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## ***China Sky's Promote of Pricewaterhouse in Earnings Release Belies Internal Controls Claim***

China Sky One Medical, Inc. (NASDAQ: CSKI) released second quarter earnings today. The earnings release, which raises a series of questions that are addressed in a separate report, makes two references to CSKI's purported engagement of PricewaterhouseCoopers ("PWC") as a consultant on "financial reporting and control." PWC is not CSKI's auditor, but their consultation has apparently neglected to rectify a very basic problem: the suspension of CSKI's main "holding" subsidiary from doing business in California, the state in which it is incorporated.

The principal subsidiary of CSKI is a corporation called American California Pharmaceutical Group, Inc. ("ACPG") that has been suspended by the California Secretary of State, according to public records. China Sky's 2008 Form 10-K refers to ACPG as a "holding company subsidiary." California corporate records show that ACPG has been suspended since November 29, 2007. Click [here](http://www.asensio.com/CSKI/ACPG.mht) and [here](http://www.asensio.com/CSKI/ACPG_long.pdf) to view the public records.

California corporations can be suspended for not filing an information statement with the California Secretary of State, or for not filing an annual tax return with state offices.

The direct implications of ACPG's corporate suspension for CSKI's public listing or business operations are not clear. However, the suspension shows another instance of CSKI's problems in corporate controls and governance, and inadequate disclosures to shareholders.

The California records also list the president of ACPG as Qiaomin Hu and the registered agent as Lynn Chao. CSKI's 2008 10-K states that CSKI's officers Liu Yan-Qing and Han Xiao-yan "also serve as officers and directors of ACPG." Liu and Han's names do not appear in California corporate records for ACPG.