the cash and cash equivalents EUR 41.3 million (2010: EUR 53 million) are deposited in China. Cash transfers from China to countries outside China require formal approval from the State Administration of Foreign Exchange ('SAFE'). Consequently the Group does not have unlimited access to these funds.

23. EQUITY

23.1 Share capital and issued capital

The share capital of the parent company amounts to 15,425,000.00 EUR and is divided into 15,425,000 no-par value bearer shares with a par value of one euro per share. The calculated value of the 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 2011, the issued capital was EUR 15,281,100 (2010: EUR 15,295,100).

Own shares and share buy back authorisation

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

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

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

23. EQUITY (continued)

23.1 Share capital and issued capital (continued)

Own shares and share buy back authorisation (continued)

The acquisition of treasury shares can be made at the discretion of the Management Board on the Stock Exchange or through a public tender offer to all shareholders. If the acquisition of own shares (do we need to add 'the company's'?) take 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, acceptations shall be considered proportionally. The Company can provide for preferred consideration of up to 100 shares per shareholder.

Besides offering the shares through the stock market or by means of a public purchase offer to all shareholders, the Management Board is authorised, under certain circumstances and subject to the approval of the Supervisory Board, to dispose of treasury shares that have been purchased on the basis of the aforesaid or previous authorisations , in each case while excluding the shareholders' acquisition or subscription rights, as follows:

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

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

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

23. EQUITY (continued)

23.1 Share capital and issued capital (continued)

Authorised share capital

The Management Board is authorised, with the approval of the Supervisory Board, based on the authorisation of the AGM on 7 June 2010, to increase the share capital of the Company one or several times by up to a total of EUR 7,012,500 by issuing up to 7.0125 million new bearer shares with no par value with the proportional amount of EUR 1.00 shares against cash or in kind (Authorised Capital 2010) to 6 June 2015.

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

On 17 June 2010, 1.4 million new shares at a price of EUR 31 per share were placed in a private placement to institutional investors. The placement was completed on 21 June 2010. The Company received gross proceeds from the placement in the amount of EUR 43.4 million of which EUR 42 million was allocated to the capital reserve in accordance with § 272 paragraph 2, No. 1 HGB.

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

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

- if a capital increase of the share capital for contribution in kind is carried out to enable the Company to acquire companies, parts of companies or participations in companies or to acquire other contributions in kind;
- if required to equal fractional amounts;
- if shares are issued in consideration of contributions in cash not exceeding the computed proportion of 10% of the share capital (1,542,500 shares) for the new shares issued excluding the subscription rights; the shares must be sold at an issue price which is not significantly lower (in terms of section 203 paragraph 1 and 2, section 186 paragraph 3 Sentence 4 AktG) than the stock market price of same-category Company shares at the day when the issue price is finally fixed by the Management Board;
- to grant subscription rights to the holders of convertible bonds, convertible participation rights or option rights to an extent they would be entitled to in case of execution of their conversion right or option right respectively;
- for granting shares to the members of the Management Board, members of the management of affiliated companies in terms of section 15 AktG, executive managers of the Company or affiliated companies or to employees of the Company or employees of affiliated companies in connection with employees´ participation programmes.

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

23. EQUITY (continued)

23.1 Share capital and issued capital (continued)

Contingent capital

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

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

The nominal capital is increased conditionally by up to EUR 4,627,500.00 through the issuance of up to 4,627,500 bearer shares. The sole purpose of the increase in contingent capital stock is to grant stock rights to the bearers or creditors of financial instruments until 16 June 2016. The increase in contingent capital in accordance with the provisions of the convertible bond or convertible participating right conditions also serves for the issuance of shares to bearers or creditors of convertible bonds, which come with a conversion obligation. The new shares are issued at each conversion or option price to be stipulated. The increase in contingent capital can only be carried out insofar as these rights are exercised or the bearers or creditors obligated to meet this conversion obligation and provided that treasury shares are not provided to satisfy these rights. The new shares participate in profits from the start of the fiscal year in which they appear through the exercise of conversion rights or options or by meeting conversion obligations; this notwithstanding, the Management Board, with the approval of the Supervisory Board, can determine that the new shares participate in profits from the start of the fiscal year for which no resolution of the shareholders' meeting on the use of the balance sheet profit has been made in the timeframe of exercising conversion rights or options or meeting conversion obligations. The Management Board is authorised, with the approval of the Supervisory Board, to stipulate the further details of increasing the contingent capital stock.'

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

23. EQUITY (continued)

23.2 Reserves and retained earnings

a) Capital reserves

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

b) Equity-settled benefits reserve

The reserve for equity-settled benefits was created following the granting of stock options by the Company to PROPARCO, which extended a loan to the Company. Additional information on these stock options can be found in Section 23.1. The reserve for equity-settled employee compensation, which was formed last year, was resolved in the current fiscal year. Additional information on share-based employee compensation can be found in section 29.

c) Foreign currency translation reserve

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

d) Statutory reserves of foreign subsidiaries

According to the laws of the PRC, a company is required each year to transfer 10% of the profit after tax as reported in its PRC statutory financial statements to the statutory common reserve fund, except where the fund has reached 50% of the company's registered capital. This fund can be used to make up for any losses incurred or be converted into paid-up capital, provided that the fund does not fall below 25% of the registered capital. The statutory reserves relate to the Chinese subsidiaries and cannot be transferred to the parent company.

e) Consolidated net profit

The consolidated net earnings are the cumulative results of the Group reported net statutory reserves of the subsidiaries and the amount spent on share buy backs (kEUR 1,730).

24. BORROWINGS

	31.12.2011 kEUR	31.12.2010 kEUR
Secured at amortised cost		
Long-term bank loans	**9,268**	11,261
Short-term bank loans	**4,767**	2,267
Total	**14,035**	13,528

At the end of FY 2011, the Company had three short-term loans, for a total of EUR 2.5 million, which are going to be repaid in FY 2012. The interest rate on these loans is equal to the Chinese central bank's interest rate for one-year loans. The loans are secured by pledges of land and buildings with a book value of kEUR 1,695. Due to the short duration of the loans, the fair value of the loans approximates their book value.In addition, the short-term capital portion of the DEG loan, in the amount of EUR 2,316, has been classified as a short term bank loan.

The total amount of the DEG loan, which was entered into in September 2009, is kEUR 11,584 (USD 15 million). The long-term portion and short-term portion of this loan amount to kEUR 9,268 and kEUR 2,316, respectively. Beginning on 15 April 2012, the loan will be repaid in semi-annual installments of kEUR 1,158 (USD 1.5 million). The interest rate is U.S. LIBOR + 4.5% per annum. The Group has not given any collateral for the loan.

On 18 October 2011, a 7-year loan of EUR 20 million was granted by PROPARCO. The Company will begin repaying this loan on 30 September 2013.The annual interest rate is equal to EURIBOR + 2.5%. The Group has not given any collateral for the loan. The loan was disbursed on 1 March 2012, therefore it did not appear on the balance sheet as of 31 December 2011. In connection with this Loan Agreement PROPARCO was granted 143,900 stock options. The options have an exercise price of EUR 26.34 and can only be exercised between the third and the seventh year of the loan agreement. Since the options were granted for no consideration for the purpose of strengthening the relationship between Asian Bamboo and PROPARCO, it is not accounted for under IFRS 2, but as a capital transaction in accordance with IAS 32. The fair value of these stock options, which was determined at grant date using the Black-Scholes option pricing model, corresponds to a reserve for equity-settled benefits in the amount of kEUR 679 which was booked as a cost in FY 2011.

On 3 December 2011, DEG granted a 7-year loan of kEUR 15,457 (USD 20 million). The repayment of the loan will begin on 15 April 2014. The interest rate is equal to U.S. Libor + 3.5%. The Group has not given any collateral for the loan. The loan was not disbursed in FY 2011 therefore it does not appear on the balance sheet as of 31 December 2011.

25. TRADE PAYABLES

All trade payables are non-interest bearing. The fair value of trade and other payables have not been discounted due to their short duration. Management considers the carrying amounts recognised in the balance sheet to be a reasonable approximation of their fair value.

26. OTHER LIABILITIES

	31.12.2011 kEUR	31.12.2010 kEUR
Liabilitis against employees	**362**	316
Advances from customers	**53**	–
Other financial liabilities	**1,296**	84
Total	**1,711**	400

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

27. COMMITMENT AND CONTINGENCIES

27.1 Operating lease commitments

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

	31.12.2011 kEUR	31.12.2010 kEUR
Plantations	**11,024**	8,251
Other land	**8**	7
Buildings	**560**	403
Total	**11,592**	8,661

Future minimum lease payments under operating leases as at 31 December 2011 are as follows:

	31.12.2011 kEUR	31.12.2010 kEUR
Lease of buildings		
Within 1 year	**405**	433
After 1 year but within 5 years	**1,413**	1,208
After 5 years	**3,920**	3,992
Total	**5,738**	5,633

27.2 Contingent liabilities and assets

As of 31 December 2011 the Group did not have any significant contingent assets or liabilities.

28. RELATED PARTY TRANSACTIONS

Balances and transactions between the company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. There were no direct transactions between the Group and other related parties. There were no impairment charges for bad or doubtful debts due from related parties in the current or previous fiscal years.

Compensation to the management team

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

	31.12.2011 kEUR	31.12.2010 kEUR
Short term employee benefits	**806**	743
Pension costs	**6**	5
Equity settled share based compensation	**(881)**	881
Cash settled share based compensation	**–**	1,958
Total	**(69)**	3,587

Compensation to members of the Supervisory Board

The total remuneration to the members of the Supervisory Board was kEUR 120 (2010: kEUR 146). The previous year's number includes VAT.

29. SHARE-BASED COMPENSATION

In May 2008, a total of 150,000 Stock Appreciation Rights ('SARs') were granted to members of the Management Board and another key executive by the respective subsidiaries with which their employment contracts were entered into. The SARs were linked to both the performance of Asian Bamboo's business, through an EBIT target, and the share price. The EBIT target, which has been achieved, was that the annual EBIT of the Group must either have increased by at least 10% for two consecutive years or by 15% on average for two years between 15 April 2008 and 15 April 2011. The SARs would have expired on 15 April 2011, but they were exercised in FY 2010. The subsidiaries paid, in cash, the difference between the Exercise Price and the Base Price times the number of SARs which were exercised. The Exercise Price was the 20-day average of the Company's closing share price at Xetra-Trade before the date of exercising the SARs. The Base Price of each SAR was EUR 8.00. It was calculated as a 9% premium to the average closing share price of EUR 7.35 for the five trading days prior to the Supervisory Board meeting held on 15 April 2008, when the SAR scheme was approved by the Supervisory Board. On 18 May all SARs were exercised which meant that the total cost linked to the SAR scheme for the FY 2010 was kEUR 1.958.

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

The strike price of the new stock option scheme is EUR 31, which was set as a 10% discount to the 20-day average share price leading up to the determination of the strike price. The strike price is identical to the price of the new shares which were issued at the time of the capital increase in June 2010.

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

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

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

According to this calculation, the fair value of each option was EUR 17.61 and the total value of the stock option scheme was EUR 10.6 million.

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

30. FINANCIAL INSTRUMENTS

The financial instruments are as follows:

	31.12.2011 kEUR	31.12.2010 kEUR
Financial assets		
Amortised cost		
Cash and cash equivalents	**41,980**	56,658
Trade receivables	**3,400**	1,943
Other financial assets	**3,957**	2,582
Total	**49,337**	61,183
Available for sale		
Investments	**123**	113
Grand total	**49,460**	61,296
Financial liabilities		
Amortised cost		
Borrowings	**14,035**	13,528
Trade payables	**57,304**	48,357
Other financial liabilities	**1,296**	84
Grand total	**72,635**	61,969

Cash and cash equivalents, trade receivables and other financial assets of up to an amount of kEUR 3,160 (2010: kEUR 2,378) are short-term assets (remaining maturity is less than a year). Their book values at the balance sheet date approximate their fair values.

Interest relating to financial instruments is recorded as interest income or interest expense. The income related to the categories loans and receivables are kEUR 1,115 (2010: kEUR 300), resulting from interest on bank deposits. There was no income related to 'For sale' assets. Costs related to financial liabilities were kEUR 996 (2010: kEUR 912) resulting from interest rate payments on loans payable and short-term borrowings.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

IFRS 7 requires the disclosure of sensitivity analysis which shows the effects of hypothetical changes in relevant risk variables on profit or loss and equity, to be used in presenting market risk. For the Group, this mainly relates to currency rate risks. The effects are ascertained by applying the hypothetical changes in risk variables to the portfolio of financial instruments at the balance sheet date.

It is assumed that the balance at the reporting date is representative for the year as a whole. As outlined, the Group is in general only exposed to interest rate and other market risks arising from the normal course of business.

The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations in interest rates and foreign exchange rates as there is no real requirement to do so, given the nature of the Company's business.

Credit risk

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

The Group's credit risk is primarily attributable to its trade and other receivables. Cash is placed with creditworthy financial institutions.

The trade and other receivables presented in the balance sheet are, if necessary, net of an allowance for doubtful receivable, estimated by management based on current economic conditions. No allowance for overdue receivables was accounted for.

The carrying amount of financial assets recorded in the financial statements net of any allowance for doubtful receivables, represents the Group's maximum exposure to credit risk.

Interest rate risk

The Group has entered into the following loan arrangements:

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

As at 31 December 2011, the EUR 20 million PROPARCO loan and the USD 20 million DEG loan had not been disbursed.

The interest rate expenses, as well as interest rate income of our loans and deposits, are subject to potential fluctuations. If interest rates change by 50 basis points higher/lower and all other variables were held constant, the net income for FY 2011 would increase/decrease by kEUR 103 (2010: increase/decrease kEUR 133). Other income after taxes of the Group will not change.

31. 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 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 due to its USD loan agreements with DEG.

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

	Assets		Debt	
	31.12.2011 kEUR	31.12.2010 kEUR	**31.12.2011 kEUR**	31.12.2010 kEUR
EUR	**27,587**	48,241	**85,259**	132,929
USD	**112**	501	**11,584**	11,261
Other	**759**	346	**–**	–
Total	**28,458**	49,088	**96,843**	144,190

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	**2011 EUR/RMB**	**2011 USD/RMB**	2010 EUR/RMB	2010 USD/RMB	**2011 EUR/RMB**	**2011 USD/RMB**	2010 EUR/RMB	2010 USD/RMB
Consolidated net profit	**(639)**	**573**	(2,297)	539	**707**	**(573)**	2,539	(539)
Other income	**3,386**	**–**	6,330	–	**(3,742)**	**–**	(6,996)	–
Total	**2,747**	**573**	4,033	539	**(3,035)**	**(573)**	(4,457)	(539)

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

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 good profit situation, there is no real liquidity risk.

	Less than 3 months	3-6 months	6-12 months	More than 1 year	Cash outflows	Book value
As of 31 December 2011						
Financial liabilities	52	3,708	1,706	11,667	17,133	14,035
Trade payables	1,328	–	55,976	–	57,304	57,304
Other	1,296	–	–	–	1,296	1,296
Total	2,676	3,708	57,682	11,667	75,733	72,635
As of 31 December 2010						
Financial liabilities	34	315	2,553	14,095	16,997	13,528
Trade payables	891	–	47,466	–	48,357	48,357
Other	84	–	–	–	84	84
Total	1,009	315	50,019	14,095	65,438	61,969

Fair values

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

Biological assets

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

Additional comments on capital management

Asian Bamboo's capital management strategy serves the purpose of supporting the Company's business development objectives, particularly in terms of ensuring liquidity and creditworthiness, in order to create shareholder value. With the exception of the bank loan of about EUR 11 million entered into in 2009, all plantation leases were finance by the issuance of equity. In FY 2011, the Management Board completed two loan agreements, which further broadened the Company's funding base. The Management Board does not plan any further increase in debt and, consequently, the current low level of debt is expected to be maintained. After taking the recent loans of around EUR 35 million into account the debt/equity-ratio is still well within the targeted capital structure.

32. NOTES TO THE CASH FLOW STATEMENTS

The cash flow statement has been prepared in accordance with IAS 7 and is classified into net cash flows from operating, investing, and financing activities. Net cash flow from operating activities is presented using the indirect method, while net cash flows from investing and financing activities are presented using the direct method. Cash funds are composed of cash and cash equivalents, such as short-term deposits with a maturity of less than three months. Time deposits with a maturity of more than three months are not part of the cash funds.

33. SEGMENT INFORMATION

According to IFRS 8, the external segment reporting must be based on the internal organisation of the Group. In FY 2011, and in prior years, Asian Bamboo was mainly involved in the sale of bamboo trees and bamboo shoots and did not use segments in its internal reporting.

34. GEOGRAPHICAL INFORMATION ON LONG TERM ASSETS

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

	31.12.2011 kEUR	31.12.2010 kEUR
Germany	**–**	1
China	**317,291**	269,194
Total	**317,291**	269,195

35. MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS

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

Supervisory Board:
Mr Hans-Joachim Zwarg (Chairman), independent consultant, Sierksdorf, Germany
Mr Chris McAuliffe (Vice Chairman), consultant, Hong Kong SAR
Mr Pan Chaoran, professor, Fuzhou, PRC

Mr Zwarg is the chairman of the Supervisory Board of ZhongDe Waste Technology AG, Frankfurt am Main, Germany.

36. REMUNERATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The total remuneration paid to members of the Management Board was kEUR 775 (2010: kEUR 9,425). With regard to the information specified in § 314 paragraph 1 No. 6 point A sentence 1 to 8 HGB, we refer to the consolidated annual report.

The total remuneration paid to members of the Supervisory Board amounted to kEUR 120 (2010: kEUR 146). The previous year's number includes VAT.

37. AUDITING FEES

At the Annual General Meeting on 17 June 2011, Deloitte & Touche GmbH ('Deloitte') was appointed as the auditor of Asian Bamboo AG and the Group for FY 2011. Total fees paid to Deloitte, which are entirely related to auditing amount to kEUR 240 (2010: kEUR 220).

38. DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

Pursuant to § 161 of the German Stock Corporation Act (AktG), the Management Board and Supervisory Board issued a corporate governance declaration on the recommendations of the provisions of the German Corporate Governance Code as amended.

This declaration was published on the Company's website at www.asian-bamboo.com.

39. SHAREHOLDINGS IN ASIAN BAMBOO AG

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):

17 January 2012

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

All 768,593 voting rights are attributed to Wellington Management Company, LLP pursuant to section 22 para. 1 sentence 1 no. 6 WpHG.

7 December 2011

Wellington Trust Company, NA Multiple Common Trust Funds Trust, Global Agriculture Portfolio, Boston, Massachusetts, 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 6 June 2011 and amounted to 3.12% (480,623 voting rights) as of that date.

All 480,623 voting rights are attributed to Wellington Management Company, LLP pursuant to section 22 para. 1 sentence 1 no. 2 WpHG.

14 November 2011

The Kingdom of Norway notified us pursuant to section 21 para. 1 WpHG that its voting rights in Asian Bamboo AG have fallen below the threshold of 5% of the voting rights on 8 November 2011 and amounted to 4.92% (758,897 voting rights) as of that date.

All 758,897 voting rights are attributed to the kingdom of Norway pursuant to section 22 para. 1 sentence 1 no. 1 WpHG.

11 November 2011

Norges Bank, 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 5% of the voting rights on 8 November 2011 and amounted to 4.92% (758,897 voting rights) as of that date.

19 October 2011

GAM Holding AG, Zurich, Switzerland, 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.

14 January 2011

Pursuant to article 21, section 1 of the Wertpapierhandelsgesetz (German Securities Trading Act ('WpHG'), the Investec Asset Management Limited., London, United Kingdom, notified us that, as of 13 January, its voting rights in our company exceeded the threshold of 3% and was 3.08% (474,768 voting rights) on that day. All 474,768 voting rights were held by Investec Asset Management Limited pursuant to § 22 paragraph 1 sentence 1 No. 6 WpHG.

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 amounts to 5.69 % as of that date (798,000 voting rights).

40. REPORTS ON EVENTS SUBSEQUENT TO THE REPORTING DATE

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

On 1 March 2012 the loan of EUR 20 million, which was entered into with PROPARCO on 18 October 2011, was disbursed in full. The funds will be used for investments.

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

The German financial statements reflect retained earnings of EUR 8.4 million. At the Annual General Meeting, the Management Board and the Supervisory Board will propose to distribute a dividend of EUR 6.1 million (EUR 40 cents per share) and to carry forward the remaining amount of EUR 2.3 million.

42. AUTHORISATION OF FINANCIAL STATEMENTS

The Management Board of Asian Bamboo AG presented the current IFRS consolidated financial statements to the Board for approval on 23 March 2012.

Hamburg, Germany, 23 March 2012
On behalf of the management

Lin Zuojun	Jiang Haiyan	Peter Sjovall
CEO	COO	CFO

Responsibility statement

'To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group, and the group management report includes a fair view of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.'

Hamburg, Germany, 23 March 2012
On behalf of the management

Lin Zuojun
CEO

Jiang Haiyan
COO

Peter Sjovall
CFO

Auditors' report

We have audited the consolidated financial statements prepared by Asian Bamboo AG, Hamburg – comprising the income statement and statement of comprehensive income, the balance sheet, the cash flow statement, the statement of changes in equity and the notes to the consolidated financial statements – and the group management report for the business year from January 1, 2011 to December 31, 2011. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB ('German Commercial Code') are the responsibility of the parent Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the institute of chartered accountants (Institut der Wirtschaftsprüfer). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of Asian Bamboo AG, Hamburg, comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, 23 March 2012

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Lüdke)
Wirtschaftsprüfer
[German Public Auditor]

(Mehren)
Wirtschaftsprüfer
[German Public Auditor]

Financial calendar FY 2012

2-6 April
Road show in London and Edinburgh (arranged by CLSA) and Amsterdam and Brussels (arranged by LFG Kronos)

15 May
Q1 2012 Results announcement

24 May
AGM

4 July
Particpation in Norges Bank's water semianr in Singapore

14 August
Q2 2012 Results Announcement

9 November
Q3 2012 Results Announcement

12-15 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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