

Management Presentation

October 2009



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

Safe Harbor Statement

This presentation 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, performance and results of operations, 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 statements filed from time to time 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.



Company Overview

We are a leading China-based, vertically integrated pharmaceutical company dedicated to improving health by providing a diverse range of branded OTC and Rx products.

- Leading franchise in women's health, anti-viral and respiratory therapeutics
- Established brand equity and marketing strength
 - China's nationally recognized brands
 - Over 2,000 sales and marketing professionals
 - Wholly owned marketing and distribution subsidiary
- Diversified 400+ SFDA-approved product portfolio
 - 100+ included in China's National Medical Insurance Catalog
 - 60+ currently being marketed
 - 61 listed on China's Essential Drug List
- Scale in sales, marketing, distribution and manufacturing
 - National distribution to hospitals, clinics, pharmacies
 - Five world-class manufacturing facilities
- Expertise in rural areas aligned with focus of China healthcare reform

Investment Highlights

- Attractive market dynamics
 - China forecasted to be 5th largest pharmaceutical market and largest OTC market in the world by 2011
 - Rapid growth fuelled by China healthcare reforms
 - Stable, noncyclical sector
 - Consolidating industry with attractive valuations
- Vertically integrated pharmaceutical business
 - Product innovation, development, manufacturing, branding, distribution
 - Creates favorable scale and competitive advantages
 - Drives flexibility in an evolving and fast growing environment
- Leading product portfolio
 - Brand strength and proven sales/marketing capabilities
 - Therapeutic focus in both OTC and Rx
 - Diverse product offering with robust pipeline
- Experienced and stable talent base and management team
- Focused on integrating and realizing value of acquisitions

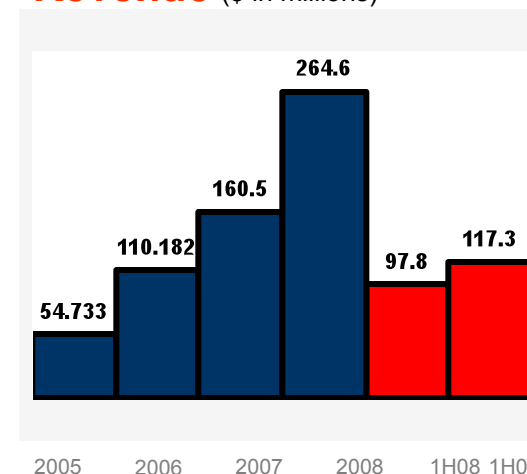
Financial Snapshot

- NYSE: AOB
- 52-week price range: \$3.29 - \$8.29
- Market capitalization: \$430.7M (as of 9/8/09)

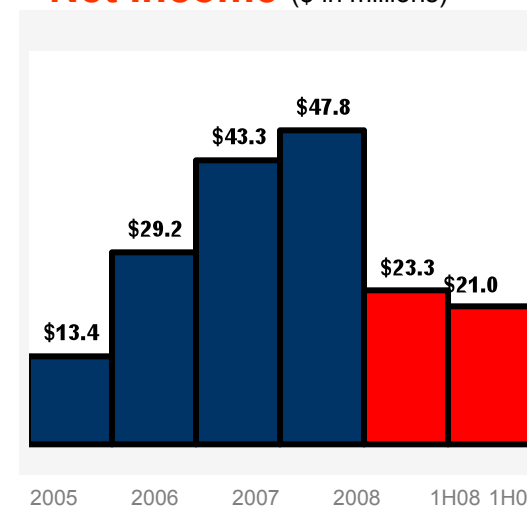
- 2Q09 revenue up 21% y-o-y to \$71.2M
- \$22.9 million of operating cashflow generated
- 2Q09 net income of \$13.2M (or \$14.8M, excluding the \$1.6M interest expense not occurring in the prior year)
- 2Q09 diluted EPS was \$0.17

- Guidance for FY2009:
 - Estimated 2009 revenue up 30%
 - Estimated 2009 net income of \$55M
 - Estimates exclude interest expense

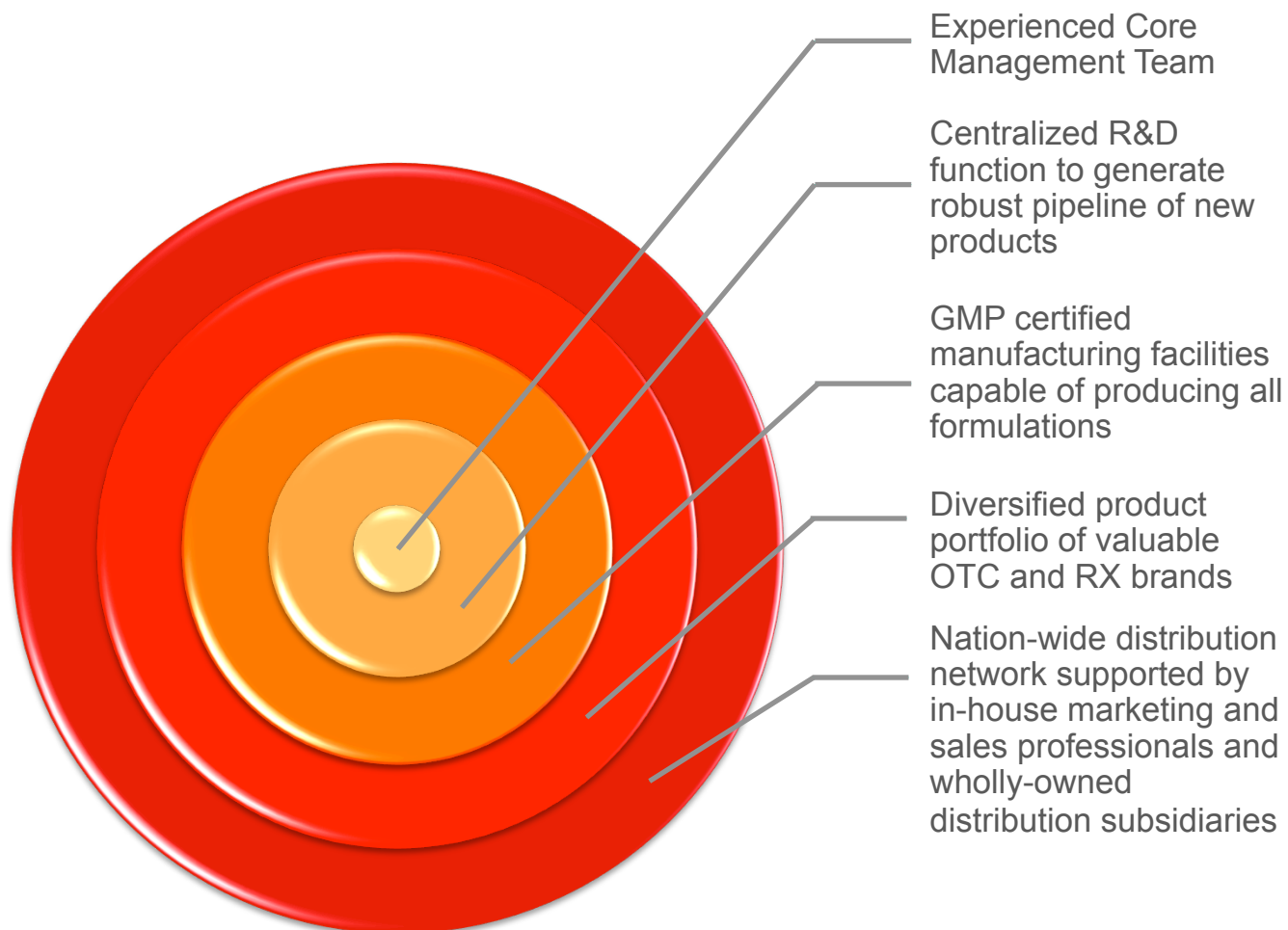
Revenue (\$ in millions)



Net Income (\$ in millions)



Organization Structure



Market Dynamics & Our Opportunity

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

Market Dynamics

- Attractive demographics with large aging population
 - 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%.
 - Double digit growth in disposable incomes
 - Increasing use of western therapeutics and TCM remedies
- \$124 billion allocated to healthcare expenditure in 2009-2011
 - Regulatory policies drive consolidation
- Highly fragmented marketplace
 - More than 4,000 manufacturers
 - Many lack scale and access to capital

Our Opportunity

- Organic growth, market far from saturated
- Innovation-led new product pipeline and R&D efforts to drive new revenue opportunities
- Growth opportunities also driven by government incentives and policies
- Sixty-One products included in the Essential Drug List, including AOBO's leading product, Jinji Yimucao
- Acquisition opportunities

Healthcare Reform: Challenges and Opportunities

The PRC's healthcare reform initiative seeks to invest an incremental RMB850 bn in the sector

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

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

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

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

Growth Strategy: Focus on Long-term and Sustainable Growth

Intellectual Property Protection

- PRC State protection rules
- Maintain patent protection and market exclusivity

Existing and New Product Promotion

- Leverage sales & marketing infrastructure
- Expand direct-to-consumer
- advertising campaign
- In-licensing

Research & Development

- Centralized R&D functions
- Develop new products & novel formulations
- FDA Phase I clinical trial

Cohesive Management team

- Industry veterans in China
- Sales & Marketing skills
- Long-term history with AOBO
- Strategic new hires

Pursue Strategic Opportunities

- Close attention to market dynamics
- Dedicated team evaluating opportunities
- Joint ventures, equity interests, acquisitions

Expand Distribution Network

- Enhance point of sale presence
- Utilize distributor weight



Evolution of AOBO's Vertical Integration

Founded in 1994	Harbin Three Happiness	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



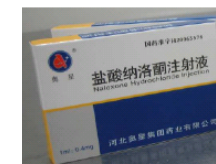
Jinji Series



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

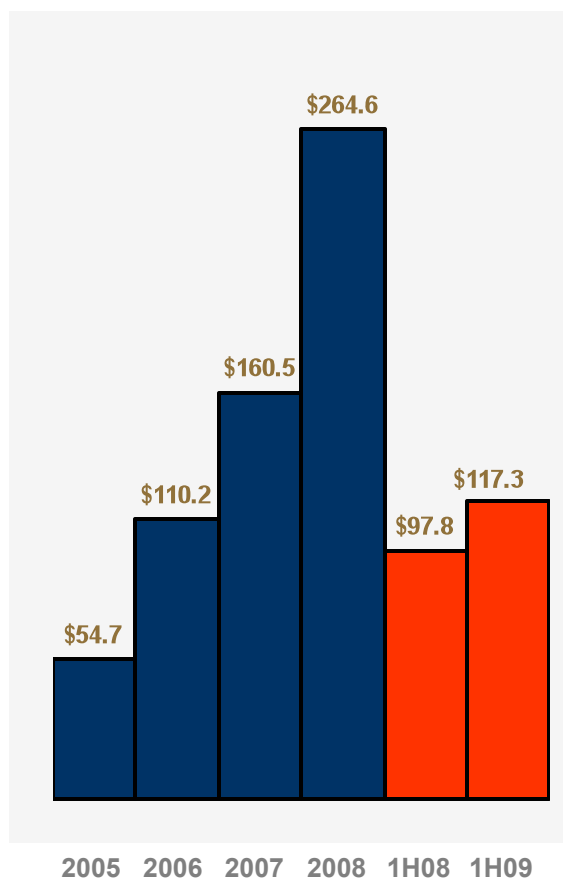
Recent Developments

- 61 products included in China's Essential Drug List
- Jinji Capsules and Boke Nasal Spray named "China's Top Branded Drugs of 2009"
- Appointed Ernst & Young Hua Ming as auditor
- Launched 3 products: Jingwei Capsules, Loratadine Capsules and YuYeQingHuo Capsules
- Named one of the "Top 20 Most Competitive Public Pharmaceutical Companies in China"

Financial Highlights

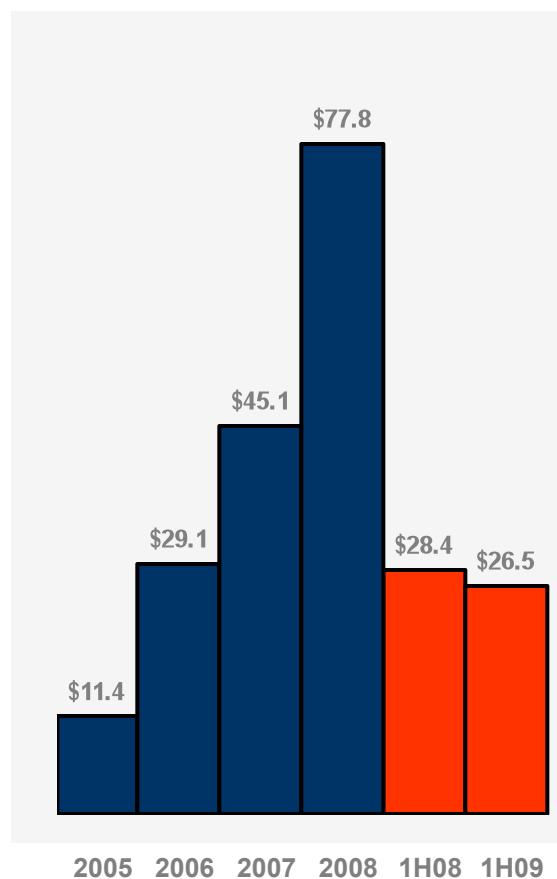
Revenue

(\$ in millions)



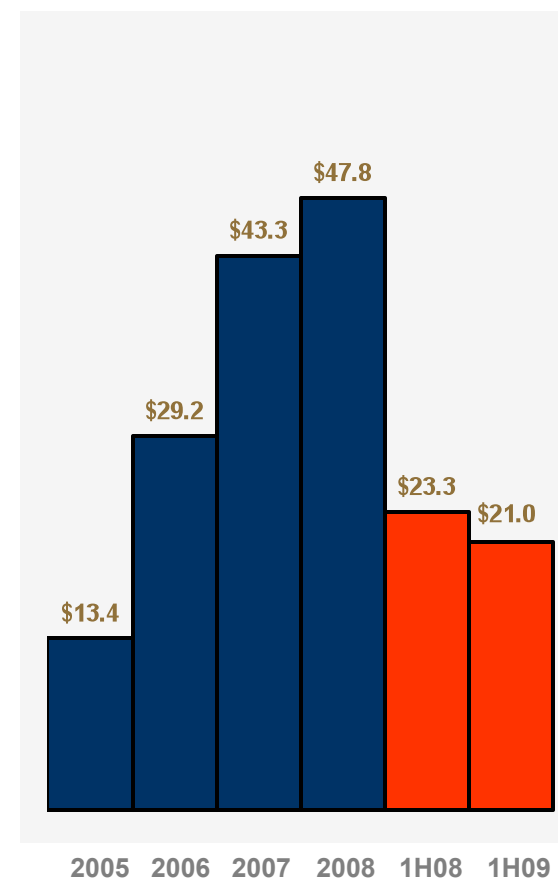
Cash Flow from Operations

(\$ in millions)



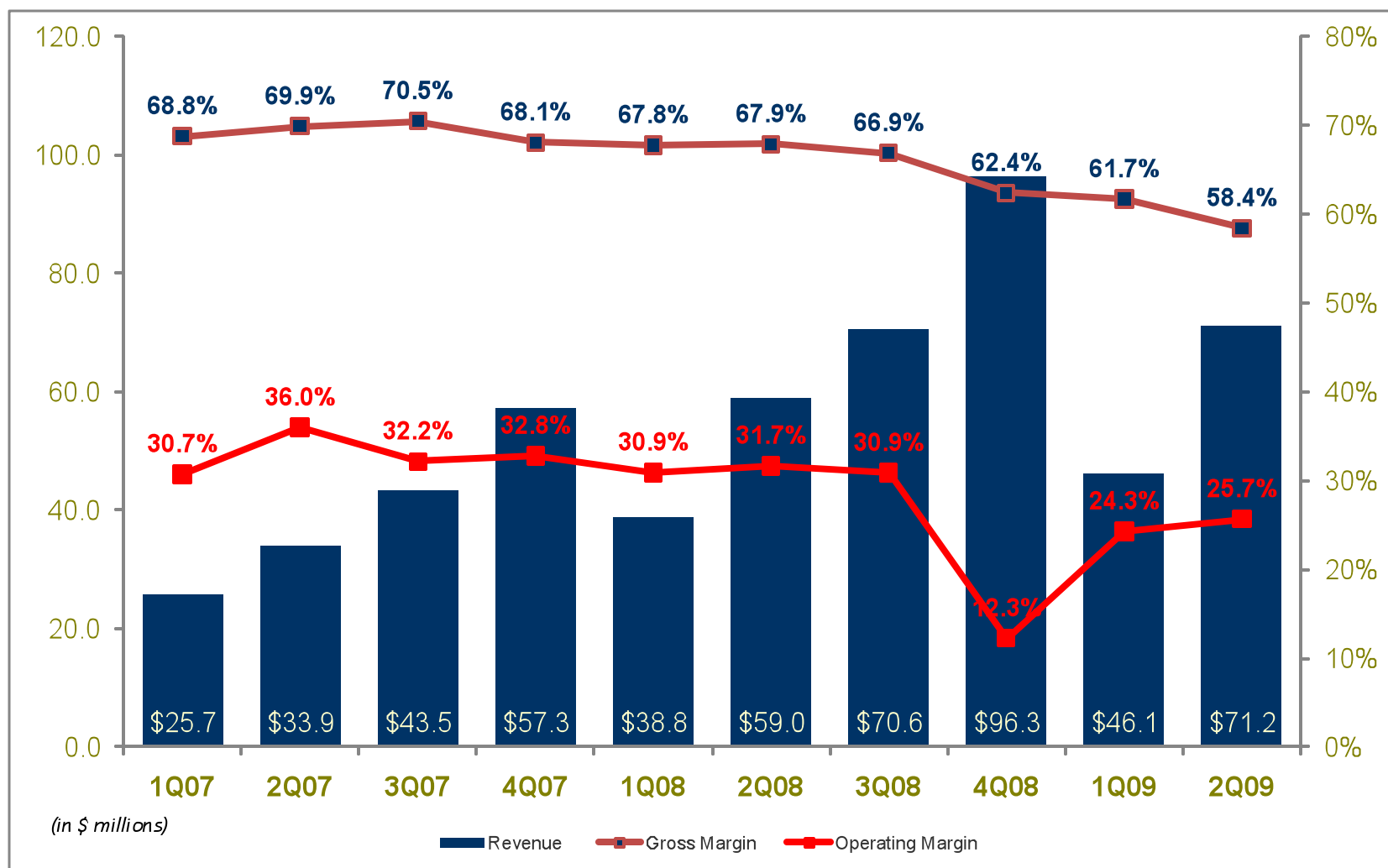
Net Income

(\$ in millions)



Financial Highlights

Revenue and Margin Performance



Financial Highlights

Strong Balance Sheet

(\$ in millions)

As of June 30, 2009

Cash, Cash equivalents and short term investments	\$100.7
Working Capital (exclude cash)	\$12.0
Total Assets	\$540.8
Total Bank Debt (including current maturities)	\$7.6
Convertible Note (mature in 2015)	\$115.0
Stockholders' Equity	\$367.7