CHINA RECYCLING ENERGY CORP
Form 10-Q/A
September 28, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

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

For the quarterly period ended June 30, 2008

OR

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

For the transition period from to

Commission File No. 000-12536

China Recycling Energy Corporation
(Exact Name of Registrant as Specified in Its Charter)

Nevada	90-0093373
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Suite 909, Tower B
Chang An International Building
No. 88 Nan Guan Zheng Jie
Xi An City, Shan Xi Province
China 710068
(Address of Principal Executive Offices, Zip Code)

Registrant's Telephone Number, Including Area Code: (011) 86-29-8769-1097

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

Yes x 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a 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 ¨ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

As of September 21, 2009, the registrant had 38,778,035 shares of Common Stock outstanding..

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Explanatory Note

China Recycling Energy Corporation (the "Company," "we," "us" or "our") is filing this Amendment No. 1 on Form 10-Q/A to our Quarterly Report on Form 10-Q for the three and six month periods ended June 30, 2008, originally filed with the Securities and Exchange Commission (the "SEC") on August 14, 2008 (the "Original Form 10-Q"), to restate our consolidated financial statements as of and for the six months ended June 30, 2008. In addition, we are concurrently filing Forms 10-Q/A to restate our consolidated financial statements as of and for the periods ended each of September 30, 2008 and March 31, 2009. We are also concurrently filing Form 10-K/A to restate our consolidated financial statements as of and for the year ended December 31, 2008.

The accounting issues that resulted in misstatements in our consolidated financial statements as of and for the periods ended June 30, 2008, September 30, 2008, December 31, 2008 and March 31, 2009 relate to (i) the reclassification of current tax payable to deferred tax liability on the Company's sales-type leases, as the Company did not separately record the deferred tax liability; (ii) the expensing of the unamortized amount of the beneficial conversion feature in connection with the 2008 amendment of a convertible note that was issued by the Company to certain investors in 2007; (iii) the reclassification of interest expense from interest income for the three months ended June 30, 2008; and (iv) the reclassification of 3,000,000 stock options under the Company's 2007 Nonstatutory Stock Option Plan from the fair value of the options as a liability to equity recorded as additional paid in capital. See Note 21 to our consolidated financial statements contained in Item 1 of Part I of this report for more information regarding the restatement and details of the impact of the restatement on our consolidated financial statements as of and for the six months ended June 30, 2008.

In connection with the restatement, our management has re-evaluated our disclosure controls and procedures and internal control over financial reporting as of June 30, 2008. See Item 4T of Part I of this report for further discussions on these matters.

Item 6 of Part II of this report has been revised to contain the currently-dated certifications from our principal executive officer and chief accounting officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002.

Because this Form 10-Q/A sets forth the Original Form 10-Q in its entirety, it includes items that have been changed as a result of the restatement and items that are unchanged from the Original Form 10-Q. Other than the revising of the disclosures relating to the restatement, this Form 10-Q/A speaks as of the original filing date of the Original Form 10-Q and has not been updated to reflect other events occurring subsequent to the original filing date. This includes forward-looking statements and all other sections of this Form 10-Q/A that were not directly impacted by the restatement, which should be read in their historical context. This Form 10-Q/A also should be read in conjunction with our Annual Report on Form 10-KSB for the year ended December 31, 2007. The following items have been amended as a result of the restatement:

Part I, Item 1. Financial Statements;
Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations;
Part I, Item 4T. Controls and Procedures; and
Part II, Item 6. Exhibits.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

CHINA RECYCLING ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

		AS OF JUNE 30, 2008 (RESTATED) (UNAUDITED)		AS OF DECEMBER 31, 2007
ASSETS				
CURRENT ASSETS				
Cash & cash equivalents	$	7,001,594	$	1,634,340
Accounts receivable		867,473		-
Investment in sales type leases, net		1,247,448		1,081,981
Interest receivable		-		144,262
Prepaid equipment rent		9,479,730		-
Other receivables		57,828		32,902
Inventory		10,497,157		9,870,315
Total current assets		29,151,230		12,763,800
NON-CURRENT ASSETS				
Investment in sales type leases, net		7,918,642		7,933,780
Advance for equipment		2,624,930		2,467,579
Property and equipment, net		83,133		-
Construction in progress		5,613,063		-
Intangible assets, net		-		6,169
Total non-current assets		16,239,768		10,407,528
TOTAL ASSETS	$	45,390,998	$	23,171,328
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable	$	6,963,837	$	2,298,201
Tax payable		497,848		191,982
Accrued liabilities and other payables		3,521,508		2,565,726
Advance from management		-		71,508
Convertible notes, net of discount due to beneficial conversion feature		5,000,000		315,068
Total current liabilities		15,983,193		5,442,485
DEFERRED TAX LIABILITY		357,767		342,540
ACCRUED INTEREST ON CONVERTIBLE NOTES		42,466		63,014
CONTINGENCIES AND COMMITMENTS				
MINORITY INTEREST		16,095		15,080
STOCKHOLDERS' EQUITY				
Common stock, $0.001 par value; 100,000,000 shares authorized, 36,425,094 and 25,015,089 shares issued and outstanding as of June 30, 2008 and December 31, 2007, respectively		36,425		25,015
Additional paid in capital		33,724,010		19,070,908
Statutory reserve		926,328		832,467
Accumulated other comprehensive income		2,828,735		1,718,260

Accumulated deficit		(8,524,021)		(4,338,441)
Total stockholders' equity		28,991,477		17,308,209
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	45,390,998	$	23,171,328

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

CHINA RECYCLING ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	SIX MONTHS ENDED JUNE 30, 2008 (RESTATED)	SIX MONTHS ENDED JUNE 30, 2007	THREE MONTHS ENDED JUNE 30, 2008 (RESTATED)	THREE MONTHS ENDED JUNE 30, 2007
Revenue				
Sales of products	$ -	$ 4,781,163	$ -	$ -
Rental income	2,616,416	-	2,616,416	-
Total revenue	2,616,416	4,781,163	2,616,416	-
Cost of sales				
Cost of products	-	3,677,818	-	-
Rental expense	1,832,609	-	1,832,609	-
Total cost of sales	1,832,609	3,677,818	1,832,609	-
Gross profit	783,807	1,103,345	783,807	-
Interest income on sales-type leases	1,139,727	198,386	574,775	148,150
Total operating income	1,923,534	1,301,731	1,358,582	148,150
Operating expenses				
General and administrative expenses	1,503,779	343,543	855,169	86,501
Total operating expenses	1,503,779	343,543	855,169	86,501
Income from operations	419,755	958,188	503,413	61,649
Non-operating income (expenses)				
Interest income	14,846	104	14,846	59
Interest expense	(4,664,384)	-	(3,921,106)	-
Other expense	(1,001)	(95)	(579)	-
Other income	1,604	208,909	23	208,909
Exchange loss	(80,445)	-	(69,256)	-
Total non-operating expenses	(4,729,380)	208,918	(3,976,072)	208,968
Income (loss) before income tax	(4,309,625)	1,167,106	(3,472,659)	270,617
Income tax expense	368,498	211,593	317,551	51,436
Net income (loss) from operations	(4,678,123)	955,513	(3,790,210)	219,181
Income from operations of discontinued component	-	23,105	-	-
Less: minority interest	56	-	29	-
Net income (loss)	(4,678,179)	978,618	(3,790,239)	219,181
Other comprehensive item				
Foreign currency translation gain (loss)	1,110,475	(303,894)	1,035,750	40,098
Comprehensive income (loss)	$ (3,567,704)	$ 674,724	$ (2,754,489)	$ 259,279
Basic weighted average shares outstanding	27,718,959	17,147,268	30,422,829	17,147,268
Diluted weighted average shares outstanding	32,668,493	17,147,268	34,659,643	17,147,268
Basic net earnings per share *	$ (0.17)	$ 0.06	$ (0.12)	$ 0.01
Diluted net earnings per share *	$ (0.17)	$ 0.06	$ (0.12)	$ 0.01

* Interest expense on convertible notes are added back to net income for the computation of diluted EPS.

* Basic and diluted loss per share is the same due to anti-dilutive feature of the securities.

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

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CHINA RECYCLING ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	SIX MONTHS ENDED JUNE 30,	
	2008 (RESTATED)	2007
CASH FLOWS FROM OPERATING ACTIVITIES:	(4,678,179)	$ 978,618
Net income (loss)		
Adjustments to reconcile net income (loss) to net cash		
(used in) provided by operating activities:		
Depreciation and amortization	5,000	-
Amortization of discount related to conversion feature of convertible note	4,684,932	-
Stock option compensation expense	632,444	-
Accrued interest on convertible notes	(20,548)	-
Minority interest	56	-
Change in deferred tax	357,767	-
(Increase) decrease in current assets:		
Accounts receivable	(843,015)	6,361
Advances to suppliers	-	688,311
Prepaid expenses	(9,213,073)	-
Other receivables	(22,193)	-
Inventory	-	(1,309,002)
Increase (decrease) in current liabilities:		
Accounts payable	4,392,250	2,278,701
Unearned revenue	-	(7,776)
Advance from customers	-	(143,527)
Taxes payable	(90,063)	254,109
Accrued liabilities and other payables	1,041,821	1,432,657
Net cash (used in) provided by operating activities	(3,752,801)	4,178,452
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in sales type leases	559,436	(4,471,351)
Acquisition of property & equipment	(85,789)	(3,751)
Construction in progress	(5,613,063)	-
Net cash used in investing activities	(5,139,416)	(4,475,102)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock	9,032,258	-
Issuance of convertible notes	5,000,000	-
Advance from shareholder	-	36,137
Due from management	(73,906)	-
Net cash provided by financing activities	13,958,352	36,137
EFFECT OF EXCHANGE RATE CHANGE ON CASH & CASH EQUIVALENTS	301,119	11,981
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	5,367,254	(248,532)
CASH & CASH EQUIVALENTS, BEGINNING OF PERIOD	1,634,340	252,125
CASH & CASH EQUIVALENTS, END OF PERIOD	$ 7,001,594	$ 3,593
Supplemental Cash flow data:		
Income tax paid	$ 105,433	$ 35,281

Interest paid	$ -	$ -

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

CHINA RECYCLING ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2008 (UNAUDITED) AND DECEMBER 31, 2007

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

China Recycling Energy Corporation (the “Company” or “CREG”) (formerly China Digital Wireless, Inc.) was incorporated on May 8, 1980, under the laws of the State of Colorado. On September 6, 2001, the Company re-domiciled its state of incorporation from Colorado to Nevada. The Company, through its subsidiary, Shanghai TCH Data Technology Co., Ltd (“TCH”), sells and leases energy saving equipment. The businesses of mobile phone distribution and provision of pager and mobile phone value-added information services were discontinued in 2007. On March 8, 2007, the Company changed its name to “China Recycling Energy Corporation”.

Since January 2007, the Company has gradually phased out and substantially scaled down most of its business of mobile phone distribution and provision of pager and mobile phone value-added information services. In the first and second quarters of 2007, the Company did not engage in any substantial transactions or activity in connection to these businesses. On May 10, 2007, the Company ceased and discontinued the businesses related to mobile phones and pages. These businesses are reflected in continuing operations for all periods presented based on the criteria for discontinued operations prescribed by Statement of Financial Accounting Standards (SFAS) No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets (“SFAS 144”).

On February 1, 2007, the Company’s subsidiary, TCH, entered into two TRT Project Joint-Operation Agreements (“Joint-Operation Agreement”) with Xi’an Yingfeng Science and Technology Co., Ltd. (“Yingfeng”). TRT is an electricity generating system that utilizes the exhaust pressure and heat produced in the blast furnace of steel mill to generate electricity. Yingfeng is a joint stock company registered in Xi’an, Shaanxi Province, Peoples Republic of China (the “PRC”), and engages in the business of designing, installing, and operating TRT systems and sales of other renewable energy products. In October 2007, the Company terminated the joint operation agreement with Yingfeng and became fully entitled to the rights, titles, benefits and interests in the TRT Projects.

Under the Joint-Operation Agreement, TCH and Yingfeng jointly operated a top gas recovery turbine project (“TRT Project”) which designed, constructed, installed and operated a TRT system and leased it to Zhangzhi Iron and Steel Holdings Ltd. (“Zhangzhi”). The total investment costs contributed by TCH were approximately $1,426,000 (equivalent to Renminbi (“RMB”) 10,690,000). TCH provided various forms of investments and properties into the TRT Project including cash, hardware, software, equipment, major components and devices. The construction of the TRT Project was completed and put into operation in August 2007. In October 2007, the Company terminated the Joint-Operation Agreement with Yingfeng. TCH became entitled to the rights, titles, benefits and interests in the TRT Project and receives monthly rental payments of approximately $147,000 (equivalent to RMB 1,100,000) from Zhangzhi for a lease term of thirteen years. At the end of the lease term, TCH will transfer the rights and titles of the TRT Project to Zhangzhi without cost.

Under another Joint-Operation Agreement, TCH and Yingfeng jointly operated a TRT Project which designed, constructed, installed and operated a TRT system and lease to Xingtai Iron and Steel Company Ltd. (“Xingtai”). TCH provided various forms of investments and properties into the TRT Project including cash, hardware, software, equipment, major components and devices. The total estimated investment costs of this TRT Project were approximately $3,900,000 (equivalent to RMB 30,000,000). The construction of the TRT Project was completed and put into operation in February 2007. In October 2007, the Company terminated the Joint-Operation Agreement with Yingfeng. TCH became fully entitled to all the rights, titles, benefits and interests of the TRT Project and receives monthly rental payments of approximately $117,000 (equivalent to RMB 900,000) from Xingtai for a lease term of five years. At the end of the lease term, TCH will transfer all the rights and titles of the TRT Project to Xingtai without cost.

On September 21, 2007, the Company's subsidiary, TCH changed its name to "Shanghai TCH Energy Technology Co., Ltd."

Except as indicated, amounts reflected in the condensed consolidated financial statements or the notes thereto relate to our continuing operations.

The unaudited financial statements have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments) which are, in the opinion of management, necessary to fairly present the operating results for the respective periods. Certain information and footnote disclosures normally present in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. These financial statements should be read in conjunction with the audited financial statements and footnotes included in the Company's 2007 audited financial statements. The results for the six months ended June 30, 2008 are not necessarily indicative of the results to be expected for the full year ending December 31, 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP") and pursuant to the rules and regulations of the SEC for annual financial statements.

Basis of consolidation

The consolidated financial statements include the accounts of CREG and, its subsidiaries, Sifang Holdings, TCH, and TCH's newly incorporated subsidiaries Xi'an TCH Energy Tech Co., Ltd. (Xi'an TCH) and Xingtai Huaxin Energy Tech Co., Ltd. (Huaxin). Xi'an TCH and Huaxin engage in the same business with TCH. Substantially all of the Company's revenues are derived from the operations of TCH and its subsidiaries, which represent substantially all of the Company's consolidated assets and liabilities as of June 30, 2008 and December 31, 2007, respectively. All significant inter-company accounts and transactions have been eliminated in consolidation.

Use of estimates

In preparing these consolidated financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities in the balance sheets and revenues and expenses during the period reported. Actual results may differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents are carried at cost and represent cash on hand, demand deposits placed with banks or other financial institutions and all highly liquid investments with an original maturity of three months or less as of the purchase date of such investments.

Accounts receivable and concentration of credit risk

Accounts receivable are recorded at the invoiced amounts and do not bear interest. The Company extends unsecured credit to its customers in the ordinary course of business but mitigates the associated risks by performing credit checks and actively pursuing past due accounts. An allowance for doubtful accounts is established and determined based on managements' assessment of known requirements, aging of receivables, payment history, the customer's current credit worthiness and the economic environment. As of June 30, 2008 and December 31, 2007, the Company had accounts receivable of $867,473 and $0, respectively.

Financial instruments that potentially subject the Company to credit risk consist primarily of accounts receivable and other receivables. The Company does not require collateral or other security to support these receivables. The Company conducts periodic reviews of its clients' financial condition and customer payment practices to minimize collection risk on accounts receivable.

The operations of the Company are located 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, as well as by the general state of the PRC economy.

Inventory

Inventory is valued at the lower of cost or market. Cost of work in progress and finished goods comprises direct material cost, direct production cost and an allocated portion of production overheads (See Note 5).

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Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation. Expenditures for maintenance and repairs are expensed 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 over the estimated lives ranging from 5 to 20 years as follows:

Building	20 years
Vehicle	2 - 5 years
Office and Other Equipment	2 - 5 years
Software	2 - 3 years

Impairment of long-life assets

In accordance with SFAS 144, the Company reviews its long-lived assets, including property, plant and equipment, for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be fully recoverable. If the total of the expected undiscounted future net cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and carrying amount of the asset. There has been no impairment as of June 30, 2008.

Sales-type leasing and related revenue recognition

The Company leases TRT systems to Xingtai and Zhangzhi. The Company will transfer all benefits, risks and ownership of the TRT systems to Xingtai and Zhangzhi at the end of each lease term. The Company's investment in these projects is recorded as investment in sales-type leases in accordance with SFAS No. 13, "Accounting for Leases" and its various amendments and interpretations. The sales and cost of goods sold are recognized at the point of sale. The investment in sales-type leases consists of the sum of the total minimum lease payments receivable less unearned interest income. Unearned interest income is amortized to income over the lease term as to produce a constant periodic rate of return on the net investment in the lease.

Cost of sales

Cost of revenue consists primarily of the purchase price of the two TRT machines, and expenses incurred directly for project construction, and rental expenses for two power generation leases.

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.

The Company does not have any significant deferred tax asset or liability that related to tax jurisdictions not covered by the tax holiday provided by Tax Bureau of the PRC.

The Company adopted the provisions of Financial Accounting Standards Board (“FASB”) FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, (“FIN 48”), on January 1, 2007. As a result of the implementation of FIN 48, the Company made a comprehensive review of its portfolio of tax positions in accordance with recognition standards established by FIN 48. As a result of the implementation of FIN 48, the Company recognized no material adjustments to liabilities or stockholders equity. When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Interest associated with unrecognized tax benefits are classified as interest expense and penalties are classified in selling, general and administrative expenses in the statements of income. The adoption of FIN 48 did not have a material impact on the Company’s financial statements.

Statement of cash flows

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

Fair value of financial instruments

SFAS No. 107, “Disclosures about Fair Value of Financial Instruments,” requires that the Company disclose estimated fair values of financial instruments. The carrying amounts reported in the statements of financial position for current assets and current liabilities qualifying as financial instruments are a reasonable estimate of fair value.

Basic and diluted earnings per share (EPS)

Basic EPS is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted EPS is computed similar to basic net income per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Diluted net earnings per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period. The following table presents a reconciliation of basic and diluted earnings per share:

	Six Months Ended, June 30, 2008 (Restated)	Six Months Ended June 30, 2007	Three Months Ended June 30, 2008 (Restated)	Three Months Ended June 30, 2008
Net (loss) income	$ (4,678,179)	$ 978,618	$ (3,790,239)	$ 219,181
Weighted average shares outstanding - basic	27,718,959	17,147,268	30,422,829	17,147,268
Effect of dilutive securities:				
Convertible notes	4,101,751	-	3,985,883	-
Options granted	847,783	-	250,931	-
Weighted average shares outstanding - diluted	32,668,493	17,147,268	34,659,643	17,147,268
(Loss) Earnings per share – basic *	$ (0.17)	$ 0.06	$ (0.12)	$ 0.01
(Loss) Earnings per share - diluted *	$ (0.17)			