

Since its inception in 2002, the German Corporate Governance Codex ('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 both 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 the Supervisory Board dealt with issues of corporate governance and in particular the provisions of the German Corporate Governance Code ('the Code'). On 23 March 2010 they jointly issued a corporate governance declaration ('the declaration') for the fiscal year 2009 pursuant to § 161 of the German Stock Corporation Act (AktG). The declaration was made public on Asian Bamboo's website at [www.asian-bamboo.com](http://www.asian-bamboo.com). On 4 December 2010 the declaration was updated. On 18 March 2011, the declaration for FY 2010 was adopted without additional changes. Except for the following deviations, the company complied with all the recommendations of the Code as amended on 18 June 2009 and 26 May 2010:

The variable monetary compensation for members of the Management Board does not provide for a cap for extraordinary unforeseen developments. To this extent, the Company deviates from section 4.2.3 paragraph 3, sentence 4.

The variable compensation as part of the Management Board members' remuneration is based upon a sustainable business development; therefore the Company does not view a cap as either practicable or necessary.

The Company has not introduced an age limit for the members of the Management Board and the Supervisory Board and therefore deviates from the recommendation in Clause 5.1.2 paragraph 2, sentence 3 and clause 5.4.1, sentence 2.

As the Supervisory Board only consists of three members and therefore does not have any committees, the recommendations of Clause 5.2 paragraph 2 and Clause 5.3 do not apply. The Company deviates from the recommendation in section 5.4.6 paragraph 2, sentence 1, as the Company's Supervisory Board members only receive a fixed remuneration and no performance related remuneration.

The Company believes that the function, and in particular the independence of the members of the Supervisory Board, is best protected by the current remuneration structure.

### **Information on 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 p24-25 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 26-27 of this annual report.

As a listed company, our accounts are audited by a reputable auditor and we disclose significantly more information than 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 particular 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](http://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 Sjoval, who are jointly responsible for the management of the Company including developing the Company's strategy, negotiating key agreements such as plantation leases and other investment agreements, coordinating 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 Management Board 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 p20 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 53-54 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 since 1 January 2011), who replaced Mr Wolfgang Jensen who resigned on 31 December 2010, 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. The working relationship between the MB and the SB is good and it is described in detail in the Chairman of the Supervisory Board's report on p20 of this annual report.

### **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) as long as the total consideration is larger than EUR 5,000 within one calendar year.

On 17 June, Green Resources Enterprise Holding Ltd. ('Green Resources'), a company wholly owned by Mr Lin Zuojun, founder and CEO of Asian Bamboo, placed out 1,000,000 shares in connection with the Company's capital increase. Following the placement, Green Resources' holding in the Company decreased to 5,760,700 shares, which is equivalent to 37.3% of the total number of shares. Green Resources agreed not to sell any shares without the consent of Credit Suisse, the sole book runner of the placement, for a period of 12 months from the completion of the capital increase. 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 by 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 Management' report. They are designed in accordance with statutory provisions to detect significant risks early, so that appropriate measures can be taken in order to minimise the potential impact of these risks. The Risk Management process is supported through the controlling and auditing functions.

## **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 through attending the AGM. Information can be obtained both in English and German on the Company's web-site at [www.asian-bamboo.de](http://www.asian-bamboo.de) or [www.asian.bamboo.com](http://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 18 March 2011

The Supervisory Board The Management Board