

China Precision Steel, Inc.  
Form PRE 14A  
September 13, 2007

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Sec.240.14a-11(c) or Sec.240.14a-12

**China Precision Steel, Inc.**  
**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number,

or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD NOVEMBER 12, 2007**

TO THE STOCKHOLDERS OF CHINA PRECISION STEEL, INC.:

The annual meeting of the stockholders of China Precision Steel, Inc., a Colorado corporation, (the “Company”) will be held at 10:30 AM on November 12, 2007 at the offices of Kirkpatrick & Lockhart Preston Gates Ellis LLP, 599 Lexington Avenue, New York, New York 10022-6030, for the following purposes:

1. To elect a board of directors for the Company;
2. To ratify the appointment of Murrell, Hall, McIntosh & Co., PLLP, Certified Public Accountants, as the Company’s registered independent public accounting firm for the fiscal year ending June 30, 2008;
3. To approve a change in the state of incorporation from Colorado to Delaware by approving and adopting an Agreement and Plan of Merger providing for the merger of our Company into its wholly-owned subsidiary, China Precision Steel, Inc., a Delaware corporation; and
4. To authorize the issuance of an undetermined number of shares of Company Common Stock, shares of preferred stock convertible into Company Common Stock or warrants to purchase Company Common Stock, in an aggregate amount of up to 11,213,443 shares of Common Stock, in connection with capital raising activities over the next 12 months and prior to the next annual meeting of the Company’s Stockholders, at a price to be determined by the Company’s Board of Directors.

and to transact such other business as may properly come before the meeting or any postponement or adjournment thereof.

**THE BOARD OF DIRECTORS OF THE COMPANY RECOMMENDS THAT YOU VOTE FOR EACH OF THE NOMINEES TO THE BOARD OF DIRECTORS AND RECOMMENDS THAT YOU VOTE “FOR” APPROVAL OF EACH OTHER ITEM LISTED ON THIS NOTICE OF ANNUAL MEETING OF STOCKHOLDERS.**

Stockholders of record at the close of business on September 28, 2007, are the only persons entitled to notice of and to vote at the meeting.

Your attention is directed to the attached Proxy Statement and Proxy Card. **WHETHER OR NOT YOU EXPECT TO BE PRESENT AT THE ANNUAL MEETING, PLEASE FILL IN THE PROXY CARD INFORMATION COMPLETELY. THEN PLEASE SIGN, DATE AND MAIL THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE (AND INCLUDE YOUR E-MAIL ADDRESS) IN ORDER TO SAVE THE COMPANY FURTHER SOLICITATION EXPENSE.** If you are present at the meeting, you may then revoke your proxy and vote in person, as explained in the Proxy Statement in the section entitled “ANNUAL MEETING OF STOCKHOLDERS - November 12, 2007.” A return envelope is enclosed for your convenience.

By order of the  
Board of Directors

Leada Tak Tai Li,  
Secretary



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**PROXY STATEMENT**

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**CHINA PRECISION STEEL, INC.**  
**8th Floor, Teda Building**  
**87 Wing Lok Street**  
**Sheung Wan, Hong Kong, People's Republic of China**

**ANNUAL MEETING OF STOCKHOLDERS - NOVEMBER 12, 2007**

Our board of directors is soliciting your proxy, on the enclosed form of proxy card, in connection with the annual meeting of stockholders of China Precision Steel, Inc., a Colorado corporation (the "Company" or "CPSL"), to be held on November 12, 2007 at 10:30 AM at the offices of Kirkpatrick & Lockhart Preston Gates Ellis LLP, 599 Lexington Avenue, New York, New York 10022-6030, and any postponements or adjournments thereof. The Company will pay the cost of solicitation, including the cost of preparing and mailing the Notice of Stockholders' Meeting and this proxy statement. This proxy statement contains information about the matters to be considered at the meeting or any postponements or adjournments thereof, and is being made, together with a copy of our annual report on Form 10-K for the fiscal year ended June 30, 2007, on approximately October 15, 2007. Our employees may, without cost to us, solicit proxies for our management by means of mail, telephone or personal calls.

**ABOUT THE MEETING**

**What is being considered at the meeting?**

You will be voting on the following proposals:

1. To elect a board of directors for the Company;
2. To ratify the appointment of Murrell, Hall, McIntosh & Co., PLLP, Certified Public Accountants, as the Company's registered independent public accounting firm for the fiscal year ending June 30, 2008;
3. To approve a change in the state of incorporation from Colorado to Delaware by approving and adopting an Agreement and Plan of Merger providing for the merger of our Company into its wholly-owned subsidiary, China Precision Steel, Inc., a Delaware corporation;
4. To authorize the issuance of an undetermined number of shares of Company Common Stock, shares of preferred stock convertible into Company Common Stock or warrants to purchase Company Common Stock, in an aggregate amount of up to 11,213,443 shares of Common Stock, in connection with capital raising activities over the next 12 months and prior to the next annual meeting of the Company's Stockholders, at a price to be determined by the Company's Board of Directors; and
5. To transact such other business as may properly come before the meeting or any postponement or adjournment thereof.

**Who is soliciting your proxy?**

Your proxy is being solicited by our board of directors.

**Who is entitled to vote at the meeting?**

You may vote if you owned stock as of the close of business on September 28, 2007, which is the record date for determining who is eligible to vote at the annual meeting or any postponements or adjournments thereof. Each share of common stock is entitled to one vote.

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### **How do I vote?**

You can vote either by attending the meeting and voting at the meeting or by completing, signing and returning the enclosed proxy card.

### **Can I revoke my vote?**

Yes, a proxy may be revoked before the meeting by giving written notice of revocation to our corporate secretary, or may be revoked at the meeting before voting (or by actually voting in person, which will automatically revoke the proxy). Unless revoked, properly executed proxy cards will be voted as indicated on the proxy cards. If your stock is held in a brokerage account, you must provide your broker with instructions as to any changes in the voting instructions which you previously provided to your broker.

### **What if matters not discussed in the proxy statement come up at the annual meeting?**

Should any other matters come before the meeting, it is the intention of the persons named as proxy holders in the enclosed form of proxy card to act upon them according to their best judgment. In instances where choices are specified by the stockholders in a signed proxy card, those proxies will be voted, or the vote will be withheld in accordance with each stockholder's choice.

### **What if I sign and return my proxy card but I do not include voting instructions?**

If you sign your proxy card and return it to us but you do not include voting instructions as to any proposal, your proxy will be voted FOR any such proposal.

### **What does it mean if I receive more than one proxy card?**

It means that you have multiple accounts with brokers and/or our transfer agent. Please vote all of these shares. We recommend that you contact your broker and/or our transfer agent to consolidate as many accounts as possible under the same name and address. Our transfer agent is Corporate Stock Transfer, Inc., 3200 Cherry Creek Dr. South, Suite 430, Denver, CO 80209; telephone: (303) 282-4800; proxy fax: (303) 777-3094.

### **Will my shares be voted if I do not provide my proxy?**

An "abstention" on any proposal will be counted as present for purposes of determining whether a quorum of shares is present at the meeting with respect to the proposal on which the abstention is noted, but will have the same practical effect as a vote "against" such proposal.

If you hold your stock in a brokerage account, you may give your broker instructions as to how your shares are to be voted with regard to the proposals discussed in this proxy statement. Brokers who hold shares in street name have discretionary authority to vote on certain "routine" items even if they have not received instructions from the persons entitled to vote such shares. However, brokers do not have authority to vote on "nonroutine" items without such instructions.

For matters requiring the affirmative vote of a plurality of the shares of Common Stock present or represented at the Annual Meeting, such as Proposal 1, "broker non-votes" (shares held by brokers or nominees as to which they have no discretionary power to vote on a particular matter and have received no instructions from the persons entitled to vote such shares) would have no effect on the outcome of the vote. For matters requiring the affirmative vote of a majority of the shares of Common Stock present or represented at the Annual Meeting and entitled to vote, such as Proposals 2, 3 and 4, broker non-votes would not be counted as among the shares entitled to vote with respect to such matters.

Thus, the effect of any broker non-votes with respect to such matters would be to reduce the number of affirmative votes required to approve the proposals and the number of negative votes required to block such approval.

If you hold your shares directly in your own name, they will not be voted if you neither sign and deliver a proxy nor attend and vote at the meeting.



**How many votes must be present to hold the meeting?**

In order for us to conduct our meeting, we must have a quorum. We will have a quorum, and be able to conduct the meeting, if a majority of our outstanding shares as of September 28, 2007, are present or represented at the meeting. Your shares will be counted as being present at the meeting if you attend the meeting or if you properly return a proxy by mail or if you give your broker voting instructions and the broker votes your shares. Broker non-votes are counted as present and entitled to vote for purposes of determining whether a quorum is present but are not considered entitled to vote on any nonroutine matter to be acted upon.

On September 13, 2007, we had 37,378,143 shares of common stock issued and outstanding and no preferred stock. Mr. Wo Hing Li, our Chairman and Chief Executive Officer owns 22,145,110 shares of common stock, representing 59.2% of the outstanding common stock of the Company. Mr. Li's votes are expected to be present or represented at the meeting.

**What happens if a quorum isn't present to hold a meeting?**

In the event that proxies, which are sufficient in number to constitute a quorum, are not received by November 12, 2007, or for other good reason, we may propose one or more adjournments of the meeting to permit further solicitation of proxies. Such adjournments will require the affirmative vote of the holders of a majority of the shares present in person or by proxy at the meeting. The persons named as proxy holders will vote in favor of such adjournment. As noted above, we expect there to be a quorum at the meeting.

**What vote is required to approve the matters being brought before the meeting?**

The vote required for the election of directors is a plurality of the shares of Common Stock present or represented by proxy at the meeting and entitled to vote thereon, provided a quorum is present. The vote required for the approval of other proposals to be acted upon at the Annual Meeting is the affirmative vote of a majority of the shares entitled to vote on the matter and present or represented by proxy at the meeting, provided a quorum is present. Mr. Wo Hing Li, our Chairman and Chief Executive Officer owns 22,145,110 shares of common stock, representing 59.2% of the outstanding common stock of the Company. Mr. Li intends to vote in favor of all of the proposals contained in this proxy statement.

**Are there any cumulative voting rights for the proposal to elect particular directors?**

No, voting for the election of directors is not cumulative, which means that the holders of a majority of the Company's outstanding shares have the power to elect the entire board of directors.

**Are there any dissenters' or appraisal rights for those who vote against any of the proposals?**

No, none of the matters to be presented and acted upon at the Annual Meeting will entitle any stockholder to appraisal or dissenters' rights pursuant to Colorado law.

**Who is paying the cost of the meeting?**

The proxies being solicited hereby are being solicited by our Company. The Company will bear the entire cost of solicitation of proxies, including preparation, assembly, printing and mailing of this Proxy Statement, the Proxy card and any additional information furnished to stockholders. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding in their names shares of common stock beneficially owned by others to forward to such beneficial owners. Our officers and regular employees may, but without compensation other than their regular compensation, solicit proxies by further mailing or personal conversations, or by telephone, telex,

facsimile or electronic means. We will, upon request, reimburse brokerage firms and others for their reasonable expenses in forwarding solicitation material to the beneficial owners of stock.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS**

As of the Record Date, the following persons were known to the Company to be beneficial owners of more than five percent of the Company's Common Stock.

<b>Title of Class of Stock</b>	<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Class</b>
Common	Wo Hing Li 123 Laodong Road Xuhang Town Jiading District, Shanghai 201809	22,145,110(2)	59.2%
Common	Hung Wan Suite C, 20/F Neich Tower 128 Gloucester Road Hong Kong	4,286,335(3)	11.2%
Common	Belmont Capital Group Limited Suite C, 20/F Neich Tower 128 Gloucester Road Wan Chai, Hong Kong	2,787,720(4)	7.3%

- (1) Unless otherwise designated, the shares set forth in this table are shares of the Company's, as known to management, over which the beneficial owner has sole voting and investment power.
- (2) As reported on the beneficial owner's Form 4 filed with the Securities and Exchange Commission (the "SEC") on May 21, 2007.
- (3) Includes 2,787,720 shares beneficially owned by Belmont Capital Group Limited, of which 983,363 consist of the right to acquire 983,363 shares of the Company's common stock pursuant to warrants to purchase Common Stock, and 1,498,615 shares of Common Stock beneficially owned by Advanz Capital, Inc., as disclosed on the beneficial owner's Form 4 filed with the SEC on July 13, 2007.
- (4) Includes the right to acquire up to 983,363 shares of the Company's common stock pursuant to warrants to purchase common stock, as disclosed on the beneficial owner's Schedule 13D dated July 10, 2007.

**SECURITY OWNERSHIP OF MANAGEMENT**

As of the Record Date, the following directors, nominees for the membership on the board of directors and named executive officers, as defined in Item 402(a)(3) of Regulation S-K, were beneficial owners of the Company's securities in the amounts listed opposite their respective names.

**DIRECTORS AND NOMINEES**

<b>Title of Class of Stock</b>	<b>Name of Beneficial Owner</b>	<b>Percent of Class</b>
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**Amount and Nature of Beneficial Ownership (1)**

Common	Wo Hing Li	22,145,110	59.2%
Common	Hai Sheng Chen	0	0%
Common	Che Kin Lui	0	0%
Common	Tung Kuen Tsui	0	0%
Common	David Peter Wong	0	0%

- (1) Unless otherwise designated, the shares set forth in the table above are shares, as known to management, over which the nominee or director has sole voting and investment power.

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## NAMED EXECUTIVE OFFICERS

<b>Title of Class of Stock</b>	<b>Name of Beneficial Owner</b>	<b>Title of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Class</b>
Common	Wo Hing Li	Principal Executive Officer	22,145,110	59.2%
Common	Leada Tak Tai Li	Principal Financial Officer	1,268,150	3.4%

- (1) Unless otherwise designated, the shares set forth in the table above are shares, as known to management, over which the executive officer has sole voting and investment power.

## AGGREGATE SECURITY OWNERSHIP OF MANAGEMENT

<b>Title of Class of Stock</b>	<b>Name of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Class</b>
Common	Directors and Executive Officers	23,413,260	62.6%

## CHANGE IN CONTROL

Pursuant to a transaction described in Item 5.01 of the Company's Current Report on Form 8-K, filed with the SEC on January 4, 2007, and incorporated herein by reference, Wo Hing Li became the beneficial owner of more than fifty percent of the issued and outstanding Common Stock of the Company. Wo Hing Li beneficially owns, as of September 28, 2007, 22,145,110 shares of the Company's Common Stock or 59.2% of the issued and outstanding Common Stock of the Company as of such date.

During the fiscal year ended December 31, 2009, our Board of Directors, Audit Committee, Compensation Committee, Nominating and Governance Committee, Executive Committee and Finance Committee did not hold any meetings. However, all actions of the Board of Directors and its committees were authorized by written consent pursuant to Nevada law. The Board of Directors and its committees intend to hold meetings in the future.

**Audit Committee.** The Audit Committee is responsible for the annual engagement of a firm of independent accountants and reviews with the independent accountants the scope and results of audits, our internal accounting controls and audit practices and professional services rendered to us by our independent accountants. The Audit Committee also reviews and discusses with management and the board of directors, such matters as accounting policies, internal accounting controls and procedures for preparation of financial statements. The Audit Committee is required at all times to be composed exclusively of directors who, in the opinion of our board of directors, are free from any relationship that would interfere with the exercise of independent judgment as a committee member and who possess an understanding of financial statements and generally accepted accounting principles. The Audit Committee is comprised of solely independent directors, Messrs. William Wei Lee and Zhao Jie and Ms. Qian Xu-feng. Management believes, in good faith, that each of these members are considered “independent” under applicable Nasdaq rules, and that William Wei Lee qualifies as an “audit committee financial expert” as defined under Item 407(d)(5) of Regulation S-K.

**Compensation Committee.** The Compensation Committee is responsible for (a) reviewing and recommending to the Board of Directors on matters relating to employee compensation and benefit plans, and (b) determining the compensation of the Chief Executive Officer and making recommendations to the Board with respect to the compensation of the executive officers of the Company, other than the Chief Executive Officer, and independent directors. In making a determination, the Compensation Committee and the Board give material consideration to China Sky’s results of operations, financial condition and competitive factors. The compensation may include grants of options under our stock option plan to the named executive officers. Executive officers may recommend the amount or form of compensation for consideration by the Compensation Committee. The Compensation Committee may delegate authority to one or more subcommittees consisting of one or more of its members. The Compensation Committee may also retain consultants to assist in the evaluation of directors’, the Chief Executive Officer’s or the executive officers’ compensation, however the Compensation Committee has not hired such consultants. The Compensation Committee is comprised of independent directors, Messrs. William Wei Lee and Song Chun-fang and Ms. Qian Xu-feng.

**Nominating and Governance Committee.** The Nominating and Governance Committee assists the Board of Directors in identifying qualified individuals to become board members, in determining the composition of the Board of Directors and in monitoring the process to assess Board effectiveness. The Nominating and Governance Committee also selects director nominees for election at each annual meeting of stockholders. The Nominating and Governance Committee of the Board of Directors comprised of independent directors Zhao Jie, Qian Xu-feng and Song Chun-fang.

**Executive Committee.** The Executive Committee may exercise all the powers and authority of the Board in the management of the business and affairs of the Company, including, without limitation, the power to authorize or take actions relating to the issuance of securities of the Company, with certain exceptions. The Executive Committee of the Board of Directors is comprised solely of independent directors. Song Chun-fang, Zhao Jie and William Wei Lee serve as members of the Executive Committee.

**Finance Committee.** The Finance Committee reviews the financial planning process, the financial structure and the investment outlook of the Company and its subsidiaries. Qian Xu-feng, William Wei Lee and Song Chun-fang, independent directors, serve as members of the Finance Committee.

#### Board Leadership Structure

The Board of Directors has no policy regarding the need to separate or combine the offices of Chairman of the Board and Chief Executive Officer and instead the Board of Directors remains free to make this determination from time to time in a manner that seems most appropriate for the Company. Currently, the Company combines the positions of

Chief Executive Officer and Chairman of the Board of Directors as it believes that the Chief Executive Officer is in the best position to fulfill the Chair's responsibilities, including those related to identifying emerging issues facing the Company, communicating essential information to the Board of Directors about the Company's performance and strategies, and preparing agendas for the Board of Directors.

Currently, the Company has not designated a lead independent director and executive sessions of the Board of Directors are led by the Chairperson of the Board Committee having authority over the subject matter discussed at the executive session, as appropriate. We believe this leadership structure is appropriate based on the Company's size and characteristics and its commitment to a strong, independent Board of Directors, exemplified by four out of seven of its directors qualifying as an independent director.

## Risk Management

The Board of Directors is actively involved in the oversight and management of risks that could affect the Company. This oversight and management is conducted primarily through committees of the Board of Directors, as disclosed in the descriptions of each of the committees above and in the charters of the Audit Committee and Nominating and Governance Committee, but the full Board of Directors has retained responsibility for general oversight of risks. The Audit Committee is primarily responsible for overseeing the risk management function, specifically with respect to management's assessment of risk exposures (including risks related to liquidity, credit, operations and regulatory compliance, among others), and the processes in place to monitor and control such exposures. The other committees of the Board of Directors consider the risks within their areas of responsibility. The Board of Directors satisfies their oversight responsibility through full reports by each committee chair regarding the committee's considerations and actions, as well as through regular reports directly from officers responsible for oversight of particular risks within the Company. The Board believes that the combination of the Chairman and Chief Executive Officer roles facilitates the exercise by the Board of Directors of their key risk oversight responsibility by focusing on clear lines of communication between management and the Board of Directors and its committees. See the discussion of "Board Leadership Structure" above.

## Code of Ethics

We have adopted a Code of Ethics that applies to our principal chief executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, as well as other employees (the "Code of Ethics"). A copy of the Code of Ethics is appended as an exhibit to our Amended Report on Form 10-KSB for the year ended December 31, 2006. The Code of Ethics was designed with the intent to deter wrongdoing, and to promote the following:

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships,
- Full, fair, accurate, timely and understandable disclosure in reports and documents that a small business issuer files with, or submits to, the Commission and in other public communications made by the small business issuer,
  - Compliance with applicable governmental laws, rules and regulations,
- The prompt internal reporting of violations of the code to an appropriate person or persons identified in the code,
  - Accountability for adherence to the code.

## Stockholder Communications with Directors

As the Board has not yet formally determined the most effective way for its international stockholder base to communicate with the Board, the Board has not yet established a process to receive communications from stockholders. It is anticipated that the Board will implement a process in the near future and that the process will provide that stockholders will be able to communicate with the Board of Directors or individual members of the Board, including the respective Chairman of the Board's Audit Committee, Compensation Committee and Nominating and Governance Committee, by sending correspondence addressed to the Board or any such individual director or group or committee of directors by either name or title to the following address:

Corporate Secretary  
China Sky One Medical, Inc.



No. 2158, North Xiang An Road, Song Bei District  
Harbin, People's Republic of China 150028

It is further anticipated that the process will provide that all communications received as set forth in the preceding paragraph will be opened by the office of our Corporate Secretary for the sole purpose of determining whether the contents represent a message to our directors. Any contents that are not in the nature of advertising, promotions of a product or service, or patently offensive material will be forwarded promptly to the addressee. In the case of communications to the Board or any group or committee of directors, the Corporate Secretary's office will make sufficient copies of the contents to send to each director who is a member of the group or committee to which the envelope is addressed. While the Company currently anticipates that the process to be adopted will be as described above, the process ultimately adopted may not be as outlined above.

Consideration of Director Candidates Recommended by Stockholders

The Nominating and Governance Committee will consider properly submitted stockholder recommendations for director candidates. Any stockholder who wishes to recommend a potential director nominee for consideration by the Nominating and Governance Committee should submit the recommendation to us in writing and include the following information:

- (a) The name and address of the stockholder.
- (b) A representation that the stockholder is a record holder of the Company's securities, or if the securityholder is not a record holder, evidence of ownership in accordance with Rule 14a-8(b)(2) of the Securities Exchange Act of 1934 ("Exchange Act").
- (c) The name, age, business and residential address, educational background, current principal occupation or employment, and principal occupation or employment for the preceding five (5) full fiscal years of the proposed director nominee.
- (d) A description of the qualification and background of the director nominee which addresses the minimum qualifications and other criteria for Board membership approved by the Board from time to time and set forth in the Nominating and Governance Committee Charter.
- (e) A description of all arrangements or understandings between the stockholder and the director nominee.
- (f) The consent of the director nominee (i) to be named in the proxy statement relating to the Company's annual meeting of stockholders and (ii) to serve as a director if elected at such annual meeting.
- (g) Any other information regarding the proposed director candidate that is required to be included in a proxy statement filed pursuant to the rules of the Securities and Exchange Commission ("SEC").

Written submissions should be addressed to:

Corporate Secretary  
China Sky One Medical, Inc.  
No. 2158, North Xiang An Road, Song Bei District  
Harbin, People's Republic of China 150028

All stockholder recommendations of potential director nominees which are intended to be considered by the Nominating and Governance Committee in any year must be received by the Corporate Secretary not less than 120 calendar days prior to the anniversary of the date on which our Proxy Statement was released to our stockholders in connection with our most recent annual meeting of stockholders. This allows, upon a determination by the Nominating and Governance Committee to act upon such recommendation and nominate such potential director nominee, for such nominee to be included in our proxy statement and the form of proxy relating to the annual meeting of stockholders. The deadline for submitting to the Nominating and Governance Committee recommendations of potential director nominees for the 2011 Meeting is May 19, 2011.

The Nominating and Governance Committee will review and evaluate the qualifications of any director candidates who have been recommended by our stockholders in compliance with the procedures established by the Nominating and Governance Committee and conduct inquiries the Committee deems appropriate. The procedures are summarized above and described in greater detail in the Nominating and Governance Committee Charter. The Committee will consider for nomination any nominee proposed in accordance with the established procedures if the nominee is deemed qualified by the Committee in light of the minimum qualifications and other criteria for Board membership approved by the Board from time to time.

#### Qualifications for Potential Director Nominees

At a minimum, before nominating a proposed candidate for election as a director, the Committee must be satisfied that each Committee-recommended nominee has the highest personal and professional integrity, demonstrated exceptional ability and judgment, and is most effective, in conjunction with other nominees to the Board, in collectively serving the long-term interests of our stockholders. In addition to the minimum qualifications, the Committee will select for nomination persons that help ensure that:

- A majority of our Board is independent.
- Our Audit, Compensation and Nominating and Governance Committees are comprised entirely of independent directors.
- At least one member of our Audit Committee is an “audit committee financial expert” as defined by relevant rules.

In addition, the Committee may consider other factors, such as whether the proposed nominee has any direct experience in the specific markets in which we operate and whether, if elected, the proposed nominee would assist us in achieving a mix of Board members that represents a diversity of background and experience, together with such other standards the Committee may deem appropriate from time to time and all other facts and circumstances the Committee deems appropriate or advisable.

#### Board Diversity Policy

The Nominating and Governance Committee Charter does not contain a diversity factor. However, we seek diversity in experience, viewpoint, education, skill, and other individual qualities and attributes to be represented on our Board of Directors. We believe directors should have various qualifications, including individual character and integrity; business experience and leadership ability; strategic planning skills, ability, and experience; requisite knowledge of our industry and finance, accounting, and legal matters; communications and interpersonal skills; and the ability and willingness to devote time to our company. We also believe the skill sets, backgrounds, and qualifications of our directors, taken as a whole, should provide a significant mix of diversity in personal and professional experience, background, viewpoints, perspectives, knowledge, and abilities. Nominees are not to be discriminated against on the basis of race, religion, national origin, sex, sexual orientation, disability, or any other basis prescribed by law. The assessment of directors is made in the context of the perceived needs of our Board of Directors from time to time.

#### Director Qualifications, Experience and Skills

All of our directors bring to our Board a wealth of executive leadership experience derived from their services as senior executives in the medical industry or knowledge specific consulting firms or operational businesses. Each of our Board members has demonstrated strong business acumen and an ability to exercise sound judgment and has a reputation for integrity, honesty and adherence to ethical standards. When considering whether directors and nominees have the experience, qualifications, attributes and skills, taken as a whole, to enable the Board to satisfy its

oversight responsibilities effectively in light of our business and structure, the Nominating and Governance Committee and the Board focused primarily on the information discussed in each of the director's individual biographies set forth above and the specific individual qualifications, experience and skills as described below:

- Liu Yan-qing has over 10 years of experience in drug marketing, research and development of new drugs and enterprise management in the PRC. His experience in these areas has been instrumental in establishing our sales program and sales network covering the PRC, and provides us with invaluable insight into our customers' needs and requirements.
- Han Xiao-yan's hygiene and medical media experience has been integral in developing and marketing TDR's products and expanding its sales. In addition, she has over 10 years of financial management experience.
- Stanley Hao's prior experiences as Chief Financial Officer of our Company and Financial Officer for Sumitomo Group Canadian Branch, Marketing Executive and Canadian Market Analyst for MGM Mirage, and Chief Executive Offer of SunnyZone Consulting Co. Ltd., a financial consulting company he co-founded, give him extensive knowledge of accounting, the capital markets, financial reporting and financial strategies.
- Song Chun-fang has over four decades of experience working in high level positions in the medical departments in universities in China. His background and experience provides us with key industry specific contacts and information.
- William Wei Lee Lee's experience in cross-border M&A, fund raising and business strategy between the U.S. and China, including with public companies, provides us with crucial understanding of relevant issues related to our listing on the Nasdaq Global Market.
- Zhao Jie's experience in the medical field, specifically in the area of tissue transplantation, provides us with valuable knowledge with respect to the needs of the medical industry.
- Qian Xu-feng's depth of knowledge in investor services and company analysis, and general expertise in economics, provides us with valuable understanding in these areas, which are vital to our business.

#### Identifying and Evaluating Potential Director Nominees

Presently, the process for identifying potential nominees for election to the Board is as follows:

- The Committee may solicit recommendations from an or all of the following sources: non-management directors, the Chief Executive Officer, other executive officers, third-party search firms, or any other source the Committee deems appropriate.
- The Committee will review and evaluate the qualifications of a proposed director candidate and conduct inquiries it deems appropriate.
- The Committee will evaluate proposed director candidates in the same manner, with no regard to the source of the initiation recommendation.

#### Section 16(a) Beneficial Ownership Reporting Compliance

To our knowledge, based solely on a review of such materials as are required by the SEC, none of our officers, directors or beneficial holders of more than 10% of our issued and outstanding shares of common stock failed to timely file with the SEC any form or report required to be so filed pursuant to Section 16(a) of the Exchange Act, during the fiscal year ended December 31, 2009 except that: (i) Song Chun Fang filed a late Form 4 on January 26, 2010, to report the grant of 831 shares of common stock under our 2006 Stock Incentive Plan as of December 26, 2009, (ii) Qian Xu-feng filed a late Form 4 on January 26, 2010, to report the grant of 831 shares of common stock

under our 2006 Stock Incentive Plan as of December 26, 2009, (iii) Zhao Jie filed a late Form 4 on January 26, 2010, to report the grant of 831 shares of common stock under our 2006 Stock Incentive Plan as of December 26, 2009, (iv) William Wei Lee filed a late Form 3 on February 3, 2010, as amended on February 11, 2010, to report his appointment to our Board as of September 24, 2009, and (v) William Wei Lee filed a late Form 4 on February 3, 2010, as amended on February 11, 2010, to report the grant of 1,038 shares of common stock under our 2006 Stock Incentive Plan as of December 26, 2009.

## Director Compensation

We do not currently pay any cash fees to our independent directors. During 2009, there was no director compensation paid other than the stock grants. The common stock is recorded at its fair value based on the date the stocks were granted. The following table sets forth certain information regarding our independent directors' compensation for the year ended December 31, 2009:

Name	Fees Paid	Stock Awards	Total
Song Chung-fang, Director	\$ 0	\$ 19,518	\$ 19,518
William Wei Lee, Director	\$ 0	\$ 24,397	\$ 24,397
Zhao Jie, Director	\$ 0	\$ 19,518	\$ 19,518
Qian Xu-feng, Director	\$ 0	\$ 19,518	\$ 19,518

## OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of our Board has selected MSPC, Certified Public Accountants and Advisors LLP ("MSPC") as our independent registered public accounting firm to audit our consolidated financial statements for the fiscal year ending December 31, 2010. Murrell, Hall, McIntosh & Co., PLLP served as the principal accountant to audit our financial statements through December 18, 2007, when they were replaced by the firm of Sherb & Co., LLP. Effective as of May 21, 2008, we dismissed Sherb & Co., LLP as our independent registered public accounting firm and engaged the firm of MSPC. MSPC has audited our consolidated financial statements since the fiscal period ended December 31, 2008. The Audit Committee approved the decision to change accountants and the accountants' report on financial statements did not contain an adverse opinion, a disclaimer of opinion and was not qualified or modified as to uncertainty audit scope, or accounting principles. A representative of MSPC is not expected to be present at the Annual Meeting.

The former accountants' reports on financial statements neither contained an adverse statement, nor were they qualified. There were no disagreements with the former accountants during the past 2 years which were not resolved to the accountants' satisfaction.

## AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors is composed of three independent directors, in accordance with the applicable listing standards of the Nasdaq Stock Market and the applicable standards of the SEC, and operates under a written charter adopted by the Board of Directors. The charter is available on the Company's website at [www.cski.com.cn](http://www.cski.com.cn). Copies of the charter can be obtained free of charge by contacting us at the address appearing on the first page of this proxy statement to the attention of our Secretary.

All of the members of the Audit Committee are able to read and understand fundamental financial statements. In addition, Mr. William Wei Lee has past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background which results in his financial sophistication, and is an "audit committee financial expert" within the meaning of applicable SEC rules.

The Audit Committee assists the Board of Directors in its oversight of (i) the integrity of our financial statements, (ii) our compliance with legal and regulatory requirements, and (iii) the qualifications, independence and performance of our independent auditors. The Audit Committee also prepares this report as required by the rules of the SEC. The Audit Committee members are not professional accountants or auditors, and their functions are not intended to duplicate or to certify the activities of management or the independent registered public accounting firm. The Audit Committee provides advice, counsel and direction to management and the independent registered public accounting firm on the basis of the information it receives, discussions with management and the independent registered public accounting firm, and the experience of the Audit Committee's members in business, financial and accounting matters. The Audit Committee relies, without independent verification, on the information provided by the Company and on the representations made by management that the financial statements have been prepared with integrity and objectivity, on the representations of management, and the opinion of the independent registered public accounting firm that such financial statements have been prepared in conformity with accounting principles generally accepted in the United States, or GAAP.

The Audit Committee has reviewed and discussed the audited financial statements with our management. The Audit Committee also discussed with MSPC, Certified Public Accountants and Advisors LLP, our independent auditors, the matters required to be discussed by Statement on Auditing Standards No. 61, "Communication with Audit Committees," as may be modified or supplemented. The Audit Committee has received the written disclosures and the letter from MSPC, Certified Public Accountants and Advisors LLP required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, and has discussed with MSPC, Certified Public Accountants and Advisors LLP its independence. The Audit Committee has also considered whether the provision of certain permitted non-audit services by MSPC, Certified Public Accountants and Advisors LLP is compatible with their independence.

Based upon the review and discussions referred to above, the Audit Committee recommended to our Board of Directors that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 for filing with the SEC.

The information contained in this Audit Committee report shall not be deemed "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any document previously or subsequently filed with the SEC that incorporates by reference all or any portion of this proxy statement, except to the extent that we specifically incorporates it by reference into such filing.

The Audit Committee:

Zhao Jie  
Qian Xu-feng  
William Wei Lee, Chairman

September 16, 2010



## EXECUTIVE OFFICERS

Our executive officers are appointed by our Board and serve at their discretion. We currently have three executive officers, Liu Yan-qing, who serves as our Chief Executive Officer, President and Chairman of the Board, Han Xiao-yan who serves as our Vice Chairman and Zhang Yu-kun, who serves as our Chief Accounting Officer.

Name	Age as of September 16, 2010	Positions held by Executive Officer
Liu Yan-qing	47	Chief Executive Officer, President, Chairman of the Board and Directors since May 2006
Han Xiao-yan	44	Vice Chairman and Director since May 2008 (previously served as Chief Financial Officer and Director commencing in May 2006)
Zhang Yu-kun	40	Chief Accounting Officer and principal financial officer since August 2010

Liu Yan-qing has been our Chairman, Chief Executive Officer and President since May 2006, a Director of TDR since September 2000, and General Manager of First since April 2003. Mr. Liu graduated from Prophylactic Department of Harbin Medicine University, where he obtained his bachelor's degree. In 2005, he studied at Tsing Hua University and earned an Executive Masters of Business.

Han Xiao-yan has been our Vice Chairman and Director since May 2006, a General Manager of TDR since September 2004, and Vice Director of First since April 2003. She also serves as our senior marketing manager and administrative manager. Ms. Han received a master of business administration at Harbin Industrial University.

Zhang Yu-kun has been our Chief Accounting Officer since August 2010. He has been our Manager of Finance, and has held similar positions with our operating subsidiaries, since February 2003. Prior to this, commencing in 2000, he was the Manager of Finance for Harbin Advanced Technology Soybean Food Stock Co., Ltd. Mr. Zhang received an accounting degree in from the University of Finance and Economics located in People's Republic of China, where he majored in international finance.

### Significant Employees

Zhang Wen-chao has been our Director of Scientific and Technological Development since March 2005. Mr. Zhang graduated with a PhD in biology pharmaceuticals from South China University of Technology in 1997. He has been employed in various R&D roles since his graduation. Mr. Zhang completed our gene recombination medicine independently and has been responsible for researching and developing various products that have been launched by us since 2005.

### Family Relationships

There are no family relationships among our directors, executive officers, or persons nominated to become directors of executive officers.

### Involvement in Certain Legal Proceedings

There are no material legal proceedings to which any director or executive officer is adverse to, or has a material interest adverse to, China Sky or any of its subsidiaries.



## Compensation Discussion and Analysis

### Objectives of our executive compensation program

We provide a compensation package for our executive officers we refer to as our “named executive officers” that we believe is designed to fairly compensate them and to enhance shareholder value. We have disclosed the compensation packages for our named executive officers in the summary compensation table and related tables below. We have structured our compensation packages to motivate our named officers to achieve our business objectives and to align their interests with the interests of our shareholders.

Specifically, our compensation program is designed to achieve the following objectives:

- Attract and retain excellent executives who are appropriate for the Company’s needs;
- Motivate and reward executives whose knowledge, skills and performance are critical to the Company’s success;
- Motivate the executives to increase shareholder value for both the Company and its subsidiary operations through the use of options;
  - Tie compensation to corporate and individual performance; and
  - Align the interests of our executives with those of our shareholders.

### Elements of Compensation

**Base Salary.** All of our full time executives are paid a base salary. We do not have employment agreements with any of our executives. Base salaries for our executives are established based on the scope of their responsibilities, taking into account competitive market compensation paid by other companies in our industry for similar positions, professional qualifications, academic background, and the other elements of the executive’s compensation, including stock-based compensation. Our intent is to set our base salaries near the median of the range of salaries for executives in similar positions with similar responsibilities at comparable companies, in line with our compensation philosophy. Base salaries are reviewed annually, and may be increased to align salaries with market levels after taking into account the subjective evaluation described previously.

**Bonuses.** Historically, we have not paid cash bonuses to our executive officers. Bonuses may be paid on an ad hoc basis to recognize superior performance. If the Compensation Committee determines to provide bonus compensation as a regular part of our executive compensation package, it will establish performance goals for each of the executive officers and maximum bonuses that may be earned upon attainment of such performance goals.

**Equity Incentive Compensation.** We believe that long-term performance is achieved through an ownership culture participated in by our executive officers through the use of stock-based awards. Currently, we do not maintain any incentive compensation plans based on pre-defined performance criteria. The Compensation Committee has the general authority, however, to award equity incentive compensation to our executive officers in such amounts and on such terms as the committee determines in its sole discretion. The Committee does not have a determined formula for determining the number of options available to be granted. Incentive compensation is intended to compensate officers for accomplishing strategic goals such as mergers and acquisitions and fund raising. The Compensation Committee will review each executive’s individual performance and his or her contribution to our strategic goals periodically and determine the amount of incentive compensation towards the end of the fiscal year. Our Compensation Committee grants equity incentive compensation at times when we do not have material non-public information to avoid timing issues and the appearance that such awards are made based on any such information.



**Retirement Benefits.** Currently, we do not provide any company-sponsored retirement benefits or deferred compensation programs to any employee, including the named executive officers (other than a mandatory state pension scheme in which all of our employees in China participate) because it is not customary to provide such benefits and programs in China.

**Perquisites.** At this time, we do not provide, nor do we plan to provide, perquisites to our named executive officers

**Other Benefits.** At this time, we do not provide, nor do we plan to provide, deferred compensation, life insurance, or other benefits to our executive officers.

#### Determination of Compensation

Our Compensation Committee, which is comprised of independent directors, Mr. William Wei Lee, Mr. Song Chun-fang and Ms. Qian Xu-feng, is responsible for reviewing and making recommendations to the Board on matters relating to employee compensation and benefit plans and determining the compensation of our Chief Executive Officer. In addition, the Compensation Committee is responsible for making recommendations to the Board with respect to the compensation of the executive officers of the Company, other than the Chief Executive Officer, and independent directors.

In making determinations, the Compensation Committee and the Board give material consideration to our results of operations, financial condition and competitive factors. The Compensation Committee may delegate authority to one or more subcommittees consisting of one or more of its members. The Compensation Committee may also accept recommendations and ideas from senior management to determine the compensation to be paid to our executive officers. In addition, our Chief Executive Officer regularly provides information and recommendations to the committee on the performance of the executive officers, appropriate levels and components of compensation, including equity grants, as well as other information as the committee may request.

The Compensation Committee may also retain consultants to assist in the evaluation of compensation for our directors, the Chief Executive Officer or the executive officers, however the Compensation Committee has not hired such consultants.

We do not formally benchmark our compensation against any peer group. However we informally consider competitive market practices with respect to the salaries and total compensation of our named executive officers. We review the market practices by reviewing publicly available information of other companies in our sector and our geographical area. However while we review such market information, it is only one factor we consider in establishing compensation, and we did not make use of any formula incorporating such data.

Generally in determining whether to increase or decrease compensation to our named executive officers, we take into account any changes, of which we are aware, in the market pay levels, the performance of the executive officer, any increase or decrease in responsibilities and roles of the executive officer, the business needs for the executive officer, the transferability of managerial skills to another employer, the relevance of the executives officers experience to other potential employers and the readiness of the executive officer to assume a more significant role within the organization.

The base salaries for our executives were established based on the scope of their responsibilities, taking into account competitive market compensation paid by other companies in our industry, and in Heilongjiang province, for similar positions, professional qualifications, academic background, and the other elements of the executive's compensation, including stock-based compensation. Base salaries are reviewed annually, and may be increased to align salaries with market levels after taking into account the subjective evaluation described previously.



Our practice is to periodically consider awarding stock bonuses based upon, among other things, accomplishments of key objectives and overall performance. In addition, from time-to-time the committee may approve payment of stock bonuses to executives or key contributors for special accomplishments or other reasons. In 2009, the Board determined to award our executive officers, independent directors and certain employees in the form of stock grants valued in the aggregate amount of approximately 1% of our total revenues. The Board then considered each recipients performance and responsibilities in allocating the stock grants among the participants.

#### Change in Control and Employment Agreements

Through 2009 we had no change-in-control agreements, severance agreements or employment agreements of any kind, nor are there plans to institute change-in-control agreements, severance agreements or employment agreements in the near future.

#### Stock Ownership Guidelines

We have not implemented any stock ownership requirements for our named executive officers. We have issued stock options to our named executive officers, which we believe allows management to own equity in our company and accordingly align their interest with those of other shareholders.

#### Compensation Committee Report

The Compensation Committee of our Board of Directors has reviewed and discussed with management the Compensation Discussion and Analysis for 2009 appearing in this proxy statement. Based on such reviews and discussions, the Compensation Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement for filing with the SEC.

The Compensation Committee:

William Wei Lee  
Song Chun-fang  
Qian Xu-feng

September 16, 2010

#### Summary Compensation Table

The following table sets forth the cash compensation paid by the Company to its President and all other executive officers who earned annual compensation exceeding \$100,000 for services rendered during the 2009, 2008 and 2007 fiscal years.

Name and Principal Position	Year	Salary (\$)	Stock Awards (\$)(1)	Option Awards (\$)	Total (\$)
Liu Yan-qing, Chairman, Chief Executive Officer and President	2009	35,083	439,152	—	474,235
	2008	34,320	51,380	—	85,700
	2007	68,512	—	—	68,512
Han Xiao-Yan, Vice Chairman and Director	2009	27,774	336,683	—	364,457
	2008	25,680	40,120	—	65,800
	2007	54,810	—	—	54,810

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Stanley Hao, Chief Financial Officer, Secretary And Director	2009	17,542	146,384	—	163,926
	2008	17,542	11,424	—	28,966



(1) In fiscal year 2009, we issued an aggregate of 52,844 shares of restricted stock to certain executives and directors pursuant to our 2006 Stock Incentive Plan. In fiscal 2008, we issued an aggregate of 30,063 shares of restricted stock to certain executives, directors and advisors pursuant to our 2006 Stock Incentive Plan.

#### Employment Agreements and Arrangements

We do not have formal employment agreements with any members of management.

#### Equity Compensation Plan Information

Our Board of Directors adopted a 2006 Stock Incentive Plan (the “Plan”), to be effective on July 31, 2006. The Plan was approved by our shareholders on July 31, 2006. The Plan authorizes the granting of incentive stock options and nonqualified stock options to purchase common stock, stock appreciation rights (“SARs”), restricted stock, performance stock and bonus stock, to key executives and other key employees and consultants of ours, including officers of our subsidiaries. The purpose of the Plan is to attract and retain key employees, to motivate key employees to achieve long-range goals and to further align the interests of key employees with those of the other shareholders of ours. The Plan authorizes the award of 1,500,000 shares of common stock to be used for stock, SARs, restricted stock and performance and bonus stock. If an award made under the Plan expires, terminates or is forfeited, canceled or settled in cash, without issuance of shares covered by the award, those shares will be available for future awards under the Plan. The Plan will terminate on July 31, 2017. The Plan is intended to qualify for favorable treatment under Section 16 of the Exchange Act, as amended, pursuant to Rule 16b-3 promulgated thereunder (“Rule 16b-3”). The Plan provides for the grant of “incentive stock options,” as defined in Section 422 of the Internal Revenue Code (“Code”) and nonqualified stock options.

The Plan designates a Stock Option Committee appointed by the Board of Directors (which may be the Compensation Committee) and authorizes the Stock Option Committee to grant or award to eligible participants stock options, SARs, restricted stock performance stock awards and bonus stock awards for up to 1,500,000 shares of our common stock. The initial members of the Stock Option Committee are the Board of Directors.

As of December 31, 2009, there have been a total of 198,202 common shares granted under on the Plan, as follows:

- In October 2006, we granted stock options to purchase an aggregate of 113,500 shares of common stock to a total of 36 participants under the Plan. In May 2009, an aggregate of 101,000 of these stock options were exercised on a “cashless” basis by 36 participants, resulting in our issuance of an aggregate of 75,888 shares. In August 2009, the remaining 12,500 of these stock options were exercised on a “cashless” basis by 9 participants, resulting in our issuance of an aggregate of 9,407 shares.
- In April 2007, we issued an aggregate of 30,000 shares of restricted stock to a total of 200 individuals under the Plan.
- In July 2008, we issued an aggregate of 30,063 shares of restricted stock to a total of 27 individuals under the Plan.
- In December 2009, we issued an aggregate of 52,844 shares of restricted stock to a total of 11 individuals under the Plan.

## Grants of Plan-Based Awards For Fiscal Year 2009

The following table sets forth information regarding grants of awards to named executive officers during the year ended December 31, 2009:

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/share)	Grant Date Fair Value of Stock and Options Awards	Closing Price on Grant Date (\$/share)
Liu Yan-qing	December 26, 2009	18,687	—	—\$	439,152	\$ 23.50
Han Xiao-yan	December 26, 2009	14,327	—	—\$	336,683	\$ 23.50
Stanley Hao	December 26, 2009	6,229	—	—\$	146,384	\$ 23.50

## Outstanding Equity Awards At Fiscal Year Ended 2009

As of December 31, 2009, we did not have any outstanding equity awards.

## Option Exercises and Stock Vested

The following table sets forth information regarding options exercised and stock vested for each of our named executive officers during the year ended December 31, 2009:

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Liu Yan-qing	12,773	\$ 187,508	18,687	\$ 439,152
Han Xiao-yan	9,016	\$ 132,355	14,327	\$ 336,683
Stanley Hao	—	—	6,229	\$ 146,384

## Potential Payment Upon Termination or Change in Control

We do not currently have payment arrangements for our named executive officers upon termination or change in control.

## Pension Benefits

We do not provide any company-sponsored retirement benefits to any employee, including the named executive officers (other than a mandatory state pension scheme in which all of our employees in China participate).

## Nonqualified Deferred Compensation

We do not provide any deferred compensation programs to any employee, including the named executive officers.

## CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS

There have been no transactions between members of management, five percent stockholders, “affiliates,” promoters and finders.

### Policy for Evaluating Related-Party Transactions

Our Audit Committee Charter provides that all related-party transactions involving the Company’s directors and offices and their immediate family members are to be reviewed by the Audit Committee. In addition, our Code of Ethics provides that certain transactions that may present a conflict of interest may not be entered into by any employee, officer or director unless approved by the Board. The Code of Ethics also contains other provisions relating to conflicts of interests.

SECURITY OWNERSHIP OF CERTAIN  
BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of our common stock, by (i) each person who, to our knowledge, owns more than 5% of our common stock, (ii) each of our named executive officers and directors, and (iii) all of our named executive officers and directors as a group. Shares of our common stock subject to options, warrants, or other rights currently exercisable, or exercisable within 60 days of the date hereof, are deemed to be beneficially owned and outstanding for computing the share ownership and percentage of the person holding such options, warrants or other rights, but are not deemed outstanding for computing the percentage of any other person. As of September 16, 2010, we had 16,790,851 shares of Common Stock issued and outstanding.

Name, Title and Address (1)	Common Stock Beneficially Owned	
	Number (2)	Percent
<b>5% Stockholders</b>		
Pope Investments II LLC(3) 5100 Poplar Avenue, Suite 805 Memphis, TN 38137	1,071,926	6.3%
<b>Executive Officers and Directors</b>		
Liu Yan-qing Chief Executive Officer, President and Chairman of the Board of Directors	4,696,953	28.0%
Han Xiao-yan(4) Vice Chairman of the Board of Directors	1,430,060	8.5%
Stanley Hao Chief Financial Officer and Secretary	7,317	*
Song Chun-fang Director	1,919	*
William Wei Lee Director	1,854	*
Zhao Jie Director	1,919	*
Qian Xu-feng Director	1,919	*
All Named Executive Officers and Directors as a Group (7 persons)	6,141,941	36.6%

\*Less than 1%

(1) Unless otherwise indicated, each person named in the table has sole voting and investment power and that person's address is c/o China Sky One Medical, Inc., No. 2158, North Xiang An Road, Song Bei District, Harbin, PRC, 150028

(2) All shares are held of record and beneficially.

(3) Includes 321,000 shares underlying currently exercisable warrants held by Pope Investments II LLC. William D. Wells is the Managing Member of Pope Investments II LLC and has sole voting and investment power over the shares owned by such entity. Mr. Wells disclaims beneficial ownership of these shares, except to the extent of his pecuniary interest therein. Based on information provided to the Company by Pope Asset Management, Inc. on September 2, 2010.

(4) 4,560,963 of these shares are subject to a Lock-up Agreement entered into in connection with a private placement we consummated in January 2008. Pursuant to the Lock-up Agreement, these shares may not be sold until 12 months from the effective date of a registration statement filed to register for resale shares, and shares underlying warrants, purchased in the private placement.

(5) 1,371,437 of these shares are subject to a Lock-up Agreement entered into in connection with a private placement we consummated in January 2008. Pursuant to the Lock-up Agreement, these shares may not be sold until 12 months from the effective date of a registration statement filed to register for resale shares, and shares underlying warrants, purchased in the private placement. Does not include 19,989 shares held by Ms. Han's mother or 485,670 shares held by Ms. Han's daughter, since each of Ms. Han's mother and daughter has sole voting and investment power over the shares held by her. Ms. Han disclaims beneficial ownership of the shares held by her mother and daughter.

Equity Compensation Plan Information

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted- average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	0	\$ -	1,273,593(3)
Equity compensation plans not approved by security holders (2)	0	N/A	0
<b>Total</b>	<b>0</b>	<b>\$ -</b>	<b>1,273,593</b>

(1) Our board of directors adopted the 2006 Stock Incentive Plan (the "Plan"), to be effective on July 31, 2006. The Plan was approved by the shareholders on July 31, 2006.

(2) We do not have any equity compensation plans not approved by the security holders.

(3) The Plan reserves an aggregate of 1,500,000 shares of our common stock for awards of stock options, stock appreciation rights, restricted stock, performance stock and bonus stock granted thereunder. We have issued the following securities under the Plan:

(a) In October 2006, we granted stock options to purchase an aggregate of 113,500 shares of common stock to a total of 36 participants under the Plan. In May 2009, an aggregate of 101,000 of these stock options were exercised on a "cashless" basis by 36 participants, resulting in our issuance of an aggregate of 75,888 shares. In August 2009, the

remaining 12,500 of these stock options were exercised on a “cashless” basis by 9 participants, resulting in our issuance of an aggregate of 9,407 shares.

(b) In April 2007, we issued an aggregate of 30,000 shares of restricted stock to a total of 200 individuals under the Plan.

(c) In July 2008, we issued an aggregate of 30,063 shares of restricted stock to a total of 27 individuals under the Plan.



(d) In December 2009, we issued an aggregate of 52,844 shares of restricted stock to a total of 11 individuals under the Plan.

Fees paid to MSPC, Certified Public Accountants and Advisors LLP

Sherb & Co., LLP served as the principal accountant to audit our financial statements through May 21, 2008, when they were replaced by the firm of MSPC, Certified Public Accountants and Advisors LLP.

The following is a summary of the combined fees billed to us by Sherb & Co., LLP and MSPC, Certified Public Accountants and Advisors LLP for professional services rendered for the fiscal years ended December 31, 2009, 2008 and 2007:

Aggregate fees rendered for the fiscal years ended December 2009, 2008 and 2007 were as follows:

	2009	2008	2007
Audit Fees	\$ 316,745	\$ 161,106	\$ 135,442
Audit Related Fees	\$ 3,810	\$ 29,600	\$ 21,500
Tax Fees	\$ 15,000	-	-
Other Fees	-	-	-
<b>Total Fees:</b>	<b>\$ 335,555</b>	<b>\$ 190,706</b>	<b>\$ 156,942</b>

**Audit Fees.** Consists of fees billed for professional services rendered for the audit of our consolidated financial statements and review of the interim consolidated financial statements included in quarterly reports, services that are normally provided by our independent registered public accounting firm in connection with statutory and regulatory filings or engagements. Audit fees in fiscal 2009 included the costs for our internal control evaluation.

**Audit-Related Fees.** Consists of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under "Audit Fees."

**Tax Fees.** Consists of fees billed for professional services for our corporate tax returns and extensions, tax compliance, tax advice and tax planning. No such fees were billed by our independent registered public accounting firm in fiscal 2008 or 2007.

**All Other Fees.** No fees were billed to us by our independent registered public accounting firm for products and services other than the services reported above. No such fees were billed by our independent registered public accounting firm in fiscal 2009, 2008 or 2007.

The board of directors has the sole authority to review in advance and grant any pre-approvals of (i) all auditing services to be provided by the independent auditor, (ii) all significant non-audit services to be provided by the independent auditors as permitted by Section 10A of the Securities Exchange Act of 1934, and (iii) all fees and the terms of engagement with respect to such services. All audit and non-audit services performed by Sherb & Co., LLP and MSPC, Certified Public Accountants and Advisors LLP during fiscal 2009 and 2008 were pre-approved pursuant to the procedures outlined above.

Pre-Approval Policies

The Audit Committee has the sole authority to review in advance and grant any pre-approvals of (i) all auditing services to be provided by the independent auditor, (ii) all significant non-audit services to be provided by the independent auditors as permitted by Section 10A of the Exchange Act, and (iii) all fees and the terms of engagement

with respect to such services, except that the Audit Committee may delegate the authority to pre-approve non-audit services to one or more of its committee members who will present its decisions to the full Audit Committee at the first meeting following such decision. Following the Company's establishment of an Audit Committee on February 22, 2008, all audit and non-audit services performed by Murrell, Hall, McIntosh & Co., PLLP, Sherb & Co., LLP and MSPC, Certified Public Accountants and Advisors LLP during fiscal 2008 and 2007 were pre-approved pursuant to the procedures outlined above. Prior to the establishment of the Audit Committee, all services of the independent auditors were approved by the full board of directors.

#### NO INCORPORATION BY REFERENCE

In our filings with the SEC, information is sometimes “incorporated by reference.” This means that we are referring you to information that has previously been filed with the SEC and the information should be considered as part of the particular filing. As provided under SEC regulations, the Audit Committee Report contained in this proxy statement is specifically not incorporated by reference into any other filings with the SEC. In addition, this proxy statement includes website addresses. These website addresses are intended to provide inactive, textual references only. The information on these websites is not part of this proxy statement.

#### STOCKHOLDER PROPOSALS – 2010 ANNUAL MEETING

Stockholder proposals may be included in our proxy materials for an Annual Meeting so long as they are provided to us on a timely basis and satisfy the conditions set forth in Rule 14a-8 under the Exchange Act. For a stockholder proposal to be included in our proxy materials for the 2011 Annual Meeting of Stockholders, the proposal must be submitted in writing by 120 days before the date of this year’s proxy, May 19, 2011, to our Corporate Secretary at No. 2158, North Xiang An Road, Song Bei District, Harbin, People’s Republic of China 150028.

If you wish to submit a proposal outside of the process of Rule 14a-8 under the Exchange Act, in order for such proposal to be considered “timely” for the purposes of Rule 14a-4(c) under the Exchange Act, the proposal must be received at the above address not later than May 19, 2011. If we do not have notice of a proposal on or prior to May 19, 2011, discretionary authority shall be granted to the persons designated in our proxy related to the 2009 meeting to vote on such proposal.

#### OTHER MATTERS

Our Board knows of no other matters that have been submitted for consideration at this Annual Meeting. If any other matters properly come before our stockholders at this Annual Meeting, the persons named on the enclosed proxy card intend to vote the shares they represent in their discretion.

#### ANNUAL REPORT TO STOCKHOLDERS

A copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 as filed with the SEC, is being mailed concurrently with this proxy statement (as part of our annual report to stockholders). A copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, as filed with the SEC, is available without charge, except for exhibits to such report, by sending a written request to: China Sky One Medical, Inc., No. 2158, North Xiang An Road, Song Bei District, Harbin, People’s Republic of China 150028, Attention: Queenie Liu or via e-mail to [queenieliu@cski.com.cn](mailto:queenieliu@cski.com.cn).

By Order of the Board of Directors,

/s/ Liu Yan-qing

Liu Yan-qing

Chairman, Chief Executive Officer and President

REVOCABLE PROXY

CHINA SKY ONE MEDICAL, INC.  
ANNUAL MEETING OF STOCKHOLDERS, OCTOBER 12, 2010

THE PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby constitutes and appoints Liu Yan-qing and Han Xiao-yan, as attorneys-in-fact and proxies of the undersigned, each with full power of substitution, for and in the name, place and stead of the undersigned to appear at the 2010 Annual Meeting of Stockholders of China Sky One Medical, Inc. to be held on the 12th day of October 2010, and at any postponement, adjournment or rescheduling thereof, and to vote all of the shares of common stock of China Sky One Medical, Inc. which the undersigned is entitled to vote, with all the powers and authority the undersigned would possess if personally present.

The Board of Directors recommends a vote "FOR" the election of the nominees listed in Proposal 1.

The undersigned hereby directs the proxies to vote as follows:

(1) Election of Directors

- |                       |                               |                       |   |
|-----------------------|-------------------------------|-----------------------|---|
| <input type="radio"/> | FOR all nominees listed below | <input type="radio"/> | WITHHOLDING AUTHORITY to vote for all nominees listed below |
|-----------------------|-------------------------------|-----------------------|---|

Nominees:

Liu Yan-qing  
Han Xiao-yan  
Hao Yu-bo  
Song Chun-fang  
Qian Xu-feng  
Zhao Jie  
William Wei Lee

- FOR all nominees listed above except (see instructions below)

(INSTRUCTION: To withhold authority to vote for any individual nominee, mark "FOR all nominees listed above except" and write the name(s) of nominee(s) for which you are withholding authority on the line provided below).

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(2) In their discretion, to vote on such other business as may properly come before the annual meeting or any postponement, adjournment or rescheduling thereof.

THIS PROXY WILL, WHEN PROPERLY EXECUTED, BE VOTED AS DIRECTED. IF NO DIRECTIONS TO THE CONTRARY ARE INDICATED IN THE BOXES PROVIDED THE STOCKHOLDERS WILL BE DEEMED TO HAVE GIVEN THE PROXY HOLDERS COMPLETE DISCRETION IN VOTING HIS, HER OR ITS SHARES AT THE MEETING. IN THAT CASE, THE PERSONS NAMED HEREIN INTEND TO VOTE FOR THE ELECTION OF THE NOMINEES FOR DIRECTOR LISTED IN PROPOSAL 1. IF ANY OTHER BUSINESS IS

PRESENTED AT THE ANNUAL MEETING, THIS PROXY WILL BE VOTED BY THOSE NAMED IN THIS PROXY IN THEIR BEST JUDGMENT. AT THE PRESENT TIME, THE BOARD OF DIRECTORS KNOWS OF NO OTHER BUSINESS TO BE PRESENTED AT THE ANNUAL MEETING.

THIS PROXY CONFERS CERTAIN DISCRETIONARY AUTHORITY DESCRIBED IN THE PROXY STATEMENT. THE ATTORNEYS AND PROXIES NAMED HEREIN PRESENT AND ACTING IN PERSON OR BY THEIR SUBSTITUTES (OR, IF ONLY ONE IS PRESENT AND ACTING, THEN THAT ONE) MAY EXERCISE ALL OF THE POWERS HEREUNDER.

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The undersigned hereby acknowledges receipt of China Sky One Medical, Inc.'s notice of the annual meeting, proxy statement relating to the annual meeting, and 2009 Annual Report to Stockholders.

Date: \_\_\_\_\_, 2010  
(Please date)

(Please Print Stockholder Name)

\_\_\_\_\_(SEAL)  
(Stockholder's Signature)

Date: \_\_\_\_\_, 2010  
(Please date)

\_\_\_\_\_  
(Please Print Stockholder Name)

\_\_\_\_\_(SEAL)  
(Stockholder's Signature)

Please sign your name exactly as it appears on your stock certificate(s), including any official position or representative capacity. If shares are registered in more than one name, all owners should sign.

PLEASE DATE, SIGN AND MAIL IN THE ENCLOSED REPLY ENVELOPE