

American Oriental Bioengineering Reports First Quarter 2010 Financial Results

New York, May 10, 2010 – American Oriental Bioengineering, Inc. (NYSE: AOB), (“the Company” or “AOBO”), a pharmaceutical company dedicated to improving health through the development, manufacture and commercialization of a broad range of prescription and over the counter (“OTC”) products, today announced financial results for the first quarter ended March 31, 2010.

First Quarter 2010 Financial Performance

Revenue in the first quarter of 2010 increased 16.7% year over year to \$53.7 million from \$46.1 million, reflecting continued demand for the Company’s core prescription and OTC pharmaceutical products.

- Revenue from pharmaceutical products increased 17.8% to \$40.9 million from \$34.7 million in the first quarter of 2009, driven by increased demand for the Shuanghuanglian (“SHL”) Injection Powder, BOKE and CCXA pharmaceutical products, as well as the newly-launched products such as YuYeQingHuo Capsules. Revenue from prescription pharmaceutical products increased 29.3% to \$20.9 million from \$16.2 million in the prior year period, reflecting a year over year increase in sales from the prescription Jinji capsule, SHL powder, Boke and CCXA prescription products. The overall increase in sales was also supported by continuous marketing efforts, an increase in new product offerings, and expansion of coverage to previously unaddressed rural markets. OTC pharmaceutical products generated \$19.9 million in revenue during the first quarter of 2010, in comparison to \$18.5 million in the prior year period, reflecting increased sales of our Boke and CCXA products as a result of improved recognition of those products.
- Nutraceutical products generated revenue of approximately \$9.7 million in the first quarter of 2010, up 8.5% from \$8.9 million in the prior year period, reflecting increased sales of new beverage products launched in the second quarter of 2009.
- The Company generated \$3.2 million from its distribution business, Nuo Hua, in the first quarter of 2010. An increase of 29.5% was mainly attributed to the Nuo Hua’s expanding market coverage.

Gross profit in the first quarter of 2010 was \$28.2 million, compared to \$28.4 million in the first quarter of 2009. Gross margin was 52.5%, compared to 61.7% in the prior year period, reflecting continued revenue mix shift to CCXA’s generic product sales as well as increasing raw material prices.

Operating income in the first quarter of 2010 was \$6.4 million, compared to \$10.9 million in the prior year period. Selling and marketing expenses increased 14.7% to \$6.0 million from \$5.2 million in the prior year period, and advertising expense increased 21.2% to \$6.7 million in the first quarter of 2010 from \$5.6 million in the prior year period. General and administrative expenses increased 8.6% to \$4.8 million from \$4.4 million in the prior year period. Research and development expenses increased to \$2.8 million from \$0.7 million in the prior year period. This reflects the Company’s continuing efforts to invest in the centralized R&D centre in Beijing.

Net income attributable to controlling interest for the first quarter of 2010 was \$3.1 million, compared to \$7.2 million in the prior year period. The Company’s net income attributable to controlling interest was \$0.04 per diluted share, compared to \$0.10 per diluted share in the same period of 2009.

Balance Sheet

As of March 31, 2010, the Company had \$99.0 million in cash and cash equivalents, including restricted portions, and generated approximately \$5.8 million of operating cash flow during the first quarter of 2010. Working capital was \$136.9 million as of March 31, 2010, reflecting an increase of 4.6% from \$130.9 million as of December 31, 2009.

Mr. Tony Liu, Chairman and Chief Executive Officer of American Oriental Bioengineering, commented, “We are very satisfied with our performance in the first quarter, despite the challenging global economic environment and the changing Chinese regulatory environment. During the past quarter, we continued to invest heavily in R&D, which consumed 5% of total revenue, in order to upgrade our existing products and develop new proprietary products to lay a solid foundation for AOBO’s near term and long term growth. Meanwhile, we continued to fortify our market position, strengthen our presence in rural areas, and diversify our business operations through cost control, advertising campaigns, and sales network expansion. We are confident that we will achieve initial success from the above combined efforts in the latter part of this year.”

Conference Call

The Company will hold a conference call at 8:00 am ET on Monday, May 10, to discuss its results. Listeners may access the call by dialing 1- 866-804-6927 or 1-857-350-1673 for international callers, access code: 92995812. A webcast will also be available through AOB's website at www.bioaobo.com. A replay of the call will be available through May 17, 2010. Listeners may access the replay by dialing 1-888-286-8010 or 1-617-801-6888 for international callers, access code: 50942560.

About American Oriental Bioengineering, Inc.

American Oriental Bioengineering, Inc. is a pharmaceutical company dedicated to improving health through the development, manufacture and commercialization of a broad range of prescription and over the counter products.

Statements made in this press release are forward-looking and are made pursuant to the safe harbor provisions of the Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties that may cause actual results to differ materially from those set forth in these statements. The economic, competitive, governmental, technological and other factors identified in the Company's filings with the Securities and Exchange Commission, including the Form 10-K for the year ended December 31, 2010, may cause actual results or events to differ materially from those described in the forward looking statements in this press release. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether because of new information, future events, or otherwise.

Integrated Corporate Relations, Inc.
Ashley M. Ammon
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AMERICAN ORIENTAL BIOENGINEERING, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(UNAUDITED)

	THREE MONTHS ENDED	
	MARCH 31	
	<u>2010</u>	<u>2009</u>
Revenues	\$ 53,749,768	\$ 46,077,190
Cost of sales	25,513,047	17,660,338
GROSS PROFIT	<u>28,236,721</u>	<u>28,416,852</u>
Selling and marketing expenses	5,976,226	5,211,502
Advertising costs	6,748,470	5,567,357
Research and development costs	2,778,809	749,798
General and administrative expenses	4,766,486	4,390,701
Depreciation and amortization expenses	1,596,958	1,632,586
Total operating expenses	<u>21,866,949</u>	<u>17,551,944</u>
INCOME FROM OPERATIONS	<u>6,369,772</u>	<u>10,864,908</u>
Equity in earnings from unconsolidated entities	117,473	437,794
Interest expense, net	(1,565,785)	(1,579,269)
Other income (expenses)	12,247	(98,609)
INCOME BEFORE INCOME TAXES	<u>4,933,707</u>	<u>9,624,824</u>
Income tax	<u>1,815,930</u>	<u>2,469,764</u>
NET INCOME	<u>3,117,777</u>	<u>7,155,060</u>
Net loss (income) attributable to non-controlling interest	<u>5,400</u>	<u>(3,551)</u>
NET INCOME ATTRIBUTABLE TO CONTROLLING INTEREST	<u>3,123,177</u>	<u>7,151,509</u>
OTHER COMPREHENSIVE INCOME	<u>92,849</u>	<u>491,337</u>
COMPREHENSIVE INCOME	<u>\$ 3,216,026</u>	<u>\$ 7,642,846</u>
EARNINGS PER COMMON SHARE		
Basic	\$ 0.04	\$ 0.10
Diluted	\$ 0.04	\$ 0.10
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	74,697,044	74,538,593
Diluted	89,460,953	86,917,603

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

	MARCH 31,	DECEMBER
	2010	2009
CURRENT ASSETS		
Cash and cash equivalents	\$ 95,787,301	\$ 91,126,486
Restricted Cash	3,209,381	3,298,379
Accounts and notes receivable, net	53,503,601	57,504,454
Inventories, net	19,838,535	10,015,711
Advances to suppliers and prepaid expenses	5,525,812	13,901,180
Refundable deposit		-
Deferred tax assets	590,330	824,451
Other current assets	1,494,931	1,246,647
Total Current Assets	179,949,891	177,917,308
LONG-TERM ASSETS		
Property, plant and equipment, net	94,614,699	95,468,265
Land use rights, net	152,805,027	153,604,196
Other long term assets	7,930,112	7,909,086
Construction in progress	30,111,567	28,975,386
Other intangible assets, net	17,480,990	18,695,554
Goodwill	33,164,121	33,164,121
Investments in and advances to equity investments	57,461,382	57,325,887
Deferred tax assets	138,746	134,268
Unamortized financing costs	3,055,621	3,287,694
Total Long-Term Assets	396,762,265	398,564,457
TOTAL ASSETS	\$ 576,712,156	\$ 576,481,765
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
	MARCH 31,	DECEMBER
	2010	2009
CURRENT LIABILITIES		
Accounts payable	\$ 10,660,316	\$ 7,497,143
Notes payable	3,297,568	3,392,575
Other payables and accrued expenses	14,935,485	22,320,757
Taxes payable	352,439	947,338
Short-term bank loans	10,386,039	10,384,368
Current portion of long-term bank loans	60,404	60,108
Due to related parties		
Other liabilities	3,140,176	2,199,280
Deferred tax liabilities	172,017	172,473
Total Current Liabilities	43,004,444	46,974,042
LONG-TERM LIABILITIES		
Long-term bank loans	727,731	743,957
Long-term notes payable	-	-
Deferred tax liabilities	15,737,755	15,961,465
Unrecognized tax benefits	3,300,625	2,746,561
Convertible Notes	115,000,000	115,000,000
Total Long-Term Liabilities	134,766,111	134,451,983
TOTAL LIABILITIES	177,770,555	181,426,025
EQUITY		
SHAREHOLDERS' EQUITY		
Preferred stock, \$0.001 par value; 2,000,000 shares authorized; 1,000,000 shares issued and outstanding at at March 31, 2010 and	1,000	1,000
Common stock, \$0.001 par value; 150,000,000 shares authorized; 78,321,439 shares issued and outstanding at March 31, 2010 and	78,321	78,321
Common stock to be issued	485,000	388,000
Prepaid forward repurchase contract	(29,998,616)	(29,998,616)
Additional paid-in capital	200,408,156	199,829,921
Retained earnings (the restricted portion of retained earnings is \$23,757,901 at both March 31 and December 31, 2009)	194,296,931	191,173,754
Accumulated other comprehensive income	33,143,073	33,050,224
Total Shareholders' Equity	398,413,865	394,522,604
Non-controlling Interest	527,736	533,136
TOTAL EQUITY	398,941,601	395,055,740
TOTAL LIABILITIES AND EQUITY	\$ 576,712,156	\$ 576,481,765