

June 08, 2009

What's Behind China Sky's Weight-Loss Patch Sales and Gross Margin Claims. FTC says "Products worn or rubbed on the skin do not cause weight loss."

China Sky One Medical, Inc. (NASDAQ: CSKI) states in its 10-K that its weight-loss patch product, the Sumei Slim Patch, is "believed to foster weight loss and prevent weight gain." The Sumei Slim Patch comprised 22% of China Sky's total sales in 2008, according to the company's fourth quarter earnings conference call.

There have been many reports of customers buying China Sky's Slim Patch complaining that the product was ineffective and even caused adverse reactions such as a skin rash. China Sky's operating company has also been cited for violations of advertising rules related to its promotions of the Slim Patch and other products. See [report](http://www.asensio.com/CSKI/Shoddy_Practices.mht). Research on the substances in the Slim Patch and similar products likewise raises questions about the patch's safety and efficacy. These questions only add to doubts about the company's reported sales and 76% overall gross margin.

The only description China Sky provides of the Slim Patch's active ingredient is as follows: "The Sumei Slim Patch uses Saponin, believed to regulate and restrain the excessive secretion of certain hormones, while promoting others." A chemical analysis of the patch reveals only that a potential component of a saponin may be found in the patch.

Saponins are a class of chemical compounds found in various plant species. The potential saponin component in the China Sky patch is mixed in a gel with other chemicals to enhance penetration of the skin. If the potential saponin component is able to actually reach cells inside the body, the other chemicals in the patch would also be getting into cells.

The U.S. Federal Trade Commission (FTC) banned a company from selling weight-loss patches in the U.S. in 2007, stating "Products worn or rubbed on the skin do not cause weight loss." (See FTC [press release](http://www.asensio.com/CSKI/FTC.mht), [complaint](http://www.asensio.com/CSKI/FTC_Complaint.pdf), and [court order](http://www.asensio.com/CSKI/FTC_Order.pdf)). The company censured by the FTC, Transdermal Products International Marketing Corporation, sold a transdermal patch for weight-loss with a purported main ingredient of sea kelp.

Again, the FTC stated firmly, "Products worn or rubbed on the skin do not cause weight loss." There are unproven suggestions that orally-ingested saponins may be able to cause some effect on digestion by stopping the intestinal absorption of dietary fat through inhibiting pancreatic lipase activity. Pancreatic lipase is an enzyme that breaks down fat molecules for digestion. Inhibiting pancreatic lipase activity means preventing a person's digestive system from breaking down fat.

If you want an FDA-approved method for inhibiting pancreatic lipase activity, there are prescription and over-the-counter drugs currently available in the US and China that are clinically tested. The prescription drug Xenical, also available in OTC form under the brand name Alli, is a lipase inhibitor and has been FDA-approved and

marketed in the US since 1999. Xenical has been available in China since 2001.

Despite China Sky's promotion of the Slim Patch, and claims of expanding sales of the patch into other countries (even, quizzically, the famine-prone African nation of Sudan), the future of China Sky's key product looks questionable.