

JS-6

<p align="center"><b>FILED</b>  CLERK, U.S. DISTRICT COURT</p> <p align="center">3/3/2015</p> <p align="center">CENTRAL DISTRICT OF CALIFORNIA</p> <p align="center">BY: _____ CW _____ DEPUTY</p>
--

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA**

<p>SECURITIES AND EXCHANGE COMMISSION,</p> <p align="center">Plaintiff,</p> <p align="center">vs.</p> <p>CHINA SKY ONE MEDICAL, INC., and YAN-QING LIU,</p> <p align="center">Defendants.</p>
---

Case No. CV-12-7543-MWF (MANx)

~~PROPOSED~~ **FINAL JUDGMENT  
OF PERMANENT INJUNCTION  
AND OTHER RELIEF AGAINST  
DEFENDANTS CHINA SKY ONE  
MEDICAL, INC. AND YAN-QING  
LIU**

1 Plaintiff Securities and Exchange Commission (the “SEC”) filed a Motion for  
2 Entry of Final Judgment by Default Against Defendants China Sky One Medical, Inc.  
3 (“CSKI”) and Yan-qing Liu (“Liu”) (together, “Defendants”) (“Motion for Final  
4 Judgment”), pursuant to Rule 55 of the Federal Rules of Civil Procedure. The Court,  
5 having considered the SEC’s motion, the memorandum of points and authorities filed  
6 in support of the motion, the declarations, and all other documents filed in support of  
7 the motion, and all other evidence and argument presented regarding the motion,  
8 finds that:

9 **I.**

10 IT IS ORDERED that the SEC’s Motion for Final Judgment is hereby GRANTED.

11 **II.**

12 IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that Defendants  
13 and Defendants’ agents, servants, employees, attorneys, and all persons in active  
14 concert or participation with them who receive actual notice of this Final Judgment  
15 by personal service or otherwise are permanently restrained and enjoined from  
16 violating, directly or indirectly, Section 10(b) of the Securities Exchange Act of 1934  
17 (the “Exchange Act”), 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder,  
18 17 C.F.R. § 240.10b-5, by using any means or instrumentality of interstate commerce,  
19 or of the mails, or of any facility of any national securities exchange, in connection  
20 with the purchase or sale of any security:

- 21 (a) to employ any device, scheme, or artifice to defraud;
- 22 (b) to make any untrue statement of a material fact or to omit to state a  
23 material fact necessary in order to make the statements made, in the light  
24 of the circumstances under which they were made, not misleading; or
- 25 (c) to engage in any act, practice, or course of business which operates or  
26 would operate as a fraud or deceit upon any person.

27 ///

28 ///

**III.**

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendants and Defendants’ agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating Section 17(a) of the Securities Act of 1933 (the “Securities Act”), 15 U.S.C. § 77q(a), in the offer or sale of any security by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly:

- (a) to employ any device, scheme, or artifice to defraud;
- (b) to obtain money or property by means of any untrue statement of a material fact or any omission of a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- (c) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

**IV.**

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that CSKI and CSKI’s agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating Section 13(a) of the Exchange Act, 15 U.S.C. § 78m(a), and Rules 12b-20, 13a-1, 13a-11, and 13a-13 thereunder, 17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11, & 240.13a-13, by filing any annual reports with the SEC on Forms 10-K, quarterly reports with the SEC on Forms 10-Q, or current reports with the SEC on Forms 8-K that contain any untrue statement of material fact, omit to state any material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, omit to disclose any information

1 required to be disclosed, or fail to comply in any material respect with the  
2 requirements of Section 13(a) of the Exchange Act and the Rules and regulations  
3 promulgated thereunder.

4 **V.**

5 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Liu and  
6 Liu's agents, servants, employees, attorneys, and all persons in active concert or  
7 participation with them who receive actual notice of this Final Judgment by personal  
8 service or otherwise are permanently restrained and enjoined from aiding and  
9 abetting any violation of Section 13(a) of the Exchange Act, 15 U.S.C. § 78m(a), and  
10 Rules 12b-20, 13a-1, 13a-11, and 13a-13 thereunder, 17 C.F.R. §§ 240.12b-20,  
11 240.13a-1, 240.13a-11, & 240.13a-13, by knowingly providing substantial assistance  
12 to an issuer that files annual reports with the SEC on Forms 10-K, quarterly reports  
13 with the SEC on Forms 10-Q, or current reports with the SEC on Forms 8-K that  
14 contain any untrue statement of material fact, omit to state any material fact necessary  
15 in order to make the statements made, in the light of the circumstances under which  
16 they were made, not misleading, omit to disclose any information required to be  
17 disclosed, or fail to comply in any material respect with the requirements of Section  
18 13(a) of the Exchange Act and the Rules and regulations promulgated thereunder.

19 **VI.**

20 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that CSKI and  
21 CSKI's agents, servants, employees, attorneys, and all persons in active concert or  
22 participation with them who receive actual notice of this Final Judgment by personal  
23 service or otherwise are permanently restrained and enjoined from violating Section  
24 13(b)(2)(A) of the Exchange Act, 15 U.S.C. § 78m(b)(2)(A), by failing to make or  
25 keep books, records or accounts, which, in reasonable detail, accurately and fairly  
26 reflect the transactions and dispositions of the assets of the issuer.

27 ///

28 ///

**VII.**

1  
2 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that  
3 Liu and Liu's agents, servants, employees, attorneys, and all persons in active concert  
4 or participation with them who receive actual notice of this Final Judgment by  
5 personal service or otherwise are permanently restrained and enjoined from aiding  
6 and abetting any violation of Section 13(b)(2)(A) of the Exchange Act, 15 U.S.C. §  
7 78m(b)(2)(A), by knowingly providing substantial assistance to any issuer which has  
8 a class of securities registered pursuant to Section 12 of the Exchange Act, 15 U.S.C.  
9 § 78l, or Section 15(d) of the Exchange Act, 15 U.S.C. § 78o, that fails to make or  
10 keep books, records or accounts, which, in reasonable detail, accurately and fairly  
11 reflect the transactions and dispositions of the assets of the issuer.

**VIII.**

12  
13 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that CSKI and  
14 CSKI's agents, servants, employees, attorneys, and all persons in active concert or  
15 participation with them who receive actual notice of this Final Judgment by personal  
16 service or otherwise are permanently restrained and enjoined from violating Section  
17 13(b)(2)(B) of the Exchange Act, 15 U.S.C. § 78m(b)(2)(B), by failing to devise and  
18 maintain a system of internal accounting controls sufficient to provide reasonable  
19 assurances that:

- 20 A. transactions are executed in accordance with management's general or  
21 specific authorization;
- 22 B. transactions are recorded as necessary (i) to permit preparation of  
23 financial statements in conformity with generally accepted accounting  
24 principles or any other criteria applicable to such statements, and (ii) to  
25 maintain accountability for assets;
- 26 C. access to assets is permitted only in accordance with management's  
27 general or specific authorization; and
- 28 D. the recorded accountability for assets is compared with the existing

1 assets at reasonable intervals and appropriate action is taken with respect  
2 to any differences.

3 **IX.**

4 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Liu and  
5 Liu's agents, servants, employees, attorneys, and all persons in active concert or  
6 participation with them who receive actual notice of this Final Judgment by personal  
7 service or otherwise are permanently restrained and enjoined from aiding and  
8 abetting any violations of Section 13(b)(2)(B) of the Exchange Act, 15 U.S.C. §  
9 78m(b)(2)(B), by knowingly providing substantial assistance to any issuer which has  
10 a class of securities registered pursuant to Section 12 of the Exchange Act, 15 U.S.C.  
11 § 78l, or Section 15(d) of the Exchange Act, 15 U.S.C. § 78o, that fails to devise and  
12 maintain a system of internal accounting controls sufficient to provide reasonable  
13 assurances that:

- 14 A. transactions are executed in accordance with management's general or  
15 specific authorization;
- 16 B. transactions are recorded as necessary (i) to permit preparation of  
17 financial statements in conformity with generally accepted accounting  
18 principles or any other criteria applicable to such statements, and (ii) to  
19 maintain accountability for assets;
- 20 C. access to assets is permitted only in accordance with management's  
21 general or specific authorization; and
- 22 D. the recorded accountability for assets is compared with the existing  
23 assets at reasonable intervals and appropriate action is taken with respect  
24 to any differences.

25 **X.**

26 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Liu and  
27 Liu's agents, servants, employees, attorneys, and all persons in active concert or  
28 participation with them who receive actual notice of this Final Judgment by personal

1 service or otherwise are permanently restrained and enjoined from violating Section  
2 13(b)(5) of the Exchange Act, 15 U.S.C. § 78m(b)(5), by knowingly circumventing  
3 or knowingly failing to implement a system of internal accounting controls required  
4 to be maintained by Section 13(b)(2)(B) of the Exchange Act, 15 U.S.C. §  
5 78m(b)(2)(B), or knowingly falsifying any book, record or account required to be  
6 kept by Section 13(b)(2)(A) of the Exchange Act, 15 U.S.C. § 78m(b)(2)(A).

7 **XI.**

8 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Liu and  
9 Liu's agents, servants, employees, attorneys, and all persons in active concert or  
10 participation with them who receive actual notice of this Final Judgment by personal  
11 service or otherwise are permanently restrained and enjoined from violating Rule  
12 13b2-1 of the Exchange Act, 17 C.F.R. § 240.13b2-1, by, directly or indirectly,  
13 falsifying or causing to be falsified, any book, record, or account subject to Section  
14 13(b)(2)(A) of the Exchange Act, 15 U.S.C. §78m(b)(2)(A).

15 **XII.**

16 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Liu and  
17 Liu's agents, servants, employees, attorneys, and all persons in active concert or  
18 participation with them who receive actual notice of this Final Judgment by personal  
19 service or otherwise are permanently restrained and enjoined from violating, directly  
20 or indirectly, Rule 13b2-2 of the Exchange Act, 17 C.F.R. § 240.13b2-2, while an  
21 officer or director of an issuer by:

22 A. making or causing to be made a materially false or misleading statement;  
23 or

24 B. omitting to state, or causing another person to omit to state, any material  
25 fact necessary in order to make statements made, in light of the  
26 circumstances under which such statements are made, not misleading; to  
27 an accountant in connection with:

28 1. any audit, review or examination of the financial statements of the

1 issuer required to be made, or

- 2 2. the preparation or filing of any document or report required to be  
3 filed with the SEC.

4 **XIII.**

5 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Liu and  
6 Liu's agents, servants, employees, attorneys, and all persons in active concert or  
7 participation with them who receive actual notice of this Final Judgment by personal  
8 service or otherwise are permanently restrained and enjoined from violating  
9 Exchange Act Rule 13a-14, 17 C.F.R. § 240.13a-14, by signing any certification  
10 included with an issuer's periodic filings with the SEC, certifying that the filings fully  
11 comply with the requirements of the Exchange Act and fairly present, in all material  
12 respects, the financial condition and results of operation of the company, when, in  
13 fact, the reports contain untrue statements of material fact and omit material  
14 information necessary to make the reports not misleading.

15 **XIV.**

16 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, pursuant  
17 to Section 21(d)(2) of the Exchange Act, 15 U.S.C. § 78u(d)(2), and Section 20(e) of  
18 the Securities Act, 15 U.S.C. § 77t(e), Liu is permanently prohibited from acting as  
19 an officer or director of any issuer that has a class of securities registered pursuant to  
20 Section 12 of the Exchange Act, 15 U.S.C. § 78l, or that is required to file reports  
21 pursuant to Section 15(d) of the Exchange Act, 15 U.S.C. § 78o(d).

22 **XV.**

23 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Liu shall  
24 reimburse CSKI in the amount of \$17,678 pursuant to Section 304(a) of the Sarbanes-  
25 Oxley Act of 2002, 15 U.S.C. § 7243(a). Liu shall make this payment within 14 days  
26 after entry of this Final Judgment. Liu shall promptly transmit, or cause to be  
27 promptly transmitted, photocopies of proof of payment to the SEC's counsel in this  
28 action. By making this payment, Liu relinquishes all legal and equitable right, title,



1 and interest in such funds and no part of the funds shall be returned to Liu.

2 **XVI.**

3 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that CSKI shall  
4 pay a civil penalty in the amount of \$9,550,000 and Liu shall pay a civil penalty of  
5 \$422,559 to the Securities and Exchange Commission pursuant to Section 20(d) of  
6 the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15  
7 U.S.C. § 78u(d)(3). CSKI and Liu shall make these payments within 14 days after  
8 entry of this Final Judgment.

9 CSKI and Liu may transmit payments electronically to the SEC, which will  
10 provide detailed ACH transfer/Fedwire instructions upon request. Payment may also  
11 be made directly from a bank account via Pay.gov through the SEC website at  
12 <http://www.sec.gov/about/offices/ofm.htm>. CSKI and Liu may also pay by certified  
13 check, bank cashier's check, or United States postal money order payable to the  
14 Securities and Exchange Commission, which shall be delivered or mailed to

15 Enterprise Services Center  
16 Accounts Receivable Branch  
17 6500 South MacArthur Boulevard  
18 Oklahoma City, OK 73169

18 and shall be accompanied by a letter identifying the case title, civil action number,  
19 and name of this Court; CSKI or Liu as a defendant in this action; and specifying that  
20 payment is made pursuant to this Final Judgment.

21 CSKI and Liu shall simultaneously transmit photocopies of evidence of  
22 payment and case identifying information to the SEC's counsel in this action. By  
23 making these payments, CSKI and Liu relinquish all legal and equitable right, title,  
24 and interest in such funds and no part of the funds shall be returned to CSKI or Liu.  
25 The SEC shall send the funds paid pursuant to this Final Judgment to the United  
26 States Treasury. CSKI and Liu shall pay post-judgment interest on any delinquent  
27 amounts pursuant to 28 U.S.C. § 1961.

28 ///

XVII.

IT IS HEREBY FURTHER ORDERED that this Court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Judgment.

Dated: March 3, 2015



HON. MICHAEL W. FITZGERALD  
UNITED STATES DISTRICT JUDGE

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28