Corporate governance

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**