

CHINA SKY ONE MEDICAL, INC.  
Form 10-Q  
May 10, 2011

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the three months ended: March 31, 2011

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-34080

CHINA SKY ONE MEDICAL, INC.  
(Exact name of registrant as specified in its charter)

Nevada  
(State or other jurisdiction of  
incorporation or organization)

87-0430322  
(I.R.S. Employer  
Identification No.)

No. 2158, North Xiang An Road, Song Bei District,  
Harbin, People's Republic of China  
(Address of principal executive offices)

150028  
(Zip Code)

Registrant's telephone number, including area code: 86-451-87032617 (China)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

As of May 1, 2011, the registrant had 16,940,539 shares of common stock issued and outstanding.

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QUARTERLY REPORT ON FORM 10-Q  
OF CHINA SKY ONE MEDICAL, INC. AND SUBSIDIARIES  
FOR THE PERIOD ENDED MARCH 31, 2011

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (“Form 10-Q”), together with other statements and information we publicly disseminate, contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and include this statement for purposes of complying with these safe harbor provisions.

Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words “believe,” “expect,” “intend,” “anticipate,” “estimate,” “should”, “v”, “could”, “may”, “plan”, “possible”, “project” or similar expressions. You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors that are, in some cases, beyond our control and which could materially affect actual results, performances or achievements.

Factors that may cause actual results to differ materially from current expectations include, but are not limited to the “Risk Factors” discussed in our Annual Report on Form 10-K, for the year ended December 31, 2010. Accordingly, there is no assurance that our expectations will be realized. Except as otherwise required by the federal securities laws, we disclaim any obligations or undertaking to publicly release any updates or revisions to any forward-looking statement contained herein (or elsewhere) to reflect any change our expectations with regard thereto, or any change in events, conditions or circumstances on which any such statement is based.

The terms “the Company,” “we,” “us” and “our” refer to China Sky One Medical, Inc., together with our consolidated subsidiaries.

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

China Sky One Medical, Inc. and Subsidiaries  
Condensed Consolidated Statements of Operations and Comprehensive Income  
(Unaudited, \$ in thousands except share and per share data)

	Three Months Ended March 31,	
	2011	2010
Revenues	\$ 28,365	\$ 28,903
Cost of Goods Sold	9,064	7,275
Gross Profit	19,301	21,628
Operating Expenses		
Depreciation and amortization	1,334	841
Research and development	4,112	3,764
Selling	6,300	5,911
General and administrative	920	990
Total operating expenses	12,666	11,506
Income from Operations	6,635	10,122
Other Income		
Interest income	32	29
Change in fair value of derivative warrant liability	1,377	4,927
Total other income	1,409	4,956
Net Income Before Provision for Income Tax	8,044	15,078
Provision for Income Taxes	1,921	2,489
Net Income	\$ 6,123	\$ 12,589
Basic Earnings Per Share	\$ 0.36	\$ 0.75
Basic Weighted Average Shares Outstanding	16,940,539	16,776,864
Diluted Earnings Per Share	\$ 0.36	\$ 0.74
Diluted Weighted Average Shares Outstanding	16,940,539	16,955,535
Other Comprehensive Income		
Foreign currency translation adjustment	\$ 1,415	\$ 21
Net Income	6,123	12,589
Comprehensive Income	\$ 7,538	\$ 12,610

See accompanying summary of accounting policies and notes to the condensed consolidated financial statements.

China Sky One Medical, Inc. and Subsidiaries  
Condensed Consolidated Balance Sheets  
(\$ in thousands, except share data)

	March 31, 2011 (Unaudited)	December 31, 2010
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$48,058	\$ 43,124
Accounts receivable, net	16,678	20,080
Inventories	6,589	2,409
Prepaid and other current assets	34	21
Total current assets	71,359	65,634
Property and equipment, net	28,906	28,960
Intangible assets, net	26,997	23,155
Construction in progress	40	19
Land use rights, net	40,860	40,844
Land and construction deposit	13,727	13,612
Total Assets	\$181,889	\$ 172,224
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$6,738	\$ 3,309
Taxes payable	3,300	3,225
Derivative warrant liability	297	1,674
Total current liabilities	10,335	8,208
Commitments and Contingencies	-	-
Stockholders' Equity		