

FAQ

FREQUENTLY
ASKED
QUESTIONS



LEGAL AND STRUCTURE

Q: Why is Asian Bamboo listed in Germany?

- A: There are three key reasons for our listing in Germany:
- The Frankfurt Stock Exchange is one of the largest stock exchanges in the world, with a solid reputation for good corporate governance.
 - There is a lot of investor interest in sustainable business models and agriculture/forestry companies in Germany and Europe.
 - We were given attractive terms and a clear path towards the IPO by our underwriter – Sal. Oppenheim.

Q: Why do you lease the plantations and how are the leases structured?

- A: As all land in China is owned by the state, there is no possibility of owning the plantations. There is a defined legal framework for the leases and the business model is encouraged by the Chinese government. All major Chinese agriculture and forestry companies are operating in a similar way to us.

Our legal counterparty is a collective of farmers represented by a village committee. For the time being, we are making an up-front payment of around EUR 5,400 per hectare for a 20 year lease. Around 20-30% of the total payment is paid at the time of signing the contract with the balance paid when the harvesting rights are transferred. In addition, we offer the farmers harvesting work at the plantations for which they receive a salary.

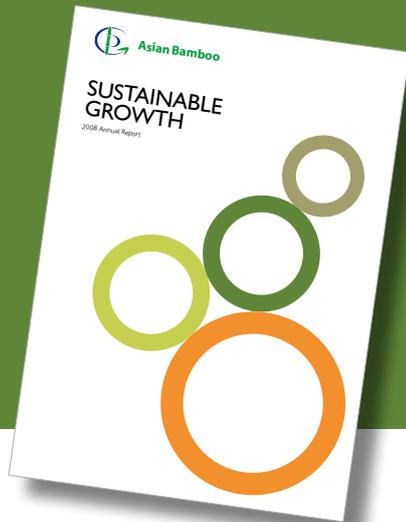
Q: How is your business model beneficial to the farmers?

- A: An independent CSR study showed that overall the farmers are pleased with this lease structure, as the compensation they receive from us is higher than the revenue they would otherwise generate themselves.

On average 70% of the lease payment goes directly to the farmers, with the remaining 30% being used to fund local infrastructure investments, including the construction of roads and hydroelectric power stations. The payments that go directly to the farmers are often used to fund housing, construction or education projects, helping to improve living conditions and enabling future generations to receive better schooling.



ACCOUNTING



Q: What is the valuation method for biological asset valuations?

A: Our biological assets are valued in accordance with international accounting standards (IAS 41). In summary, immature plantations are valued at cost and mature plantations are valued using a net present value calculation.

Most of the gains in biological assets are created when previously immature plantations begin generating an income and are reclassified as mature plantations.

A deferred tax of 25% is calculated on the gains in biological assets. This tax is written back if the actual tax paid is less than the calculated tax. Currently our effective tax rate is very low as we only pay tax on the profits generated from the processed bamboo shoots.

The leases are amortised over the life of the lease, which is on average 20 years. Consequently, at the end of the lease, the plantation does not carry any value on the balance sheet.

Q: What is the difference between immature and mature plantations?

A: Immature plantations have a lower density of trees than mature plantations. We do not harvest immature plantations until they mature.

Q: Why are you calculating the adjusted net profit and how is the calculation done?

A: As the gains in the fair value of biological assets and the deferred tax calculated on these gains do not result in any actual cash flow, we recommend investors focus on the adjusted net profit, which is the net profit excluding these items.

The adjusted net profit is calculated as follows:

Net profit

Deduct: Gains in the fair value of biological assets

Add: Deferred tax calculated on gains in the fair value of biological assets

= Adjusted net profit

Q: How much tax are you paying?

A: As a National Key Flagship Enterprise, we are tax exempt for agricultural produce, which includes all our products except for processed bamboo shoots, for a period of at least four years.

Q: How are you planning to finance your business long-term and do you have any fund raising plans?

A: We believe that the bamboo industry is in the early phases of a long-term growth cycle, therefore it is our goal to significantly increase our total plantation size. We will achieve this by re-investing nearly all of our operating cash flow into new plantations leases and through fund raising. In 2009, we have agreed to borrow up to USD 15 million from DEG, a well-regarded German government sponsored development bank, for a period of seven years and we raised around EUR 25 million from a capital increase.

OUR PLANTATIONS

Q: Where are your plantations located?

A: All our plantations are located in Fujian Province, the province with the highest concentration of Moso bamboo resources in China. Bamboo naturally grows at higher altitudes, and often on slopes. Many of our plantations are located in the Wuyi Mountain area in the north-western part of Fujian province.



Q: How are the plantations selected and why are they all located in Fujian province?

A: The key criteria for selecting the plantations are location, size, soil conditions, tree density, age profile, quality of the trees, price and payment terms.

As most of the related industries (such as pulp and paper and flooring) are located in Fujian province, it is logical to focus our operations in that area in order to minimise transportation costs. In addition, the quality of the bamboo plantations in Fujian is very high and we have a strong track record and deep industry and government relationships in the province.

Q: What are the risks to the plantations and how do you protect yourself against these risks?

A: Risks include insects, blooming, climate change, weather, theft and damage. We have technical personnel at our Base Development Centres who work closely with our research centre in order to protect our plantations. A third party risk assessment report stated that the overall risk to our plantations is manageable.

Q: Is your current plantation management and pace of harvesting sustainable?

A: An independent third party report stated 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."

OUR BUSINESS

Q: What's the impact on the environment of using bamboo?

A: Bamboo is sometimes labelled the wood resource of the 21st century as its strength, beauty and durability make it a perfect substitute for traditional wood resources. As bamboo grows incredibly fast, and without the use of fertilisers, it is both environmentally friendly and inexpensive. The Moso bamboo tree matures in around three years, while other tree species take at least 10 years to mature and often much longer.

Q: What are the key areas of use for bamboo and which are the key distribution channels?

A: For bamboo trees, the key areas of use are construction, furniture, pulp, paper, flooring, textile and charcoal. We either sell the trees directly to the end-users or through middle-men. Fresh bamboo shoots (winter shoots, spring shoots and dried shoots) are mainly sold through agriculture wholesale markets and processed bamboo shoots are sold to industrial buyers and supermarkets in China or exported to Japan.

Q: How are prices set and what are the payment terms?

A: Prices for bamboo products have been rising in recent years, particularly for bamboo trees. Generally, prices do not fluctuate more than 10% year-on-year. They can vary from region to region, due to local demand and supply dynamics and the quality of the locally grown bamboo shoots and the bamboo trees. Other factors influencing the price are quantity, customer relationships, payment terms and the potential of the market segment the customer represents.

Most of our transactions are relatively small spot transactions. However, for some of our larger customers, such as Shaowu Zhongzhu Pulp and Paper and our Japanese export clients, we have entered into longer supply contracts with credit terms.



OUR BUSINESS

Q: How vulnerable are your margins to increased competition?

A: We have created significant intangible barriers of entry which make it more difficult for a competitor to seriously challenge our position. The key entry barriers are in the areas of fund raising, economies of scale, distribution network and relationships, industry knowledge and reputation. Therefore, we believe that our high margins can be sustained by continuing to grow our company and execute our integrated business strategy.

Q: What is your current market share and how much do you think you can expand?

A: Although Asian Bamboo is the largest company in the industry, our plantations only cover around 3% of all bamboo resources in Fujian Province. Therefore, we believe that there are plenty of opportunities for us to expand the size of our plantations.

As regards to the demand side, we believe that demand will rise at least in line with supply. For bamboo trees, the low cost, strength and beauty of bamboo in combination with consumer preferences for renewable resources have led to the increased use of bamboo, particularly as a hardwood substitute. Key areas of growth include flooring, panels and non-traditional furniture. We believe these products, together with pulp and paper and textiles, represent the largest growth opportunities for bamboo. In addition, increasing restrictions on certified hardwood supply create a positive market outlook for bamboo.

For bamboo shoots, the wealth effect and China's improved infrastructure have led to broader and deeper distribution and increased consumption of bamboo shoots, particularly in areas where they have traditionally not been available.

We expect the total size of our plantations to reach at least 40,000 ha by the end of 2010. Longer term, it is our goal to reach a total plantation size of at least 70,000 ha.



ASIAN BAMBOO AG

China

25th Floor, Xin-Tian-Di Plaza, No.157,
Wusi Road, Fuzhou 350003

Tel +86 (591) 8780 0688
Fax +86 (591) 8782 0062

Hong Kong

Unit 2209, 22/F, Wu Chung House,
213 Queen's Road East, Wanchai, Hong Kong

Tel +852 3973 7459
Fax +852 3013 7688

Contact

Peter Sjovall
Hong Kong Mobile +852 9385 3868
China Mobile +86 136 9688 1212

Germany

Stadthausbrücke 1-3, 20355 Hamburg

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

Contact

Anja Holst
Germany Mobile +49 171 3138930