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CSKI's Earnings Miss and Altered Patent Claims

Today China Sky One Medical, Inc. (NASDAQ: CSKI) reported fourth quarter and fiscal year 2009 earnings.

asensio.com previously reported on a [co](http://www.asensio.com/Reports/ReportView.aspx?ReportId=1035&CompanyId=165&CompanyName=Report) surrounding CSKI's patents – namely, that CSKI did not have any patents, though it claimed to have patents worth \$15 million – and a lawsuit filed against CSKI's auditor for securities fraud related to the patent claims.

CSKI's 2009 10-K shows a significant difference in its accounting of patent values. The audited financial statements state, "Historically, we included our proprietary technologies and SFDA licenses for drug batch numbers under the category of patents. We now believe it is more accurate to categorize such IP in separate categories." The breakdown of intangible assets thus no longer includes any line-item for "patents." Meanwhile, the total intangible assets have increased approximately 58% to \$25.1 million over the period from December 31, 2008 to December 31, 2009.

While CSKI claimed "7 patents" in its 2008 10-K, CSKI's 2009 10-K states, "As of the date of this filing, we own two registered patents for product packaging. As of December 31, 2009, these patents have nominal carrying values."

CSKI's net income was below the company's guidance given in its November 2009 earnings release. Net income for 2009 was approximately \$34 million, while CSKI had guided for net income of \$39 million.