September 22, 2009

**AOB Chairman's Questionable Second Passport and Potential Undisclosed Conflicts of Interest.**

The chairman and CEO of American Oriental Bioengineering, Inc. (NYSE: AOB), Shujun "Tony" Liu, used a second passport from the Commonwealth of Dominica in addition to his Chinese passport in corporate filings with the Hong Kong Companies Registry ("HKCR"). Liu has appeared in publicly-available HKCR filings as a director for at least nine different Hong Kong companies.

Five of these companies appear to be indirect subsidiaries of AOB, but only one of them has been listed as a subsidiary in AOB's SEC filings. All of AOB's subsidiaries should be disclosed in SEC filings. The absence of adequate disclosures raises questions about why the company has subsidiaries not disclosed to investors. Liu has disclosed ownership interests in two of the companies, and any possible conflicts, are also not disclosed in AOB's filings.

Click here to see a list of the nine registered Hong Kong companies with which Tony Liu is associated. These can be obtained online from the Hong Kong Companies Registry website.

In some of these companies' filings, Liu has been listed with a Chinese passport number as identification. In others, Liu is listed with a Dominica passport number. Liu has used two different Dominica passport numbers.

Attached are HKCR filings of two different companies showing two different Commonwealth of Dominica passport numbers for Tony Liu: American Oriental Bioengineering (Hong Kong) Limited and Silver Linkage Holdings Limited.

Silver Linkage is not a subsidiary of AOB, but involves not just Liu but also AOB's CFO, an AOB co-founder and director, and one of AOB's independent directors, in an apparent plan to build Silver "into one of the finest pharmaceutical companies in the world." Click here to access a separate report on this issue.

The Commonwealth of Dominica is a small Caribbean nation with a population of approximately 75,000. To raise money, beginning in the early 1990's Dominica created an "Economic Citizenship Program," whereby individuals from other countries can purchase passports for approximately US$75,000, or $100,000 for a family of four, according to the U.S. Department of State and a Commonwealth of Dominica website.

According to a 2008 BBC report, Canada has imposed travel restrictions on holders of Dominica passports, citing "their economic citizenship programmes as posing criminal, security and border integrity concerns."

A U.S. State Department report on money laundering from 2008 states, "Dominica's Economic Citizenship Program
does not appear to be adequately regulated. In the past, subjects of United States criminal investigations have been identified as exploiting the program."

The State Department report also describes Dominica's growth as a tax haven appealing to international criminals: "The Commonwealth of Dominica initially sought to attract offshore dollars by offering a wide range of confidential financial services, low fees, and minimal government oversight. A rapid expansion of Dominica's offshore sector without proper supervision made it attractive to international criminals and vulnerable to official corruption."

Many within Dominica have acknowledged problems with the economic citizenship program. The program became a divisive political issue within Dominica around the time of the 2000 elections. At that time, a spokesman for the opposition party stated, "What the government is doing with the rampant selling of passports to criminals and criminal gangs all over the world is to eventually establish Dominica as a center for international crime," according to an Associated Press report.

Dominica's then Prime Minister, Pierre Charles, stated in 2001, "A number of people who held Dominican passports were discovered to have had criminal records," according to a BBC story.

The Los Angeles Times echoed these comments in an article from February 20, 2000: "U.S. and British law enforcement officials say this nation of 75,000 people has opened itself to threats from Russian and Chinese organized crime figures and international money launderers. The threat comes, U.S. officials say, through the island’s controversial Economic Citizenship Program..."

According to HKCR records, Mr. Liu has had a Dominica passport since at least April 2004, when AOB was listed on the OTC bulletin board. The question arises of why the chairman and CEO of an NYSE-listed company would use multiple passports in regulatory filings for Hong Kong companies that include several subsidiaries of AOB, and indeed, why he would have a passport from Dominica at all. At the least, it raises an appearance of inappropriateness and suggests Mr. Liu is not sufficiently counseled on corporate governance standards acceptable to U.S. investors.

In what is yet another disclosure issue for AOB, for all nine of the Hong Kong companies where Liu is a director, the corporate secretary is Hotex Company Secretary Limited. Hotex is a part of accounting firm K.P. Cheng & Co., which partners with Weinberg & Company, AOB's auditor until mid-August 2009, in providing audit services, according to K.P. Cheng's website. The connection between the corporate secretary of AOB's subsidiaries, other corporations where Liu has a personal interest, and AOB's former U.S. auditor appears to be a potential source of conflicts-of-interest.

A report issued by asensio.com on August 5 analyzed disclosures made by AOB concerning a reported $105 million spent in property transactions. <a href="http://www.asensio.com/Reports/ReportView.aspx?ReportId=973&CompanyId=167&CompanyName=American+Oriental+Bioengineering%2c+Inc.&IsArchived=false">Click here</a> to access the report. The report compared disclosures made by AOB in SEC filings with those made in filings with Chinese regulatory agencies. Following the asensio.com report, AOB issued a statement offering an explanation. The explanation is provided and commented upon in an <a href="http://www.asensio.com/Reports/ReportView.aspx?ReportId=978&CompanyId=167&CompanyName=American+Oriental+Bioengineering%2c+Inc.&IsArchived=false">August 7th asensio.com report</a>. AOB has not yet, however, provided complete documentation to fully support its explanation, which in our opinion should include a copy of an independent appraisal of the acquired property.