

March 10, 2010

## *Will CSKI's Auditor Sign off on CSKI's 10-K?*

[report issued by asensio.com yesterday](http://www.asensio.com/Reports/ReportView.aspx?ReportId=1035&CompanyId=165&CompanyName=Report) revealed that Moore Stephens, P.C., the accounting firm that serves as auditor to China Sky One Medical, Inc. (NASDAQ: CSKI), is the subject of a lawsuit.

The complaint against Moore Stephens alleges that the accounting firm is liable for securities fraud in issuing an unqualified opinion letter on CSKI's audited financial statements and not correcting its opinion when it knew or should have known that CSKI's financial statements were materially inaccurate.

It is unclear whether this lawsuit could make Moore Stephens withhold or withdraw an opinion on CSKI's 2009 financial statements. Today CSKI announced that it will release earnings for the fourth quarter of 2009 on March 17, 2010.

The complaint alleges that the material inaccuracies in CSKI's financial statements include a line-item representing approximately 15% of CSKI's total assets at December 31, 2008.

The claims against Moore Stephens seem to have merit, in that the complaint provides evidence that CSKI did not own the patents that it claimed to own in its 2008 10-K and that it stated were worth more than \$15 million in its financial statements, which Moore Stephens audited and approved.

The complaint states that a report on the non-existence of CSKI's patents was sent to Moore Stephens. The complaint states that Moore Stephens therefore had knowledge of the material inaccuracies in CSKI's financial statements and should have corrected its opinion.

CSKI may face liability as an outcome of the legal action in having to write-off the value of its supposed "patents."

Moore Stephens could face primary liability for securities fraud. It could also face action from the Public Company Accounting Oversight Board ("PCAOB"), which oversees auditors of public companies, or from the SEC, which oversees the PCAOB.