

CHINA SKY ONE MEDICAL, INC.
Form 10QSB/A
December 18, 2007

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

**FORM 10-QSB/A
(Amendment No. 1)**

(Mark one)

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

For the quarterly period ended June 30, 2006

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 0-26059

CHINA SKY ONE MEDICAL, INC.

(Exact Name of small business issuer as specified in its charter)

Nevada
(State of Incorporation)

87-0430322
(IRS Employer ID Number)

No. 38 Dingxin 3rd Street, Nangang District, Harbin,
Heilongjiang Province, People's Republic of China 150001
(Address of principal executive offices)

86-451-53994073
(Registrant's telephone number, including area code)

Not applicable
Former name, address and fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or 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 x No o

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of the date of this report, there were 10,929,370 shares of common stock outstanding.

Transitional Small Business Format: Yeso Nox

CHINA SKY ONE MEDICAL, INC.
Form 10-QSB for the quarter ended June 30, 2006
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EXPLANATORY NOTE

As previously announced in a Current Report on Form 8-K (the "Form 8-K") filed by China Sky One Medical, Inc. (the "Company") with the Securities and Exchange Commission (the "SEC") on September 18, 2007 (as amended on September 26, 2007), on approximately May 12, 2007, the Company's management concluded that the Company's previously filed financial statements as of the fiscal year ended December 31, 2006, and the interim periods ended March 31, 2006, June 30, 2006 and September 30, 2006, should no longer be relied upon due to certain significant accounting errors. Since that time, the Company has:

- filed with the SEC Amendment No. 1 to its Annual Report on Form 10-KSB for the fiscal year ended December 31, 2006, on October 8, 2007; and
- determined that it is not required to file an amended Form 10-QSB for the interim period ended March 31, 2006, since that fiscal quarter ended prior to the consummation of the stock exchange transaction between American California Pharmaceutical Group, Inc. and the shareholders of Comet Technologies, Inc. (described in Note 1 of the Notes to the Financial Statements included in this 10-QSB/A).

This Amendment No. 1 to the Quarterly Report on Form 10-QSB (the "10-QSB/A"), which amends and restates certain items identified below with respect to the Form 10-QSB originally filed by the Company with the SEC on August 21, 2006 (the "Original Filing"), is being filed to reflect the restatement of the Company's financial statements for the fiscal quarter ended June 30, 2006. Detailed information regarding the accounting errors that have been corrected is provided in Note 22 of the Notes to the Financial Statements included in this 10-QSB/A. Simultaneously herewith, the Company is filing an amended Form 10-QSB for the interim period ended September 30, 2006. The Company believes that these filings will complete the Company's obligations to amend certain of its SEC filings, as set forth in the Form 8-K.

The Company has attached to this 10-QSB/A updated certifications executed as of the date of this Form 10-KSB/A 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 10-QSB/A.

This Form 10-QSB/A only amends and restates certain information in Part I, Item 1 (Financial Statements) and Item 2 (Management's Discussion and Analysis or Plan of Operation), and Part 2, Item 6 (Exhibits), and such amendment and restatement with respect to Part I, Items 1 and 2 only reflect the restatement of the financial statements as described above. Except for the foregoing amended and restated information, this Form 10-QSB/A continues to describe conditions as of the date of the Original Filing, and the disclosures contained herein have not been updated to reflect events, results or developments that have occurred after the Original Filing, or to modify or update those disclosures affected by subsequent events. Among other things, forward-looking statements made in the Original Filing have not been revised to reflect events, results or developments that have occurred or facts that have become known to the Company after the date of the Original Filing (other than the restatement), and such forward-looking statements should be read in their historical context. This Form 10-QSB/A should be read in conjunction with the Company's filings made with the SEC subsequent to the Original Filing, including any amendments to those filings.

PART I - FINANCIAL INFORMATION**Item 1. Financial Statements**

China Sky One Medical, Inc. and Subsidiaries
Condensed Consolidated Balance Sheet
June 30, 2006
(Unaudited)

ASSETS**Current Assets**

Cash and cash equivalents	\$ 1,965,864
Accounts receivable, net	2,086,339
Inventories	451,130
Prepaid expenses	63,023
Total current assets	4,566,356

Property, plant and equipment

Fixed assets, net of accumulated depreciation	967,361
Land use rights	510,886
Construction in progress	2,776,700
	4,254,947

Intangible assets, net	1,526,165
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	\$ 10,347,468
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LIABILITIES AND STOCKHOLDERS' EQUITY**Current Liabilities**

Accounts payable and accrued expenses	\$ 956,391
Wages payable	256,514
Welfare payable	112,820
Taxes Payable	568,436
Deferred revenue - government grants	55,782
Notes payable	375,267
Total current liabilities	2,325,210

Stockholders' Equity

Preferred stock (\$0.001 par value, 5,000,000 shares authorized, none issued and outstanding)	-
Common stock (\$0.001 par value, 20,000,000 shares authorized, 10,929,370 issued and outstanding)	10,929
Additional paid-in capital	3,294,317
Accumulated other comprehensive income	112,942
Retained earnings	4,604,070
Total stockholders' equity	8,022,258

	\$ 10,347,468
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The accompanying notes are an integral part of these financial statements.

China Sky One Medical, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
For the Three and Six Months Ended June 30, 2006 and 2005
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2006	2005	2006	2005
Revenues	\$ 5,189,235	\$ 1,850,164	\$ 9,168,354	\$ 3,700,327
Cost of Goods Sold	1,245,156	533,927	2,194,754	1,067,853
Gross Profit	3,944,079	1,316,237	6,973,600	2,632,474
Operating Expenses				
Selling, general and administrative	2,435,262	826,456	4,331,228	1,408,427
Depreciation and amortization	98,857	42,374	105,013	59,828
Research and development	1,910,229	12,280	1,933,375	12,280
Total operating expenses	4,444,348	881,110	6,369,616	1,480,535
Other Income (Expense)				
Interest income and other income	-	-	-	-
Interest expense	(8,180)	(124)	(17,332)	(124)
Total other income (expense)	(8,180)	(124)	(17,332)	(124)
Net Income Before Provision for Income Tax	(508,449)	435,003	586,652	1,151,815
Provision for Income Taxes				
Current	265,198	65,250	468,666	178,695
Deferred	(265,198)	-	(468,666)	-
	-	65,250	-	178,695
Net Income	\$ (508,449)	\$ 369,753	\$ 586,652	\$ 973,120
Basic Earnings Per Share	\$ (0.05)	\$ 0.03	\$ 0.05	\$ 0.09
Basic Weighted Average Shares Outstanding	10,929,370	10,929,370	10,929,370	10,929,370
Diluted Earnings Per Share	\$ (0.05)	\$ 0.03	\$ 0.05	\$ 0.09
Diluted Weighted Average Shares Outstanding	10,929,370	10,929,370	10,929,370	10,929,370
The Components of Other Comprehensive Income				
Net Income	\$ (508,449)	\$ 369,753	\$ 586,652	\$ 973,120

Foreign currency translation adjustment	36,321	-	55,388	-
Comprehensive Income	\$ (472,128)	\$ 369,753	\$ 642,040	\$ 973,120

The accompanying notes are an integral part of these financial statements.

China Sky One Medical, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2006 and 2005
(Unaudited)

	2006	2005
Cash flows from operating activities		
Net Income	\$ 586,652	\$ 973,120
Adjustments to reconcile net cash provided by operating activities		
Depreciation and amortization	117,870	59,828
Share-based compensation expense	487,954	-
Deferred income tax benefit	(468,666)	-
Net change in assets and liabilities		
Accounts receivables and other receivables	(828,226)	(557,657)
Inventories	(69,990)	157,618
Prepaid expenses and other	(34,508)	2,408
Accounts payable and accrued liabilities	356,864	(640,383)
Wages payable	133,871	65,529
Welfare payable	15,075	13,279
Taxes payable	422,815	171,403
Deferred revenue	(9,152)	(101,334)
Advances by customers	(143,570)	-
Net cash (used in) provided by operating activities	566,989	143,811
Cash flows from investing activities		
Purchases of fixed assets	(64,475)	(32,417)
Purchase of intangible assets	(1,090,231)	(435,309)
Increase in construction in progress	(332,802)	-
Net cash (used in) investing activities	(1,487,508)	(467,726)
Cash flows from financing activities		
Sale of common stock for cash	14,235	-
Proceed from short-term loans	-	483,092
Payment on short-term loans	(120,573)	-
Net cash provided by financing activities	(106,338)	483,092
Effect of exchange rate	55,388	170,204
Net increase in cash	(971,469)	329,381
Cash and cash equivalents at beginning of year	2,937,333	1,919,567
Cash and cash equivalents at end of year	\$ 1,965,864	\$ 2,248,948
Supplemental disclosure of cash flow information		

Interest paid

\$ 9,152