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**AMERICAN ORIENTAL BIOENGINEERING, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2008 AND 2007**

The following unaudited pro forma combined condensed statements of income for the year ended December 31, 2007 and 2006 have been prepared as if the acquisitions of Boke and CCXA had occurred on January 1, 2007 and 2006. The statements are based on accounting for the business acquisition under purchase accounting. The pro forma information may not be indicative of the results that actually would have occurred if the acquisition had been in effect from and on the dates indicated or which may be obtained in the future.

	Unaudited	
	Pro Forma Combined	
	Year Ended December 31,	
	2007	2006
Revenues	\$ 175,561,278	\$ 130,789,447
Income from Operations	54,232,619	40,094,533
Net Income	44,721,567	32,040,287
Net Income Per Share		
Basic	\$ 0.64	\$ 0.51
Diluted	\$ 0.63	\$ 0.51
Weighted Average number of shares outstanding		
Basic	69,870,775	62,679,996
Diluted	71,364,244	62,913,961

**NOTE 12 - INVESTMENTS AND ADVANCES IN UNCONSOLIDATED ENTITIES**

Long-term investments and advances include our equity investment in CAXG, Nuo Hua Affiliate and Hezhou Jinji Color Printing Co Ltd. ("Jinji"). CAXG is a China-based pharmaceutical company specializing in research, development, manufacturing and distribution of narcotic and pain-management products in China. Nuo Hua Affiliate maintains a significant presence in pharmaceutical wholesale and retail distribution in China. Jinji is a color printing company focusing on the printing of external packaging materials.

The Company owns 38% equity interest in CAXG through an \$18 million direct investment of its common stock in April 2008. The cost of investment in excess of our estimate of the underlying equity in net assets at the time of the investments was \$1,369,799. The Company owns 30% equity interest in Nuo Hua Affiliate through the acquisition of Nuo Hua in October 2008 and the Company owns 40% equity interest in Jinji through the acquisition of GLP in April 2006. Long-term investments are accounted for using the equity accounting method.

The following table summarizes the long-term investments and advances as of December 31, 2008 and 2007:

	December 31, 2008	December 31, 2007
Cost of investments:		
CAXG	\$ 18,000,000	\$ —
Nuo Hua Affiliate	32,999,023	—
Jinji	86,067	86,067
Share of equity income (loss):		
CAXG	(1,580,344)	—
Nuo Hua Affiliate	773,415	—
Jinji	42,303	28,672
Advances:		
CAXG	4,520,209	—
Jinji	122,391	127,812
Long-term investment and advances	\$ 54,963,064	\$ 242,551

Included in the advance to CAXG is a RMB30 million, or approximately US\$4.3 million, convertible promissory note. The note bears interest at a rate of 8% payable quarterly in arrears and matures in one year. CAXG may elect to make the quarterly loan payments in cash or to convert the payments into shares of its common stock. The Company also has the option to receive payment in shares of CAXG's common stock if CAXG is either unable to repay the loan in cash or consents to the conversion of its payment obligations into shares of its common stock.