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

FORM 10-K

(Mark One)

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

For the year period ended **DECEMBER 31, 2008**

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

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

Commission file number 333-131017

**CHINA VOIP & DIGITAL TELECOM, INC.**  
(Exact name of small business issuer in its charter)

Nevada	98-0509797
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

11th Floor Tower B1, Yike Industrial Base, Shunhua Rd,  
High-tech Industrial Development Zone, Jinan, China  
(Address of principal executive offices)

86-(531) 8702-7114  
(Issuer's telephone number)

Securities registered under Section 12(b) of the Exchange Act: none

Securities registered under Section 12(g) of the Exchange Act:

Title of each class: Common Shares US\$0.001 par value

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

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 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

Check if no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendments to this Form 10-KSB.

Check whether the registrant is a shell company (as defined in Rule 12b-2 of the exchange Act). Yes  No

The aggregate market value of voting stock held by non-affiliates of the registrant as of March 30, 2009 was: approximately \$9,580,000 (based upon a closing sale price of \$0.185 per share, as reported on the OTCBB).

The issuers' revenues for the fiscal year ended December 31, 2008 were: \$8,524,413

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

Common Stock: par value of \$0.001; **53,008,000** shares issued and outstanding on December 31, 2008.

Transitional Small Business Disclosure Format (Check one): Yes  No

CHINA VOIP & DIGITAL TELECOM, INC.

FORM 10-K

FISCAL YEAR 2008

TABLE OF CONTENTS

PART I

- Item 1. Description of Business
- Item 2. Description of Property
- Item 3. Legal Proceedings
- Item 4. Submission of Matters to a Vote of Security Holders

PART II

- Item 5. Market for Common Equity, Related Stockholder Matters, and Small Business Issues/purchases of Equity Securities
- Item 6. Selected Financial Data
- Item 7. Management's Discussion and Analysis, or Plan of Operation
- Item 7A. Quantitative and Qualitative Disclosures About Market Risk
- Item 8. Financial Statements and Supplementary Data
- Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure
- Item 9A. Controls and Procedures
- Item 9B. Other Information

PART III

- Item 10. Directors, Executives Officers, Promoters and Control Persons.  
Compliance with Section 16(a) of the Exchange Act
- Item 11. Executive Compensation
- Item 12. Security Ownership of Certain Beneficial Owners and Management and  
Related Stockholder Matters
- Item 13. Certain Relationships and Related Transactions
- Item 14. Principal Accounting Fees and Services

PART IV

- Item 15. Exhibits, Financial Statement Schedules

SIGNATURES

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**ITEM 1. DESCRIPTION OF BUSINESS**

**Available Information**

We file annual reports on Form 10-KSB, quarterly reports on Form 10-QSB, current reports on Form 8-K, proxy statements and all other reports, and amendments to these reports, required of public companies with the SEC. The public may read and copy the materials we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street NW, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a Web site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. Through a link to the SEC Web site, we make available free of charge on the Investor Relations section of our corporate Web site all of the reports we file with the SEC as soon as reasonably practicable after the reports are filed. To easily find the link to the SEC filings, investors can also access to the investor relations pages as contained in our website [www.chinavoip-telecom.com](http://www.chinavoip-telecom.com)

**Business of Issuer**

China VoIP Digital Telecom Inc. ("the Company"), formerly, Crawford Lake Mining, Inc. acquired on August 17, 2006, all of the outstanding capital stock of Jinan YinQuan Technology Co. Ltd. ("Jinan Yinquan") in exchange for the issuance of 40,000,000 shares of our common stock to the Jinan Shareholders and \$200,000. Such shares are restricted in accordance with Rule 144 of the 1933 Securities Act. In addition, as further consideration for the acquisition, Apollo Corporation, the principal shareholder of the Company, agreed to cancel 11,750,000 post-split shares of its outstanding common stock. Based upon same, Jinan became our wholly-owned subsidiary.

Jinan Yinquan is an equity joint venture established in Jinan in 2001, in the People's Republic of China ("the PRC"). The exchange of shares with Jinan Yinquan has been accounted for as a reverse acquisition under the purchase method of accounting since the stockholders of the Jinan Yinquan obtained control of the consolidated entity. Accordingly, the merger of the two companies has been recorded as a recapitalization of Jinan Yinquan, with Jinan Yinquan being treated as the continuing entity. The historical financial statements presented are those of Jinan Yinquan. The continuing company has retained December 31 as its fiscal year end. The financial statements of the legal acquirer are not significant; therefore, no pro forma financial information is submitted.

On May 7, 2008 (the "Closing Date"), Yinquan completed the acquisition of Beijing PowerUnique Technologies Co., Ltd. ("BPUT"), a company incorporated under the laws of the People's Republic of China, in accordance with the Investment Agreement. On the Closing Date, pursuant to the terms of the Investment Agreement, Yinquan invested RMB4,000,000 to BPUT; and BPUT transferred 80% of the shares and ownership interests of BPUT to Yinquan. On the Closing Date, Yinquan became the controlling shareholder of BPUT. BPUT is a company incorporated under the laws of the People's Republic of China. It is a privately held software company in Beijing specializing in enterprise application software research and development. It creates reliable, secure as well as efficient information technology platforms for enterprise clients. It is committed to providing the highest quality solutions to enterprises in both information security and virtual technology.

Jinan Yinquan's principal activities are developing and sales of computer software and hardware, digital video pictures system; developing and sales of computer network and network audio devices, parts, low value consumables and etc (exclusive of the business not obtained the license). After completing the acquisition of BPUT, it currently is focused on the Voice over Internet Phone ("VoIP"), information security and virtualization technology related business.

In 2008, Yinquan launched a new communication platform based on its VoIP technology. The new platform, International Business Communication Center (IBCC) is designed to meet all the communication requirements for the operation of a modern enterprise. It includes telephone, fax, email, SMS, conference calling and video conferencing together with OA and CRM software, in a single integrated package. In addition, IBCC also provides its registered users with information on more than 8 million industrial enterprises. These enterprises have been classified into 20 categories in order to expedite users' searches for critical information. The most important function of IBCC is that it allows users to click to call the person or enterprise they want through the webpage.

All of the communications functions of IBCC are structured using the existing VoIP technology of Yinquan, which ensures the lowest possible rate for communications services. Furthermore, IBCC will provide users with a region-free office thanks to its VoIP technology. Users' offices can be anywhere as long as there is broadband service. It's the original reason Yinquan designed IBCC.

IBCC offers five advantages over current competition:

- Multiple and convenient basic communications functions: the IBCC package contains all basic communications requirements like telephone, fax, email and SMS, and all functions can be accessed with one click on the web
- Powerful value-added communications functions, including multi-party conference calls and video conferencing
- Lowest available communications rates: thanks to VoIP technology, users may enjoy both IP telephone and fax on IBCC without the equipment but with the lowest rate
- Region-free offices: users may login to their own office platforms anywhere and anytime
- Free OA and CRM software: IBCC offers these critical applications for free

The virtualization business is primarily conducted through BPUT outside Shandong area, while Yinquan is primarily focusing on Shandong area. Currently, both Yinquan and BPUT are the leaders in applied virtual technology field in China. In May, 2008, BPUT became an official Technology Alliance Partner (TAP) of VMware (NYSE: VMW). VMware is the global leader in virtualization solutions from the desktop to the data center. Customers of all sizes rely on VMware to reduce capital and operating expenses, ensure business continuity, strengthen security and go green. VMware has more than 100,000 customers worldwide and all Fortune 100 enterprises are using the mature virtual technology of VMware. The alliance partnership allows BPUT to leverage VMware's advanced virtual technology in the information security products marketplace in order to broaden its product offerings and strengthen its competitive advantage.

After Yinquan launched both the virtualization application technology and IBCC service platform in 2008, its virtualization technology and its IBCC service platform have been endorsed as the designated virtualization application technology product and the designated communications service platform for the 11th National Games of China, respectively. Yinquan will implement the virtualization technology in the National Games dedicated data center. The virtualization technology should significantly reduce system purchases and operating costs. It should also improve the reliability and manageability of the system and safeguard the information used during the Games. In addition, the IBCC service platform will be run as the sub-website of the National Games' official website for athletes, coaches, staff, volunteers and sponsors so they may enjoy unified communication services including an online office system, telephone, SMS, email, fax, conference call and video conference.

**Industry Background**

**VoIP**

VoIP is a technology that enables communications over the Internet through the compression of voice, video and/or other media into data packets that can be efficiently transmitted over data networks and then converted back into the original media at the other end. Data networks, such as the Internet or local area networks, or LANs, have always utilized packet-switched technology to transmit information between two communicating terminals. The most common protocol used for communicating on these packet switched networks is IP. VoIP allows for the transmission of voice along with other data over these same packet switched networks, and provides an alternative to traditional telephone networks, which use a fixed electrical path to carry voice signals through a series of switches to a destination.

As a result of the potential cost savings and added features of VoIP, consumers, enterprises, traditional telecommunication service providers and cable television providers are viewing VoIP as the future of telecommunications. VoIP has experienced significant growth in recent years due to:

- Demand for lower cost telephone service;

- Increasing demand for long distance communication services driven by the increased mobility of the global workforce;
- Improved quality and reliability of VoIP calls due to technological advances, increased network development and greater bandwidth capacity; and
- New product innovations that allow VoIP providers to offer services not currently offered by traditional telephone companies.

The traditional telephone networks maintained by many local and long distance telephone companies were designed solely to carry low-fidelity audio signals with a high level of reliability. Although these traditional telephone networks are very reliable for voice communications, these networks are not well suited to service the explosive growth of digital communication applications for the following reasons:

- They are expensive to build because each subscriber's telephone must be individually connected to the central office switch, which is usually several miles away from a typical subscriber's location;
- They transmit data at very low rates and resolutions, making them poorly suited for delivering high-fidelity audio, entertainment-quality video or other rich multimedia content;
- They use dedicated circuits for each telephone call, which allot fixed bandwidth throughout the duration of each call, whether or not voice is actually being transmitted; and
- They may experience difficulty in providing new or differentiated services or functions, such as video communications, that the network was not originally designed to accommodate.

Until recently, traditional telephone companies have avoided the use of packet switched networks for transmitting voice calls due to the potential for poor sound quality attributable to latency issues (delays) and lost packets which can prevent real-time transmission. Recent improvements in packet switch technology, compression and broadband access technologies, as well as improved hardware and provisioning techniques, have significantly improved the quality and usability of packet-switched voice calls.

Historically, packet-switched networks were built mainly for carrying non real-time data, although they are now fully capable of transmitting real time data. The advantages of such networks are their efficiency, flexibility and scalability. Bandwidth is only consumed when needed. Networks can be built in a variety of configurations to suit the number of users, client/server application requirements and desired availability of bandwidth, and many terminals can share the same connection to the network. As a result, significantly more traffic can be transmitted over a packet switched network, such as a home network or the Internet, than a circuit-switched telephony network. Packet switching technology allows service providers to converge their traditionally separate voice and data networks and more efficiently utilize their networks by carrying voice, video, facsimile and data traffic over the same network. The improved efficiency of packet switching technology creates network cost savings that can be passed on to the consumer in the form of lower telephony rates.

The growth of the Internet in recent years has proven the scalability of these underlying packet switched networks. As broadband connectivity, including cable modem and digital subscriber line, or DSL, has become more available and less expensive, it is now possible for service providers like us to offer voice and video services that run over these IP networks to businesses and residential consumers. Providing such services has the potential to both substantially lower the cost of telephone service and equipment costs to these customers and to increase the breadth of features available to our subscribers. Services like full-motion, two-way video are now supported by the bandwidth spectrum commonly available to broadband customers, whether business or residential.

As a result of these growth trends, various service providers, enterprises and consumers are continuing to procure offerings from VoIP providers, including Jinan Yinquan. Specifically, consumers in emerging markets are increasingly using VoIP-enabled services, such as Internet Protocol, or IP, telephones, to realize significant cost savings on long distance and international calls, while in markets where a significant number of consumers have access to broadband internet services, these consumers are increasingly looking at VoIP as a viable and more affordable substitute for their traditional telecommunications provider.

Accordingly, many of the traditional telecommunications providers are looking to deploy VoIP as a defensive strategy, while cable companies, ISPs and other broadband providers are looking at VoIP service offerings as a way to capture new revenue streams from existing and new customers. These providers have two primary alternative means to develop and deploy VoIP offerings: they can build them in-house; or they can partner with a company like Jinan Yinquan and outsource all or a portion of the effort. Those seeking to offer VoIP service offerings by developing an in-house service must learn a vastly different set of platforms, and integrate several additional components with their existing systems, which requires the development of significant technical expertise and the deployment and management of substantial capital expenditures.

Alternatively, a full service VoIP company, like Jinan Yinquan, can provide these service providers with the ability to outsource their VoIP services, and thereby effectively reduce the upfront and ongoing cost of providing the service, and efficiently reduce the time to market and risks associated with developing and maintaining an in-house VoIP service.

### **Our Strategy**

Different from other VoIP services companies, we enable customers using our VoIP products and services without a PC connection. Our objective is to provide reliable, scalable, and profitable worldwide Internet communication services with unmatched quality. Our goal is to achieve this objective by delivering innovative technologies and services and balancing the needs of our customers with the needs of our business. We intend to bring the best possible voice and video products and services, at an affordable price, to either residential or businesses customers and enhance the ways in which these customers communicate with each other, and within the world.

Specific strategies to accomplish this objective include:

- *Focus on our retail VoIP business.* From 2005, we began to shift the focus of our sales and marketing efforts to growing the VoIP services for retail customers from the efforts to providing one-off solution services to enterprise customers. The retail users can enable the Company to generate continuing revenue stream although it will involve more after sales services. In addition, these customers are more likely to subscribe to our additional services and are less likely to leave the service.
- *Expand our business into whole China region.* As of end of 2006, we have successfully expanded our business into all major cities in Shandong Province of China. Apart from the efforts to expand intensively our services in the Shandong Province, we are aggressively planning to develop our business in other provinces of China. We believed that our successful experience and model in Shandong Province can be copied in other cities. To achieve our final goals, we will adopt following approaches to develop our business: 1) setup branches in other provinces; 2) acquire or merge with other companies already operated in other provinces; 3) co-operate or find agents to expand our business in other provinces.

- *Capitalize on our technological expertise to introduce new products and features.* Over the past years, we have developed several core technologies that form the backbone of our voice and video over IP service and which we intend to use to develop product enhancements and future products.
- We developed our unique technologies used to provide video and voice service through special devices or software. As a result, we are able to update the software functionality of our customers' requirements without any third party assistance.
- *Extend our strategic partnership with Major Chinese Telecom Operators.* Currently, we set up partnership with China Tietong, one of the six major telecom operators in China. Thanking for the strong marketing support from China Tietong, we can expand our business quickly and legally in China. In future, we will enhance our partnership with China Tietong and seek cooperation opportunities with other major telecom players in China.
- *Develop additional distribution channels.* We have established relationships with telephone café, retailers and other distributors of telecommunications products and services. To further accelerate growth of our products and services, we intend to build upon our existing relationships and establish new relationships with distributors, value added resellers and system integrators, other service providers, equipment manufacturers and retailers to make our products more readily available and accessible to potential customers of our services.

## **Technology**

Our NP soft switch IP phone system and its ancillary IP phone billing and management systems were all proprietarily developed by Jinan Yinquan, and are protected by a software copyright certificate issued by the State Copyright Bureau. The technology has been registered as a software product at Shandong Information Industry Office.

### **TECHNICAL FEATURES OF THE NP SYSTEM**

The NP soft switch IP phone system is based on real-time Internet communication technology and related applications, and uses software to simulate circuit switching. It provides next-generation networks (IPv6 and NGN) call control and connection control functions designed for real time services, and serves as the core of call and control of a next-generation network. The NP system supports many IP phone access protocols, and can organize effectively individual and corporate communications. It boasts excellent capacity and scalability, and can be applied on many kinds of end equipments and accessing modes (including IP mobile phone, PSTN phone, IP fixed phone, soft terminal, WIFI IP phone, and etc.)

### **TECHNICAL SPECIFICATIONS OF THE NP SYSTEM:**

Our NP soft switch IP phone system and its ancillary IP phone billing and management systems were all proprietarily developed by Jinan Yinquan, and are protected by a software copyright certificate issued by the State Copyright Bureau. The technology has been registered as a software product at Shandong Information Industry Office:

- Developed based on standard and proprietary protocol suites with sound switching capacity and compatibility;
- Supports speech, fax, video phone and chat;
- Is a fully distributed network structure that supports load balance, overload protection, and redundant backup to ensure the high stability and reliability of the system;
- Function of passing through NAT/Firewall; it can pass through multiple level of NAT to reduce operation cost;
- Web based configuration and maintenance system and remote web administration system, which realize centralized control and administration to reduce maintenance cost;
- Supports many kinds of value-added services, and provide scalable ports for new businesses; support unconditional transfer, busy transfer, offline transfer, no-response transfer, call holding/recovering, call park/pickup, call transfer, caller ID display, number change, call restriction, and caller ID blocking;
- Supports different kinds of internet accessing modes, and can be connected with Cable Modem, xDSL, Fttb+LAN, PPPoE and intranet; prove sound compatibility with different network environment, and support fully Ipv6;
- Fully opened system structure and interoperability with networks based on different protocols, which ensures a stable platform to support the across-region and across-industry information sharing;
- Seamless integration with IP PBX, ensuring the provision of various solutions for internal but across-region communication inside companies;
- IVR function, that supports centralized or distributed call center for corporate users;
- Remote conference call function, which allows the participant to use any kind of voice communication device, such as fixed phone set, mobile phone, Linktone, and soft switch IP phone;
- Supports Presence technology; end user can set up his/her own configuration and have others see his/her presence status;
- Supports interconnections with other kinds of IP phone systems, and even different soft switch system.

### **SYSTEM STRUCTURE**

The NP system consists of an access certification module (AC), soft switch call control module (SCC), billing system (BS), system management configuration (WEB), network management system (NMS) and database system (DBS), and adopts the distributed structure. Based on the number of users, distribution and network environment, soft switch system platforms or relay gateway can be installed anywhere in the world to balance the load. In a region with many network users, it is recommended to install a voice server, so that most data exchange of voice communication can be done locally to avoid cross-regional transmission of voice data. When a network users in different regions wish to communicate, a node server will be used to connect them in order to interconnect the different servers and the sharing of network resources. Different soft switch systems serve as the redundancy for each other. When one soft switch system is down, another one will be appointed to take its position according to the load condition and network status. The node server will send the parameters of the new soft switch server to the terminals, and terminals will register automatically themselves onto the new server. When a relay gateway is down or the network is down, the soft switch system will direct the call to other relay gateway to ensure the normal service.

#### ***AC Module***

This module checks for equipment registration and calls. It covers the differences between different types of equipment and the deficiency of specific equipment, so that they can be connected easily with one another. The access certification is based on an account number, password and MAC address, and unauthorized users are prohibited from accessing the system. It supports standard signals, and makes sure the network phone set, residential gateway, soft switch and any other network terminal products that are manufactured by most equipment companies can register with and be used in the system, so as to achieve compatibility and communication between different protocols and products. The differences between different products and protocols will be handled by the system. Furthermore, it supports private signals. Private signals adopts TLS transmission layer encryption technology to avoid being intercepted and captured. Only the authorized terminal equipment with built-in private signals can log into the system. The AC module also supports both login and call signals to pass through NAT, and provides accessing and inter-communication functions with different protocol-type equipments under different network environment, so as to realize equipment login and call certifications.

#### ***SCC Module***

This module is responsible for handling call signals, and providing different kinds of call services and the media flow routing function. Its open design supports standard SIP protocol issued by IETF, and 32 byte encryption key for voice transmission, which means even all RTP packets are captured in the midway, the voice cannot be recovered. Additionally, it supports both server transfer and P2P direct communication. The communication mode can be selected very flexibly according to the network condition of the user, application mode, terminal device, and call mode. This module is enhanced by private encryption key to protect against any unauthorized copying inside the system even from the administrator.

#### ***Billing Module***

This module provides certification, billing and management functions to audio and other related value-added service, and by using it, user can choose different payment methods such as pre-payment, afterward payment, and the purchase of call card. The billing module enables multiple levels of management for distributors. Distributors at different levels will be awarded operator hall management functions, operation management model compatible with that of telecom carriers, and alert functions for pre paid call expenses to remind distributors or end users to recharge.

This module records the details of every user's call, rate, call expense, and expense for value-added service, and account balance. User can check for such details at any time.

This module allows the administrators to set up the call expense rate and value-added service expense rate. Therefore, different charge rates can be applied to different kind of users, such as large distributors, key accounts and special accounts.

It has different kinds of statistics and analysis functions, and therefore can generate statistic reports and analysis tables according to the actual needs.

It can provide powerful management platform to internet bars, including functions such as order processing, call expense adjustment, and statistics functions to meet the billing requirements of the bar owners.

#### ***Network Administration Module***

The system's web server will provide real time monitoring functions to cover server status, equipment status and call status inside the soft switch system, provide related statistics information, and meanwhile identify any abnormality in the system.

### **SYSTEM INNOVATION — PROPRIETARY PROTOCOL SUITE**

#### ***Large Number of Concurrent Lines***

By using proprietary built-in hardware, protocol suite, terminal device, relay gateway, and soft switch system, Jinan Yinquan can use P2P mode to transfer the audio for all kinds of calls (PC2PC, PC2Phone, Phone2PC, Phone2Phone). During the call, the signals for call holding and call status information will be sent to the soft switch system, which will monitor the calls to all users and send control signals to those users with established calls to ensure call quality. Because the signal is of very limited data volume and thus occupies very limited bandwidth, the network congestion will be effectively avoided. The server is responsible only for processing signals instead of sending audio, which can increase greatly the number of concurrent lines of soft switch system. If Jinan Yinquan's terminals adopt the equipments based on our proprietary protocol suite, a single system will be able to support 10,000 concurrent lines.

#### ***Management Control***

Multiple control server domain names have been reserved in terminal devices. When the terminal devices fail in communicating with registration server, such reserved server address will be retrieved automatically. If the connection route fails in meeting the requirements due to poor network quality, you can require to change registration server and connection route to ensure the call quality.

#### ***Value-added functions***

The system supports IM, presence and technologies, No matter whether the terminals of users are busy or idle, the performance of the terminals will not be affected. All operations of the terminals will be transferred as signals to registration server, which will be responsible for processing such data.

#### ***Recording***

When the user needs to record a call, the system will switch automatically into server transfer mode to save the audio stream. This kind of service will be awarded to the public security department or the police office when needed. The system will automatically cancel the P2P mode.

#### ***Encryption***

Signal based encryption can prevent others from acquiring user information. Based on the encryption on audio packets, the captured audio packets by an authorized person will not be recovered into audio.

### **Products and Services**

We have different lines of products or services designed for individual users and enterprise users. Following products are designed for individual users or small enterprise users:

### ***IP telephone***

IP telephone is the hardware that supports the protocol of SIP or H.323. It has all of the same functions of a traditional telephone. It has two Ethernet Interfaces, taking one IP address, with one router. Using the IP telephone does not interfere with internet usage. To satisfy different terminal devices connected with soft switch platform, this kind of equipment can be further classified into the following three series:

- Only one Ethernet port (10/100M) and one IP address. After having been connected with information socket and configured through web, it can become an end user of soft switch system.
- Built-in route with more than two Ethernet ports (10/100M). One of them is connected with information socket to occupy one IP address, and the other is connected with hub and used for the accessing of other networking equipments, such as a computer or any other IP phone set.
- After having been configured through web, it can become an end user of soft switch system.

### ***Analog Gateway: IAD***

An Analog gateway connects the soft switch system with the common telephone and converts the traditional telephone into a complete VoIP telephone having access to all of the functions and benefits that are found with using this state of the art technology. It includes following models:

- One FXS line: It can support one telephone.
- One line with router: It can connect with one telephone, including a router, we connect its LAN with computer, and so calling will not affect our going to the Internet.
- Many FXS: 2,4,8,16,32,48, and 64 lines, ect. They can respectively connect with telephones in the same number as them. They are suitable to be used inside buildings and by enterprises.
- With fleeing interface: It has the interface same as common telephone line's. We connect the common line with the interface to realize one telephone with two numbers. We can get the calls from soft switch telephones and common telephones. When we call somebody, we can choose to use the low-cost soft switch telephone and common telephone.

### ***Video Telephone***

A Video telephone device supports the protocol of SIP or H.323. Along with receiving and making calls, you can see the caller on video as long as the other caller also has this capability.

### ***Softphone***

Softphone is the software that supports the protocol of SIP or H.323. Users make calls by using the computer keyboard or soft keyboard to dial, with the same functions as IP telephone. The Softphone user communicates using a computer headset. Using this function, a user can communicate with any hardware terminal device.

### ***Wifi Phone***

WiFi Phone is new product to be introduced by the Company. It is a type of IP phone set that supports both SIP protocol and 802.11 connection, and also an end user device for soft switch platform. Within the coverage scope of 802.11 wireless networks, it has the same functions as IP phone sets, and the differences are network accessing mode and the supports to route functions. Currently, we have identified several OEM manufactures alternatives in China, who are able to manufacture the wifi phone set. We are also seeking co-operation opportunity with other wifi router companies.

Following services or products are designed for these median or big size enterprises:

### ***NGN Soft Switch System***

The communications technology has been driven by the development of Internet technology all the time. And the prologue of a new round communications technology competition has been kicked off by the new communications technology and instruments which are represented by VoIP. This also expands the competition among telecom operators from areas and users to the communications technologies. VoIP has been the preferred technology for the newcomers in telecom market. The great prospect of VoIP has been embodied in three aspects:

- The new telecom operators organize the low-cost communication networks of their own with VoIP.
- The international Internet operators provide the net users with the voice communication services through VoIP. In a sense, they have partaken the market share from traditional telecom enterprises gradually.
- A number of large or medium size enterprises start organizing VoIP communication networks of their own, which could lower communication cost as well as expedite information exchange, in order to confront globalize competition among enterprises. According to the analysis from Gartner, due to capital and technology, the application of VoIP is at the very outset, it will reach the peak of its application in 3 to 5 years.

### ***NP PBX***

The NPPBX is a small voice-switch platform with powerful functions. It combined PBX and VoIP advanced technology perfectly, had proposed many kinds of VoIP solutions for the enterprises. These solutions can reduce the communication cost of all large and medium-sized enterprises and government significantly, increase working efficiency at the same time. NPPBX will become an indispensable part for enterprise with popularization. NPPBX has many kinds of function, include: voice mail, computer-telephones, conference call, calling control, CDR, and API etc. It is both

IAD and PBX. So, NPPBX is not only the supplement to the traditional PBX, but also the substitute of that. NP-PBX influences neither the use nor the functions of the original network. Moreover, it creates new network applications, as well as increases the rate of utilization of the inner equipments and resources in the whole enterprise, which reduces its communication cost. VoIP can realize voice transmission among different areas through IP network. It is feasible to save a large number of the toll fees, and realize zero calling charge inside the organization. NPPBX adopts SIP, performs as the voice gatekeeper, voice gateway as well as the traditional voice exchange in one, offering the low-cost voice communication to users as the enterprise, government, financial institution, education department, intelligent building, and hotels, etc.

NPPBX, as the substitute of the traditional PBX, has very obvious comparative advantages to the traditional one. It integrates PSTN and Internet in to one, and saves a large number of management and maintenance cost. It would be more convenient and easier to provide the value-added services through NPPBX. The single system has a lot of functions, which the traditional one could realize only with many other supplementary equipment. NP PBX is more universal and practice, for it's easier to use、configure and maintain. Due to the application of the computer, it's easier for capacity-expansion of the system and decreasing the fund input. NPPBX is a flexible voice platform with following functions and may lowers the calling charges for the enterprises:

- Distributing the extensions at your willing: Via the easy understanding configuration interface, anybody that can operate the computer may configure his user's information easily. Thus you never need to retain a professional for the maintenance.
- Auto-telephones and calling group: After recording the voice prompt according to user's demands, it's possible for the caller dialing a certain number to reach the corresponding department. The telephones in this department will ring in turn according to the set order, until someone answers it. It's also possible to set an extension to answer the incoming call directly.
- Voice message (64/256/1024 hours): The caller may leave a voice message in the phone when you are unavailable to reply in time. You may listen the message either by the appointed phone or by other extensions. Besides, the system will send the message to your E-mail, so you may listen it by computer when you outside.
- Conference call (available for 8/32 lines): It's easy for you to hold a conference call either through the WEB interface or the extensions. Not only the registered NP PBX extensions but also the traditional phones can be invited into the conference call. You may invite your staff to enter a conference call of the company through the telephone in hotel room or cell-phone when he is on the business trip. Whenever, wherever, you may hold your conference call.
- Register to SIP soft-switch: You may register NPPBX through a VoIP ID to the soft switch platform which supports SIP, in order to make domestic or international toll through the platform.
- Other functions: NPPBX also has other functions like Call hold、Call transfer、Caller ID、Non-interruption, ect. Users may configure all the functions by dialing the corresponding keys on the phone set.

### ***Call Center***

The term "call center" often conjures up images of hundreds of agents working for huge telemarketing conglomerates. However, that's simply not the case any more. Call center systems have progressed to the point that even small companies with as few as 10 agents can get the same powerful call management features as the big players. Call centers now are increasingly called "contact centers" as they incorporate inquires from web and email sources in addition to phone calls depending on technology. Call center systems address many facets of your business with features such as instant routing of important customers to the best agents, reduced hold times, more efficient scheduling of employees, and detailed reporting. Call center is typically applicable for:

- Government hot line
- Company customer service center, follow-up service center
- Integrated information service
- Materials circulation/EC
- Media interaction
- Fax memory transmit
- Data inquire center (inquire marks/ electric charge)
- Multi-party communication, such as conference call
- Enterprise or individual secretary service, voicemail
- Telephone direct selling, telephone shopping
- Telephone interview survey
- Enterprise yellow page service
- Against-counterfeit inquire service

## **Virtualization Technology**

Virtualization is a proven software technology that is rapidly transforming the IT landscape and fundamentally changing the way people compute. Today's powerful x86 computer hardware was originally designed to run a single operating system and a single application, but virtualization breaks that boundary by making it possible to run multiple operating systems and multiple applications on the same computer at the same time, increasing the utilization and flexibility of the hardware.

Virtualization is a technology that benefits anyone who uses a computer, from IT professionals and Mac enthusiasts to commercial businesses and government organizations. Millions of people around the world have used virtualization technology to save time, money and energy while achieving more with the computer hardware they already own.

Jinan Yinquan's virtualization technology applications are being named one of the Green IT projects by the local governments which have increased their supports for the adoption of the technology.

## **Competition**

VoIP

The market for our VoIP products and services is increasingly competitive, evolving rapidly and is subject to shifting customer needs and introductions of new products and services. Our current and potential competitors approach the market from different areas of expertise and vary in size and scope with respect to the products and services that they offer or may offer in the future.

We face competition from traditional telephone service providers in China, such as the China Telecom, China Netcom and cable access providers. These competitors are increasingly integrating enhanced functionalities with their basic services. Their already existed network and subscribers are their strong competitive advantage. In addition, their IP card service which offer customer considerable discounts on the long distant calls is our direct competitive service. These traditional telephone service providers are much bigger than us, but we compete with them by lower price and better services.

We face competition from other VoIP service providers which are competing with telephone service providers. These competitors include Skype, which is offering enhanced services with their basic telephone services. There are also some Chinese VoIP services providers competing in the whole China market, but they are in small scales.

We face competition from providers of enhanced services and products, such as answering machines, voicemail, Internet call waiting, and virtual telephone numbers for fax or voice communications.

Furthermore, we face competition from Internet service providers such as AOL, MSN, and YAHOO, which are increasingly integrating enhanced functionalities with their basic services.

We compete with all of the above companies for a share of the telecommunications spending of our target market. We differentiate ourselves in the market as follows: 1) we offering lower price and better services to compete with traditional telephone providers; 2) we offering convenient devices and lower prices to compete with IP phone card service; 3) we offering convenient devices and multifunction to compete with Skype and other international VoIP service providers; 4) we offering high quality and multifunction to compete to local VoIP services providers.

We believe that we compete favorably based on these factors. Many of our current and potential competitors, however, have greater name recognition, longer operating histories, larger subscriber bases and significantly greater financial resources than we have. In particular, many of our competitors are large, established network service providers such as China Telecom and China Netcom that are able to market and distribute enhanced communications services within their already large base of subscribers. They may be able to devote greater resources to product development and marketing and sales than we can. As a result, they may be able to respond more quickly to new technologies and changes in customer requirements than we can. Furthermore, other international competitors such as Vonage, Skype may be able to adopt more aggressive pricing policies and offer customers more attractive terms, including potentially providing a competing solution at little or no cost as part of a bundled product offering. We cannot assure you that our current and future competitors will not offer or develop products or services that are superior to ours or achieve greater market acceptance than ours or that we will be able to compete effectively against them.

## **Virtualization**

Virtualization technology industry is relatively nascent in China. The major competition is from international player such as VMware. However, given the technical alliance partnership BPUT has with VMware, Yinquan is in a good position to take advantage of the market growth. Most importantly, the virtualization technology provided by Yinquan has obtained strong support from Shandong government.

## **Research and Development**

The VoIP market is characterized by rapid technological changes and advances. Accordingly, we make substantial investments in the design and development of new products and services and enhancements and features to existing products and services. Our current and future research and development efforts relate to our service offerings and the development of new endpoints for subscribers of our service. Future development will also focus on emerging audio and video telephony standards and protocols, and 802.11 standard and other wireless applications applicable to future wireless telecom. The development of new products and the enhancement of existing products are essential to our success.

In 2008, we incurred large amount of research and development cost in IBCC and other new products.

## **Regulatory**

The use of the Internet and private IP networks to provide voice, video and other forms of real-time, two-way communications services is a relatively recent development. Although the provisioning of such services is currently permitted or unregulated within some countries, several other governments have adopted laws and/or regulations that could restrict or prohibit the provisioning of voice communications services over the Internet or private IP networks. More aggressive domestic or international regulation of the Internet, in general, and Internet telephony providers and services, specifically, may materially and adversely affect our business, financial condition, operating results and future prospects, particularly if increased numbers of governments impose regulations restricting the use and sale of IP telephony services.

However, our business is mainly focused on Chinese market. The Chinese government's regulations on the VoIP market have following characters:

- At present, the Chinese government has not given a clear definition to VoIP service, which leads to the regulation absence in VoIP business and the non-presence of clear relevant management policies.
- As a result, sometimes VoIP services can be considered as telecom services, while sometimes value-added services. Moreover, it is planned that the VoIP service will be divided into two categories, "Multiparty Communication" and "IP-VPN service", so that it can be regulated by respective regulations.
- In future, it is most likely that the regulation and policies in connection with VoIP service will manage the market according to the value-added service attributes, while impose strict criteria on market entering license like telecom business.

The government regulation on the virtualization technology is minimum.

### **Intellectual Property and Proprietary Rights**

Our ability to compete depends, in part, on our ability to obtain and enforce intellectual property protection for our technology in China and internationally. We currently rely primarily on a combination of trade secrets, patents, copyrights, trademarks and licenses to protect our intellectual property. As of December 31, 2008, we have five (5) software copyrights. In particular, we have a software copyright certificate for NP Network Telephone, a software copyright certificate for billing and managing system of IP phone systems, a software copyright certificate for a long-distance video monitoring system and also a new software copyright obtained in 2008 for Yinquan's IBCC communication system. Our patents expire on dates ranging from 2028 to 2030. We cannot predict whether our pending patent applications will result in issued patents.

To protect our trade secrets and other proprietary information, we require our employees to sign agreements providing for the maintenance of confidentiality and also the assignment of rights to inventions made by them while in our employ. There can be no assurance that our means of protecting our proprietary rights will be adequate or that competition will not independently develop technologies that are similar or superior to our technology, duplicate our technology or design around any of our patents. Our failure to protect our proprietary information could cause our business and operating results to suffer.

We license intellectual property from third parties and incorporate such intellectual property into our services. These relationships are generally non-exclusive and have a limited duration. Moreover, we have certain obligations with respect to non-use and non-disclosure of such intellectual property. We cannot assure you that the steps we have taken to prevent infringement or misappropriation of our intellectual property or the intellectual property of third parties will be successful.

On December 21, 2007 we entered into a Securities Purchase Agreement with an accredited institutional investor. In conjunction with this Securities Purchase Agreement, we entered into a Security Agreement with the accredited institutional investor. As collateral security for all of the obligations within the Securities Purchase Agreement we pledged and assigned to the accredited institutional investor for the benefit of the accrued institutional investor and granted to the accredited institutional investor for the benefit of the accredited institutional investor a continuing security interest in, all of our personal property, wherever located and whether now or hereafter existing and whether now owned or hereafter acquired, of every kind and description, tangible or intangible, including, without limitation, the following:

Our copyrights, patents and trademarks, and all licenses

Accordingly, as of December 31, 2007, the accredited institutional investor has placed a lien on our intellectual property.

### **Employees**

As of December 31, 2008, we had 51 full-time employees: 9 are in research and development, 10 are in operations and customer care, 24 are in sales and marketing and 8 are in general and administrative functions. Although our employees are covered by employment agreements titled, "Labor Contracts" none of our employees are covered by collective bargaining agreements. We believe that our relations with our employees are good.

### **SUBSEQUENT EVENT**

On December 21, 2007, China VoIP & Digital Telecom Inc., a Nevada corporation, (the "Company"), entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") with an accredited institutional investor (the "Investor"). The aggregate purchase price was \$5,000,000 and the investment was as follows:

\$5,000,000 of 8.75% Senior Secured Convertible Notes (the "Notes") convertible into Company common stock at the Average Market Price (the "AMP") as of the day immediately preceding the closing date (the "Conversion Price"), defined as \$5.627. The Notes will have a maturity date of 3 years from closing which can be extended by the Investor in its sole discretion for up to 2 additional years. The Company can make interest payments in cash or registered stock at the Company's option. If paid in stock, the price used will be 85% of the AMP (the "Payment-in-Stock Price"). The stock component of interest payment will be limited to 20% of the dollar value traded over the previous month.

The Notes will be senior secured obligations of the Company and will be secured by a first priority perfected security interest in all of Company and its subsidiaries, assets, and capital stock. The Company will not be permitted to incur additional indebtedness without the Investors prior written consent.

The Investor may request that the Company repurchase up to 1/3<sup>rd</sup> of the Initial Investment amount on each of 12<sup>th</sup> and 24<sup>th</sup> month anniversaries of the closing (together the "First Redemption Option", "Second Redemption Option", "First Redemption Date" and "Second Redemption Date", respectively). If however, the arithmetic average of the closing price of the common stock in each 30 day period following the effectiveness of the registration statement until the First Redemption Date has been greater than 125% of the initial Conversion Price and the dollar trading volume during the same 30 day period has been greater than \$3.0 million, then the Investor will waive its first Redemption option. If the same conditions outlined above are met in any six months between the First Redemption Date and the Second Redemption Date, the Investor will waive its Second Redemption Option.

After one year following the effectiveness of the Registration Statement (as defined in the Registration Rights Agreement), the Company will have the option to prepay the Notes at the greater of (i) 125% of the equity value and (ii) 125% of the issue price plus accrued and unpaid interest. Upon being irrevocably notified by the Company of the Company's desire to exercise the Company Optional Redemption (as defined in the Notes), the Investor will determine the date of the actual prepayment not to exceed 75 business days following the receipt of the notice. If the Company exercises the Company Optional Redemption it will issue the Investor 55% 5-year warrant coverage with a strike price equal to the strike price of the existing warrants (the "Prepayment Warrants").

Other than their relationship as a result of the Securities Purchase Agreement, there is no material relationship between the Company and any of the Investors.

The Investor received three series of warrants, titled Series A Warrant, Series B Warrant, Series C Warrant (collectively the "Warrants"). The Warrants are exercisable at price per share of \$5.627 and are subject to economic anti-dilution protection. The Series A Warrant is exercisable for 8,885,730 shares of the Company's common stock and expires the date eighty four (84) months after the earlier of (A) such time as all of the Registrable Securities (as defined in the Registration Rights Agreement) are available for resale pursuant to an effective Registration Statement and (B) two (2) years after December 21, 2007. The Series B Warrant is exercisable for 6,220,011 shares of the Company's common stock and expires on the date on which the Notes issued pursuant to the Securities Purchase Agreement are no longer issued and outstanding. The Series C Warrant is exercisable for 6,353,297 shares of the Company's common stock and expires on the date sixty (60) months after the first time the Company elects a Company Optional Redemption.

Also on December 21, 2007, the Company executed a Registration Rights Agreement, which requires the Company to file a Registration Statement registering:

- \* all of the shares of Company common stock issuable upon conversion in full of the Notes;
- \* the Common Stock issuable upon exercise of the Warrants;

The Registration Statement must be filed not later than 45 days after the date of the Registration Rights Agreement and be declared effective not later than 120 days after the date thereof. In the event that either of these deadlines has not been met, the Company is to pay cash delay payments equal to 2% per month which shall apply retrospectively from 90 days following closing. If and when shares become freely tradeable without any restriction so as to render the traditional registration statement unnecessary, registration delay penalties, if any will cease to accrue. For avoidance of doubt, Investor counsel will determine if this condition is met. If there is no SEC review, the Company will take the required actions to have the registration statement declared effective immediately.

The Company intends to comply fully with its registration obligations under the Registration Rights Agreement. The Company believes that it will be able to meet the deadlines with respect to the filing date and the effective date, but it can not provide any assurance in this regard. If the Company were to default on any of its registration obligations, the proceeds available to it under the Securities Purchase Agreement could be substantially reduced.

The foregoing descriptions do not purport to be a complete description of the terms of the documents, and this description is qualified in its entirety by the terms of the definitive documents or forms thereof which are attached as exhibits to this Current Report on Form 8-K, and which are incorporated by reference.

**ITEM 1A. RISK FACTORS.**

Not required to be included for small business issuers.

**ITEM 2. DESCRIPTION OF PROPERTY**

The Company's executive office is located in Jinan City, Shandong Province, China. The address is 11th Floor Tower B1, Yike Industrial Base, Shunhua Rd, High-tech Industrial Development Zone, Jinan, China. The Company move into the newly purchased office building in June 2008. The new building is located in Yi ke Industrial Base at Jinan High-Tech Industrial Development Zone, on the eleventh floor, occupying 2,000 square meters.

**ITEM 3. LEGAL PROCEEDINGS**

None

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

No matters were submitted to a vote of security holders during the fourth quarter of fiscal year 2008.

-- PART II --

**ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS**

**Market information**

The Company's stock is assigned the symbol CVDT.OB and is quoted and traded on the OTCBB.

The range of low to high closing prices on the OTCBB is shown in the table below (rounded to the nearest cent). This information is taken from YAHOO FINANCE. Readers should note OTCBB quotations are a reflection of inter-dealer prices, without retail mark-up, mark-down, or commissions, and may not represent actual transactions.

<i>Quarter</i>	<i>Fiscal 2007</i>		<i>Fiscal 2008</i>	
	<i>\$ High Closing Price</i>	<i>\$ Low Closing Price</i>	<i>\$ High Closing Price</i>	<i>\$ Low Closing Price</i>
First	4.83	2.01	0.9	0.45
Second	2.31	1.11	0.65	0.36
Third	1.19	0.46	0.39	0.18
Fourth	1.70	0.41	0.3	0.06

**Holders of the Company's Stock**

The Company has issued common stock only. On December 31, 2008, the total number of holders of record was approximately 86.

**Dividends**

None

**Securities authorized for issuance under Equity Compensation Plans**

Equity compensation plan information as of December 31, 2008

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a) )
	(a)	(b)	(c)
Equity compensation plans approved by security holders:			
None	-	-	-
Equity compensation plans not approved by security holders:			
None	-	-	-
Total	-	-	-

#### Recent Sales of Unregistered Securities

None

#### ITEM 6. SELECTED FINANCIAL DATA.

Not required to be included by smaller reporting companies.

#### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS or PLAN OF OPERATION

##### Item 1. Safe Harbor Declaration

The comments made throughout this 10-KSB report should be read in conjunction with our financial statements and the notes thereto, and other financial information appearing elsewhere in this document. In addition to historical information, the following discussion and other parts of this document contain certain forward-looking information. When used in this discussion, the words, "believes," "anticipates," "expects," and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties, which could cause actual results to differ materially from projected results, due to a number of factors beyond the Company's control. The Company does not undertake to publicly update or revise any of its forward-looking statements, even if experience or future changes show that the indicated results or events will not be realized. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Readers are also urged to carefully review and consider the Company's discussions regarding the various factors, which affect company business, included in this section and elsewhere in this report.

##### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

*The following discussion contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 relating to future events or our future performance. Actual results may materially differ from those projected in the forward-looking statements as a result of certain risks and uncertainties set forth in this prospectus. Although management believes that the assumptions made and expectations reflected in the forward-looking statements are reasonable, there is no assurance that the underlying assumptions will, in fact, prove to be correct or that actual results will not be different from expectations expressed in this report.*

##### Plan of Operation

We were originally incorporated in Nevada on October 18, 2004 as a development stage company named "Crawford Lake Mining, Inc." in the business of mineral exploration. On August 17, 2006, we entered in an agreement with Jinan Yinquan Technology Co., Ltd., a Chinese registered company. Upon the effectiveness of the Acquisition, the Company succeeded to the business of Jinan Yinquan, which will be continued as its sole line of business. Accordingly, the Company has changed its name to China VoIP & Digital Telecom Inc. and has also changed its symbol to CVDT.

During the next twelve months, we expect to take the following steps in connection with the development of our business and the implementation of our plan of operations:

We intend to continue with our marketing strategies to market our NPSoft Switch System in the People's Republic of China. We currently offer our products to 17 cities within the Shandong Province, 3 cities within Zhejiang Province and 1 city in Anhui Province. Furthermore, our NP Soft Switch system is being tested in 2 other markets.

Along with the continued marketing activities of our current products and services, we are also developing other telecommunication technologies in order to complement our VOIP product offering.

During the next twelve months, the Company expects to enlarge the whole China market for its virtualization technology, and to obtain more customers via its new IBCC communication platform. In addition, the Company wish to make a wider acknowledge of its virtualization technology and IBCC platform by sponsoring the 11th National Games of PRC.

Our aggressive expansion plan will be replied on such capital support. We can not assure the successful result of fund raising. As such, we may not execute our initial business strategy or plan as expected, and furthermore, our competitors may stand in a better position than us, which results in an adverse effect on our business, although we believe that currently, even without such funds, we can still run a healthy business within our already occupied markets.

##### Critical Accounting Policies

In preparing our financial statements, we make estimates, assumptions and judgments that can have a significant impact on our net revenue, operating income or loss and net income or loss, as well as on the value of certain assets and liabilities on our balance sheet. We believe that the estimates, assumptions and judgments involved in the accounting policies described below have the greatest potential impact on our financial statements, so we consider these to be our critical accounting policies. Senior management has discussed the development and selection of these critical accounting policies and their disclosure in this Report with the Audit Committee of our Board of Directors. We believe the following critical accounting policies involve the most complex, difficult and subjective estimates and judgments: revenue recognition; allowance for doubtful accounts; income taxes; stock-based compensation; asset impairment.

##### Revenue Recognition

In accordance with generally accepted accounting principles ("GAAP") in the United States, revenue is recognized only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed, and collection of the resulting receivable is reasonably assured. Noted below are brief descriptions of the product or service revenues that the Company recognizes in the financial statements contained herein.

##### *Sale of goods*

Revenue is recognized at the date of shipment to customers when a formal arrangement exists, the price is fixed or determinable, the delivery is completed, no other significant obligations of the Company exist and collectibility is reasonably assured. Payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as advances from customers.

#### Rendering of services

When the provision of services is started and completed within the same accounting year, revenue is recognized at the time of completion of the services.  
When the provision of services is started and completed in different accounting year, revenue is recognized using the percentage of completion method.

Amounts collected prior to satisfying the above revenue recognition criteria are included in deferred revenue.

#### Allowance for doubtful accounts

We maintain an allowance for doubtful accounts to reduce amounts to their estimated realizable value. A considerable amount of judgment is required when we assess the realization of accounts receivables, including assessing the probability of collection and the current credit-worthiness of each customer. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, an additional provision for doubtful accounts could be required. We initially record a provision for doubtful accounts based on our historical experience, and then adjust this provision at the end of each reporting period based on a detailed assessment of our accounts receivable and allowance for doubtful accounts. In estimating the provision for doubtful accounts, we consider: (i) the aging of the accounts receivable; (ii) trends within and ratios involving the age of the accounts receivable; (iii) the customer mix in each of the aging categories and the nature of the receivable; (iv) our historical provision for doubtful accounts; (v) the credit worthiness of the customer; and (vi) the economic conditions of the customer's industry as well as general economic conditions, among other factors.

#### Income taxes

We account for income taxes in accordance with SFAS No. 109, ACCOUNTING FOR INCOME TAXES. SFAS 109 prescribes the use of the liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. We then assess the likelihood that our deferred tax assets will be recovered from future taxable income and to the extent we believe that recovery is not likely, we establish a valuation allowance. To the extent we establish a valuation allowance, or increase or decrease this allowance in a period, we increase or decrease our income tax provision in our statement of operations. If any of our estimates of our prior period taxable income or loss prove to be incorrect, material differences could impact the amount and timing of income tax benefits or payments for any period.

The Company operates in several countries. As a result, we are subject to numerous domestic and foreign tax jurisdictions and tax agreements and treaties among the various taxing authorities. Our operations in these jurisdictions are taxed on various bases: income before taxes, deemed profits and withholding taxes based on revenue. The calculation of our tax liabilities involves consideration of uncertainties in the application and interpretation of complex tax regulations in a multitude of jurisdictions across our global operations.

We recognize potential liabilities and record tax liabilities for anticipated tax audit issues in the U.S. and other tax jurisdictions based on our estimate of whether, and the extent to which, additional taxes will be due. The tax liabilities are reflected net of realized tax loss carry forwards. We adjust these reserves upon specific events; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is different from our current estimate of the tax liabilities. If our estimate of tax liabilities proves to be less than the ultimate assessment, an additional charge to expense would result. If payment of these amounts ultimately proves to be less than the recorded amounts, the reversal of the liabilities would result in tax benefits being recognized in the period when the contingency has been resolved and the liabilities are no longer necessary.

Changes in tax laws, regulations, agreements and treaties, foreign currency exchange restrictions or our level of operations or profitability in each taxing jurisdiction could have an impact upon the amount of income taxes that we provide during any given year.

#### Asset Impairment

We periodically evaluate the carrying value of other long-lived assets, including, but not limited to, property and equipment and intangible assets, when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flows from such asset is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Significant estimates are utilized to calculate expected future cash flows utilized in impairment analyses. We also utilize judgment to determine other factors within fair value analyses, including the applicable discount rate.

#### Results of Operations for the years ended December 31, 2008 and 2007

During the year ended December 31, 2008, we recorded revenue of \$8,524,413 as compared to \$6,083,671 of 2007, an increase of \$2,440,742 or 40%. The sharp increase of revenue is mainly contributed to more acceptances of our products and services. In addition, with the fund support, we were able to expand to more geographic areas. In addition, during 2008, we acquired a new subsidiary, Beijing Power&Unique, which contributed revenue of approximately \$490,035 since acquisition.

Cost of sales increased to \$6,264,736 during the year ended December 31, 2008 from \$3,916,360 during 2007, an increase of \$2,348,376 or 60%. The sharp increase of the cost is mainly due to the increase of our settlement price with the telecom cooperator – China Tietong this year. In addition, in order to promote the new IBCC platform, we presented new customers the tested telephone charge for their tests on the platform which incurred a large amount of cost.

The gross profit increased from \$2,167,311 in the year ended December 31, 2007 to \$2,259,677 during 2008. The increase of 4.26% or \$92,366 is due to the increase of revenue. However, due to the global finance crisis in 2008, we adopted the price-cut policy to maintain existing customer base and also the market share, it resulted the decrease of the profit rate. Meanwhile, the increase of our settlement price with the telecom cooperator – China Tietong and the presented test telephone charge activity for IBCC promotion resulted the increase of the cost, so the gross profit didn't increase too much.

Selling, general and administrative expenses were \$4,259,836 during year ended December 31, 2008 as compared to \$874,810 during 2007, an increase of \$3,385,026 or 387%. The increase was mainly contributed to the marketing expenses in order to achieve higher revenue and more administrative expenses in relation to more sales offices in China. The increase was also because we recorded an impairment of goodwill of \$402,328 on December 31, 2008. The goodwill resulted from the acquisition of Beijing Power Unique. In addition, we incurred market promotion cost for our virtual technology and new developed IBCC platform. Especially, we sponsored the 11<sup>th</sup> National Games of PRC which will be held in October 2009 by expense of \$1.5 million.

Depreciation and amortization expenses increased by 293% or \$457,466 to \$613,578 during the year ended December 31, 2008 as compared to 2007. The increase is mainly attributed to the increase of equipments used for current business and future expansion purposes, and also due to we moved to the new office building without renting office anymore, as well as the amortization of intangible assets acquired.

We recorded operation loss of \$2,000,159 during the year ended December 31, 2008 as compared to the income of \$1,292,501 during year 2007. The loss is mainly incurred by the increase of various expenses while revenue increased not too much

Other income/(expenses) is comprised of other expense of amortization of convertible debt of \$1,666,667, interest expenses of \$651,617, subsidy income of \$105,076, interest income of \$69,119 and other income of change in derivative liability of \$6,512,616 during the year ended December 31, 2008. Among such expenses, amortization of convertible debt of \$1,666,667, interest expenses of \$651,617, and other income of change in derivative liability of \$6,512,616 were resulted from convertible notes issued in December of 2007. The income of change in derivative liability of \$6,512,616 was varied in accordance with our stock market price.

Net income was recorded \$2,438,162 during the year ended December 31, 2008 as compared to net loss of \$1,327,907 of 2007, an increase of \$3,766,069 or 284%. Apart from the net income from other income due to change in derivative liability, the gain in 2008 was mainly due to the increase in revenue.

#### Liquidity and Capital Resources

Cash used in operating activities were \$1,288,453 during the year 2008 as compared to cash provided by operating activities of \$659,482 for 2007. Although net income of 2008 was \$2,438,162, after setting off non-cash income of change in derivative liabilities of \$6,512,616, adding non-cash expense of change in conversion feature of \$1,666,667, and other non-cash expenses of \$1,082,898 in total, the Company actually incurred net loss of \$922,561. Furthermore, change of working capital and minority interest resulted in additional cash outflow of \$365,892. Thus, \$1,288,453 cash was used in operating activities of 2008. Cash provided by operating activities during of 2007 mainly resulted from net loss of \$1,327,907 by setting off non-cash expenses of \$2,997,427 in net, which is 1,669,520 net cash inflow. However, change of working capital resulted in cash outflow of \$1,010,038, which is very close to 2008's figure. Such increase of working capital was generally in line with increase of revenue and business scope.

Cash flows used in investing activities were \$4,831,578 during 2008, as compared to \$1,412,302 during 2007. Cash used in investing activities during 2008 mainly consisted of purchase of property and equipment of \$879,940, purchase of intangible assets of \$1,621,218, invest in interest bearing loan of \$1,611,099, payment of long term prepaid expenses of \$46,249 and cash payment in connection of acquisition of new subsidiary of \$673,072. The cash used in investing activities during 2007 represents the cash used for purchase of property and equipment.

Cash flows provided by financing activities were \$962,333 in 2008, as compared to \$4,566,033 in 2007. Cash provided by financing activities in 2008 represents the cash proceeds from short term loan and the cash provided by financing activities in 2007 mainly resulted in cash proceeds on convertible debts of \$4,556,033.

Foreign currency translation effect in cash flows were \$152,864 during 2008 as compared to \$45,136 during 2007.

#### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not required to be included by smaller reporting companies.

#### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial statements are attached hereto following beginning on Page F-1.

#### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES.

There have been no changes in or disagreements with our accountants on any accounting matters or financial disclosures.

#### ITEM 9A. CONTROLS AND PROCEDURES

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 ("Exchange Act"), the Company carried out an evaluation, with the participation of the Company's management, including the Company's Chief Executive Officer ("CEO") and Chief Accounting Officer ("CAO") (the Company's principal financial and accounting officer), of the effectiveness of the Company's disclosure controls and procedures (as defined under Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the Company's CEO and CAO concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's CEO and CAO, as appropriate, to allow timely decisions regarding required disclosure.

##### Management's Report on Internal Controls over Financial Reporting

Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of consolidated financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. There has been no change in the Company's internal control over financial reporting during the year ended December 31, 2007 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company's management, including the Company's CEO and CAO, does not expect that the Company's disclosure controls and procedures or the Company's internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of the controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the company's internal control over financial reporting was effective as of December 31, 2007.

#### ITEM 9B. OTHER INFORMATION

As previously disclosed in the Company's Form 10-Q filed on August 14, 2008 and the Current Report Form 8-K filed on October 10, 2008, we received event of default redemption notices dated July 25, 2008 (the "July Default Notice") and dated October 6, 2008 (the "October Default Notice" collectively, with the July Default Notice, the "Default Notices") respectively from an accredited investor (the "Investor") with respect to the amended and restated terms of the Securities Purchase Agreement and related transaction documents dated December 21, 2007 (the "Financing Transaction").

Both the July Default Notice and the October Default Notice stated that we were in default for failure to: (1) cause the Initial Registration Statement to be declared effective by the SEC on or prior to June 18, 2008 and (2) make the required Registration Delay Payments to the Investor on or prior to the applicable Payment Date. We agreed to enter into the Amended Agreement and all related documents as a direct response to resolve the Default Notices and as an inducement for the Investor to issue us a formal withdrawal of the Default Notices. Upon closing of the above Amended Agreement, the Investor will withdraw the Default Notices and we will no longer be in default under the Financing Transaction and Amended Agreement.

On December 8, 2008, China VoIP & Digital Telecom, Inc. ("we" or the "Company") entered into an Amendment and Exchange Agreement (the "Amended Agreement") with the Investor that Financing Transaction. The Financing Transaction is disclosed in more detail in the Form 8-K filed on December 26, 2007 and all transaction documents attached to that Form 8-k are herein incorporated by reference. In connection with the Amended Agreement, we agreed to exchange the note and warrants issued in the Financing Transaction for (i) an amended and restated senior secured convertible note in the principal amount of \$5,000,000 (the "Exchanged Note"), which is convertible into Common Stock, (ii) an amended and restated Series A Warrant in the form, which is exercisable into 23,062,731 shares of Common Stock (the "Exchanged Series A Warrant"), (iii) an amended and restated Series B Warrant which is exercisable into 16,143,911 shares of Common Stock (the "Exchanged Series B Warrant"), (iv) an amended and restated Series C Warrant, which, subject to certain conditions, shall be exercisable to 16,489,852 shares of Common Stock (the "Exchanged Series C Warrant") and (v) a new Series D Warrant which is exercisable into 7,500,000 shares of Common Stock (the "Series D Warrant").

Pursuant to the Amended Agreement, we agreed to adjust the Conversion Price (as defined in the Exchanged Note) and the exercise prices of the Exchanges Series A Warrant, the Exchanged Series B Warrant and the Exchanged Series C Warrant to \$0.2168. Accordingly, the Exchanged Series A Warrant is exercisable into 23,062,731 shares of Common Stock of the Company, the Exchanged Series B Warrant is exercisable into 16,143,911 shares of Common Stock of the Company, and the Exchanged Series C Warrant, subject to certain conditions, shall be exercisable into 16,489,852 shares of Common Stock of the Company. Further, we amended the Expiration Date of the Series A Warrant and Series B Warrant to June 8, 2014, which is 78 months after the date of Amendment Date (as defined in the Exchanged Series A Warrant and the Exchanged Series B Warrant), and restated the expiration date of the Exchanged Series C Warrant to 78 months after the first time the Company elects a Company Optional Redemption (as defined in the Exchanged Note).

We also issued a new Series D Warrant, which can be exercised into 7,500,000 shares of the Common Stock of the Company with an exercise price of \$0.2168 per share and expires on June 8, 2014. There is also a cashless exercise feature that permits the Investor to exercise the warrant on a cashless basis if a registration statement covering the shares underlying the Series D Warrant is not in effect. The Amended Agreement does not grant the Investor any additional registration rights so there is no requirement for us to register the shares underlying the Series D Warrant.

The foregoing description of the Amended Agreements contemplated thereby does not purport to be complete and is qualified in its entirety by reference to the complete text of all Exhibits attached hereto.

On December 21, 2008, we received an Investor Redemption Notice (the Notice) from the Investor, stating that they selected to redeem one third of the principal (\$5,000,000) after one year of the investment since December 21, 2007 according to the Amendment Agreement. The Company received the Notice and now is under discussion with the Investor to seek a solution for the Company is not available to render the required amount before December 31, 2008, the deadline for the redemption. The issue may incur default for the Company and it is uncertain if we can get a resolution.

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS, AND CONTROL PERSONS; COMPLIANCE WITH SECTION (16) OF THE EXCHANGE ACT****Identification and Backgrounds of Directors and Officers**

<i>Name</i>	<i>Age</i>	<i>Principal Position</i>	<i>Appointment/ Resignation date</i>
Li Kunwu	45	Chairman, CEO	January 1, 2002
Kan Kaili	65	Independent Director	August 15, 2007
Wang Qinghua	49	VP, CTO	August 14, 2001
Xu Yinyi	50	Director	November 26, 2004
Jiang Yanli	43	Director	August 16, 2006

Mr. Li is currently serving as the Chairman of the Company. Prior to that, Mr. Li was the Financial Director of one of the largest state-owned enterprise in China for more than 10 years. Mr. Li is a CPA in the PRC, with an experience serving as a Financial Controller in large-scale state-owned enterprises for more than fifteen years. He holds degrees in economics, management/finance, and accounting from Shandong University.

Mr. Wang is serving as the Managing Director and Chief Technology Officer of the Company. He is also the key founder of the Jinan Yinquan. Mr. Wang is an expert in the areas of software, system integration, net - work communication, and project management. Prior to foundation of the Company, Mr. Wang served as a CEO of Shandong Meigao Electronics Project Co., Ltd. Mr. Wang also served as Vice President, Senior Engineer and other positions in other IT companies.

Mr. Xu is serving as the Director of the Company. He is currently the Chairman and CEO of Shanghai Nanzheng Industry Co. Ltd. He was the CEO of China Southern Security Corporation Qingdao Branch. Prior to that, he served as CEO of Shandong Luye Group Ltd. He also served as the Chief Representative of Foreign Trade Section of Jinan Government in Shanghai.

Mr. Jiang serves as Director of the Company. He is also the only member of the audit committee of the Company. Mr Jiang has a master's degree in finance management and consultation with more than twenty years of experience. He is currently serving for numerous state and private owned organizations including the commissioner of CPPCC Shandong Province, the vice-chairman of China International Commercial Chamber Qingdao Chamber, executive commissioner of Qingdao Industry & Commerce League, vice-president of Qingdao Professional Manager Association and vice-chairman of Qingdao Internal Audit Association. In 2005, Mr Jiang was honored with the "100 Faithful Stars of China Economy" award for his service to China and its economy. Mr Jiang has published more than 40 economic and financial thesis and has written articles for newspapers and magazines, including the state, provincial and civic.

Professor Kan, who earned a Doctorate degree from Stanford University, currently serves as the Professor of Beijing University of Posts and Telecommunications. He is a director of China's Information Industry Policy and Development Institute and Commissioner of the Advisory Commission for China's Telecommunications Act. He formally served as a strategy consultant on telecommunications policies and development of the World Bank. His primary areas of concentration are policies of telecommunications and the information industry as well as business management strategy.

**Family relationships**

None

**Involvement in certain legal proceedings**

No bankruptcy petition has been filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time.

No director has been convicted in a criminal proceeding and is not subject to a pending criminal proceeding (excluding traffic violations and other minor offenses).

No director has been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities.

No director has been found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, that has not been reversed, suspended, or vacated.

**Audit committee financial expert**

The Company's board of directors has determined it has at least one audit committee financial expert serving on its audit committee, as that term is used in Item 7(d)(3)(iv) of Schedule 14A under the Exchange Act.

The name of such financial expert is Mr. Jiang Yanli and he is an independent Director.

**Safe Harbor**

(i) A person who is determined to be an audit committee financial expert will not be deemed an expert for any purpose, including without limitation for purposes of section 11 of the Securities Act of 1933 (15 U.S.C. 77k), as a result of being designated or identified as an audit committee financial expert pursuant to this Item 401 of Regulation S-B.

(ii) The designation or identification of a person as an audit committee financial expert pursuant to this Item 401 of Regulation S-B does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the audit committee and board of directors in the absence of such designation or identification.

(iii) The designation or identification of a person as an audit committee financial expert pursuant to this Item 401 of Regulation S-B does not affect the duties, obligations or liability of any other member of the audit committee or board of directors.

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

Under Section 16(a) Beneficial Ownership Reporting Compliance, each person who was at any time during the fiscal year, a director, officer, beneficial owner of more than ten percent of any class of equity securities of the Company registered pursuant to section 12 ("reporting person") is required to file Forms 3, 4, and 5 on a timely basis, during the most recent fiscal year or prior fiscal years. Due to lack of knowledge, the relevant beneficial owners did not file on time. They will file Form 3 and Form 5 shortly.

**Code of Ethics**

The Company has Standards of Ethical Conduct Policy ("Code of Ethics") that applies to all employees and directors, including the Chairman, Chief Executive Officer, and Chief Financial Officer. The Code of Ethics is filed as Exhibit 14.1 to this 10-KSB report.

**ITEM 11. EXECUTIVE COMPENSATION**

## Executive Compensation

### SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Long Term Compensation			All other compensation
		Salary	Bonus	Other	Restricted Stock Awards	Awards Securities Underlying Options/ SAR	Payouts LTIP Payouts	
Li Kunwu CEO	2008	\$ 15,000	-	-	-	-	-	-
	2007	\$ 15,000	-	-	-	-	-	-
	2006	\$ 15,000	-	-	-	-	-	-
Wang Qinghua CTO	2008	\$ 14,000	-	-	-	-	-	-
	2007	\$ 14,000	-	-	-	-	-	-
	2006	\$ 14,000	-	-	-	-	-	-

## Employment Agreements

The Company executed a labor contract with Mr. Li Kunwu for a term of 5 years. Specifically, the contract was effective January 3, 2007 and expires on January 2, 2012. The annual salary is \$15,000.

The Company executed a labor contract with Mr. Wang Qinghua for a term of 5 years. Specifically, the contract was effective June 1, 2006 and expires on May 31, 2011. The annual salary is \$14,000.

## Directors Compensation

Each director is compensated \$3,000 per year annually exclusive of their salary.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

### Security ownership of certain beneficial owners

The following persons are known to be the beneficial owners of more than 5% of the Company's voting securities, as of December 31, 2007:

Title of class	Name and Address of Beneficial Owner	Number of Shares	Percent of Class
Common stock	Li Kunwu	6,200,000	11.98%
Common stock	Wang Qinghua	6,200,000	11.98%
Common stock	Xu Yinyi	2,880,000	5.56%

Notes:

(1) All persons have their mailing address at the China office' address: RM 508, No.786 Xinluo Street, High-Tech Industrial Development Zone, Jinan, China

### Security ownership of management

The following persons are known to be the beneficial owners of the Company's voting securities, as of December 31, 2007:

Title of class	Name and Address of Beneficial Owner	Number of Shares	Percent of Class
Common stock	Li Kunwu (CEO and Director)	6,200,000	11.98%
Common stock	Wang Qinghua (CTO and Director)	6,200,000	11.98%
Common stock	Xu Yinyi (Director)	2,880,000	5.56%
Common stock	Jiang Yanli (Director)	200,000	0.39%

Notes:

(1) All persons have their mailing address at the China office' address: RM 508, No.786 Xinluo Street, High-Tech Industrial Development Zone, Jinan, China.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None

## ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

### Audit Fees

The aggregate fees billed for professional services rendered by the Company's principal accountant for the audit of the Company's annual financial statements for the fiscal years ended December 31, 2008 and 2007 were \$22,500 and \$22,500 respectively.

*Audit Related Fees*

The Company incurred no fees during the last two fiscal years for assurance and related services by the Company's principal accountant that were reasonably related to the performance of the audit of the Company's financial statements.

*Tax Fees*

The Company incurred no fees during the last two fiscal years for professional services rendered by the Company's principal accountant for tax compliance, tax advice and tax planning.

*All Other Fees*

The Company incurred no other fees during the last two fiscal years ended December 31, 2008 and 2007.

**Audit and Non-Audit Service Pre-Approval Policy**

We currently do not have an audit committee. However, our board of directors has approved the services described above.

**ITEM 15. EXHIBITS**

Exhibit Number	Note	Description of Document
3.1	(1)	Articles of Incorporation
3.2	(1)	Bylaws
10.1	(2)	Agreement between the Company, Apollo Corporation and Jinan Yinquan Technology Co. Ltd.
14.1	(4)	Code of Ethics
16.1	(3)	Change in Certifying Accountants
21.1	(4)	Subsidiaries of the registrant
24.1	(4)	Power of Attorney (see signature page)
31.1	(4)	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	(4)	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

- (1)
- (1) Incorporated herein by reference to the registrant's initial Registration Statement on Form SB-2 (file number 06529334) filed on January 13, 2006.
- (2)
- (2) Incorporated herein by reference to the registrant's Current Report on Form 8K (file number 061203975) filed on October 13, 2006.
- (3)
- (3) Incorporated herein by reference to the registrant's on Form 8K (file number 061203975) filed on December 12, 2006.
- (4)
- (4) Filed herewith.

**SIGNATURES**

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

China VoIP & Digital Telecom, Inc

Date: March 31, 2009

By: /s/ Li Kunwu  
Li Kunwu  
Chief Executive Officer and Chief Financial Officer

**POWER OF ATTORNEY**

By signing this Form 10-KSB below, I hereby appoint Li Kunwu as my attorney-in-fact to sign all amendments to this Form 10-KSB on my behalf, and to file this Form 10-KSB (including all exhibits and other documents related to the Form 10-KSB) with the Securities and Exchange Commission. I authorize my attorney-in-fact to (1) appoint a substitute attorney-in-fact for himself, and (2) perform any actions that he believes are necessary or appropriate to carry out the intention and purpose of this Power of Attorney. I ratify and confirm all lawful actions taken directly or indirectly by my attorneys-in-fact and by any properly appointed substitute attorney-in-fact.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

China VoIP & Digital Telecom, Inc

Date: March 31, 2009

By: /S/ Wang Qinghua  
Wang Qinghua  
Director

Date: March 31, 2009

By: /S/ Xu Yinyi  
Xu Yinyi  
Director

Date: March 31, 2009

By: /S/ Jiang Yanli  
Jiang Yanli  
Director

Date: March 31, 2009

By: /S/ Kan Kaili  
Kan Kaili  
Director

CHINA VOIP & DIGITAL TELECOM INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

TABLE OF CONTENTS

Report of Independent Registered Public Accounting Firm	1
Consolidated Balance Sheets as of December 31, 2008 and 2007	2
Consolidated Statements of Operations for the years ended December 31, 2008 and 2007	3
Consolidated Statements of Cash Flows for the years ended December 31, 2008 and 2007	4
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2008 and 2007	5
Notes to Consolidated Financial Statements	6-26

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**Board of Directors and Stockholders of  
China Voip & Digital Telecom Inc. and Subsidiaries:**

We have audited the accompanying consolidated balance sheets of China Voip & Digital Telecom Inc. and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity(deficit), and cash flows for the years ended December 31, 2008 and 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of China Voip & Digital Telecom Inc. and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and cash flows for the years ended December 31, 2008 and 2007, in conformity with U.S. generally accepted accounting principles.

The Company's consolidated financial statements are prepared using generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The company has retained earnings of \$826,033 at December 31, 2008 including a net income of \$2,438,162 and a net loss of \$1,327,907 for the years ended December 31, 2008 and 2007. These factors as discussed in Note 22 to the financial statements, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 22. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Kabani & Company, Inc.  
**Certified Public Accountants**

Los Angeles, California  
February 26, 2009

CHINA VOIP & DIGITAL TELECOM, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2008 AND 2007

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 341,331	\$ 5,346,165
Accounts receivable	157,580	174,641
Advance to suppliers	934,419	1,109,350
Inventories - net	631,897	148,548
Due from related parties	49,795	0
Loans receivable	1,636,497	0
Other current assets, net	147,155	79,680
<b>Total Current Assets</b>	<b>3,898,674</b>	<b>6,858,384</b>
<b>Long-term prepaid expenses, net</b>	<b>339,188</b>	<b>443,967</b>
<b>Property &amp; Equipment - net</b>	<b>2,621,197</b>	<b>1,876,477</b>
<b>Intangible Assets - net</b>	<b>1,729,254</b>	<b>6,388</b>
<b>Total Assets</b>	<b><u>\$ 8,588,313</u></b>	<b><u>\$ 9,185,216</u></b>
<b>Liabilities &amp; Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 3,361	\$ 17,166
Short-term loans	977,503	0
Warrant Liability	1,164,299	7,676,915
Accrued expenses and other current liabilities	703,532	317,582
Due to related party	20,000	20,000
<b>Total Current Liabilities</b>	<b>2,868,695</b>	<b>8,031,663</b>
<b>Long term Liabilities-Convertible debt</b>	<b>1,712,963</b>	<b>46,296</b>
<b>Stockholders' Equity</b>		
Common Stock, part value \$.001 per share, 75,000,000 shares authorized; 53,008,000 shares issued and outstanding	53,008	53,008
Additional paid-in-capital	3,408,515	3,408,515
Shares to be cancelled	(1,212,000)	(1,212,000)
Other comprehensive income	702,466	241,230
Statutory reserves	228,633	228,633
Retained Earnings (accumulated deficit)	826,033	(1,612,129)
<b>Total Stockholders' Equity</b>	<b><u>4,006,655</u></b>	<b><u>1,107,257</u></b>
<b>Total Liabilities and Stockholders' equity</b>	<b><u>\$ 8,588,313</u></b>	<b><u>\$ 9,185,216</u></b>

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

**CHINA VOIP & DIGITAL TELECOM INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
Net revenues	\$ 8,524,413	\$ 6,083,671
Cost of revenue	6,264,736	3,916,360
<b>Gross profit</b>	<b>2,259,677</b>	<b>2,167,311</b>
<b>Operating Expenses :</b>		
Selling, general and administrative	3,243,930	718,698
Depreciation and amortization	613,578	156,112
Impairment of goodwill	402,328	0
<b>Total operating expenses</b>	<b>4,259,836</b>	<b>874,810</b>
<b>Income (loss) from operations</b>	<b>-2,000,159</b>	<b>1,292,501</b>
<b>Other income (expenses)</b>		
Interest income	69,119	3,575
Interest expenses	(651,617)	(26,747)
Subsidy income	105,076	50,819
Amortization of convertible debt	(1,666,667)	(6,576,294)
Change in derivative liability	6,512,616	3,899,379
Other income(expense)	78,867	28,860
<b>Total other income (expense)</b>	<b>4,447,394</b>	<b>(2,620,408)</b>
<b>Income (loss) before income tax</b>	<b>2,447,235</b>	<b>(1,327,907)</b>
<b>Income tax</b>	<b>20,501</b>	<b>0</b>
<b>Minority interest</b>	<b>(11,428)</b>	<b>0</b>
<b>Net income (loss)</b>	<b>2,438,162</b>	<b>(1,327,907)</b>
<b>Other comprehensive gain</b>		
Foreign currency translation gain	461,236	186,927
<b>Net comprehensive income (loss)</b>	<b>\$ 2,899,398</b>	<b>\$ (1,140,980)</b>
<b>NET EARNINGS (LOSS) PER COMMON SHARE - BASIC &amp; DILUTED</b>	<b>\$ 0.05</b>	<b>\$ (0.02)</b>
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC &amp; DILUTED</b>	<b>53,008,000</b>	<b>51,759,507</b>

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

**CHINA VOIP & DIGITAL TELECOM, INC AND SUBSIDIARIES**  
**CONSOLIDATED CASH FLOW STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 2,438,162	\$ (1,327,907)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Amortization of beneficial conversion feature	1,666,667	6,576,294
Change in derivative liability	(6,512,616)	(3,899,379)
Depreciation and amortization	613,578	46,296
Reserve for inventory obsolesce	9,310	156,112
Impairment of goodwill	402,328	0
Reserve for bad debts	312,022	67,104
Amortization of debt discount and fund raising fee	147,988	51,000
Minority interest	(11,428)	0
Increase/(decrease) in operating assets:		
Accounts receivable	(141,253)	(170,975)
Inventories	(347,279)	(124,902)
Advances to suppliers	269,442	(1,051,694)
Prepaid expenses and other assets	(27,065)	160,275
Increase/(decrease) in operating liabilities:		
Accounts payable	(14,724)	16,482
Deferred revenue	32,616	0
Accrued expenses and other current liabilities	(126,201)	160,776
Total Adjustments	(3,726,615)	1,987,389
<b>Net cash provided by (used in) operating activities</b>	<u>(1,288,453)</u>	<u>659,482</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(879,940)	(1,412,302)
Advance to acquired subsidiary	(98,548)	0
Payment for interest bearing loan	(1,611,099)	0
Purchase of intangible assets	(1,621,218)	0
Payment for acquisition	(574,524)	0
Payment on long-term prepaid expenses	(46,249)	0
<b>Net cash used in investing activities</b>	<u>(4,831,578)</u>	<u>(1,412,302)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from subscription of convertible debt	0	4,556,033
Proceeds from related parties - net	0	10,000
Proceeds on short-term loan	962,333	0
<b>Net cash provided by financing activities</b>	<u>962,333</u>	<u>4,566,033</u>
Foreign currency translation	152,864	45,136
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(5,004,835)</u>	<u>3,858,349</u>
<b>Cash and cash equivalents, beginning balance</b>	5,346,165	1,487,816
<b>Cash and cash equivalents, ending balance</b>	<u>\$ 341,331</u>	<u>\$ 5,346,165</u>
<b>SUPPLEMENTARY DISCLOSURE:</b>		
Interest paid	<u>\$ 0</u>	<u>\$ 26,747</u>
Income tax paid	<u>\$ 0</u>	<u>\$ 0</u>

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

**CHINA VOIP & DIGITAL TELECOM, INC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	Common Stock		Additional Paid in Capital	Shares to be Cancelled	Statutory Reserves	Other Comprehensive Gain	Retained Earnings	Total Stockholders' Equity (deficit)
	Shares	Amount						
<b>Balance December 31, 2006</b>	51,758,000	\$ 51,758	\$ 2,146,765	\$ 0	\$ 70,859	\$ 54,303	\$ (126,447)	\$ 2,197,238
Issuance of shares for services	1,200,000	1,200	1,210,800	0	0	0	0	1,212,000
Shares to be cancelled	0	0	0	(1,212,000)	0	0	0	(1,212,000)
Shares issued in lieu of compensation	50,000	50	50,950	0	0	0	0	51,000
Net loss	0	0	0	0	0	0	(1,327,907)	(1,327,907)
Foreign currency translation	0	0	0	0	0	186,927	0	186,927
Provision of statutory reserve	0	0	0	0	157,774	0	(157,774)	0
<b>Balance December 31, 2007</b>	53,008,000	53,008	3,408,515	(1,212,000)	228,633	241,230	(1,612,129)	1,107,257
Net Income	0	0	0	0	0	0	2,438,162	2,438,162
Foreign currency translation	0	0	0	0	0	461,236	0	461,236
Provision of statutory reserve	0	0	0	0	0	0	0	0
<b>Balance December 31, 2008</b>	<u>53,008,000</u>	<u>\$ 53,008</u>	<u>\$ 3,408,515</u>	<u>\$ (1,212,000)</u>	<u>\$ 228,633</u>	<u>\$ 702,466</u>	<u>\$ 826,033</u>	<u>\$ 4,006,655</u>

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

CHINA VOIP & DIGITAL TELECOM INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 1 GENERAL**

China VOIP & Digital Telecom Inc. ("the Company" or "We"), formerly, Crawford Lake Mining, Inc. acquired on August 17, 2006, all of the outstanding capital stock of Jinan YinQuan Technology Co. Ltd. ("Jinan YinQuan") in exchange for the issuance of 40,000,000 shares of our common stock to the Jinan Shareholders and \$200,000. Such shares are restricted in accordance with Rule 144 of the 1933 Securities Act. In addition, as further consideration for the acquisition, Apollo Corporation, the principal shareholder of the Company, agreed to cancel 11,750,000 post-split shares of its outstanding common stock. Based upon same, Jinan YinQuan became our wholly-owned subsidiary.

Jinan YinQuan was established in JiNan in the People's Republic of China ("the PRC") in 2001. The exchange of shares with Jinan YinQuan has been accounted for as a reverse acquisition under the purchase method of accounting since the stockholders of the Jinan YinQuan obtained control of the consolidated entity. Accordingly, the merger of the two companies has been recorded as a recapitalization of Jinan YinQuan, with Jinan YinQuan being treated as the continuing entity. The historical financial statements presented are those of Jinan YinQuan. The continuing company has retained December 31 as its fiscal year end. The financial statements of the legal acquirer are not significant; therefore, no pro forma financial information is submitted.

The Company's principal activities are developing and sales of computer software and hardware, digital video pictures system; developing and sales of computer network and network audio devices, parts, low value consumables and etc (exclusive of the business not obtained the license). Currently, the Company is focused on the Voice Over Internet Phone ("VOIP") technology related business.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. Our functional currency is the Chinese Renminbi; however the accompanying financial statements have been translated and presented in United States Dollars (\$).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

The Company is subject to substantial risks from, among other things, intense competition associated with the industry in general, other risks associated with financing, liquidity requirements, rapidly changing customer requirements, limited operating history, foreign currency exchange rates and the volatility of public markets.

Allowance for Doubtful Accounts

The Company maintains reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. As of December 31, 2008 and December 31, 2007, the allowances for doubtful accounts were \$172,340 and \$0, respectively.

Inventories

Inventories are valued at the lower of cost (determined on a weighted average basis) or market. The Management compares the cost of inventories with the market value and allowance is made for writing down the inventories to their market value, if lower. As of December 31, 2008 and December 31, 2007, the reserves for obsolescence were \$106,437 and \$90,882, respectively.

Property, Plant & Equipment

Property and equipment are stated at cost. Expenditures for maintenance and repairs are charged to earnings as incurred; additions, renewals and betterments are capitalized. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations. Depreciation of property and equipment is provided using the straight-line method for substantially all assets with estimated lives of:

Furniture and Fixtures	5-10 years
Equipment	5-10 years
Vehicles	10 years
Computer Hardware and Software	5 years
Building	20 years

Intangible Assets

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations for a Disposal of a Segment of a Business." The Company periodically evaluates the carrying value of long-lived assets to be held and used in accordance with SFAS 144. SFAS 144 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair market value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair market values are reduced for the cost of disposal.

Revenue Recognition

The Company's revenue recognition policies are in compliance with Staff accounting bulletin (SAB) 104. Revenue is recognized at the date of shipment to customers when a formal arrangement exists, the price is fixed or determinable, the delivery is completed, no other significant obligations of the Company exist and collectibility is reasonably assured. Payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as advances from customers.

The Company recognizes revenue from telecommunications as services are provided. Payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as deferred revenue.

Stock-Based Compensation

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), which requires the measurement of all employee share-based payments to employees, including grants of employee stock options, using a fair-value-based method and the recording of such expense in the consolidated statements of operations. In March 2005, the SEC issued Staff Accounting Bulletin No. 107 ("SAB 107") regarding the SEC's interpretation of SFAS 123R and the valuation of share-based payments for public companies. The Company has adopted SFAS 123R and related FASB Staff Positions ("FSPs") as of January 1, 2006 and will recognize stock-based compensation expense using the modified prospective method.

Advertising

Advertising expenses consist primarily of costs of promotion for corporate image and product marketing and costs of direct advertising. The Company expenses most of advertising costs as incurred, but amortize the new product image's designing costs.

#### Earnings Per Share (EPS)

Earnings per share is calculated in accordance with the Statement of financial accounting standards No. 128 (SFAS No. 128), "Earnings per share". SFAS No. 128 superseded Accounting Principles Board Opinion No.15 (APB 15). Net loss per share for all periods presented has been restated to reflect the adoption of SFAS No. 128. Basic net loss per share is based upon the weighted average number of common shares outstanding. Diluted EPS is not presented as the Company has no potential dilutive shares outstanding.

#### Income Taxes

The Company utilizes SFAS No. 109, "Accounting for Income Taxes," which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

#### Statement of Cash Flows

In accordance with SFAS No. 95, "Statement of Cash Flows," cash flows from the Company's operations is based upon the local currencies. As a result, amounts related to assets and liabilities reported on the statement of cash flows will not necessarily agree with changes in the corresponding balances on the balance sheet.

#### Segment Reporting

Statement of Financial Accounting Standards No. 131 ("SFAS 131"), "Disclosure about Segments of an Enterprise and Related Information" requires use of the "management approach" model for segment reporting. The management approach model is based on the way a company's management organizes segments within the company for making operating decisions and assessing performance. Reportable segments are based on products and services, geography, legal structure, management structure, or any other manner in which management disaggregates a company. As per SFAS 131, the company operates in two segments based on nature of products and services: Telecommunications, Sale of equipments and Technical services.

#### Recently Issued Accounting Standards

In September 2006, FASB issued SFAS 158 'Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)' This Statement improves financial reporting by

requiring an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This Statement also improves financial reporting by requiring an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. An employer with publicly traded equity securities is required to initially recognize the funded status of a defined benefit postretirement plan and to provide the required disclosures as of the end of the fiscal year ending after December 15, 2006. An employer without publicly traded equity securities is required to recognize the funded status of a defined benefit postretirement plan and to provide the required disclosures as of the end of the fiscal year ending after June 15, 2007. However, an employer without publicly traded equity securities is required to disclose the following information in the notes to financial statements for a fiscal year ending after December 15, 2006, but before June 16, 2007, unless it has applied the recognition provisions of this Statement in preparing those financial statements:

- A brief description of the provisions of this Statement
- The date that adoption is required
- The date the employer plans to adopt the recognition provisions of this Statement, if earlier

The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position is effective for fiscal years ending after December 15, 2008. The management is currently evaluating the effect of this pronouncement on financial statements.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements". This Statement amends ARB 51 to establish accounting and reporting standards for the noncontrolling (minority) interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS No. 160 is effective for the Company's fiscal year beginning October 1, 2009. Management is currently evaluating the effect of this pronouncement on financial statements.

In March 2008, the FASB issued FASB Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities. The new standard is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The new standard also improves transparency about the location and amounts of derivative instruments in an entity's financial statements; how derivative instruments and related hedged items are accounted for under Statement 133; and how derivative instruments and related hedged items affect its financial position, financial performance, and cash flows. Management is currently evaluating the effect of this pronouncement on financial statements.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations". This Statement replaces SFAS No. 141, Business Combinations. This Statement retains the fundamental requirements in Statement 141 that the acquisition method of accounting (which Statement 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. This Statement also establishes principles and requirements for how the acquirer: a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase and c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) will apply prospectively to business combinations for which the acquisition date is on or after Company's fiscal year beginning October 1, 2009. While the Company has not yet evaluated this statement for the impact, if any, that SFAS No. 141(R) will have on its consolidated financial statements, the Company will be required to expense costs related to any acquisitions after September 30, 2009.

In May Of 2008, FSAB issued SFASB No.162, The Hierarchy of Generally Accepted Accounting Principles. The pronouncement mandates the GAAP hierarchy reside in the accounting literature as opposed to the audit literature. This has the practical impact of elevating FASB Statements of Financial Accounting Concepts in the GAAP hierarchy. This pronouncement will become effective 60 days following SEC approval. The company does not believe this pronouncement will impact its financial statements

In May of 2008, FASB issued SFASB No. 163, Accounting for Financial Guarantee Insurance Contracts-an interpretation of FASB Statement No. 60. The scope of the statement is limited to financial guarantee insurance (and reinsurance) contracts. The pronouncement is effective for fiscal years beginning after December 31, 2008. The company does not believe this pronouncement will impact its financial statements.

#### Foreign Currency Translation

The Company uses the United States dollar ("U.S. dollars") for financial reporting purposes. The Company maintains books and records in their functional currency, being the primary currency of the economic environment in which the operations are conducted. In general, the Company translates the assets and liabilities into U.S. dollars using the applicable exchange rates prevailing at the balance sheet date, and the statement of income is translated at average exchange rates during the reporting period. Gain or loss on foreign currency transactions are reflected on the income statement. Gain or loss on financial statement translation from foreign currency are recorded as a separate component in the equity section of the balance sheet, as component of comprehensive income in accordance with SFAS No. 130, "Reporting Comprehensive Income" as a component of shareholders' equity

For the years ended December 31, 2008 and 2007, the foreign currency translation gain was \$461,236 and \$186,927 respectively. The accumulated comprehensive foreign currency translation gain amounted to \$702,466 and \$241,230 as of December 31, 2008 and 2007 respectively.

#### **NOTE 3 PRINCIPLES OF CONSOLIDATION**

The accompanying consolidated financial statements include the accounts of China VOIP & Digital Telecom Inc. (the "Company") and its 100% wholly-owned subsidiary Jinan YinQuan Technology Co. Ltd. ("Jinan YinQuan"). It also includes the Power Unique (Beijing) Technology Co., Ltd. ("Power Unique"), a 100% owned subsidiary of Jinan YinQuan as of December 31, 2008. All significant inter-company accounts and transactions have been eliminated in consolidation.

#### **NOTE 4 CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

The Company's operations are carried out in the PRC. Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environments in the PRC, by the general status of the PRC's economy. The Company's business may be influenced by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

For the year ended December 31, 2008, two customers contributed 18% of total revenue without outstanding accounts receivable balance and one supplier provided 93% of the cost of sales. The balance of advanced to this supplier as of December 31, 2008 was \$817,888.

Financial instruments, which potentially subject to concentration of credit risk, consist of cash and cash equivalents as the same is not covered by insurance.

#### NOTE 5 ACQUISITION

During the year ended December 31, 2008, the Company, via its Chinese subsidiary, Jinan YinQuan, acquired Power Unique (Beijing) Technology Co., Ltd. ("Power Unique"), located and operating in Beijing, China. Power Unique is the producer of security IT products in mainland China. On March 27, 2008, the Company paid \$582,089 (RMB 4,000,000) to Power Unique and, increased the share capital of Power Unique to RMB 5,000,000. After the share capital increased, Jinan YinQuan became 80% shareholders of Power Unique. The transaction was completed in May 2008.

On June 24, 2008, the Company decided to pay another \$583,507 (RMB 4,000,000) to acquire the remaining 20% ownership from the original shareholders of Power Unique and became 100% shareholder of Power Unique Thereafter. As of July 5, 2008, the acquisition was completed. In July 2008, Jinan YinQuan increased the share capital of Power Unique with extra RMB 6 million to RMB 11 million.

In July 2008, Jinan YinQuan increased the share capital of Power Unique with extra RMB 6 million to RMB 11 million.

A summary of Power Unique assets acquired, liabilities assumed and consideration paid for them is as of May 2008 is as follows:

	Amount (Unaudited)
Cash	\$ 482,244
Receivable and prepaid expense	206,965
Inventory	130,395
Fixed Assets, net	184,754
Intangible assets, net	421,694
Assets, total	<u>1,426,052</u>
Current liabilities	<u>464,214</u>
Net assets acquired	\$ 961,838
80% of net assets acquired	769,470
Consideration paid by cash	<u>582,089</u>
Goodwill	<u>\$ (187,381)</u>

The acquisition of 80% of net assets of Power Unique by the Company resulted in negative goodwill of \$187,381, which was allocated against the intangible assets and the property & equipment of the Company.

The Company acquired the remaining 20% of the equity Power Unique on July 5, 2008. Following is the fair value of the assets and liabilities is as follows:

	Amount (Unaudited)
Fair market value of 20% of asset acquired	\$ 246,310
Fair market value of 20% of liabilities assumed	<u>(65,078)</u>
Net asset	181,232
Consideration paid	583,507
80% of operation during the period between two acquisitions	<u>(46,427)</u>
Total consideration, net	<u>537,080</u>
Goodwill	<u>\$ 402,328</u>

The acquisition of Power Unique by the Company resulted in goodwill of \$402,328. The Company evaluated the valuation of goodwill as on December 31, 2008 and determined, based upon the net loss generated by Power Unique, that the goodwill has impaired. Therefore, the Company recorded an impairment of goodwill of \$402,328 on December 31, 2008.

The following un-audited pro forma consolidated financial information for the years ended December 31, 2008 and 2007, as presented below, reflects the results of operations of the Company assuming the acquisition of Power Unique occurred on January 1, 2008 and 2007 respectively. These pro forma results have been prepared for information purposes only and do not purport to be indicative of what operating results would have been had the acquisition actually taken place on January 1, 2008 and 2007 respectively, and may not be indicative of future operating results.

	2008	2007
Net Revenues	\$ 8,524,413	\$ 6,084,590
Cost of revenues and operating expenses	<u>(9,980,617)</u>	<u>(4,649,891)</u>
Operating income	(1,456,204)	1,434,699
Other income, net	<u>202,533</u>	<u>46,388</u>
Net Income	\$ <u>(1,253,671)</u>	\$ <u>1,481,087</u>
Earnings/(loss) per share - basic & diluted	\$ <u>(0.02)</u>	\$ <u>0.03</u>

#### NOTE 6 ADVANCES TO SUPPLIERS

The Company made prepayments to suppliers to purchase inventory, equipment or services. The Company advanced to suppliers amounting of \$934,419 and \$1,109,350 as of December 31, 2008 and 2007 respectively. The balance included advance to one supplier - Shandong Tietong of December 31, 2008 was \$817,888, which was 88% of the total advance balance as of December 31, 2008.

#### NOTE 7 DUE FROM RELATED PARTY

Due from related party of \$49,795 as of December 31, 2008 represents temporally advance to two Directors of the Company for business development purpose.

**NOTE 8 LOANS RECEIVABLE**

As of December 31, 2008, the loan receivables comprise of the following:

Debtors		Principle	Interest (annual)	Maturity date
Loan to unrelated party A	\$	539,815	25.2%	9-17-2009
Loan to unrelated party A		950,786	-	Due on demand
Loan to unrelated party B		145,896	36%	2-3-2009
	\$	<u>1,636,497</u>		

The loan in the amount of \$539,815 was secured by the personal properties owned by the shareholder of the unrelated party A. The loan to unrelated party B was paid back on February 4, 2009 subsequently. The loan in the amount of \$950,786 is short term loan to unrelated party A without interest and security and due on demand.

**NOTE 9 OTHER CURRENT ASSETS**

As of December 31, 2008 and 2007, the other current assets comprise of the following:

	2008	2007
Security deposit	\$ 69,431	\$ -
Advance to attorney	50,000	50,000
Advances to Staff and other	35,243	29,680
Prepayment	26,837	-
Total	181,511	79,680
Less: Provision	(34,356)	-
Total current assets, net	<u>\$ 147,155</u>	<u>\$ 79,680</u>

**NOTE 10 LONG TERM PREPAID EXPENSES**

The balances of long term prepaid expenses as of December 31, 2008 and 2007 are summarized as follows:

	2008	2007
Fund raising fee	\$ 443,967	\$ 443,967
Image design	46,978	-
	<u>490,945</u>	<u>-</u>
Less: Amortization	(151,757)	-
Long term prepaid expenses, net	<u>\$ 339,188</u>	<u>\$ 443,967</u>

As of December 31, 2007, the Company has fund raising fee amounting to \$443,967 associated with issuance of 5 million senior convertible notes. The amount is being amortized over the life time of the senior convertible notes. During the year ended December 31, 2008, \$147,988 was amortized to General & Administrative expenses accumulatively.

During the year ended December 31, 2008, Power Unique, one of the subsidiaries of the Company, incurred \$46,978 image designing fees for its new product. Such designing cost will be amortized over 5 years.

The amortization expense for the year ended December 31, 2008 was \$151,757.

Amortization for the next 5 years is as follows :

December 31, 2009	\$ 157,385
December 31, 2010	157,385
December 31, 2011	9,396
December 31, 2012	9,396
December 31, 2013	5,627
Total	<u>\$ 339,188</u>

**NOTE 11 PROPERTY AND EQUIPMENT, NET**

The balances of the Company property and equipment as of December 31, 2008 and 2007 are summarized as follows:

	2008	2007
Electronic Equipment	\$ 1,990,599	\$ 1,506,841
Vehicles	295,226	89,664
Furniture and fixture	142,965	9,969
Office Building	778,218	437,571
	<u>3,207,008</u>	<u>2,044,045</u>
Less: Accumulated depreciation	(585,811)	(167,568)
Property and Equipment, net	<u>\$ 2,621,197</u>	<u>\$ 1,876,477</u>

The depreciation expense for the years ended December 31, 2008 and 2007 was \$394,970 and \$137,706 respectively.

**NOTE 12 INTANGIBLE ASSET**

Intangible asset mainly comprised of a set of software in Jinan YinQuan acquired from third parties and a set of software from Power Unique. Those sets of software acquired from third parties are used for the core technology of the Company's VOIP business or software business. They are amortized over a life of 5 years. Intangible assets comprised of following at December 31, 2008 and 2007:

	2008	2007
Softwares, cost	\$ 2,042,994	\$ 95,842

Less: amortization		(313,740)	(89,454)
Intangible asset, net	\$	<u>1,729,254</u>	<u>\$ 6,388</u>

Amortization for the next 5 years is as follows :

December 31, 2009	\$	408,599
December 31, 2010		408,599
December 31, 2011		408,599
December 31, 2012		408,599
December 31, 2013		94,859
Total	\$	<u>1,729,254</u>

The amortization expense for the years ended December 31, 2008 and 2007 was \$214,898 and \$18,406 respectively.

#### NOTE 13 SHORT TERM LOANS

The Company has an approved line of credit up to the amount of \$1,458,768. The line of credit expires on July 29, 2010. The line is un-secured with a flexible interest rate which equals to 1.5 times of the benchmark interest rate of People's bank of China.

As of September 30, 2008, the Company has a short-term loan balanced at \$977,503 under the line of credit.

#### NOTE 14 SENIOR SECURITY NOTE

On December 21, 2007, the Company issued a senior debenture to CASTLERIGG MASTER INVESTMENTS LTD in the amount of \$5,000,000 that accrues interest at 8.75% per annum and is due on December 21, 2010. In addition, the Company also issued to CASTLERIGG MASTER INVESTMENTS LTD three series of warrants, titled Series A Warrant, Series B Warrant, Series C Warrant (collectively the "Warrants") to purchase 21,459,038 shares of the Company's common stock. The Warrants are exercisable at price per share of \$.5627 and are subject to economic anti-dilution protection. The Series A Warrant is exercisable for 8,885,730 shares of the Company's common stock and expires the date eighty four (84) months after the earlier of (A) such time as all of the Registrable Securities (as defined in the Registration Rights Agreement) are available for resale pursuant to an effective Registration Statement and (B) two (2) years after December 21, 2007. The Series B Warrant is exercisable for 6,220,011 shares of the Company's common stock and expires on the date on which the Notes issued pursuant to the Securities Purchase Agreement are no longer issued and outstanding. The Series C Warrant is exercisable for 6,353,297 shares of the Company's common stock and expires on the date sixty (60) months after the first time the Company elects a Company Optional Redemption.

The Company shall initially reserve out of its authorized and unissued Common Stock a number of shares of Common Stock for each of the Notes equal to 130% of the Conversion Rate with (i) issuable upon conversion of the Notes, (ii) upon exercise of the Warrants, without taking into account any limitations on the Conversion of the Notes or exercise of the Warrants set forth in the Notes and Warrants, respectively) and (iii) as Interest Shares pursuant to the terms of the Notes. As of September 30, 2008, the Company did not have enough authorized and unissued common stock to reserve 130% shares. This amount is due subject to default.

Per EITF 00-19, paragraph 4, these convertible debentures do not meet the definition of a "conventional convertible debt instrument" since the Company does not have sufficient unissued authorized share capital. The Company is required to increase the authorized share capital which is not within the control of the Company. Therefore, the convertible debenture is considered "non-conventional," which means that the conversion feature must be bifurcated from the debt and shown as a separate derivative liability. This beneficial conversion liability was calculated to be nil at September 30, 2008. In addition, since the Company does not have enough number of unissued authorized shares of common stock, it is assumed that the Company could never have enough authorized and unissued shares to settle the conversion of the warrants into common stock. Therefore, the warrants issued in connection with this transaction have been reported as liability at December 31, 2008 in the accompanying balance sheet with a fair value of \$1,164,299. The value of the warrant was calculated using the Black-Scholes model using the following assumptions:

	Series A	Series B	Series C
Risk-free interest rate	2%	875%	1.875%
Expected life of the warrants	6 years	2 years	5 years
Expected volatility	229.26%	229.26%	229.26%
Expected dividend yield	0%	0%	0%

The fair value of the beneficial conversion feature and the warrant liability will be adjusted to fair value each balance sheet date with the change being shown as a component of net income.

The fair value of the beneficial conversion feature and the warrants at the inception of these convertible debentures were \$331,438 and \$11,244,857, respectively. The first \$5,000,000 of these discounts has been shown as a discount to the convertible debentures which will be amortized over the term of the debentures and the excess of \$6,576,294 has been shown as financing costs in the statement of operations as of December 31, 2007. As of December 31, 2008, we revaluated the warrants liability at value of \$1,164,299. Thus, the difference of the warrants liability has been shown as change in warrant liability in the statement of operations as of December 31, 2008.

Warrants outstanding at December 31, 2008 and related weighted average price and intrinsic value are as follows:

	Exercise Prices	Total Warrants Outstanding	Weighted Average Remaining Life (Years)	Total Weighted Average Exercise Price	Warrants Exercisable	Weighted Average Exercise Price	Aggregate Intrinsic Value
Series A	0.5627	8,885,730	2.48	0.02	8,885,730	0.02	-
Series B	0.5627	6,220,011	0.58	0.01	6,220,011	0.01	-
Series C	0.5627	6,353,297	1.48	0.02	6,353,297	0.02	-
Total		<u>21,459,038</u>	<u>4.54</u>	<u>0.05</u>	<u>21,459,038</u>	<u>0.05</u>	<u>=</u>

#### NOTE 15 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities as of December 31, 2008 and 2007 are summarized as follows:

	2008	2007
Accrued staff welfare	\$ 3,156	\$ 9,385
Tax payables	119,329	127,793
Interest payable	109,375	20,833
Accrued expenses	51,530	54,587
Deposits	374,115	43,330
Others	46,028	61,654
Total	<u>\$ 703,532</u>	<u>\$ 317,582</u>

#### NOTE 16 DUE TO RELATED PARTY

Due to related party of \$20,000 as of December 31, 2008 and 2007 represents \$10,000 payable to former beneficial owner of Crawford Lake Mining Inc. and \$10,000 payable to the CEO of the Company. The payables are unsecured, non interest bearing and payable on demand.

**NOTE 17 STATUTORY RESERVES**

As stipulated by the Company Law of the People's Republic of China (PRC) executed on 2006, net income after taxation can only be distributed as dividends after appropriation has been made for the following:

1. Making up cumulative prior years' losses, if any;
2. Allocations to the "Statutory surplus reserve" of at least 10% of income after tax, as determined under PRC accounting rules and regulations, until the fund amounts to 50% of the Company's registered capital;
3. Allocations of 5-10% of income after tax, as determined under PRC accounting rules and regulations, to the Company's "Statutory common welfare fund", which is established for the purpose of providing employee facilities and other collective benefits to the Company's employees; (The reserve is no more required for the foreign invested enterprises since 2006).
4. Allocations to the discretionary surplus reserve, if approved in the shareholders' general meeting.

According to the new Company Law of the People's Republic of China (PRC) executed in 2006, the Company is not required to reserve the "Statutory common welfare fund". Accordingly, the Company did not reserve the common welfare fund in 2007 and 2008.

In accordance with the Chinese Company Law, the company has allocated 10% of its net income after tax to surplus as of December 31, 2007. As Jinan Yinquan and Power Unique had net loss for the year ended December 31, 2008, the Company did not allocate reserve funds.

Balances of Statutory reserves as of December 31, 2008 are as follows:

	<u>December 31, 2008</u>
Net income of operation in PRC for year 2007	\$ 1,577,737
Reserve rate of statutory fund	10%
Amount reserved in 2007	<u>\$ 157,774</u>
Balance of statutory reserve at December 31, 2007	\$ 228,633
Change in 2008	-
Balance of statutory reserve at December 31, 2008	<u><u>\$ 228,633</u></u>

**NOTE 18 SHARES TO BE CANCELLED**

Pursuant to the term sheet, on July 18, 2007, the Company issued 1.2 million shares to Downshire Capital Inc. and its assigned parties as first installment for financing assistance. While according to the term sheet, \$3 million USD should be received by the company before August 15, 2007, otherwise, Downshire Capital and its designed investors need to return the 1.2 million shares and the Registrant will cancel it accordingly.

As of August 21, 2007, Downshire Capital Inc. was not able to complete the financing before closing deadline according to the termsheet signed with the Registrant on July 17, 2007. After further negotiation, both parties could not reach further agreement to extend the termsheet and the termsheet was terminated accordingly. The stock transfer agent of the Company has put restriction on the stock to trade. The Company requested its stock transfer agent to cancel the shares. However, Downshire Capital Inc. did not return the certificates to stock transfer agent as of December 31, 2008. The shares have been classified as "Shares to be cancelled" in the accompanying financial statements.

**NOTE 19 INCOME TAXES**

The Company is registered in the State of Nevada and has operations in primarily two tax jurisdictions - the PRC and the United States. For the operation in the U.S., the Company has incurred net accumulated operating losses for income tax purposes. The Company believes that it is more likely than not that these net accumulated operating losses will not be utilized in the future. Therefore, the Company has provided full valuation allowance for the deferred tax assets arising from the losses at these locations as of December 31, 2008. Accordingly, the Company has no net deferred tax assets.

The operation in PRC is approved as hi-tech software company and enjoys 15% income tax rate, Jinan YinQuan is completely exempt of income tax for the first 2 years up to December 2007 and is 50% exempt of income tax for the next 3 years pursuant to State Tax notice No. 2003(82) because being a foreign invested company.

As of December 31, 2008 and 2007, the Company had income tax expense \$20,501 and \$0 respectively.

The following is a reconciliation of the provision for income taxes at the U.S. federal income tax rate to the income taxes reflected in the Statement of Operations:

	2008	2007
Tax expense (credit) at statutory rate - federal	34%	34%
State tax expense net of federal tax	6%	6%
Valuation allowance	(40%)	(40%)
Foreign income tax - PRC	15%	15%
Exempt from income tax	(9%)	(15%)
Tax expense at actual rate	6%	0%

United States of America

As of December 31, 2008, the Company in the United States had \$0 in net operating loss carry forwards available to offset future taxable income.

The following table sets forth the significant components of the net deferred tax assets for operation in the U.S. as of December 31, 2008 and 2007.

	2008	2007
Net operation loss carry forward	\$ -	\$ 2,905,645
Total deferred tax assets	-	74,525
Less: valuation allowance	-	(74,525)
Net deferred tax assets	\$ -	\$ -

**NOTE 20 OPERATING LEASE**

The Power Unique leases its office space in Beijing China under an operating lease starting from January 25, 2008 and expiring January 24, 2011. Jinan YinQuan leased its office space under an operating lease expiring May 2008. Starting from June 2008, Jinan YinQuan's new building was ready and Jinan YinQuan doesn't need to incur rent expense any more.

Rent expense under these operating leases was approximately \$60,512 and \$1,467 during the years ended December 31, 2008 and 2007 respectively.

The rent expenses for the next five years after December 31, 2008 are as follows:

December 31, 2009	\$	61,276
December 31, 2010	\$	61,276
December 31, 2011	\$	3,953

**NOTE 21            SEGMENT REPORTING**

Statement of Financial Accounting Standards No. 131 ("SFAS 131"), "Disclosure About Segments of an Enterprise and Related Information" requires use of the "management approach" model for segment reporting. The management approach model is based on the way a company's management organizes segments within the company for making operating decisions and assessing performance. Reportable segments are based on products and services, geography, legal structure, management structure, or any other manner in which management disaggregates a company.

During the years ended December 31, 2008 and 2007, the Company is organized into three main business segments: (1) Telecommunications minutes, (2) Equipment Sales and (3) Technical services. There were no transactions between segments. The following table presents a summary of operating information and certain year-end balance sheet information for the years ended December 31, 2008 and 2007:

	2008	For The Years Ended December 31,	2007	
Revenues from unaffiliated customers:				
Telecommunication	\$	6,160,234	\$	4,485,713
Equipment sales		772,311		486,181
Technical services		1,591,868		1,111,777
Consolidated	\$	<u>8,524,413</u>	\$	<u>6,083,671</u>
Operating income (loss):				
Telecommunication	\$	(2,255,108)	\$	704,300
Equipment sales		(212,019)		25,991
Technical services		1,056,045		769,204
Corporation (1)		(589,075)		(7,227,256)
Consolidated	\$	<u>(2,000,159)</u>	\$	<u>(5,727,761)</u>
Net income (loss) before taxes:				
Telecommunication	\$	(2,543,127)	\$	740,625
Equipment sales		(248,128)		27,332
Technical services		981,618		808,878
Corporation (1)		4,256,874		(7,248,089)
Consolidated	\$	<u>2,447,235</u>	\$	<u>(5,671,254)</u>
Identifiable assets:				
Telecommunication	\$	4,692,117	\$	8,723,801
Equipment sales		1,699,176		17,448
Technical services		-		-
Corporation		2,197,020		-
Consolidated	\$	<u>8,588,313</u>	\$	<u>8,741,249</u>
Depreciation and amortization				
Telecommunication	\$	526,659	\$	156,112
Equipment sales		86,919		-
Consolidated	\$	<u>613,578</u>	\$	<u>156,112</u>
Capital contribution				
Telecommunication	\$	4,112,257	\$	1,412,302
Equipment sales		719,321		-
Consolidated	\$	<u>4,831,578</u>	\$	<u>1,412,302</u>

(1). Unallocated loss from Operating income (loss) and Net income (loss) before taxes are primarily related to general corporate expenses.

**Note 22            GOING CONCERN**

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles which contemplate continuation of the company as a going concern. However, the Company has a retained earnings (accumulated deficit) of \$1,228,361 and (\$1,612,129) as of December 31, 2008 and December 31, 2007, and the Company is in default of the terms of Senior Security Note as of December 31, 2008. In view of the matters described above, recoverability of a major portion of the recorded asset amounts shown in the accompanying consolidated balance sheet is dependent upon continued operations of the company, which in turn is dependent upon the Company's ability to raise additional capital, obtain financing and succeed in its future operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Management has taken certain restructuring steps to provide the necessary capital to continue its operations. These steps included: 1) acquire profitable operations through issuance of equity instruments; and 2) to continue actively seeking additional funding and restructure the acquired subsidiaries to increase profits and minimize the liabilities; 3) seek governmental funds support.

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**CERTIFICATION**  
**SECTION 302 CERTIFICATION OF OUR CHIEF EXECUTIVE OFFICER**

I, Li Kunwu, certify that:

1. I have reviewed this annual report on Form 10-K of China VoIP & Digital Telecom Inc. ;
  2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
  3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
  4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
    - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Li Kunwu

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Li Kunwu  
Chief Executive Officer, Chief Financial Officer

March 31, 2009

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**CERTIFICATION PURSUANT TO  
18 U.S.C. Section 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K ("Form 10-K") of China VoIP & Digital Telecom Inc. (the "Company") for the year ended December 31, 2008 as filed with the Securities and Exchange Commission on the date hereof, I, Li Kunwu, Chief Executive Officer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Form 10-K fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Li Kunwu

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Li Kunwu  
Chief Executive Officer, Chief Financial Officer

March 31, 2009

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