

Management Presentation

May 2009



AOBO
American Oriental Bioengineering Inc
美國東方生物技術有限公司

Safe Harbor Statement

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Company Overview

We are an integrated pharmaceutical company dedicated to improving health by providing a diverse range of branded OTC and Rx products in China.

- n** Leading franchise in women's health, anti-viral and respiratory therapeutics
- n** Established brand equity and marketing strength
 - n China's nationally recognized brands
 - n Over 2,000 sales and marketing professionals
- n** Diversified SFDA-approved product portfolio
 - n 40+ marketed SFDA-approved products
- n** Scale in sales, marketing, distribution and manufacturing
 - n National distribution to hospitals, clinics, pharmacies
 - n Five world-class manufacturing facilities



Investment Highlights

- n Attractive market dynamics
 - n \$24.5 billion pharmaceutical market is far from saturation
 - n Stable, noncyclical sector
 - n Consolidating industry with attractive valuations

- n Large and integrated pharmaceutical business
 - n Creates favorable scale and competitive advantages
 - n Drives flexibility in evolving fast growing market

- n Leading product portfolio
 - n Diverse therapeutic focus in both OTC and Rx
 - n Brand strength and proven sales/marketing capabilities

- n Acquisition landscape extremely compelling
 - n Proven ability to drive growth through acquisitions
 - n Experienced and proven management team

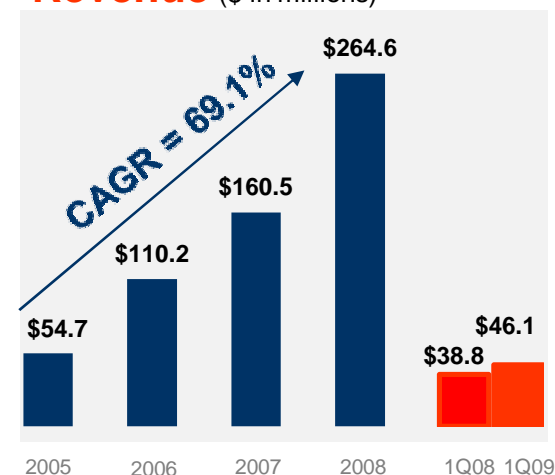
Financial Snapshot

- n NYSE: AOB
- n 52-week price range: \$3.29 - \$12.28
- n Market capitalization: \$340.4M (as of 5/18/09)

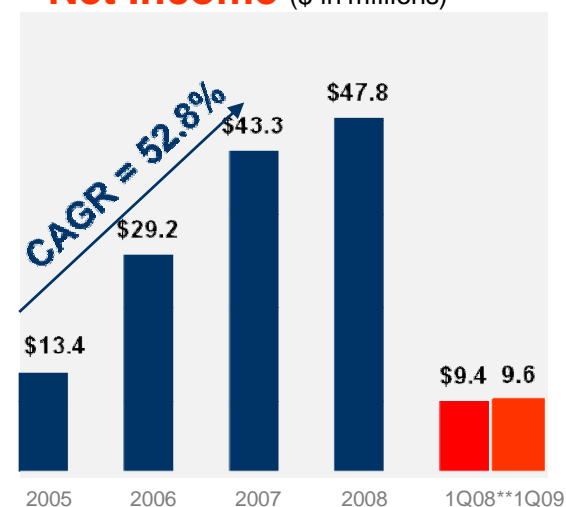
- n 1Q09 revenue up 19% y-o-y to \$46.1M
- n 1Q09 net income of \$7.9M (or \$9.6M, excluding the \$1.7M interest expense not occur in the prior year)
- n 1Q09 diluted EPS was \$0.11

- n Guidance for FY2009:
 - n Estimated 2009 revenue up 30%
 - n Estimated 2009 net income of \$65M
 - n Estimates exclude interest expense, acquisitions

Revenue (\$ in millions)



Net Income (\$ in millions)



**Q09 data excludes interest expense

Market Dynamics & Our Opportunity

Our growth strategy is consistent with and capitalizes on market dynamics.

Market Dynamics

- n Attractive demographics with large aging population
 - n 1.3 billion people - currently less than 8% of China's population is 65 or older. By 2050, that proportion is expected to rise to 24%.
 - n Double digit growth in disposable incomes
 - n Increasing use of western therapeutics and TCM remedies
- n Highly fragmented marketplace
 - n More than 4,000 manufacturers
 - n Many lack scale and access to capital
- n \$124 billion allocated to healthcare expenditure in 2009-2011
 - n Regulatory policies drive consolidation

Our Opportunity

- n Organic growth, market far from saturated
- n Acquisition-led growth, positioned as leading consolidator
- n Growth opportunities also driven by government incentives and policies

Healthcare Reform: Challenges and Opportunities

The PRC's healthcare reform initiative seeks to invest an incremental \$850 bn in the sector

- n Reconfigured, expansive Essential Drug List and National Insurance Plan
 - n Volume vs Margin scenario
 - n Potential pricing pressure

- n Higher quality standards
 - n May force smaller, less capitalized providers out of business.
 - n Consolidation activity and opportunity could increase.

- n Centralized procurement
 - n May favor several large distributors and vertically integrated corporations

- n Reform favors Traditional Chinese Medicine
 - n Recent opinions issued on co-existence of Chinese and western medicine
 - n Focus on preventative medicine
 - n New clinics and staff focused on TCM

Growth Strategy: Focus on Long-term and Sustainable Growth



Acquisition Strategy

Proven ability to **identify and acquire** potential assets

Dedicated 14-person multi-disciplinary team with expertise across all business development functions

Successful track record and relationships with local governments enhances credibility

In-depth experience in **integrating acquisitions and realizing** full potential

Strong focus on corporate culture, employee mentality and work attitude

Capital injection to fund growth

Leverage sales and marketing and branding platforms

Acquisition Target Profile

- ü Strong strategic fit with existing business
- ü Complementary therapeutic areas
- ü Leading brand name within target markets
- ü Joint ventures and minority stakes

Evolution of AOBO's Vertical Integration

Founded in 1994	Harbin Three Happi-ness	Nutraceutical Business
Acq in 2004	HSPL	Core Rx Brand Injectable Mfg Hospital Sales
Acq in 2006	GLP	Core OTC Brand Mfg Capabilities OTC Sales
Acq in 2006	HQPL	Distribution Network
Acq in 2007	CCXA	Rural Market Expand Product Portfolio
Acq in 2007	BOKE	Top Product Line Business Expansion
2008	CAXG – Strategic Alliance	Expansion Into Pain Management
2008	Nuo Hua Investment Company, Ltd.	Sales Network Access and Scale
2008	GuangXi HuiKe Research and Development Company Ltd	Pharmaceutical research and product development



Soy Peptide Series



SHL Injection Powder



Jinji Series



Distribution Reach



Boke Nasal Spray



Naloxone

Core Existing Product Portfolio

Pharmaceutical Products

Product	Indication	Differentiator
Jinji Capsule (Rx)	Endometritis, annexitis and inflammations	One of top 3 leading brand and Celebrity-endorsement
Jinji Yimucao (OTC)	PMS and menopause-related symptoms	Product line extension of leading Jinji brand
Boke Nasal Spray (OTC)	Nasal congestion and sinus infection	Leading brand nasal spray in China
SHL Injection Powder (Rx)	Respiratory infections, bronchitis and tonsillitis	One of only two SFDA-licensed providers
CE Gel (Rx)	Bedwetting	Only SFDA-approved plant based prescription product for bedwetting
CCXA Product Portfolio (Rx and OTC)	Various	Quality generic drugs fit in high growth rural market

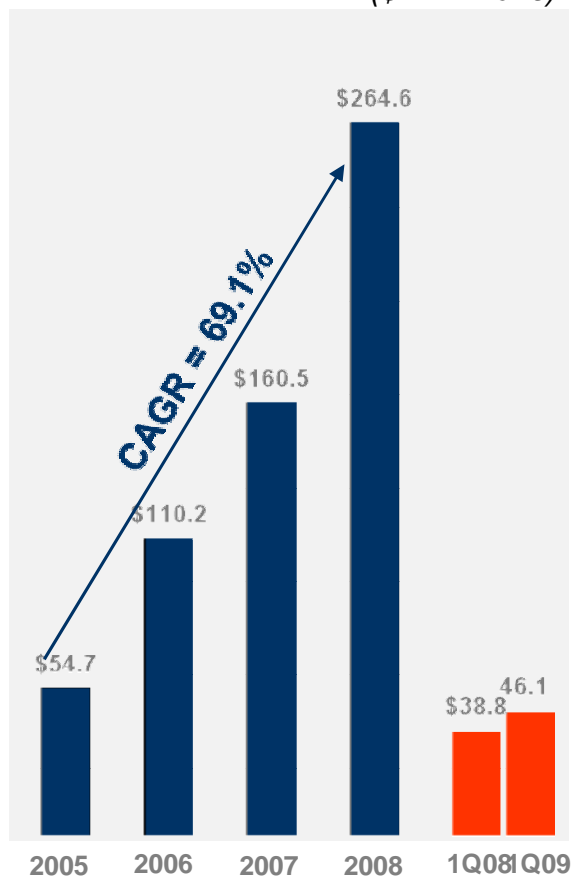
Nutraceutical Products

Product	Indication	Differentiator
Soy Peptide Series	Retail	Nutritional products for overall health and well-being

Financial Highlights

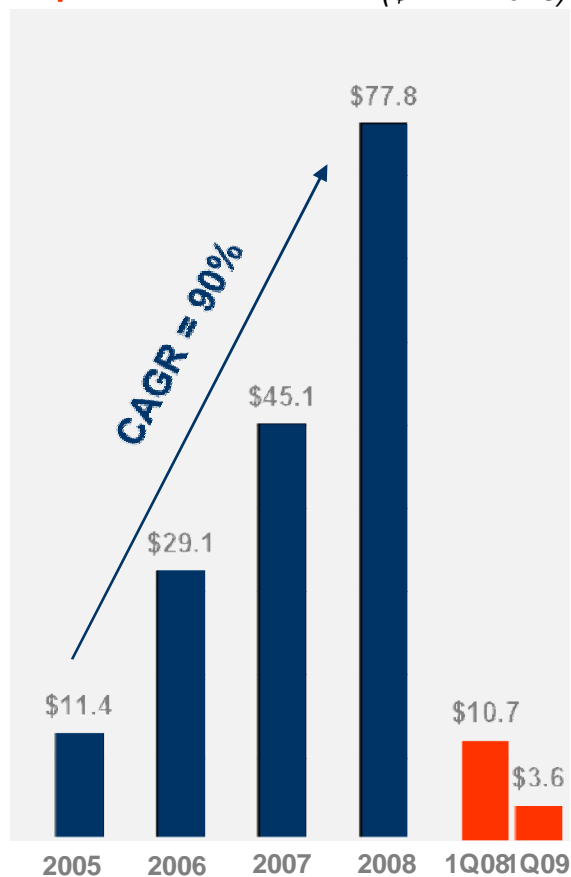
Revenue

(\$ in millions)



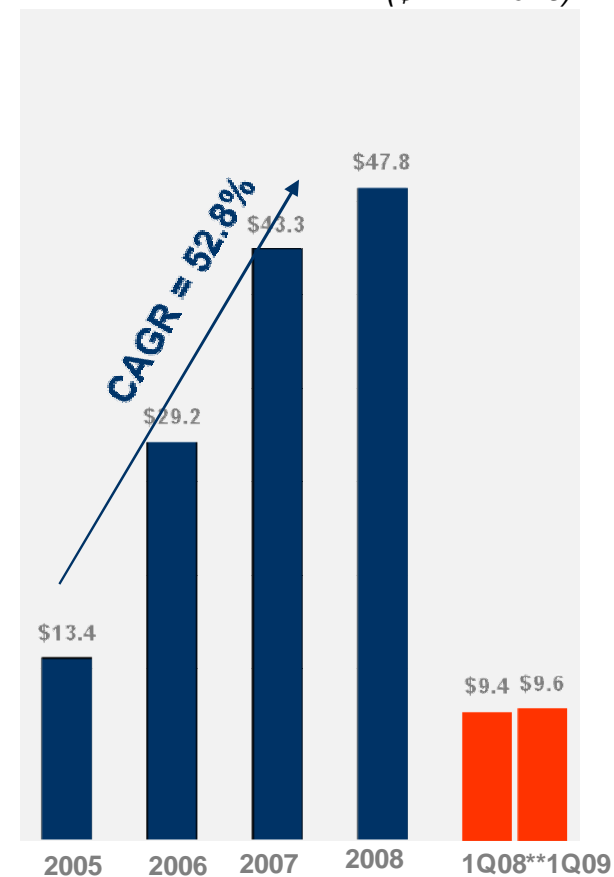
Cash Flow from Operations

(\$ in millions)



Net Income

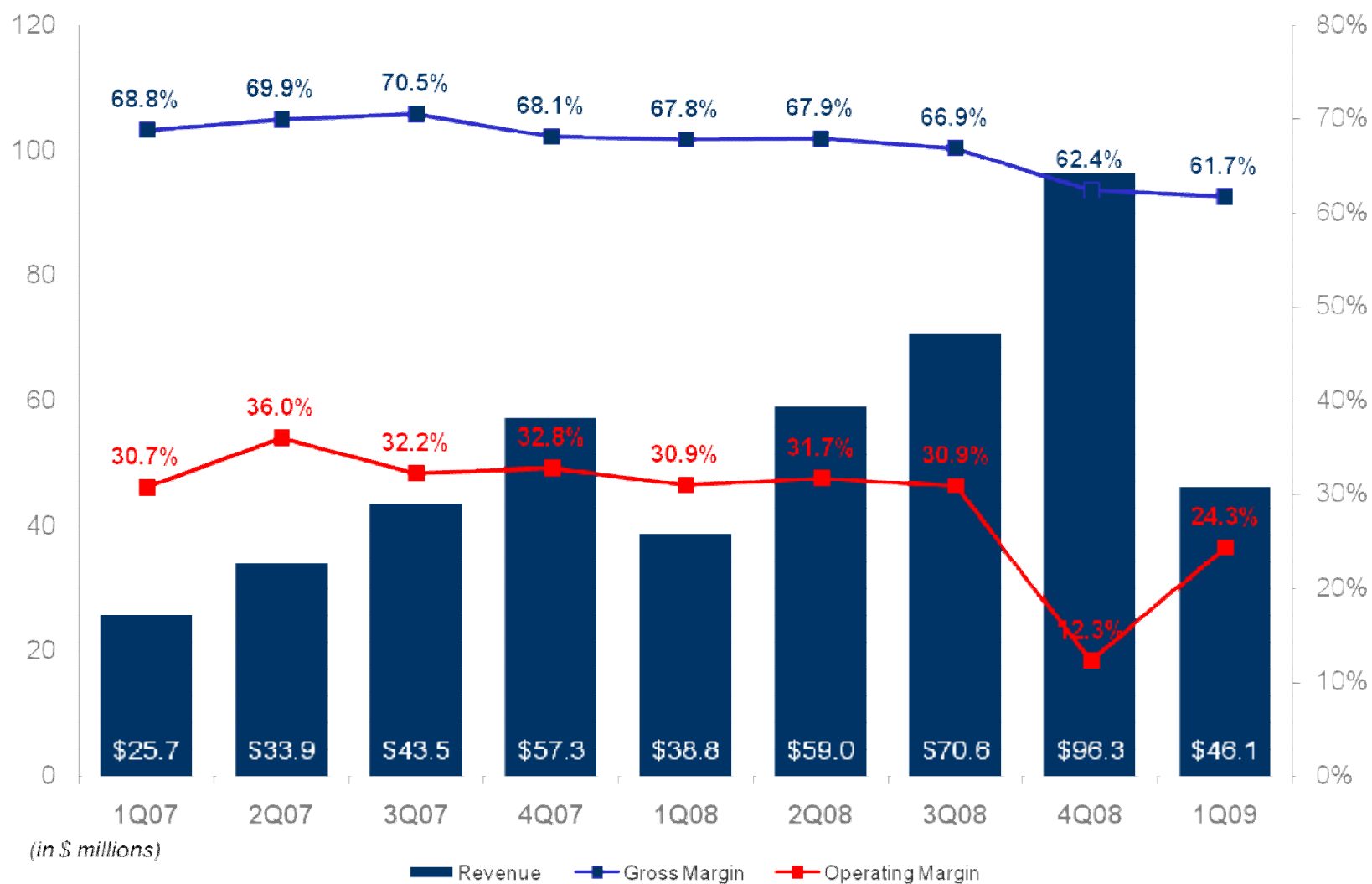
(\$ in millions)



**1Q09 data excludes interest expense

Financial Highlights

Revenue and Margin Performance



Financial Highlights

Strong Balance Sheet

(\$ in millions)

As of March 31, 2009

Cash, Cash equivalents and short term investments	\$73.9
Working Capital (exclude cash)	\$23.2
Total Assets	\$524.9
Total Bank Debt (including current maturities)	\$8.3
Convertible Note (mature in 2015)	\$115.0
Stockholders' Equity	\$353.9

Financial Highlights

Financial Ratios

Significant Ratios	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09
Selling and Marketing	8.2%	7.2%	10.5%	11.5%	13.0%	14.7%	13.0%	13.0%	14.1%	17.8%	11.3%
G & A	8.2%	9.5%	11.4%	7.5%	8.6%	7.2%	10.1%	8.9%	6.3%	5.3%	9.9%
Advertising	13.3%	15.4%	14.9%	16.0%	15.9%	11.7%	11.3%	12.6%	14.0%	12.8%	12.1%
Current Ratio	4.9	5.0	6.1	6.1	5.9	7.8	9.1	6.5	7.8	2.9	3.5
Inventory Turnover	2.2	3.9	1.9	2.8	2.8	4.7	1.9	3.1	4.1	7.4	5.1
Days Sales Outstanding	32.2	24.6	37.1	31.9	32.2	26.1	34.3	32.3	38.2	42.7	32.4
Return on Assets*	16.5%	18.5%	17.8%	18.4%	17.3%	16.2%	14.8%	14.0%	13.5%	11.3%	10.3%
Return on Equity*	19.1%	21.7%	21.1%	21.5%	20.2%	18.6%	16.9%	16.0%	16.6%	14.3%	13.5%

**trailing 4-quarter moving average*