

August 07, 2009

## *AOB Comments on Property Transactions*

American Oriental Bioengineering, Inc. (NYSE: AOB) posted comments on its website concerning the topic of <http://www.asensio.com/Reports/ReportView.aspx?ReportId=973&CompanyId=167&CompanyName=Report> a previous asensio.com report: AOB's 2007 and 2008 property transactions and a potential undisclosed related party. The comments contain previously undisclosed information. To read the comments, [click here](http://www.asensio.com/AOB/AOB_Comments.mht). asensio.com has not received any information separately.

AOB's comments, also reiterated during its earnings conference call today, assert that Bestkey remains a wholly-owned subsidiary of AOB, and that Golden Dragon is a wholly-owned subsidiary of Bestkey. Taken at face value, these assertions dispel the narrow concern raised in the previous asensio.com report about the potential for an undisclosed related party.

The concern stated in the previous asensio.com report was that since Bestkey had not been listed as a subsidiary of AOB in AOB's SEC filings after the 2006 10-K, there was an appearance that Beijing Century East may have had an undisclosed less-than-arm's-length relationship with AOB, since Tony Liu appeared as a director of Golden Dragon, the entity that acquired Beijing Century East. If AOB retained full ownership of Bestkey, and Bestkey owned Golden Dragon, at all times relevant to the transaction, as the company asserts, then there is no potential for an undisclosed related party, based solely on changes in ownership disclosures regarding Bestkey in AOB's filings.

AOB's comments state that "the Company received appraisals of both properties by independent appraisers." If such is the case, and such appraisals establish the fair market value for the acquired properties in a complete and reasonable presentation, it is unlikely that there was any material misappropriation of investors' funds. Given the complexity and duration of the transactions, and given the lack of specific description of the properties, their intended use, and their income-producing potential, it would be constructive for the company to make further disclosures to U.S. investors concerning the independent appraisals.

As for the other issue addressed in AOB's comments, the structuring of the real estate transactions, it remains up to AOB's shareholders to determine whether they find this explanation acceptable, and whether they require further documentation to evidence the company's assertions.

To the extent that AOB's shareholders and noteholders wish to complete further evaluation of the merits of the purchase or to conduct due diligence in this regard, they should direct themselves to the company.

If AOB shareholders or noteholders wish to understand the finer points of the real estate transactions, they may wish to address some questions made apparent by the company's description of the transactions' structure. AOB's comments state, "Simultaneously with our subsidiary's acquisition of BCE, BCE distributed its ownership in the J Property and the L Property by contract to the owners of BCE, leaving BCE a shell company." The comments then go on to state that the property was then later acquired by AOB in 2008. If that is the case, then it would seem that AOB would have

had to acquire the properties from the individual former owners of Beijing Century East. The question then arises of why AOB stated in its January 2009 8-K, referenced in the prior asensio.com report, that AOB "entered into and consummated a Purchase Agreement with Beijing Century East," not the individual former owners of Beijing Century East.

Furthermore, the comments from AOB state that the \$34.9 million property was acquired in May 2008, and was "properly disclosed in the Company's Form 10-Q for the quarter ended June 30, 2008." As referenced in the prior asensio.com report, AOB disclosed completing the \$34.9 million expenditure in the third quarter of 2008, and a disclosure appears regarding the expenditure in the Form 10-Q for the quarter ended September 30, 2008.