

Asian Bamboo AG



Q2

Interim Report 08

**THE COVER PAGE SHOWS A PICTURE OF PROCESSED BAMBOO SHOOTS AS IN THE SECOND QUARTER, AND PARTICULARLY IN THE MONTHS OF JUNE AND JULY, PROCESSED BAMBOO SHOOTS ARE AN IMPORTANT PART OF OUR REVENUE AND PROFIT MIX.**

**OUR PROCESSED BAMBOO SHOOTS ARE THE ONLY PRODUCTS WE ARE SELLING THROUGHOUT THE YEAR. FRESH BAMBOO SHOOTS ARE SOLD BETWEEN NOVEMBER AND APRIL, WHEN THEY ARE BEING HARVESTED, AND THE BAMBOO TREES ARE MAINLY SOLD IN THE SECOND HALF OF THE YEAR.**



# Contents

- 3 – Asian Bamboo at a Glance
- 4 – CEO Statement
- 6 – The Asian Bamboo Share
- 6 – Macro-Economic Outlook

## **7-11 INTERIM MANAGEMENT REPORT – GROUP**

- 8 – Summary
- 8 – Revenue
- 8 – Breakdown of Sales
- 9 – Results of Operations, Net Worth and Financial Position
- 9 – Net Worth
- 10 – Financial Position – Group
- 10 – Investments
- 10 – Employees
- 10 – Risk Management
- 11 – Outlook 2008

## **12-17 INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF ASIAN BAMBOO AG AS AT 30 JUNE 2008**

- 13 – Consolidated Balance Sheet
- 14 – Consolidated Statement of Income and Expenses
- 14 – Consolidated Statement of Changes in Equity
- 15 – Consolidated Statement of Cash Flow
- 16 – Notes to the Consolidated Financial Statements

## **18 ADDITIONAL INFORMATION**



# Introduction

## Asian Bamboo at a Glance

In EUR thousand unless otherwise stated

### OPERATIONAL DATA

	Q2 2008	Q2 2007	Change	Q1-Q2 2008	Q1-Q2 2007	Change
Revenue	<b>10,388</b>	2,845	265.1%	<b>18,152</b>	5,365	238.3%
Cost of sales	<b>6,019</b>	2,056	192.8%	<b>8,492</b>	3,567	138%
Gross profit	<b>4,369</b>	789	453.7%	<b>9,660</b>	1,798	437.3%
Gross profit margin	<b>42.1%</b>	27.7%	–	<b>53.2%</b>	33.5%	–
Adjusted EBITDA	<b>3,145</b>	822	282.6%	<b>7,958</b>	1,788	345.1%
Adjusted EBITDA margin	<b>30.3%</b>	28.9%	–	<b>43.8%</b>	33.3%	–
Adjusted EBIT	<b>3,145</b>	779	303.7%	<b>7,914</b>	1,702	365%
Adjusted EBIT margin	<b>30.3%</b>	27.4%	–	<b>43.6%</b>	31.7%	–
Net profit	<b>2,977</b>	6,722	(55.7%)	<b>4,619</b>	7,640	(39.5%)
Adjusted net profit	<b>2,619</b>	701	273.6%	<b>7,920</b>	1,619	389.2%
Adjusted net profit margin	<b>25.2%</b>	24.6%	–	<b>43.6%</b>	30.2%	–
EPS (EUR)	<b>0.23</b>	0.53	(55.7%)	<b>0.36</b>	0.6	(40.0%)
Adjusted net profit per share (EUR)	<b>0.21</b>	0.05	320.0%	<b>0.62</b>	0.13	376.9%

\* Computed on the basis of 12,750,000 shares

Note: All the adjusted net numbers do not include gains in value of biological assets and taxes thereon.

### CASH FLOW

	Q1-Q2 2008	Q1-Q2 2007	Change
Net cash generated from operating activities	<b>4,229</b>	1,694	149.6%
Cash Flow used in investing activities	<b>(23,182)</b>	(1,848)	1,154.4%
Net increase / (decrease) in cash and cash equivalents	<b>(18,953)</b>	(154)	N/A

### BALANCE SHEET AND OTHER SELECTED DATA

	30 June 2008	31 December 2007	Change
Cash and cash equivalents	<b>47,735</b>	68,564	(30.4%)
Biological assets	<b>95,034</b>	49,477	92.1%
Total assets	<b>156,990</b>	127,542	23.1%
Current liabilities	<b>27,673</b>	4,754	482.1%
Non-current liabilities	<b>8,965</b>	5,483	63.5%
Total equity	<b>120,352</b>	117,304	2.6%
<b>Other selected data</b>			
Size of mature plantations (ha)	<b>18,367</b>	5,876	212.6%
Size of immature plantations (ha)	<b>6,348</b>	8,773	(27.6%)
Total size of plantations (ha)	<b>24,715</b>	14,649	68.7%
Headcount	<b>653</b>	294	122.1%

## Introduction

### CEO Statement

**Dear shareholder,**

**I am pleased to report to you another set of satisfactory results with a 238% increase in turnover to more than EUR 18 million, and an increase in the adjusted net profit which is free of gains on biological assets and taxes thereon, by 389.2% to EUR 7.9 million. Our turnover and adjusted net profit in the first half of the year have already surpassed last year's full year numbers and in our view, these results confirm that our guidance, of reaching a turnover of EUR 45 million and an adjusted net profit of at least EUR 18 million, is well within reach. However, to be on the conservative side, we will not make any changes to our turnover and profit guidance at the moment.**

As a consequence of our Company's rapid growth, we have made adjustments to our organization during the period, creating a more efficient decision making structure and decentralizing the management of our daily operations. Furthermore, we have strengthened the management team with the appointments of Peter Sjovall as CFO, Qiu Hai as Group Financial Controller and the promotion of Jiang Haiyan to COO.

As previously communicated, we have adopted a long-term goal of vertical integration by covering all aspects of the value chain in the bamboo-industry. Our bamboo plantations give us the raw-material, which we can sell as fresh or processed shoots, bamboo trees, or use to produce value added products. A further diversification into the value added production industries, we believe, will further enhance our top and bottom-lines, stabilize our margins, solidify our leading position in the industry and create synergies with our existing businesses. We are now getting closer to the finalization of a detailed strategic plan, therefore I would like to share with you some of the logic behind our strategy.

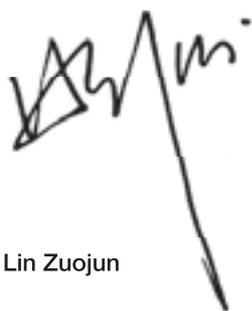
**OUR TURNOVER AND ADJUSTED NET PROFIT IN THE FIRST HALF OF THE YEAR HAVE ALREADY SURPASSED LAST YEAR'S FULL YEAR NUMBERS AND IN OUR VIEW, THESE RESULTS CONFIRM THAT OUR GUIDANCE, OF REACHING A TURNOVER OF EUR 45 MILLION AND AN ADJUSTED NET PROFIT OF AT LEAST EUR 18 MILLION, IS WELL WITHIN REACH**

We have identified pulp and paper and flooring as our target industries as both these industries show a combination of solid growth and relatively high profit margins. Of the two, we will give priority to the bamboo based pulp and paper industry, as it offers the strongest prospects due to an attractive demand / supply situation, great development prospects due to the high quality and low cost of production, government support of the industry and the high entry barriers. As bamboo based pulp and paper mills are major consumers of bamboo trees, a move into the industry would also create a major sales channel for our bamboo trees, which we believe would support further price increases in our bamboo tree business.

We are fully committed to extending our value chain and we are likely to enter the bamboo based pulp and paper industry first, followed by the bamboo flooring business, which as a result is likely to be delayed compared to our initial plans. We would also like to emphasize that our plantation lease program is on track and is unaffected by our other plans. We are confident that we will reach our goal of a total plantation area of 35,000 ha by 2010.

On behalf of the Company and all employees, I was selected as one of the participants in the Olympic torch relay in Fuzhou, the capital of Fujian province. To be selected is a great honor and shows that our Company's achievements and contribution to the society have been noticed. The values of the Olympic movement, such as "Peace, friendship and progress", are similar to our corporate values and therefore I am particularly honored to participate in this historic event.

Yours sincerely



Lin Zuojun



Lin Zuojun, CEO



## Introduction

### The Asian Bamboo Share

In the second quarter, the market sentiment and performance remained weak with all indexes posting losses and despite annual and Q1 results well ahead of forecasted numbers, our share-price did not stage a meaningful rebound. With the appointment of our CFO, who has more than 13 years of experience in financial markets, financial communication and management in Hong Kong and China, we are confident that our communications with the financial markets will improve and that, over time, our share price will reflect the fundamentals of our business. We are planning a number of investor relations activities, such as participation in investor conferences and road shows, in order to introduce ourselves and our investment proposition to a wider group of institutional investors all over the world

During the period, Mr. Lin Zuojun, CEO and founder of Asian Bamboo, acquired an additional 23,400 shares of the Company's common stock, at an average price of EUR 9.24 per share for a total value of approximately 216,330, through his investment company Green Resources Enterprise Holding Ltd. The purchases were made in the open market.

Asian Bamboo Performance from 1.1.08 – 19.8.08 (rebased to 100%)



### Macro-economic outlook

We believe that the bamboo industry will be largely unaffected by the current economic slowdown and credit market problems and will benefit from the general rise in prices of agricultural products driven by strong Chinese and global demand.

In our opinion, demand for organically grown products will continue to increase as consumers become increasingly conscious of food quality issues. Furthermore, the demand for bamboo tree in the construction, flooring, paper and furniture industries has boomed during the last few years, fuelled by rising disposable income levels in China. This is a trend which we believe will continue for many years to come.

# Interim Management Report – Group



# Interim management report – Group

## Summary

- **REVENUE GROWTH OF 238%**
- **GROSS MARGIN OF 53.2%**
- **ADJUSTED NET PROFIT GROWTH OF 389.2%**
- **ADJUSTED NET PROFIT MARGIN OF 43.6%**

## Revenue

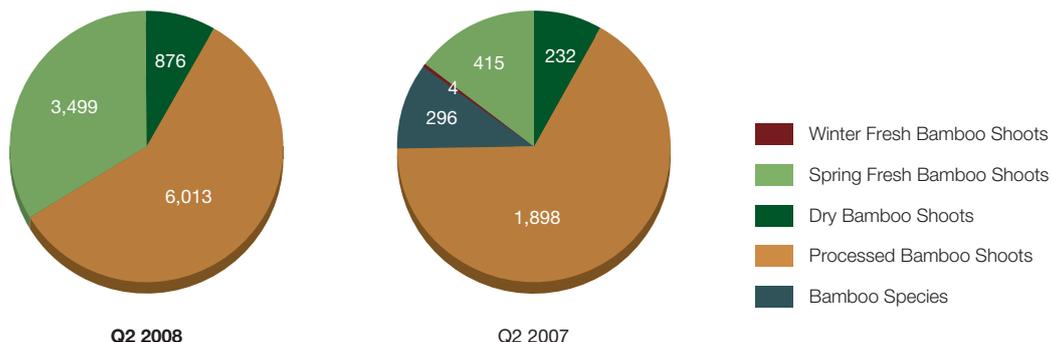
Revenue increased to EUR 18.2 million in the first half of the year, from EUR 5.4 million in the same period last year, an increase of 238%. The main reasons for the increase were the sharp increase in sales volumes and prices of fresh winter-, spring- and processed bamboo shoots as a result of strong demand and increasing the total size of the company's plantations. The price increases were, to some degree, a consequence of the limited supply of fresh shoots and other vegetables following the severe winter storms in January. During the period, revenue from sales of all product categories have increased, however sales of processed shoots have risen at a slower pace than sales of fresh bamboo shoots. During the period there were no sales of bamboo trees.

## Breakdown of Sales (kEUR):

	Q1 – Q2 2008	Q1 – Q2 2007	Change	Q2 2008	Q2 2007	Change
Winter fresh bamboo shoots	3,508	990	254.3%	–	4	–
Spring fresh bamboo shoots	6,847	653	948.5%	3,499	415	743.1%
Dry bamboo shoots	876	232	277.6%	876	232	277.6%
Processed bamboo shoots	6,921	3,194	116.7%	6,013	1,898	216.8%
Bamboo species	–	296	–	–	296	–
<b>Total</b>	<b>18,152</b>	<b>5,365</b>	<b>238.3%</b>	<b>10,388</b>	<b>2,845</b>	<b>265.1%</b>

The Company did not sell any bamboo trees in Q2 this year, therefore there are only three product categories in Q2:

### Product categories



## Results of Operations, Net Worth and Financial Position

Cost of sales increased to EUR 8.5 million in the first half of the year, from EUR 3.5 million in the same period a year ago. The increase is primarily the result of higher harvesting and rough processing fees, forest lease fees, salaries and the cost of packaging material which was mainly driven by the significant expansion of the acreage of mature plantations. The increase in cost of sales was disproportionately lower than the increase in revenue, which is evidence of our ability to effectively control costs.

The gross profit margin increased to 53.2% in the period, from 33.5% in the same period last year. This is a result of higher unit prices and a change in the product mix in favor of fresh shoots, which contributed 57% of the total sales volume in the period, compared to 30.6% during the same period last year. We earn significantly higher gross profit margins on fresh shoots than on processed shoots.

The profit for the period was EUR 4.6 million down 39.5% compared to EUR 7.6 million in 2007. The decrease in the profit for the period was due to the fact that there were no revaluation gains on biological assets booked this year, compared to large revaluation gains on biological assets of EUR 7.1 million booked last year, and the significant deferred tax charge, of around EUR 3.6 million relating to revaluation gains, which were booked in Q1 this year.

As far as the valuation of the biological assets is concerned such a valuation did not take place for the purpose of 1st half 2008 interim reporting as the revaluation is a very time consuming and expensive task. Thus, this simplifying assumption does not lead to any changes in the gain or loss from changes in the fair value less estimated point-of-sale costs in the first half 2008 compared to the year-end figures 2007.

We recommend investors to concentrate on the adjusted net profit number as that number is free of gains or losses on revaluation on biological assets and taxes thereon, which we think better reflect the true development of the business. The adjusted net profit number shows you the profitability of our business and during the period our adjusted net profit increased by 389.2% to EUR 7.9 million.

### Net Worth

In thousands of EUR	30 June, 2008	31 December, 2007	Change
Total assets	<b>156,990</b>	127,542	23.1%
Cash and cash equivalents	<b>47,735</b>	68,564	(30.4%)
Total equity	<b>120,352</b>	117,304	2.6%
Liabilities	<b>36,638</b>	10,237	257.9%

Total assets increased by 23% to EUR 157 million at the end of Q2 2008 (2007 = 127.5 million), mainly due to an increase of biological assets as new plantations were added during the first half year.

Cash and cash equivalents decreased by EUR 20.8 million to EUR 47.7 million following prepayments made for land lease contracts.

Total equity increased by 2.6% to EUR 120.4 million (2007 = 117.3 million) due to retained earnings added during the period.

Liabilities increased by EUR 26.4 million or 258% to EUR 36.6 million. The main reason is the increase of other payables, accruals and provisions by EUR 21.3 million.

## Interim management report – Group

### Financial Position – Group

The net decrease in cash and cash equivalents for the period was EUR 20.8 million.

The net cash outflow from investing activities amounted to EUR 23.2 million, which was mainly used for securing land lease agreements.

Net cash generated from operating activities was EUR 4.2 million.

The company had no debt as of 30 June 2008.

Overall the Company's financial position is very strong given the sizeable cash balance, strong cash flow from the operations and absence of debt.

### Investments

On 1 January 2008, the Company acquired five new plantation areas in Shaowu on an operating lease basis. The total size of these areas amount to ha 10,067 (151,000 mu). The total leasing fee to be paid in advance for the agreed lease period of 20 years amounts to EUR 45.6 million. The advance payments due have been classified under biological assets and the relating payables are to be paid in 2008. The leasing payments will be amortized over the lease period, which is 20 years.

The investments in the flooring factory in Shaowu amount to kEUR 47 during the period. The total amount invested into the project so far is kEUR 247.

### Employees

The number of employees increased from 294 at the end of 2007 to 653 at the end of Q2 2008. The additional mature bamboo plantations require more employees both in the administration and the finance department. In addition, to ensure the implementation of the internal control system, management staff has been added.

On 26 June, 2008, the Supervisory Board of Asian Bamboo AG has appointed Mr. Peter Sjoval as Member of the Management Board of the Company for a term of office of three years effective from July 1, 2008. Additionally, the responsibility of the member of the management board, Mr. Haiyan Jiang has been amended. Mr. Jiang is now acting as Chief Operating Officer for the Company.

### Risk Management

For more information on risks, please refer to our Risk Report in the Group Management Report as of December 31, 2007. There were no significant changes in opportunities and risks in the first half of 2008.



## Outlook 2008

We are forecasting a continuation of the current positive business development in 2008 and 2009 and we will continue to execute our business strategy, which consists of four key activities. We are:

- aiming to add plantation acreage to reach 35,000 ha of land by 2010
- planning to enter value added industries, such as bamboo based pulp and paper and bamboo flooring
- making changes to our product mix by increasing the importance of high margin products such as fresh bamboo shoots and bamboo trees at the expense of processed bamboo shoots
- increasing the domestic distribution of our processed bamboo shoots, to widen our market coverage and to decrease the reliance upon the Japanese market for processed bamboo shoots sale

Our bamboo plantations give us the raw-material, which we can sell as fresh or processed shoots, bamboo trees, or use to produce value added products. A further diversification into the value added production industries, we believe, will further enhance our top and bottom-lines, stabilize our margins, solidify our leading position in the industry and create synergies with our existing businesses.

We have identified pulp and paper and flooring as our target industries as both these industries show a combination of solid growth and relatively high profit margins. Of the two, we will give priority to the bamboo based pulp and paper industry, as it offers the strongest prospects due to an attractive demand / supply situation great development prospects, due to the high quality and low cost of production, government support of the industry and the high entry barriers. As bamboo based pulp and paper mills are major consumers of bamboo trees, a move into the industry would also create a major sales channel for our bamboo trees, which we believe would support further price increases in our bamboo tree business.

We are fully committed to extending our value chain and we are likely to enter the bamboo based pulp and paper industry first, followed by the bamboo flooring business, which as a result is likely to be delayed compared to our initial plans. We would also like to emphasize that our plantation lease program is on track and is unaffected by our other plans. We are confident that we will reach our goal of a total plantation area of 35,000 ha by 2010. It is expected that all our investments can be financed by our cash on hand and the cash flow generated from our operations.

Due to a large increase in volumes, as a result of our significant increase in plantation size, in combination with rising prices and economies of scale, we see the Company's profitability increasing significantly in 2008 and 2009. The Management Board will propose a dividend, in line with the Company's profitability in 2008, to be distributed in 2009.



# Interim Consolidated Financial Statements



## Consolidated Balance Sheet

for the quarter ending June 30, 2008

	June 30, 2008 EUR	Dec. 31, 2007 EUR
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	2,691,361	2,074,267
Land use rights	293,060	297,886
Biological assets	95,033,700	49,477,160
Deposits for leaseholds	1,222,661	650,408
Deferred tax	579,000	705,000
	<b>99,819,782</b>	<b>53,204,721</b>
<b>Current assets</b>		
Inventories	2,156,691	395,439
Trade receivables	2,222,721	525,978
Other receivables and prepayments	4,693,741	4,440,805
Amounts due from related parties	362,288	411,071
Cash and cash equivalents	47,734,597	68,563,509
	<b>57,170,038</b>	<b>74,336,802</b>
<b>Total assets</b>	<b>156,989,820</b>	<b>127,541,523</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	12,750,000	12,750,000
Capital reserves	69,069,659	69,069,659
Statutory reserves	1,306,271	1,306,271
Retained earnings	40,749,349	36,130,554
Foreign exchange difference	(3,523,012)	(1,952,431)
<b>Total equity</b>	<b>120,352,267</b>	<b>117,304,053</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	8,964,574	5,483,194
<b>Current liabilities</b>		
Trade payable	1,117,367	56,035
Other payables, accruals and provisions	25,811,505	4,488,298
Amounts due to related parties	744,107	202,503
Income tax payable	–	7,440
	<b>27,672,979</b>	<b>4,754,276</b>
<b>Total liabilities</b>	<b>36,637,553</b>	<b>10,237,470</b>
<b>Total liabilities and equity</b>	<b>156,989,820</b>	<b>127,541,523</b>



## Interim Consolidated Financial Statements

## Consolidated Statement of Income and Expenses

for the period from January 1 to June 30, 2008

	Q2 2008 EUR	Q2 2007 EUR	Q1 – Q2 2008 EUR	Q1 – Q2 2007 EUR
Revenue	10,388,170	2,844,784	18,152,155	5,364,949
Cost of sales	(6,018,647)	(2,055,865)	(8,491,643)	(3,567,357)
<b>Gross Profit</b>	<b>4,369,523</b>	788,919	<b>9,660,512</b>	1,797,592
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets**	–	7,084,225	–	7,084,225
Other operating income	2,267	29,543	60,861	29,543
Selling and distribution expenses	(124,422)	(23,952)	(202,677)	(47,816)
Administrative expenses	(794,600)	(15,438)	(1,145,204)	(76,921)
Other operating expenses	(307,739)	(193)	(459,278)	(193)
<b>Profit from operations</b>	<b>3,145,029</b>	7,863,104	<b>7,914,214</b>	8,786,430
Finance income	59,185	12,629	591,496	16,159
Finance costs	(250,729)	(76,879)	(251,526)	(78,108)
<b>Profit before income tax</b>	<b>2,953,485</b>	7,798,854	<b>8,254,184</b>	8,724,481
Income tax	23,260	(1,076,548)	(3,635,389)	(1,084,314)
<b>Profit for the period</b>	<b>2,976,745</b>	6,722,306	<b>4,618,795</b>	7,640,167
Earnings per share	0.23	0.53*	0.36	0.60*

\* Computed on the basis of 12,750,000 shares

\*\* As far as the valuation of the biological assets is concerned such a valuation did not take place for the purpose of 1st half 2008 interim reporting as the revaluation is a very time consuming and expensive task. Thus, this simplifying assumption does not lead to any changes in the gain or loss from changes in the fair value less estimated point-of-sale costs in the first half 2008 compared to the year-end figures 2007.

## Consolidated Statement of Changes in Equity

for the period from January 1 to June 30, 2008

	Share capital EUR	Capital reserves EUR	Statutory reserves EUR	Retained earnings EUR	Foreign exchange difference EUR	Total equity EUR
<b>Balance as at January 1, 2008</b>	12,750,000	69,069,659	1,306,271	36,130,554	(1,952,431)	117,304,053
Net profit for the period	–	–	–	4,618,795	–	4,618,795
Foreign currency translation reserve	–	–	–	–	(1,570,581)	(1,570,581)
<b>Balance as at June 30, 2008</b>	12,750,000	69,069,659	1,306,271	40,749,349	(3,523,012)	120,352,267

## Consolidated Statement of Cash Flow

for the period from January 1 to June 30, 2008

	Q1 – Q2 2008 EUR	Q1 – Q2 2007 EUR
<b>Profit before income tax</b>	<b>8,254,184</b>	8,724,481
Adjustments for:		
Amortization of intangible assets	1,687	3,427
Allowance for doubtful trade debts	23,770	(24,530)
Depreciation of property, plant and equipment	42,088	83,293
Gain / Loss on disposal of property, plant and equipment	–	–
Interest income	(591,496)	(16,159)
Interest expense	251,526	78,108
Revaluation gain of biological assets	–	(7,084,225)
<b>Operating cash flow before working capital changes</b>	<b>7,981,759</b>	1,764,395
<b>Working capital changes:</b>		
(Increase) / decrease in:		
Inventories	(1,761,252)	(846,507)
Trade receivables	(1,696,743)	(450,495)
Other receivables and prepayments	(252,936)	229,908
Amounts due from related parties	48,783	(359,866)
Increase / (decrease) in:		
Trade payables	1,061,332	(140,461)
Other payables and accruals	(2,041,238)	1,575,364
Amounts due to related parties	541,604	(635)
<b>Cash generated from / (used in) operations</b>	<b>3,881,309</b>	1,771,703
Interest received	591,496	16,159
Interest expense	(251,526)	(78,108)
Income tax	7,407	(15,596)
<b>Net cash generated from operating activities</b>	<b>4,228,686</b>	1,694,158
<b>Cash flow from investing activities</b>		
Purchase / prepayments of biological assets	(22,451,305)	(1,548,354)
Purchase of land use rights	–	(54,917)
Purchase of land, property, plant and equipment	(158,721)	(244,473)
Deposits for leaseholds	(572,253)	–
<b>Cash flow used in investing activities</b>	<b>(23,182,279)</b>	(1,847,744)
<b>Cash flow from financing activities</b>		
Proceeds from IPO	–	–
IPO charges netted with equity	–	–
Loans due to related parties paid back	–	–
Foreign exchange difference	–	–
<b>Cash flow from financing activities</b>	<b>–</b>	–
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(18,953,593)</b>	(153,586)
Cash at beginning of year	68,563,509	560,753
Foreign exchange difference	(1,875,319)	1,218
<b>Cash at end of period</b>	<b>47,734,597</b>	408,385



## Interim Consolidated Financial Statements

### Notes to the Consolidated Financial Statements

for the period ending June 30, 2008

#### General

The interim consolidated financial statements for the period January 1 to June 30, 2008 comprise all subsidiaries of Asian Bamboo AG. These subsidiaries are located in China (PRC) except for the interim holding company Hong Kong XRX Bamboo Investment Co., Ltd., Hong Kong. Effective January 1, 2008 the indirect subsidiary Fujian Xinrixian Food Development Co., Ltd., Fuzhou, PRC, has been split into three companies (the remaining Fujian Xinrixian Food Development Co., Ltd., and the two new subsidiaries Shaowu Xinrixian Industrial Development Co. Ltd. and Taining Xinrixian Forest Co., Ltd. This split does not have any effect on the consolidated financial statements.

#### Basis of Preparation

The interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as of the balance sheet date, and the additional requirements of German commercial law pursuant to sec. 315a (1) HGB ("Handelsgesetzbuch"; German Commercial Law Code). The interim consolidated financial statements comply with all IFRS that had to be adopted by the balance sheet date.

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

The main areas in which estimates are used are the fair value of biological assets and deferred tax liabilities. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The financial statements are significantly affected by the valuation of biological assets which account for approx. 60% of total assets. While management believes that the fair value less estimated point-of-sale costs of immature bamboo plantations is reflected best by the costs of cultivation (IAS 41.24) the valuation of mature bamboo is based on a computation of the present value of expected net cash flows according to IAS 41.10, 41.21 and the assumptions used in this calculation. Details of the valuation are outlined in the notes to the financial statements for the year 2007. Due to the nature of bamboo, bamboo trees as well as bamboo shoots have to be regarded as fruits of the bamboo plant lease rights which have a duration of up to 20 years. Future cash flows were discounted at a current market-determined pre-tax rate of 27%.

This implies that the life cycle of a bamboo plant does not end with the harvest of a bamboo tree after 6 years. Therefore, the period used in the calculation of the fair value was limited by the expiration date of the land. The applied valuation method follows the accounting practice in the agricultural industry and resulted in a gain arising from the change in fair value of biological assets as reflected in the statement of income and expenses.

The applied valuation method according to IAS 41 leads to a partial recognition of future proceeds at the time bamboo plantations become mature and the biological assets are initially measured at fair value derived from future cash flows.

Future reductions in the fair value of biological assets caused by the expiration of underlying land lease rights will be charged to profit in future profit and loss statements and will have significant effects.

Estimates that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are mainly connected to the valuation of biological assets. As mentioned before, the valuation is based on a net present value calculation of future cash flows and therefore subject to changes in the applied assumptions regarding market prices of bamboo and bamboo shoots, future harvest yields and risk-adjusted interest rates.

Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from these estimates.



With regard to the preparation of the interim consolidated financial statements in accordance with IAS 34 "Interim Financial Reporting" the Management Board is required to make estimates and judgements, which influence the application of accounting policies within the Company, and the reporting of assets and liabilities as well as income and expenses. Actual amounts can differ from these estimates.

### Significant accounting policies

The accounting policies applied by the Group in the interim consolidated financial statements generally correspond to the methods applied by Asian Bamboo AG in its consolidated financial statements for the year ending December 31, 2007. For further details reference is made to these consolidated financial statements ((available under the Company's website at [www.asian-bamboo.de](http://www.asian-bamboo.de)).

Income that may have been recorded during the reporting period for seasonal reasons, due to cyclical developments, or only occasionally, is not cut off in the interim consolidated financial statements. Expenses that are incurred irregularly during the reporting period have been cut off in those cases where they would also be cut off at year-end.

As far as the valuation of the biological assets is concerned such a valuation did not take place for the purpose of 1st half 2008 interim reporting as the revaluation is a very time consuming and expensive task. Thus, this simplifying assumption does not lead to any changes in the gain or loss from changes in the fair value less estimated point-of-sale costs in the first half 2008 compared to the year-end figures 2007.

### Functional and Presentation Currency

The presentation currency is EUR.

The management has determined the currency of the primary economic environment in which the Group operates, to be Renminbi ("RMB").

The following exchange rates from RMB to EUR have been applied:

	RMB / EUR 2008	RMB / EUR 2007
June 30	10.8051	10.2816
Average for the first six months	10.8012	10.2589

### Other

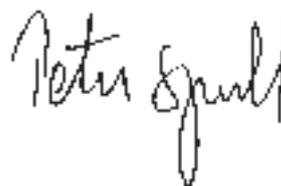
Due to new Chinese tax regulations for the agricultural and food industry the relating income in 2008 and future years is tax free. However, deferred taxes at a rate of 25% have still been computed on the accumulated gains on the valuation of the biological assets as the period in which these tax exemptions can be applied has to be regarded as uncertain. At year-end 2008 this accounting policy will be reviewed in more details when additional information with regard to these tax rules is available.

Hamburg, August 29, 2008

On behalf of the management



**Lin Zuojun**, Chairman



**Peter Sjoval**, CFO



## FINANCIAL CALENDAR

Date	Event
01. – 03.09.2008	Roadshow Hong Kong + Singapore
04.09.2008	Roadshow Vienna
05.09.2008	Roadshow Benelux
08.09.2008	Roadshow Zurich
09.09.2008	Roadshow London
10. – 12.09.2008	Roadshow Germany
10.11.2008	German Equity Forum in Frankfurt
28.11.2008	Q3 Report
28.11.2008	Conference Call Q3 Report

## CONTACT

This interim report, recent reports, and additional information are available on the internet at: [www.asian-bamboo.com](http://www.asian-bamboo.com) and [www.asian-bamboo.de](http://www.asian-bamboo.de)

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