

CHINA SKY ONE MEDICAL, INC.  
Form 10-Q/A  
July 23, 2010

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

FORM 10-Q/A  
(Amendment No. 1)

(Mark One)

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

For the three months ended: March 31, 2010

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.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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 17, 2010, the registrant had 16,790,851 shares of common stock issued and outstanding.

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## EXPLANATORY NOTE

This Amendment No. 1 to the Quarterly Report on Form 10-Q (“Amended Form 10-Q”) of China Sky One Medical, Inc. (the “Company”) amends the Company’s Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2010, filed with the Securities and Exchange Commission (“SEC”) on May 17, 2010 (the “March 2010 Form 10-Q”).

As announced in a Current Report on Form 8-K (the “Form 8-K”) the Company filed with the SEC on June 24, 2010, on June 18, 2010, the Company’s management determined that the Company’s financial statements:

- for the fiscal quarter ended March 31, 2009, included in the March 2010 Form 10-Q;
- for the fiscal quarter ended June 30, 2009, included in its Quarterly Report on Form 10-Q filed with the SEC on August 14, 2009 (the “June 2009 Form 10-Q”); and
- for the fiscal quarter ended September 30, 2009, included in its Quarterly Report on Form 10-Q filed with the SEC on November 16, 2009 (the “September 2009 Form 10-Q” and, collectively with the March 2010 Form 10-Q and June 2009 Form 10-Q, the “Form 10-Qs”),

should no longer be relied upon due to errors in such financial statements with respect to the accounting for certain derivative instruments (warrants the Company issued in 2008 discussed below), which were previously recorded as equity instruments in accordance with generally accepted accounting principles in effect through December 31, 2008.

On May 11, 2010, the Company filed with the SEC a Current Report on Form 8-K, as amended on May 24, 2010, to report management’s determination that the Company’s financial statements for the year ended December 31, 2009, included in its Annual Report on Form 10-K filed with the SEC on March 16, 2010, as amended on March 17, 2010 (the “2009 10-K”), should no longer be relied upon due to an error in such financial statements with respect to the accounting for the 750,000 common stock purchase warrants the Company issued in connection with its January 31, 2008 private placement (the “Warrants”). The Company received comments from the staff of the SEC, which led to the Company’s conclusion that the historical financial statement for the year ended December 31, 2009 in the 2009 10-K require restatement to properly record the Warrants as a derivative liability. The Company intends to file an amendment to the 2009 10-K with the SEC, reflecting the proposed restatement, as soon as practicable.

The Company received additional comments from the staff of the SEC, which led to the Company’s conclusion that the historical interim financial statements in the Form 10-Qs require restatement to properly record the Warrants as a derivative liability.

The Company has performed a complete assessment of the Warrants and has concluded that the Warrants are within the scope of Accounting Standards Codification 815-40, “Derivatives and Hedging – Contracts in Entity’s Own Equity” (“ASC 815-40”), formerly Emerging Issues Task Force Issue No. 07-05, “Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity’s Own Stock” (“EITF 07-05”), due to the inclusion in the Warrants of a provision requiring a weighted average adjustment to the exercise price of the Warrants in the event the Company issues common stock, or securities convertible into or exercisable for common stock, at a price per share lower than such exercise price. Accordingly, ASC 815-40, formerly EITF 07-05, which was effective as of January 1, 2009, should have been applied resulting in a reclassification of the warrants as a liability, measured at fair value, with changes in fair value recognized as part of other income or expense for each reporting period thereafter.

After discussions with the Audit Committee of its Board of Directors and the Company’s independent registered public accounting firm, management has determined to:

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- file this Amended Form 10-Q, which will contain restated financial information for the fiscal quarter ended March 31, 2009 reflecting the corrections made in response to these accounting errors; and
- include restated financial information in the Company's upcoming June 30, 2010 and September 30, 2010 Form 10-Qs, which will incorporate corrections made in response to these accounting errors, and restate the Company's financial statements for the three and six months ended June 30, 2009 and three and nine months ended September 30, 2009, marking each 2009 period as restated.

The corrections to the quarterly information in this Amended Form 10-Q had no impact on the Company's previously reported income from operations or cash flows for the periods being restated.

The following tables (\$ in thousands, except per share information) show the effects of the restatement on the Company's consolidated statements of operations and comprehensive income and consolidated statements of cash flows for the three month period ended March 31, 2009:

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, 2009	
	As Previously Recorded	As Restated
Change in fair value of derivative warrant liability	\$ -	\$ 2,239
Total other income (expense)	\$ 12	\$ 2,251
Net Income Before Provision for Income Tax	\$ 9,063	\$ 11,302
Net Income	\$ 7,243	\$ 9,482
Basic Earnings Per Share	\$ 0.44	\$ 0.58
Diluted Earnings Per Share	\$ 0.43	\$ 0.57
Other Comprehensive Income		
Foreign currency translation adjustment	\$ 117	\$ 117
Net Income	\$ 7,243	\$ 9,482
Comprehensive Income	\$ 7,360	\$ 9,599

China Sky One Medical, Inc. and Subsidiaries  
Condensed Consolidated Statements of Cash Flows  
(Unaudited, \$ in thousands)

	Three Months Ended March 31, 2009	
	As Previously Recorded	As Restated
Net Income	\$ 7,243	\$ 9,482
Change in fair value of derivative liability	-	(2,239)
Total:	\$ 7,243	\$ 7,243

Except as described above and revisions to Note 14 to Notes to Consolidated Financial Statements, no other amendments are being made to the March 2010 Form 10-Q. This Amended Form 10-Q does not reflect events occurring after the March 2010 Form 10-Q, or modify or update the disclosure contained therein in any other way other than as required to reflect the amendments discussed above.

The Company has attached to this Amended Form 10-Q updated certifications executed as of the date of this Amended Form 10-Q by the Chief Executive Officer and Chief Financial Officer as required by Sections 302 and 906 of the Sarbanes Oxley Act of 2002. These updated certifications are attached as Exhibits 31.1, 31.2, 32.1 and 32.2 to this Amended Form 10-K.

QUARTERLY REPORT ON FORM 10-Q  
 OF CHINA SKY ONE MEDICAL, INC. AND SUBSIDIARIES  
 FOR THE PERIOD ENDED MARCH 31, 2010

TABLE OF CONTENTS

	PAGE
<b>PART I - FINANCIAL INFORMATION</b>	
Item 1. Financial Statements	2
Condensed Consolidated Statements of Operations and Comprehensive Income for the Three Months Ended March 31, 2010 (unaudited) and 2009 (unaudited) (restated)	2
Condensed Consolidated Balance Sheets as of March 31, 2010 (unaudited) and December 31, 2009 (restated)	3
Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2010 (unaudited) and 2009 (unaudited) (restated)	4
Notes to Condensed Consolidated Financial Statements (unaudited)	5
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	27
Item 3. Quantitative and Qualitative Disclosures About Market Risk	40
Item 4. Controls and Procedures	40
<b>PART II - OTHER INFORMATION</b>	
Item 1. Legal Proceedings	41
Item 1A. Risk Factors	41
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	41
Item 3. Defaults Upon Senior Securities	41
Item 4. Removed and Reserved	