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

FORM 10-Q

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

For the quarterly period ended June 30, 2009

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

For the transition period from _____ to _____.

CHINA VOIP & DIGITAL TELECOM INC.
(Exact name of registrant as specified in the Charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

333-131017
(Commission File No.)

91-2132336
(IRS Employee Identification No.)

**11th Floor Tower B1, Yike Industrial Base, Shunhua Rd,
High-tech Industrial Development Zone, Jinan, China 250101**

(Address of Principal Executive Offices)
(Address of Principal Executive Offices)

86-53187027114
(Issuer Telephone number)

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of August 12, 2009 is 53,008,000 shares of common stock.

CHINA VOIP & DIGITAL TELECOM INC.

FORM 10-Q

For the quarter ended June 30, 2009

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PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

CHINA VOIP & DIGITAL TELECOM, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2009 AND DECEMBER 31, 2008
(UNAUDITED)

Assets	June 30, 2009	December 31, 2008
Current assets		
Cash and cash equivalents	\$ 252,505	\$ 341,331
Accounts receivable	45,160	157,580
Advance to suppliers	899,674	934,419
Inventories	769,907	631,897
Due from related parties	104,105	49,795
Loans receivable	2,445,649	1,636,497
Other current assets, net	199,976	147,155
Total Current Assets	4,716,976	3,898,674
Long-term prepaid expenses, net	297,490	339,188
Property & Equipment, net	2,418,001	2,621,197
Intangible Assets, net	1,579,201	1,729,254
Deposit for software	663,621	-
Total Assets	\$ 9,675,289	\$ 8,588,313
Liabilities & Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 63,968	\$ 3,361
Short-term loans	2,775,505	977,503
Warrant Liability	4,211,679	1,164,299
Accrued expenses and other current liabilities	1,096,643	703,532
Due to related party	20,000	20,000
Total Current Liabilities	8,167,795	2,868,695
Long term Liabilities-Convertible debt	2,546,296	1,712,963
Stockholders' Equity		
Common Stock, part value \$.001 per share, 75,000,000 shares authorized; 53,008,000 shares issued and outstanding as of June 30,2009 and December 31,2008	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	750,058	702,466
Statutory reserves	228,633	228,633
Retained Earnings (accumulated deficit)	(4,267,016)	826,033
Total Stockholders' Equity	(1,038,802)	4,006,655
Total Liabilities and Stockholders' equity	\$ 9,675,289	\$ 8,588,313

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

CHINA VOIP & DIGITAL TELECOM INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2009 AND 2008
(UNAUDITED)

	Three month periods ended June 30,		Six month periods ended June 30,	
	2009	2008	2009	2008
Net revenues	\$ 1,467,976	\$ 3,135,963	\$ 3,060,980	\$ 5,135,704
Cost of revenue	1,424,143	2,043,674	2,859,870	3,051,230
Gross profit	43,833	1,092,289	201,110	2,084,474
Operating Expenses :				
Selling, general and administrative	428,720	393,765	762,220	676,510
Depreciation and amortization	182,568	173,355	390,302	216,361
Total operating expenses	611,288	567,120	1,152,522	892,871
Income (loss) from operations	(567,455)	525,169	(951,412)	1,191,603
Other income (expenses)				
Interest income	86,234	5,329	92,166	5,949
Interest expenses	(261,171)	(124,064)	(475,410)	(311,564)
Subsidy income	11,792	59,484	55,936	69,806
Amortization of convertible debt	(416,667)	(416,666)	(833,334)	(833,333)
Change in derivative liability	2,360,855	5,308,398	(3,047,380)	637,140
Other income(expense)	38,621	21,849	66,382	35,872
Total other income (expense)	1,819,664	4,854,330	(4,141,640)	(396,130)
Operating income (loss) before income tax	1,252,209	5,379,499	(5,093,052)	795,473
Provision for Income tax	-	(5,721)	-	(20,040)
Net Income (loss)	1,252,209	5,373,778	(5,093,052)	775,433
Net loss attributable to non controlling interest	-	(11,250)	-	(11,250)
Net income (loss) attributable to the company	1,252,209	5,362,528	(5,093,052)	764,183
Other comprehensive item:				
Foreign currency translation gain (loss)	(98)	41,357	47,592	401,469
Net comprehensive income (loss)	<u>\$ 2,504,320</u>	<u>\$ 10,766,413</u>	<u>\$ (10,138,512)</u>	<u>\$ 1,165,652</u>
NET EARNINGS (LOSS) PER COMMON SHARE - BASIC & DILUTED				
Basic	\$ 0.02	\$ 0.10	\$ (0.10)	\$ 0.01
Diluted	<u>\$ 0.02</u>	<u>\$ 0.10</u>	<u>\$ (0.10)</u>	<u>\$ 0.01</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC & DILUTED				
Basic	53,008,000	53,008,000	53,008,000	53,008,000
Diluted	<u>53,008,000</u>	<u>53,008,000</u>	<u>53,008,000</u>	<u>53,008,000</u>

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

CHINA VOIP & DIGITAL TELECOM, INC AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENTS
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2009 AND 2008
(UNAUDITED)

	June 30,	
	2009	2008
Cash flows from operating activities:		
Net income (loss)	\$ (5,093,052)	\$ 764,183
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Amortization of beneficial conversion feature	833,333	833,333
Change in derivative liability	3,047,380	(637,140)
Depreciation and amortization	390,302	216,361
Reserve for inventory obsolesce	-	12,818
Reserve for bad debts	89,812	13,250
Amortization of debt discount and fund raising fee	72,494	73,994
Minority interest	-	180,789
Increase/(decrease) in operating assets:		
Accounts receivable	41,418	5,428
Inventories	(137,248)	(445,150)
Advances to suppliers	(627,612)	(951,442)
Prepaid expenses and other assets	(106,778)	(44,434)
Increase/(decrease) in operating liabilities:		
Accounts payable	60,594	(1,455)
Deferred revenue	(16,393)	-
Accrued expenses and other current liabilities	408,786	403,691
Total Adjustments	4,056,088	(339,958)
Net cash provided by (used in) operating activities	(373,343)	424,225
Cash flows from investing activities:		
Purchase of property and equipment	(26,872)	(797,815)
Payment for interest bearing loan	(806,980)	-
Purchase of intangible assets	(66)	(1,449,692)
Payment for acquisition	-	(565,560)
Payment for deposit of software	(663,621)	-
Net cash used in investing activities	(1,497,539)	(2,813,067)
Cash flows from financing activities:		
Proceeds on short-term loan	1,796,515	-
Net cash provided by financing activities	1,796,515	-
Foreign currency translation effect	(14,459)	(3,809)
Net decrease in cash and cash equivalents	(88,826)	(2,392,652)
Cash and cash equivalents, beginning balance	341,331	5,346,165
Cash and cash equivalents, ending balance	\$ 252,505	\$ 2,953,513
SUPPLEMENTARY DISCLOSURE:		
Interest paid	\$ 62,216	\$ 122,260
Taxes paid	\$ 50,950	\$ 19,334

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

CHINA VOIP & DIGITAL TELECOM INC. AND SUBSIDIARY

NOTES TO UNAUDITED 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.

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.

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. 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unaudited Interim Financial Information

The accompanying unaudited financial statements of the Company have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the interim periods are not necessarily indicative of the results for any future period. These statements should be read in conjunction with the audited consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-KSB. The results of the three month period ended June 30, 2009 are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2009.

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.

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 June 30, 2009 and December 31, 2008, the allowances for doubtful accounts were \$243,750 and \$172,340, 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 June 30, 2009 and December 31, 2008, the reserves for obsolescence were \$106,571 and \$106,437, 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
Vehicle	10 years
Computer Hardware and Software	5 years
Building	20 years

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 collectability 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 December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements", which is an amendment of Accounting Research Bulletin ("ARB") No. 51. This statement 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. This statement changes the way the consolidated income statement is presented, thus requiring consolidated net income to be reported at amounts that include the amounts attributable to both parent and the noncontrolling interest. This statement is effective for the fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Based on current conditions, the Company does not expect the adoption of SFAS 160 to have a significant impact on its results of operations or financial position.

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 does not believe the effect of this pronouncement on financial statements will have a material effect.

In May of 2008, FASB 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 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.

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 non-controlling 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 January 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 January 1, 2009.

On December 30, 2008 FASB issued FIN 48-3, "Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises". This FSP defers the effective date of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, for certain non-public enterprises as defined in paragraph 289, as amended, of FASB Statement No. 109, Accounting for Income Taxes, including non-public not-for-profit organizations. However, non-public consolidated entities of public enterprises that apply U. S. GAAP are not eligible for the deferral. Nonpublic enterprises that have applied the recognition, measurement, and disclosure provisions of Interpretation 48 in a full set of annual financial statements issued prior to the issuance of this FSP also are not eligible for the deferral. This FSP shall be effective upon issuance. The Company does not believe this pronouncement will impact its financial statements.

On January 12, 2009 FASB issued FSP EITF 99-20-01, "Amendment to the Impairment Guidance of EITF Issue No. 99-20". This FSP amends the impairment guidance in EITF Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to be Held by a Transferor in Securitized Financial Assets," to achieve more consistent determination of whether an other-than-temporary impairment has occurred. The FSP also retains and emphasizes the objective of an other-than-temporary impairment assessment and the related disclosure requirements in FASB Statement No. 115, Accounting for Certain Investments in Debt and Equity Securities, and other related guidance. The FSP is shall be effective for interim and annual reporting periods ending after December 15, 2008, and shall be applied prospectively. Retrospective application to a prior interim or annual reporting period is not permitted. 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 six months periods ended June 30, 2009 and 2008, the foreign currency translation gain was \$47,592 and \$401,469 respectively. The accumulated comprehensive foreign currency translation gain amounted to \$750,058 and \$702,466 as of June 30, 2009 and December 31, 2008 respectively.

NOTE 3 PRINCIPLES OF CONSOLIDATION

The accompanying unaudited 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 June 30, 2009. 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 six months period ended June 30, 2009, one supplier provided 58% of the cost of sales. The balance of advanced to the supplier as of June 30, 2009 was \$904,420.

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 ADVANCES TO SUPPLIERS

The Company made prepayments to suppliers to purchase inventory, equipment or services. The Company advanced to suppliers amounting of \$1,563,295 and \$934,419 as of June 30, 2009 and December 31, 2008 respectively. The balance included advance to one supplier - Shandong Tietong of June 30, 2009 was \$904,420, which was 58% of the total net advance balance as of June 30, 2009. The balance included advance to one supplier - Shandong Tietong of June 30, 2009 and December 31, 2008 were \$904,420 and \$817,888, which was 58% and 88% of the total net advance balance as of June 30, 2009 and December 31, 2008.

NOTE 6 DUE FROM RELATED PARTY

Due from related party was \$104,105 and \$49,795 as of June 30, 2009 and December 31, 2008 respectively. It represents temporally advance to two Directors of the Company for business development purpose. The amounts are due on demand, interest free and unsecured.

NOTE 7 LOANS RECEIVABLE

As of June 30, 2009, the loan receivables comprise of the following:

Debtors	Principle	Interest (annual)	Maturity date
Loan to unrelated party A	\$ 1,423,094	25.2%	9-17-2009
Loan to unrelated party B	1,022,555	7.965%	3-31-2010
	<u>\$ 2,445,649</u>		

The loan in the amount of \$1,423,094 was secured by the personal properties owned by the shareholder of the unrelated party A. The loan to unrelated party B was unsecured.

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 8 OTHER CURRENT ASSETS

As of June 30, 2009 and December 31, 2008, the other current assets comprise of the following:

	6-30-2009	12-31-2008
Security deposit	\$ 119,284	\$ 69,431
Advance to attorney	50,000	50,000
Advances to Staff and other	25,429	35,243
Prepayment	58,292	26,837
Total	253,006	181,511
Less: Provision	(53,030)	(34,356)
Total current assets, net	<u>\$ 199,976</u>	<u>\$ 147,155</u>

NOTE 9 LONG TERM PREPAID EXPENSES

The balances of long term prepaid expenses as of June 30, 2009 and December 31, 2008 are summarized as follows:

	6-30-2009	12-31-2008
Fund raising fee	\$ 554,909	\$ 443,967
Image design	40,912	46,978
	595,821	490,945
Less: Amortization	(298,331)	(151,757)
Long term prepaid expenses, net	<u>\$ 297,490</u>	<u>\$ 339,188</u>

As of June 30, 2009, the Company has fund raising fee amounting to \$554,909 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 six months period ended June 30, 2009, \$295,979 was amortized to General and Administrative expenses accumulatively.

During the six month periods ended June 30, 2009 and 2008, debt issuance cost was amortized by \$72,494 and \$73,994.

As of June 30, 2009, Power Unique, one of the subsidiaries of the Company, incurred \$40,912 image designing fees for its new product. Such designing cost will be amortized over 5 years.

During the six month periods ended June 30, 2009 and 2008, debt issuance cost was amortized by \$4,091 and \$0.

NOTE 10 PROPERTY AND EQUIPMENT, NET

The balances of the Company property and equipment as of June 30, 2009 and December 31, 2008 are summarized as follows:

	2009	2008
Electronic Equipment	\$ 1,910,998	\$ 1,990,599
Vehicles	295,597	295,226
Furniture and fixture	171,435	142,965
Office Building	859,882	778,218
	<u>3,237,912</u>	<u>3,207,008</u>
Less: Accumulated depreciation	(819,911)	(585,811)
Property and Equipment, net	<u>\$ 2,418,001</u>	<u>\$ 2,621,197</u>

The depreciation expense for the six months periods ended June 30, 2009 and 2008 was \$230,009 and \$178,328 respectively.

NOTE 11 INTANGIBLE ASSETS, NET

Intangible asset mainly comprised of a set of software in Jinan Yinquan acquired from third parties and a set of software from PowerUnique. 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 June 30, 2009 and December 31, 2008:

	6-30-2009	12-31-2008
Software, cost	\$ 2,045,627	\$ 2,042,994
Less: amortization	(466,426)	(313,740)
Intangible asset, net	<u>\$ 1,579,201</u>	<u>\$ 1,729,254</u>

The amortization expense for the six months periods ended June 30, 2009 and 2008 was \$156,202 and \$38,033 respectively.

Amortization for the next 4 years is as follows :

2010	\$	409,125
2011		409,125
2012		409,125
2013		351,825
Total	<u>\$</u>	<u>1,579,201</u>

NOTE 12 SHORT TERM LOANS

The Company has an approved line of credit up to the amount of \$1,460,792 from Jinan Commercial Bank. 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. The Company used \$1,387,753 of the credit as of June 30, 2009.

The Company has an approved line of credit up to the amount of \$730,396 from Jinan Commercial Bank. The line of credit expires on April 1, 2010. The line is secured by Shandong Wuerde Security Company with a flexible interest rate which equals to 1.3 times of the benchmark interest rate of People's bank of China. The Company used the full line of credit as of June 30, 2009.

The Company has an approved line of credit up to the amount of \$657,357 from China Citi Bank. The line of credit expires on May 26, 2010. The line is unsecured with a flexible interest rate which equals to 1.0 times of the benchmark interest rate of People's bank of China. The Company used the full line of credit as of June 30, 2009.

As of June 30, 2009 and December 31, 2008, the Company has a short-term loan balanced at \$2,775,505 and \$977,503 under the line of credit respectively.

As of June 30, 2009 and 2008, the Company had an interest expense of \$62,216 and \$2,116 respectively.

NOTE 13 – 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 \$0.5627 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 June 30, 2009, 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 on June 30, 2009 and December 31, 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 June 30, 2009 in the accompanying balance sheet with a fair value of \$4,211,679. 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	3%	1%	2.625%
Expected life of the warrants	6.0 years	1.5 years	4.75 years
Expected volatility	339.8%	339.8%	339.8%
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 June 30, 2009, we revalued the warrants liability at value of \$4,211,679. Thus, the difference of the warrants liability has been shown as change in warrant liability in the statement of operations as of June 30, 2009.

Warrants outstanding at June 30, 2009 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	2.28	0.08	8,885,730	0.08	-
Series B	0.5627	6,220,011	0.43	0.05	6,220,011	0.05	-
Series C	0.5627	6,353,297	1.33	0.06	6,353,297	0.06	-
Total		21,459,038	4.04	0.20	21,459,038	0.20	-

NOTE 14 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities as of June 30, 2009 and December 31, 2008 are summarized as follows:

	6-30-2009	12-31-2008
Accrued staff welfare	\$ 2,838	\$ 3,156
Tax payables	120,619	119,329
Interest payable	-	109,375
Accrued expenses	409,645	51,530
Deposits	510,959	374,115
Others	35,718	46,028
Total	\$ 1,096,643	\$ 703,532

NOTE 15 DUE TO RELATED PARTY

Due to related party of \$20,000 as of June 30, 2009 and December 31, 2008 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 16 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 2009 and 2008.

In accordance with the Chinese Company Law, the company has to allocate 10% of its net income after tax to surplus. As Jinan Yinquan and Power Unique had net loss for the six months period ended June 30, 2009, the Company did not allocate any reserve funds.

Balances of Statutory reserves as of June 30, 2009 are as follows:

	June 30, 2009
Net income of operation in PRC for year 2008	\$ (1,006,714)
Reserve rate of statutory fund	10%
Amount reserved in 2008	\$ -
Balance of statutory reserve at December 31, 2008	\$ 228,633
Change during the six months ended June 30, 2009	-
Balance of statutory reserve at June 30, 2009	\$ 228,633

NOTE 17 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 18 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.

For the six months periods ended June 30, 2009 and 2008, the Company incurred \$0 and \$20,040 income tax expense, 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:

	6-30-2009	6-30-2008
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	(15%)	(13%)
Tax expense at actual rate	0%	2%

United States of America

As of June 30, 2009, the Company in the United States had \$0 in net operating loss carry forwards available to offset future taxable income.

NOTE 19 OPERATING LEASE

The Power Unique leases its office space in Beijing, China under an operating lease starting from January 25, 2008 and expiring on January 24, 2011. Rent expense under operating leases was approximately \$15,338 and \$16,854 during the three months periods ended June 30, 2009 and 2008, respectively.

The rent expenses for the next two years after June 30, 2009 are as follows:

2010	\$	59,384
2011	\$	34,641

NOTE 20 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 six months periods ended June 30, 2009 and 2008, 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 six months periods ended June 30, 2009 and 2008:

	For The Six months Periods Ended June 30,	
	2009	2008
Revenues from unaffiliated customers:		
Telecommunication	\$ 2,775,570	\$ 3,441,160
Equipment sales	267,933	206,635
Technical services	17,477	1,487,909
Consolidated	<u>\$ 3,060,980</u>	<u>\$ 5,135,704</u>
Operating income (loss):		
Telecommunication	\$ (920,407)	\$ (19,252)
Equipment sales	70,448	138,263
Technical services	13,783	1,369,822
Corporation (1)	(115,237)	(292,230)
Consolidated	<u>\$ (951,412)</u>	<u>\$ 1,191,603</u>
Net income (loss) before taxes:		
Telecommunication	\$ (816,466)	\$ 78,577
Equipment sales	80,482	139,946
Technical services	14,437	1,381,938
Corporation (1)	(4,371,505)	(804,988)
Consolidated	<u>\$ (5,093,052)</u>	<u>\$ 795,473</u>
Identifiable assets:		
Telecommunication	\$ 4,455,062	\$ 9,455,464
Equipment sales	2,585,812	1,041,469
Technical services	-	34,532
Corporation	2,634,415	525,405
Consolidated	<u>\$ 9,675,289</u>	<u>\$ 11,056,870</u>
Depreciation and amortization		
Telecommunication	\$ 378,335	\$ 216,361
Equipment sales	11,967	-
Consolidated	<u>\$ 390,302</u>	<u>\$ 216,361</u>

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

NOTE 21 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 (\$4,267,016) and \$826,033 as of June 30, 2009 and December 31, 2008, and the Company is in default of the terms of Senior Security Note as of June 30, 2009. 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 go

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

The following discussion should be read in conjunction with the Consolidated Financial Statements and Notes thereto appearing elsewhere in this Form 10-Q. 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.

BUSINESS OVERVIEW

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 Yinquan 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 \$583,507 (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. 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 BPUT and became 100% shareholder of BPUT thereafter. As of July 5, 2008, the acquisition was completed. In July 2008, Jinan YinQuan increased the share capital of BPUT with extra RMB 6 million to RMB 11 million. 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 and 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 development and sales of computer software and hardware, digital video pictures system; development and sales of computer network and network audio devices, parts, low value consumables and etc. 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 Office Automation (OA) and Customer Relationship Management (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. This is 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.

RESULTS OF OPERATIONS

Results of operations for the three month periods ended June 30, 2009

Revenue. During the three month periods ended June 30, 2009, we recorded revenue of \$1,467,976, a decrease of \$1,667,987, or 53.19%, compared to \$3,135,963 during the same period of 2008. The sharp decrease of revenue is mainly attributable to fewer software development projects in the second quarter 2009 as a result of our emphasis on the new International Business Communication Center (IBCC) platform and virtualization solutions businesses.

Cost of Revenue. Cost of revenues was \$1,424,143, a decline of \$619,531, or 30.31%, in the second quarter 2009 compared with \$2,043,674 during the same period of 2008 as a result of lower revenues realized in the quarter in 2009.

Gross Profit. The gross profit was \$43,833 in the second quarter 2009, a decline of 1,048,456, or 96%, from \$1,092,289 in the same period of 2008. Lower gross profit from the quarter was due to higher cost of sales and lower revenue. As a result of global economic slowdown, we lowered the price to maintain our existing customer base as well as market share. The pricing policy reduced our gross profit margin.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were \$428,720 during the three month periods ended June 30, 2009, an increase of \$34,955, or 8.88%, compared to \$393,765 during the same period of 2008. The increase was mainly driven by higher marketing expenses for the new products and services such as IBCC and virtualization solutions.

Depreciation and Amortization Expenses. Depreciation and amortization expenses were \$182,568 during the three month periods ended June 30, 2009, an increase of \$9,213, or 5.31%, compared to \$173,355 in the same period of 2008. The increase of depreciation and amortization expenses is mainly attributable to the increase of equipment used for current business and future expansion purposes and the amortization of intangible assets acquired.

Operation Loss. We recorded operation loss of \$567,455 during the three month periods ended June 30, 2009, an increase of \$42,286, or 8%, compared to operation income of \$525,169 during the same period of 2008. The operating loss was driven by the increase of various expense items coupled with lower revenue in the period.

Other Income. Other income (expenses) recorded other expense of amortization of convertible debt of \$416,667, interest expenses of \$261,171 and other income of change in derivative liability of \$2,360,855 during the three month periods ended June 30, 2009 which were resulted from convertible notes issued in December of 2007. The income of change in derivative liability of \$2,360,855 was impacted by the company's stock price. After netting off other expenses, net other income was \$1,819,664 during the three month periods ended June 30, 2009, a decrease of \$3,034,666, or 63%, compared to the income of \$4,854,330 during the same period of 2008.

Net Loss. Net income was \$1,252,209 during the three month periods ended June 30, 2009, a decrease of \$4,110,319, or 76.65%, compared to a net income of \$5,362,528 during the same period of 2008. The lower net income was mainly driven by the operating loss and higher expense associated with the convertible debt.

Results of operations for the six month periods ended June 30, 2009

Revenue. During the six month periods ended June 30, 2009, we recorded revenue of \$3,060,980, a decrease of \$2,074,724, or 40%, compared to \$5,135,704 of same period of 2008. The decrease of revenue was mainly due to lower revenues realized from software development projects in the first six months of 2009 as a result of our emphasis on the new IBCC platform and virtualization solutions businesses.

Cost of Revenue. Cost of revenue was \$2,859,870 during the six month periods ended June 30, 2009, a decrease of \$191,360, or 6%, compared with \$3,051,230 in the same period of 2008 given lower revenue realized in the first half of 2009.

Gross Profit. The gross profit was \$201,110 in the six month periods ended June 30, 2009, the decrease of \$1,883,364, or 90%, compared with \$2,084,474 in the same period in 2008. Lower gross profit was due to the decrease of revenue and higher cost of sales. As a result of global economic slowdown, we lowered the price to maintain our existing customer base as well as market share. The pricing policy reduced our gross margin. Meanwhile, the increase of our settlement price with the telecom operator – China Tietong and the charges associated with the IBCC promotion increased the cost of sales and reduced the gross profit in 2009.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were \$762,220 during the six month periods ended June 30, 2009, an increase of \$85,710, or 13%, compared to \$676,510 during the same period of 2008. The increase was mainly attributed to the higher marketing cost and increased administrative expenses related to additional sales offices in China. Depreciation and amortization expenses increased by \$173,941, 80%, to \$390,302 during the six month periods ended June 30, 2009 compared to \$216,361 the same period of 2008. The increase is mainly attributed to the increase of equipment for current business and future expansion purposes.

Operation Loss. We recorded operation loss of \$951,412 during the six month periods ended June 30, 2009, an increase of \$2,143,015, or 180%, compared to an operating income of \$1,191,603 during the same period of 2008. The loss is mainly incurred by the increase of various expense items and lower revenue realized in the period.

Other Income. Other income(expenses) recorded other expense of amortization of convertible debt of \$833,334, interest expenses of \$475,410 and other income of change in derivative liability of \$3,047,380 during the six month periods ended June 30, 2009 which were resulted from convertible notes issued in December of 2007. After netting-off other income, net other expenses recorded \$4,141,640 during the six months ended June 30, 2009 compared to the expense of \$396,130 during the same period of 2008.

Net Loss. was \$5,093,052 in the six month periods ended June 30, 2009, a decrease of \$5,857,235, or 766%, compared to net income of \$764,183 during the same period of 2008. The net loss was mainly driven by higher operating loss and increased expense associated with the change in derivative liability.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2009, the Company's cash was \$252,505 as compared to \$2,953,513 as of June 30, 2008.

Net Cash Used in Operating Activities

Cash used in operating activities was \$373,343 during the six month periods ended June 30, 2009 compared to cash provided by operating activities of \$424,225 for the same period in 2008. Cash used in operating activities mainly consisted of a change in derivative liability of \$3,047,380, an increase in advance to suppliers of \$36,009, a decrease in inventory of \$137,248 and an increase in accrued expenses and other current liabilities of \$408,786, partially offset by net loss of \$5,093,052, a change in beneficial conversion feature of \$833,333, depreciation and amortization of \$390,302, provision for bad debt of \$89,812, and amortization of debt discount and fund raising fee of \$72,494. Cash used in operating activities during the same period of 2008 mainly consisted of an increase of minority interest of \$180,789, an increase of advances to suppliers of \$951,442, and an increase in inventory of \$445,150, partially netting off by net income of \$764,183, a decrease of prepaid and other current assets of \$44,434, depreciation and amortization of \$216,361 and a decrease of other current liabilities of \$403,691.

Net Cash Used in Investing Activities

Cash flows used in investing activities was \$1,497,539 during the six month periods ended June 30, 2009 compared to \$2,813,067 during the same period of 2008. Cash used in investing activities during the six month periods ended June 30, 2009 mainly consisted of purchase of property and equipment of \$26,872, purchase of intangible assets of \$66, payment for deposit of software of \$663,621 and cash for payment for interest bearing loan of \$806,980. The cash used in investing activities during the six month periods ended June 30, 2008 represented the cash used for purchase of property and equipment as well as cash for acquisition of subsidiary.

Net Cash Provided by Financing Activities

Cash flows provided by financing activities were \$1,796,515 during the six months ending June 30, 2009, as compared to \$0.00 in the six months ending June 30, 2008. Cash provided by financing activities in the six months ending June 30, 2009 represents the cash proceeds from a short term loan.

Foreign currency translation effect in cash flows were \$(14,459) during the six months ending June 30, 2009 compared to \$(3,809) during the six months ending June 30, 2008

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.

A summary of significant accounting policies is included in Note 2 to the unaudited consolidated financial statements included in this quarterly report. Management believes that the application of these policies on a consistent basis enables us to provide useful and reliable financial information about our Company's operating results and financial condition.

Recently Issued Accounting Policies

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 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 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 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.

On December 30, 2008 FASB issued FIN 48-3, "Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises". This FSP defers the effective date of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, for certain non-public enterprises as defined in paragraph 289, as amended, of FASB Statement No. 109, Accounting for Income Taxes, including non-public not-for-profit organizations. However, non-public consolidated entities of public enterprises that apply U. S. GAAP are not eligible for the deferral. Nonpublic enterprises that have applied the recognition, measurement, and disclosure provisions of Interpretation 48 in a full set of annual financial statements issued prior to the issuance of this FSP also are not eligible for the deferral. This FSP shall be effective upon issuance. The Company does not believe this pronouncement will impact its financial statements.

On January 12, 2009 FASB issued FSP EITF 99-20-01, "Amendment to the Impairment Guidance of EITF Issue No. 99-20". This FSP amends the impairment guidance in EITF Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to be Held by a Transferor in Securitized Financial Assets," to achieve more consistent determination of whether an other-than-temporary impairment has occurred. The FSP also retains and emphasizes the objective of an other-than-temporary impairment assessment and the related disclosure requirements in FASB Statement No. 115, Accounting for Certain Investments in Debt and Equity Securities, and other related guidance. The FSP is shall be effective for interim and annual reporting periods ending after December 15, 2008, and shall be applied prospectively. Retrospective application to a prior interim or annual reporting period is not permitted. The Company does not believe this pronouncement will impact its financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

We have never entered into any off-balance sheet financing arrangements and have never established any special purpose entities. We have not guaranteed any debt or commitments of other entities or entered into any options on non-financial assets.

Item 3. Quantitative and Qualitative Disclosures about Market Risks

Not applicable.

Item 4T. Controls and Procedures

Evaluation of Disclosure 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 Financial Officer ("CFO"), 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 CFO 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 CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Controls

There have been no changes in the Company's internal control over financial reporting during the latest fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors

Not applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities.

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" collective, 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 amend the Financing Transaction 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 referenced amendments, the Investor was to withdraw the Default Notices and we would no longer be in default under the Financing Transaction.

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 in the 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 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 Exchanged 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.

As disclosed in Form 10-K filed on March 31, 2009, we received an Investor Redemption Notice (the Notice) from the Investor on December 21, 2008, 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 because the Company was 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's uncertain if we can get a satisfactory final solution.

On April 17, 2009, Castlerigg sent the Registrant a Conversion Notice seeking to convert \$10,000 principal amount of the Note into 266,904 (the Conversion Price equals to \$0.0375 per share). Since the Registrant didn't agree with the Conversion Price applied by Castlerigg, the Conversion Notice has not been executed.

As disclosed in Form 8-K filed on June 30, 2009, we received an Event of Default Redemption Notice (the "Default Notice") from Castlerigg Master Investments Ltd. ("Castlerigg") with respect to the certain Amended and Restated Senior Secured Convertible Note issued by the Registrant to Castlerigg on or about December 21, 2007, as amended December 8, 2008 (the "Financing Transaction") on June 22, 2009.

The Default Notice stated that we are in default for failure to (1) pay the Redemption Amount of \$1,703,025.33 by no later than December 30, 2008; (2) make timely payment of the interest covering the Calendar Quarter ended March 31, 2009; and (3) make required share conversion within two business days after getting the Conversion Notice. The total amount of the Default Redemption was calculated as \$66,703,289.

As the Company previously reported in the June 30, 2009 Form 8-K (with regard to the Holder Redemption Notice) and reaffirms here, the Company would like to seek an alternative way to resolve Redemption without paying cash. The Company does not believe that any of the events constitutes a default under the Note. Although no assurances can be given as to the ultimate outcome of this matter, the Company disagrees with the claims in the Default Notice that a default has occurred under the Note and intends to vigorously contest these claims.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

(a) Exhibits

31.1 Rule 13a-14(a)/ 15d-14(a) Certification of Chief Executive Officer and Chief Financial Officer

32.1 Section 1350 Certification of Chief Executive Officer and Chief Financial Officer

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHINA VOIP & DIGITAL TELECOM INC.

Date: August 14, 2009

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



CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Li Kinwu, certify that:

1. I have reviewed this quarterly report on Form 10-Q of China VoIP & Digital Telecom Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a 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 quarterly 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 quarterly 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 quarterly report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) 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
 - d) 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 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 my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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.

Date: August 14, 2009

/s/ Li Kunwu

By: Li Kunwu, Chief Executive Officer and Chief Financial Officer



**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 Quarterly Report on Form 10-Q ("Form 10-Q") of China VoIP & Digital Telecom Inc. (the "Company") for the period ended June 30, 2009 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-Q 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-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Li Kunwu

Li Kunwu
Chief Executive Officer, Chief Financial Officer

August 14, 2009

This certification accompanies this Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not deemed filed by the Company and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

