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CSKI Erroneously Touts Its "High Ethical Standards" while NASDAQ Continues Its Supposed Listing Review.

On January 4th China Sky One Medical, Inc. (NASDAQ: CSKI) issued a press release stating that its stock listing had been moved to the NASDAQ Global Select Market. CSKI referred to the Global Select Market as having "the highest financial listing standards in the world." CSKI also referred to the listing as "a mark of achievement, leadership, credibility, and high ethical standards."

However, a review of NASDAQ listing requirements shows that there are no more stringent due diligence procedures or corporate governance standards involved in a "Global Select" tier listing. There appears to be only one corporate governance standard required for listing on any tier of the NASDAQ exchange.

A company can move to the Global Select Market from a lower NASDAQ tier based mainly on its reported earnings and equity market value. NASDAQ will upgrade a company automatically if it meets the reported criteria without any further independent review.

Based on NASDAQ's disclosed criteria, CSKI's statement that the listing shows a "high ethical standard" seems unwarranted and disingenuous.

CSKI could show a greater devotion to a "high ethical standard" by resolving some of the company's many problematic issues described in previous asensio.com reports, such as financial statements filed with the Chinese government that do not reconcile with its SEC filings, reported inventory levels that are incredibly low, and gross margins that are inconsistent with its own reported changes in product mix. The company could also retain an auditor with a less problematic history than Moore Stephens.

Yesterday NASDAQ OMX Group, Inc. (NASDAQ: NDAQ) issued a press release stating that 33 Chinese companies listed on NASDAQ in 2009, the most of any U.S. exchange, and that a total of 124 Chinese companies are now listed on NASDAQ.

asensio.com recently issued three reports (see reports <a
href="http://www.asensio.com/Reports/ReportView.aspx?ReportId=1013&CompanyId=165&CompanyName=China+Sky
<a
href="http://www.asensio.com/Reports/ReportView.aspx?ReportId=1012&CompanyId=165&CompanyName=China+Sky
and <a
href="http://www.asensio.com/Reports/ReportView.aspx?ReportId=1011&CompanyId=165&CompanyName=China+Sky
detailing problems in NASDAQ's listing oversight, especially in connection with Chinese reverse mergers and NASDAQ's former chief representative in China, Xu Guangxun, who left the company suddenly last year. The current head of NASDAQ's listing investigations department, Gary Sundick, was also involved in the oversight problems with

Pegasus Wireless Corporation, which asensio.com reported on in 2006 when it was listed on the NASDAQ. The SEC filed a complaint against Pegasus and its former executives detailing fraud charges in 2009.

Given the investor-protection concerns surrounding Chinese reverse mergers and CSKI in particular, investors should hope that Mr. Sundick is fulfilling his oversight duties and reviewing CSKI's claims.

Rather than touting a fundamentally meaningless listing change, CSKI might consider providing investors with disclosures related to the consulting work done by Pricewaterhouse Coopers on 'the financial reporting and control requirements of the Sarbanes-Oxley Act.' As <a href="http://www.asensio.com/Reports/ReportView.aspx?ReportId=946&CompanyId=165&CompanyName=China+Sky+ reported by asensio.com, CSKI made numerous efforts to tout its engagement of Pricewaterhouse, not as an auditor, but as a consultant. asensio.com contacted executives at Pricewaterhouse responsible for Sarbanes-Oxley consulting, but they would not provide comment on CSKI, nor would they comment on the problematic nature of consulting on auditing issues for a client that they have not audited themselves.