



BOHAI
PHARMACEUTICALS GROUP

UPDATED



INVESTOR FACT SHEET

BOHAI PHARMACEUTICALS GROUP
OTCBB/OTCQB: BOPH

www.bohaipharma.com

Bohai Pharmaceuticals Group: Meeting the Growing Demand for Traditional Chinese Medicine.



Based in the city of Yantai, China, **Bohai Pharmaceuticals Group, Inc. (“Bohai”)** (OTCBB/OTCQB: BOPH) is a growing, profitable pharmaceutical company engaged in the production, manufacturing and distribution of Traditional Chinese Medicine (“TCM”) products in the People’s Republic of China.

Bohai’s over-the counter and prescription products, combined with a dedicated in-house sales team and marketing initiatives, generated in excess of \$49 million in net revenue and \$7.9 million in net income in 2009. Improving on these impressive results in fiscal 2010, Bohai reported net revenue of \$59.3 million, net income of \$9.5 million and a basic EPS of \$0.64 (or \$0.57 on a fully diluted basis).

Bohai’s Operating Results for Fiscal Years Ending June 30,			
	2008	2009	2010
Net Revenue	\$ 37.5	\$ 49.3	\$ 59.3
Net Income	6.4	7.9	9.5
EPS ⁽¹⁾	\$ 0.49	\$ 0.60	\$ 0.64

(1) EPS represents Basic Earnings per Share.
All amounts in millions, except EPS

In its most recent quarter, which ended September 30, 2010, Bohai reported three-month results of \$17 million in net revenue, \$3.0 million in net income and an EPS of \$0.18 (or \$0.15 on a fully diluted basis), resulting in record financial performance for the company in its first fiscal quarter of 2011.

Bohai’s growth has been made possible through the company’s focused strategy, which emphasizes quality products and aggressive sales and marketing efforts and also leverages the “protected” manufacturing status and national insurance coverage for certain of its pharmaceutical products. Currently, Bohai has approximately

600 employees, including approximately 300 that are engaged in sales and distribution in 20 locations throughout China. Utilizing this distribution platform, and combined with mass media and other marketing methods to build awareness of its brand, Bohai will seek to significantly grow its revenues and earnings.

Bohai’s business strategy benefits from new Chinese government programs established in 2009 to extend health insurance coverage to over 90% of China’s population by 2011 and to increase medical reimbursement initiatives to the estimated population of 900 million rural Chinese. Under these new initiatives up to approximately 80 to 90% of the initial product cost are reimbursed by the Chinese government for certain of Bohai’s products, opening the company’s target demographic to a segment of the Chinese rural population that historically has not purchased pharmaceutical products on a large scale.

The PRC government’s new health care policies have become a national priority and are also designed to encourage the use of TCM and its approach to wellness and treatment of disease. In a significant development, in late 2009, Bohai’s three lead products became eligible for reimbursement under China’s National Medical Insurance Program, which creates the potential to significantly expand their reach. Bohai believes these factors represent an exceptional market opportunity for the company.

Bohai is placing particular marketing focus on its flagship products, Lung Nourishing Cream, a liquid, over-the-counter product used to treat asthma and other respiratory ailments, and Tongbi Capsules and Tongbi Tablets, two prescription products used to treat several forms of arthritis. Bohai’s products have been widely recognized for their efficacy, but the company believes they still have the potential to capture market share from an estimated two-thirds of the Chinese population, whom the management team estimates are currently unfamiliar with Bohai’s brands.

Bohai currently produces 15 TCM pharmaceutical products (5 of which were introduced in 2010), all derived from herbal and organic sources, including both prescription and nonprescription over-the-counter (OTC) medicines. These medicines address a number of areas of health and wellness including respiration, rheumatism, digestion, cardiovascular/heart health, cerebrovascular/brain health, gynecology, injury healing, general health supplements, flu, antiviral applications and antibiotics.

In addition to the 15 products currently in production, Bohai holds the rights to produce 14 other herb-based pharmaceutical formulations, and the company anticipates it will commence the manufacturing and distribution for these additional products as business conditions develop.



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Although Traditional Chinese Medicine is thousands of years old, Bohai's product manufacturing and procedures are the most modern and up-to-date available. Bohai's manufacturing is conducted in the city of Yantai in the Shandong province in a state-of-the-art 18,000 square-meter facility that meets or exceeds the latest Good Manufacturing and Quality Management Practice standards (or "GMP") in China.

Through stringent application of these GMP standards, the PRC government has reduced the number of marginal medicine manufacturers by one-third since 2004 and it is expected that companies such as Bohai that have received full GMP approval will enjoy the competitive benefits of their strict adherence to quality control and safety standards.

In addition to its hospital sales, Bohai plans to accelerate sales of its over-the-counter (OTC) medicines through promotion and advertising that targets consumers principally utilizing television, print advertising and news releases.

With its growth opportunities in China's rapidly expanding healthcare industry, Bohai Pharmaceuticals Group represents a strategically well positioned manufacturer of high quality TCM products, as well as an investment with significant and long-term growth potential in the world's most populous nation.



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Corporate Drivers

- Bohai is a growing and profitable pharmaceutical company in China that grew net income by 20% in 2010, to \$9.5 million.
- “Protected” status for two of its products, Tongbi Capsules and Anti-Flu Granules, grants Bohai the right to manufacture and sell these products in China on an exclusive and near-exclusive basis, respectively.
- Bohai’s patent application for Lung Nourishing Cream was approved in June 2010. The patent protects both the process and the formula for a term of 20 years.
- Flagship Bohai products covered by the PRC’s national insurance reimbursement programs: Lung Nourishing Cream, Tongbi Capsules and Tongbi Tablets.
- Highly experienced sales force of approximately 300 people distinguishes Bohai from one-third of Chinese pharmaceutical companies that management estimates do not possess internal sales teams.
- Bohai’s state of the art 18,000 square-meter manufacturing facilities utilize the most advanced systems in the industry and are GMP-certified by the PRC.
- The integration of a strong product line-up and an aggressive TV advertising campaign has resulted in significant brand recognition of Bohai’s products.



Market Drivers

- Rising prosperity has resulted in Chinese citizens increasing spending on medical goods from \$100 billion in 2007 to a projected \$145 billion in 2010. ⁽¹⁾
- The proportion of China’s population aged 65 and over will rise from just 10% of the overall population in 1995 to 22% by 2030. ⁽²⁾
- In 2009, the PRC extended insurance coverage to rural areas, where the bulk of the population resides (approximately 900 million Chinese citizens). ⁽³⁾
- In the next three years, the PRC government’s health care investment is expected to rise to \$125 billion, compared with \$96 billion for 2008. ⁽⁴⁾
- Chinese government officially supports use of TCM to enhance wellness and to treat chronic and acute diseases; declaring it a “national strategic industry.” ⁽⁵⁾
- Government regulation has reduced pharmaceutical manufacturers in China by one-third since 2004; increasing potential sales opportunities for companies like Bohai. ⁽⁶⁾



⁽¹⁾Euromonitor; ⁽²⁾World Bank; ⁽³⁾World Health Organization; ⁽⁴⁾Espicom Business Intelligence;

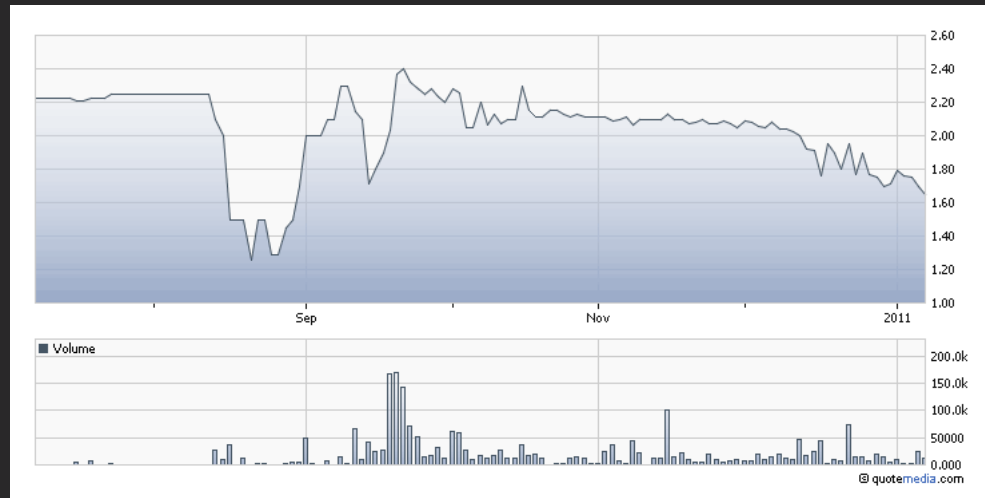
⁽⁵⁾PRC government’s “Development Outline of Traditional Chinese Medicine Modernization” (2002 - 2010);

⁽⁶⁾“China Pharmaceutical Industry: Analysis and Market Trends” (January 2009)

Vital Statistics

As of JANUARY 6, 2011

OTCBB/OTCQB: BOPH



SHARE PRICE

\$1.70

SHARES OUTSTANDING (approximate)

17.0 million

52-WEEK RANGE

\$0.80 - \$2.25

FULLY DILUTED SHARES OUTSTANDING

(includes outstanding convertible notes and warrants)

28.85 million

MARKET CAP (approximate)

\$28.9 million

Contacts

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CAUTIONARY STATEMENT Any statements in this summary about Bohai's expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and are forward-looking statements for purposes of the Private Securities Litigation Reform Act of 1995 (the "Act"). These statements are often, but not always, made through the use of words or phrases such as "guidance", "believe", "project", "will", "expect", "anticipate", "estimate", "intend", "plan", "forecast", "could", "would" and similar expressions. Bohai bases these forward-looking statements on current expectations about future events. They involve known and unknown risks, uncertainties and assumptions that may cause actual results, levels of activity, performance or achievements to differ materially from those expressed or implied by any forward-looking statement. Some of the risks, uncertainties and assumptions that could be significant and could cause actual results to differ materially from estimates or projections in the forward-looking statement include, but are not limited to, the risk that Bohai might not achieve anticipated revenue or profit growth, the market for Bohai's products will not grow as expected, and the risk that Bohai's products will not achieve expectations or maintain favorable PRC government treatment. For additional information about risks and uncertainties Bohai faces, see the reports and other documents that Bohai files with the SEC. Bohai claims the protection of the safe harbor for forward-looking statements under the Act and assumes no obligation and expressly disclaims, except as required by law, any duty to update any forward-looking statement to reflect events or circumstances after the date hereof or to reflect the occurrence of subsequent events.

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