

November 11, 2009

AOB's Questionable GLP Acquisition.

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<td height="89" align="center" valign="middle"> Notice<p align="justify"><i> In the past AOB has issued public statements regarding reports published by asensio.com. In the event that asensio.com receives comments from AOB on the report below, asensio.com will provide such comments to its users, and state whether the company's comments alter any conclusion or assertion in the report. Investors may also contact AOB concerning issues raised in this report. </i>

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On April 18, 2006, American Oriental Bioengineering, Inc. (NYSE: AOB) completed the acquisition of a privately-held Chinese company called Guangxi Lingfeng Pharmaceutical Company Limited ("GLP"). AOB paid approximately \$24.5 million for GLP, comprised of \$18.9 million in cash and \$5.6 million in stock, according to AOB's 2006 10-K.

AOB's Form 8-K dated June 30, 2006 shows that AOB acquired GLP from an individual, Yu Xiaosheng, who owned 100% of the company. Xiaosheng is shown owning 29% of GLP at December 31, 2005, but then acquired the other 71% in February 2006 for \$707,554, according to the 8-K.

Two months later Yu Xiaosheng sold his GLP shares to AOB for \$24.5 million.

Based upon AOB's filing it appears that Xiaosheng "flipped" the newly-acquired 71% of GLP to AOB for approximately \$17.4 million, over 24 times his cost just two months later. AOB's SEC filings do not appear to provide any explanation for this transaction.

Filings with the China State Administration for Industry and Commerce ("SAIC") show that Xiaosheng appears to have been a significant stakeholder in AOB's operating company, Harbin Three Happiness Bioengineering Co., Ltd., prior to its reverse merger with a U.S. shell in 2002.

The attached document shows that 25% of Harbin Three Happiness was acquired by Harbin Xiaosheng Advertising Company (see translation). AOB's 8-K filed June 30, 2006 states that Harbin Xiaosheng Advertising is owned by Yu Xiaosheng.

Despite the Chinese filing showing Xiaosheng Advertising's 25% stake in Harbin Three Happiness, neither Xiaosheng

Advertising nor Yu Xiaosheng appears as a shareholder in [AOB's](http://www.asensio.com/AOB/GLP/5.pdf) reverse merger.