

American Oriental Bioengineering Reports First Quarter 2007 Financial Results

*-- Revenues Increased 34.8% to \$25.7 Million in 1Q07 --
-- 1Q07 Net Income Increased 31.1% to \$6.4 Million, or \$0.10 per Diluted Share --
-- Company Provides Financial Outlook for 2Q07 & FY07 --*

New York, May 7, 2007 -- American Oriental Bioengineering, Inc. (NYSE: AOB), a leading manufacturer and distributor of plant-based pharmaceutical and nutraceutical products, today announced financial results for the first quarter of 2007.

Revenues for the first quarter of 2007 increased 34.8% to \$25.7 million from \$19.1 million in the first quarter of 2006. This increase reflects \$6.4 million in revenue from the Company's Jinji product portfolio, as well as year over year growth in the Company's core PBP and PBN products. Revenue from PBP products increased 52.4% to \$18.6 million from \$12.2 million in the prior year's first quarter, driven primarily by the Jinji products series, including the Company's newly launched Yi Mu Cao product for the relief of pre-menstrual symptoms, and by the Cease Enuresis Patch. Revenue from PBN products increased 3.7% to \$7.2 million from \$6.9 million from the first quarter of 2006, due to increased demand for the Company's soy peptide products.

Gross profit in the first quarter of 2007 increased 44.1% to \$17.7 million from \$12.3 million in the first quarter of 2006. Gross profit margin increased 440 basis points to a record 68.8% from 64.4% in the prior year's period. The increase in gross profit was a result of increased sales of PBP products, which carry higher margins and improved operating efficiencies across both business segments.

Operating expenses in the first quarter increased 65.8% to \$9.8 million compared to \$5.9 million in the prior year period. This increase was a result of additional expenses related to GLP that was not associated with the company in the prior year period, as well as increased marketing and advertising expenses related to the Company's efforts to increase market awareness of its brands and products. Operating income for the first quarter increased 24.0% to \$7.9 million from \$6.4 million in the first quarter of 2006. Operating profit as a percent of sales in the first quarter decreased 260 basis points to 30.8% compared to 33.4% in the prior year period.

Net Income for the first quarter of 2007 increased 31.1% to \$6.4 million, or \$0.10 per diluted share, compared to \$4.9 million, or \$0.08 per diluted share, in the prior year period.

Mr. Tony Liu, Chairman and Chief Executive Officer of American Oriental Bioengineering commented, "We are pleased to report another quarter of continued growth in our business. Our major plant-based pharmaceutical and nutraceutical categories contributed to our revenue growth in the first quarter with the biggest contribution coming from our over the counter (OTC) products. Our newly launched Jinji Yi Mu Cau product contributed to our results in the quarter and we are satisfied with the momentum of this product as we move into the second quarter. We continued to effectively manage our operating costs and sourcing efficiencies and were pleased to see stable pricing for our leading products, all of which resulted in record gross margin."

Fiscal 2007 Financial Update

For the second quarter of fiscal 2007, the Company anticipates revenue of approximately \$33.0 million, a 45% increase compared to second quarter 2006 revenues of \$22.8 million, with the majority of this revenue growth coming from products that serve the OTC market, primarily the Jinji product portfolio. The Company anticipates diluted earnings per share of approximately \$0.14, based on a diluted share count of approximately 66.6 million shares outstanding.

For the 2007 fiscal year, the Company anticipates revenues to increase at least 32% from the prior year to at least \$146.0 million. This guidance does not account for any potential acquisitions in 2007.

Mr. Liu concluded, "We continue to focus on opportunities that will further enhance the presence of our leading product brands and strengthen the total number of plant-based healthcare products in our portfolio. Consumer awareness of our brands continues to grow through our marketing efforts and the ongoing expansion of our diverse channels of distribution. We also remain highly focused on the introduction of new products through the pursuit of complimentary acquisitions and additional product line extensions. We believe that these initiatives will better position our company for future growth and will further establish AOBO as a leading integrator and cultivator of plant-based traditional Chinese medicine products."

The Company will conduct a conference call to discuss the first quarter of 2007 results today, Monday, May 7, 2007 after the

market close at 4:30pm ET. Listeners may access the call by dialing 1-888-802-2269 or 1-913-312-1272 for international callers. A webcast will also be available on AOB's website at www.bioaobo.com. A replay of the call will be available through May 14, 2007. Listeners may access the replay by dialing 1-888-203-1112 or 1-719-457-0820 for international callers, password 8515435.

About American Oriental Bioengineering Inc.

American Oriental Bioengineering Inc. (AOB) is engaged in the development and production of plant-based pharmaceutical products and plant-based nutraceutical products widely distributed throughout China. For more information, visit <http://www.bioaobo.com>.

This news release contains forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements that are other than statements of historical facts. These statements are subject to uncertainties and risks including, but not limited to, product and service demand and acceptance, changes in technology, economic conditions, the impact of competition and pricing, government regulation, and other risks contained in reports filed by the Company with the Securities and Exchange Commission. All such forward-looking statements, whether written or oral, and whether made by or on behalf of the company, are expressly qualified by the cautionary statements and any other cautionary statements which may accompany the forward-looking statements. In addition, the company disclaims any obligation to update any forward-looking statements to reflect events or circumstances after the date hereof.

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AMERICAN ORIENTAL BIOENGINEERING, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	2007	2006
	<u> </u>	<u> </u>
REVENUES	\$ 25,722,577	\$ 19,086,901
COST OF GOODS SOLD	8,018,260	6,797,715
GROSS PROFIT	<u>17,704,317</u>	<u>12,289,186</u>
Selling and marketing	2,702,351	1,701,280
Advertising	3,822,911	2,225,187
General and administrative	2,933,066	1,880,964
Depreciation and amortization	333,462	98,643
Total operating expenses	<u>9,791,790</u>	<u>5,906,074</u>
INCOME FROM OPERATIONS	7,912,527	6,383,112
INTEREST INCOME, NET	17,759	81,661
OTHER INCOME (EXPENSE), NET	39,084	(988)
INCOME BEFORE INCOME TAXES	<u>7,969,370</u>	<u>6,463,785</u>
INCOME TAXES	<u>1,523,103</u>	<u>1,547,251</u>
NET INCOME	<u>6,446,267</u>	<u>4,916,534</u>
OTHER COMPREHENSIVE INCOME		
Foreign currency translation gain	1,210,147	259,625
Income tax expense related to other comprehensive income	<u>(399,349)</u>	<u>(85,676)</u>
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX	<u>810,798</u>	<u>173,949</u>
COMPREHENSIVE INCOME	<u>\$ 7,257,065</u>	<u>\$ 5,090,483</u>
NET INCOME PER SHARE		
BASIC	\$ 0.10	\$ 0.08
DILUTED	\$ 0.10	\$ 0.08
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		
BASIC	64,608,561	61,223,435
DILUTED	66,545,541	61,318,674

AMERICAN ORIENTAL BIOENGINEERING, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	<u>ASSETS</u>	
	<u>MARCH 31,</u> <u>2007</u>	<u>DECEMBER 31,</u> <u>2006</u>
	<u>UNAUDITED</u>	
CURRENT ASSETS		
Cash and cash equivalents	\$ 93,442,093	\$ 87,784,419
Accounts receivable, net of reserve of \$54,878 and \$39,776 at March 31, 2007 and December 31, 2006, respectively	10,469,500	11,141,057
Inventories, net of \$596,360 and \$615,552 provision for slow moving inventories at March 31, 2007 and December 31, 2006, respectively	13,224,691	10,684,316
Advances to suppliers	2,533,640	1,950,101
Notes receivable	1,812,275	3,238,161
Other receivables	32,323	37,545
Due from employees	351,984	585,050
Deferred consulting expenses	310,800	166,600
Total Current Assets	<u>122,177,306</u>	<u>115,587,249</u>
LONG-TERM ASSETS		
Plant and equipment, net	32,706,985	32,194,957
Land use rights, net	33,078,441	32,937,743
Construction in progress	314,545	326,121
Deferred tax assets	1,657,731	1,797,153
License, net	363,328	383,755
Goodwill	1,933,100	1,933,100
Long-term investment and advance	138,208	113,868
Total Long-Term Assets	<u>70,192,338</u>	<u>69,686,697</u>
TOTAL ASSETS	<u>\$ 192,369,644</u>	<u>\$ 185,273,946</u>

AMERICAN ORIENTAL BIOENGINEERING, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>MARCH 31,</u> <u>2007</u>	<u>DECEMBER 31,</u> <u>2006</u>
	<u>UNAUDITED</u>	
CURRENT LIABILITIES		
Accounts payable	\$ 2,945,328	\$ 2,871,981
Other payables and accrued expenses	2,633,659	4,549,867
Taxes payable	1,177,561	2,211,542
Short-term bank loans	7,750,987	8,314,679
Current portion of long-term bank loans	1,453,565	1,450,905
Customer deposits	3,194,000	2,263,654
Notes payable	66,455	66,216
Other liabilities	864,075	1,606,334
Total Current Liabilities	20,085,630	23,335,178
LONG-TERM LIABILITIES		
Long-term bank loans, net of current portion	911,847	915,909
Long-term notes payable	262,435	255,836
Deferred tax liabilities	4,614,058	4,580,698
Other liabilities	5,399	9,083
Total Long-Term Liabilities	5,793,739	5,761,526
TOTAL LIABILITIES	25,879,369	29,096,704
SHAREHOLDERS' EQUITY		
Preferred stock, \$0.001 par value; 2,000,000 shares authorized; 1,000,000 shares issued and outstanding at March 31, 2007 and December 31, 2006, respectively	1,000	1,000
Common stock, \$0.001 par value; 150,000,000 shares authorized; 64,784,359 and 64,230,369 shares issued and outstanding, respectively	64,784	64,230
Stock to be issued	297,500	599,069
Additional paid-in capital	95,265,594	92,307,960
Retained earnings (the restricted portion of retained earnings is \$8,498,766 at March 31, 2007 and December 31, 2006, respectively)	65,273,178	58,826,911
Accumulated other comprehensive income	5,588,219	4,378,072
Total Shareholders' Equity	166,490,275	156,177,242
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 192,369,644	\$ 185,273,946