INNOCOM TECHNOLOGY HOLDINGS, INC.
Form 10QSB
November 14, 2007

OMB APPROVAL

OMB Number: 3235-0416

Expires: April 30, 2010

Estimated average burden

Hours per response .182

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-QSB

(Mark One)

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

For the quarterly period ended **September 30, 2007**

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

For the transition period from ______________ to _____________

Commission file number **0-50164**

INNOCOM TECHNOLOGY HOLDINGS, INC.

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

Nevada	**87-0618756**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

Room 3506, 35th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong

(Address of principal executive offices)

+(852)-31021602

(Issuer s telephone number)

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 13b-2 of the Exchange Act).

Yes £ No S

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUES

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

As of November 10, 2007 there were 37,898,251 shares of $.001 par value common stock issued and outstanding

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

SEC2334(9-05)

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FORM 10-QSB

INNOCOM TECHNOLOGY HOLDINGS, INC.

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(Inapplicable items have been omitted)

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements (unaudited)

INNOCOM TECHNOLOGY HOLDINGS, INC.

[A Development Stage Company]

UNAUDITED CONDENSED BALANCE SHEETS

	At September 30, **2007**	*At September 30, 2006*
	$	*$*
ASSETS		
Current Assets :		
Cash and cash equivalents	75,654	917,375
Accounts receivable	1,761,956	12,103,425
Prepaid expenses and other receivables	4,981,782	206,329
Advance to a related party	893,577	-
Inventories, net	-	722,750
Total Current Assets	7,712,969	13,949,879
Long-term deferred charges	9,976,446	-
Plant and equipment, net	2,500	597,893
TOTAL ASSETS	17,691,915	14,547,772
LIABILITIES AND STOCKHOLDERS EQUITY		
LIABILITIES		
Current Liabilities :		
Accounts payable	30,000	199,219
Other payables and accrued liabilities	65,125	944,468
Income tax payable	1,722,903	1,351,973
Total Current Liabilities	1,818,028	2,495,660
Advance from a related party	-	4,853,910

TOTAL LIABILITIES	1,818,028	7,349,570
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS EQUITY		
Common stock		
Par value : 2007 - US$0.001 (2006 US$0.001)		
Authorized: 2007 50,000,000 shares (2006 50,000,000)		
Issued and outstanding: 2007 37,898,251 shares (2006 33,500,000)	37,899	34,259
Additional paid-in capital	6,950,321	6,280,261
Accumulated other comprehensive income	(85,779)	(429,858)
Retained earnings	8,971,446	1,313,540
TOTAL STOCKHOLDERS EQUITY	15,873,887	7,198,202
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	17,691,915	14,547,772

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

INNOCOM TECHNOLOGY HOLDINGS, INC.

[A Development Stage Company]

UNAUDITED CONDENSED STATEMENTS OF OPERATIONS

	Three months ended		*Nine months ended*		**From Inception on June 26, 1998**
	September 30,	*September 30,*	*September 30,*	*September 30,*	**to September 30,**
	2007	*2006*	*2007*	*2006*	**2007**
	$	*$*	*$*	*$*	**$**
Net sales	18,649,589	10,946,478	30,700,871	23,037,763	113,324,039
Cost of sales	(17,511,351)	(10,381,541)	(28,908,788)	(20,936,725)	(99,576,664)
Gross profit	1,138,238	564,937	1,792,083	2,101,038	13,747,375
Selling and distribution costs	-	(109,609)	(30,128)	(237,558)	(1,219,258)
Administrative and other operating expenses	(740,958)	(101,270)	(1,909,936)	(182,664)	(2,870,518)
(Loss) income from operations	397,280	(210,879)	(147,981)	1,680,816	9,657,599
Gain on disposal o f subsidiaries	-	-	599,737	-	816,555
Interest income, net	11	(4)	17	(11)	11
Income before taxes	397,291	354,054	451,773	1,680,805	10,474,165
Income taxes					
Hong Kong profits tax of 17.5%	(199,192)	(77,304)	(282,623)	(317,886)	(1,719,830)
Net income	198,099	276,750	169,150	1,362,919	8,754,335

Earnings per share 1

of common stock (cents)					
- Basic	0.52	0.81	0.45	3.98	23.10
- Diluted	N/A	N/A	N/A	N/A	N/A
Weighted average number					
of common stock (cents)					
- Basic	37,898,251	34,258,795	37,898,251	34,258,795	37,898,251
- Diluted	N/A	N/A	N/A	N/A	N/A

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

INNOCOM TECHNOLOGY HOLDINGS, INC.

[A Development Stage Company]

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS

	Nine months ended		From inception on June 26 1998 to
	September 30, 2007	*September 30, 2006*	*September 30, 2007*
	$	*$*	*$*
Cash flows from operating activities			
Net income	169,150	1,362,919	8,754,334
Adjustments to reconcile net income to net cash flows provided by operating activities :			
Depreciation	9,008	122,276	267,398
Amortization of long-term deferred charges	979,646	-	1,271,916
Non-cash services	-	-	5,000
Gain on disposal of subsidiary companies	(599,737)	-	(599,737)
Income taxes	83,432	74,163	1,078,023
Changes in operating assets and liabilities :			
Accounts receivable	(303,190)	(2,373,056)	(1,001,485)
Prepaid expenses and other receivables	(4,882,489)	656,557	(10,459,922)
Income tax receivable / payable	199,192	(159)	675,815
Inventories	-	(476,139)	540,889
Accounts payable	(1,305,419)	(27,464)	41,599
Other payables and accrued liabilities	(29,686)	(1,031,592)	1,648,893
Advance to / from a related party	5,158,918	2,015,341	(3,708,328)
Net cash flows (used in) / provided by operating activities	(521,175)	322,846	(1,485,605)
Cash flows from investing activities			
Acquisition of a subsidiary (net of acquired cash)	-	23,769	71,444

Disposal of subsidiary companies (net of disposed cash)	5,811,904		5,811,904
Acquisition of deferred expenditure	(5,316,362)		(5,466,578)
Acquisition of plant and equipment	-	-	(66,701)
Net cash flows (used in) / provided by investing activities	495,542	23,769	500,285
Cash flows from financing activities			
Proceeds from issuance of common stocks	-	896,530	1,126,783
Issuing expenses	-	-	(124,653)
Net cash flows provided by financing activities	-	896,530	1,002,130
Net (decrease) / increase in cash and cash equivalents	(25,633)	1,243,145	16,810
Effect of foreign currency translation on cash and cash equivalents	-	(430,491)	58,845
Cash and cash equivalents - beginning of period	101,288	104,721	-
Cash and cash equivalents - end of period	75,655	917,375	75,655

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

INNOCOM TECHNOLOGY HOLDINGS, INC.

[*A Development Stage Company*]

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

1.

Change of company name

Effect from June 20, 2006, the Company changed its name from Dolphin Productions, Inc. to Innocom Technology Holdings, Inc. (the Company).

2.

Corporation information and reorganization

Innocom Technology Holdings, Inc. (the Company) (formerly Dolphin Productions Inc.) was incorporated in the State of Nevada on June 26, 1998.

Recapitalization

The Company entered into an Agreement and Plan of Reorganization dated March 15, 2006 (the Agreement) with Innocom Technology Holdings Limited, a British Virgin Islands corporation (ITHL) and Mr. Hui Yan Sui William, the sole shareholder of the 100% of the capital shares of ITHL, (Original Shareholder). The closing of the Agreement occurred on March 30, 2006.

At the closing of the Agreement, the Company acquired all of ITHL s capital shares (the ITHL Shares) from the Original Shareholder, and the Original Shareholder transferred and contributed all of his ITHL Shares to the Company. In exchange, the Company issued 32,162,500 shares of its Common Stock to the Original Shareholder.

As a result of the closing of the Agreement, ITHL became the wholly owned subsidiary of the Company and became the Company s main operational business. The Exchange transaction, for accounting and financial reporting purposes, is deemed to be a reverse takeover transaction (RTO).

The RTO has been accounted for as a recapitalization of the Company whereby the historical financial statements and operations of ITHL become the historical financial statements of the Company, with no adjustment to the carrying value of the assets and liabilities. The accompanying consolidated financial statements reflect the recapitalization of the stockholders equity as if the transaction occurred as of the beginning of the first period presented.

Restructuring

For the purpose of RTO, the companies comprising ITHL group underwent the restructuring on October 1, 2005 (the Re-structuring), ITHL acquired all of the outstanding and issued shares of common stock of its subsidiaries (including Chinarise Capital (International) Ltd. (CCIL), Next Giant International Limited (NGIL) and Sky Talent Development Limited (STDL)) from their then existing stockholders by exchange of its voting common stock.

Acquisition of a subsidiary

The wholly-owned subsidiary of the Company, NGIL, has been entering into an Acquisition Agreement with all the then shareholders of Beijing Unismobile Communication Technology Co., Ltd. (BUCTCL) for the acquisition of 100% equity interest of BUCTCL on November 21, 2005 in cash consideration. The effect of acquisition has changed the nature of business organization of BUCTCL from being a domestic enterprise into a wholly foreign owned enterprise.

3.

Description of business

The Company and its subsidiaries is engaged in trading of mobile phone handsets and components and provision of design and solution for mobile phone.

Name of company	Place and date of incorporation	Issued and fully paid capital	Principal activities
Innocom Technology Holdings Limited (ITHL) (Formerly Wisechamp Group Limited)	British Virgin Islands July 12, 2005	US$1 ordinary	Investment holding
Chinarise Capital (International) Ltd. (CCIL)	British Virgin Islands January 28, 2003	US$1 ordinary	Trading of mobile phone handsets and components
Next Giant International Limited (NGIL)	British Virgin Islands August 5, 2004	US$1 ordinary	Investment holding
Sky Talent Development Limited (STDL)	British Virgin Islands September 8, 2005	US$1 ordinary	Investment holding
Beijing Unismobile Communication Technology Co., Ltd. (BUCTCL)	The People s Republic of China September 11, 2002	RMB20,000,000	Provision of design and solution for mobile phone
Innocom Mobile Technology Limited (IMTL)	Hong Kong June 21, 2006	HK$2,000,000 ordinary	Inactive
Pender Holdings Ltd.	British Virgin Islands September 8, 2003	US$1 ordinary	Trading of mobile phone handsets and components

4.

Summary of significant accounting policies

Basis of presentation and consolidation

The accompanying consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America.

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

The results of subsidiaries acquired or disposed of during the years are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal.

The Company also evaluates consolidation of entities under Financial Accounting Standards Board (FASB) Interpretation No.46, Consolidation of Variable Interest Entities (FIN 46). FIN 46 requires management to evaluate whether an entity or interest is a variable interest entity and whether the Company is the primary beneficiary. Consolidation is required if both of these criteria are met. The Company does not have any variable interest entities requiring consolidation.

Use of estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. These accounts and estimates include, but are not limited to, the valuation of accounts receivable, inventories, deferred income taxes and the estimation on useful lives of plant and equipment. Actual results could differ from those estimates.

Economic and political risks

BUCTCL s operations are conducted in the PRC. Accordingly, BUCTCL s business, financial condition and results of operations may be influenced by the political, economic and legal environment in the PRC and by the general state of the PRC economy.

BUCTCL s operations in the PRC are subject to special considerations and significant risks not typically associated with companies in North America and Western Europe. These include risks associated with, among others, the political, economic and legal environment and foreign currency exchange. BUCTCL s results may be adversely affected by changes in the political and social conditions in the PRC and by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion, remittances abroad and rates and methods of taxation, among other things.

Concentrations of credit risk

Financial instruments that potentially subject the Group to significant concentrations of credit risk consist principally of accounts receivable and other receivables. In respect of accounts receivable, the Group extends credit based on an evaluation of the customer s financial condition, generally without requiring collateral or other security. In order to minimize the credit risk, the management of the Group has delegated a team responsibility for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Further, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Group consider that the Group s credit risk is significantly reduced. Other than set forth below, no customers represented 10% or more of the Group s net sales and accounts receivable.

Cash and cash equivalents

Cash and cash equivalents include all cash, deposits in banks and other highly liquid investments with initial maturities of six months or less.

Accounts receivable

Accounts receivable are stated at original amount less allowance made for doubtful receivables, if any, based on a review of all outstanding amounts at the year end. An allowance is also made when there is objective evidence that the Group will not be able to collect all amounts due according to original terms of receivables. Bad debts are written off when identified. The Group extends unsecured credit to customers in the normal course of business and believes all accounts receivable in excess of the allowances for doubtful receivables to be fully collectible. The Group does not accrue interest on trade accounts receivable.

During the reporting period, the Group had no bad debt experienced and, accordingly, did not make any allowance for doubtful debts.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. In assessing the ultimate realization of inventories, the management makes judgments as to future demand requirements compared to current or committed inventory levels. The Group s reserve requirements generally increase as the management projected demand requirements; decrease due to market conditions, product life cycle changes. During the reporting period, the Group did not make any allowance for slow-moving or defective inventories.

Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use. Maintenance, repairs and betterments, including replacement of minor items, are charged to expense; major additions to physical properties are capitalized.

Depreciation of plant and equipment is provided using the straight-line method over their estimated useful lives at the following annual :-

Building improvements	50%
Furniture, fixtures and office equipment	20%
Computer hardware and software	20%
Machinery and equipment	20%
Motor vehicles	20%

Upon sale or disposition, the applicable amounts of asset cost and accumulated depreciation are removed from the accounts and the net amount less proceeds from disposal is charged or credited to income.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The Group recognizes impairment of long-lived assets in the event that the net book values of such assets exceed the future undiscounted cashflows attributable to such assets.

No impairment of long-lived assets was recognized for the period presented.

Revenue recognition

Revenue from sales of the Group s products is recognized when the significant risks and rewards of ownership have been transferred to the buyer at the time of delivery and the sales price is fixed or determinable and collection is reasonably assured.

Advertising expenses

Advertising expenses are charged to expense as incurred.

Advertising expenses amounted to $644 during 2006 are included in administrative and other operating expenses.

Income taxes

The Group uses the asset and liability method of accounting for income taxes pursuant to SFAS No. 109 Accounting for Income Taxes . Under the asset and liability method of SFAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statements carrying amounts of existing assets and liabilities and loss carry forwards and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Comprehensive income

The Group has adopted SFAS 130, Reporting Comprehensive Income , which establishes standards for reporting and display of comprehensive income, its components and accumulated balances. Accumulated other comprehensive income represents the accumulated balance of foreign currency translation adjustments of the Group.

Foreign currency translation

The Group maintains its financial statements in the functional currency. The functional currencies of CCIL and BUCTCL are Hong Kong dollars (HK$) and Renminbi (RMB) respectively. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at rates of exchange prevailing at the balance sheet dates. Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchanges rates prevailing at the dates of the transaction. Exchange gains or losses arising from foreign currency transactions are included in the determination of net income for the respective periods.

For financial reporting purposes, the financial statements of the Group which are prepared using the functional currency have been translated into United States dollars. Assets and liabilities are translated at the exchange rates at the balance sheet dates and revenue and expenses are translated at the average exchange rates and stockholders equity is translated at historical exchange rates. Any translation adjustments resulting are not included in determining net income but are included in foreign exchange adjustment to other comprehensive income, a component of stockholders equity.

The RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through authorized institutions. No representation is made that RMB amounts could have been, or could be, converted into US$ at rates used in translation.

Fair value of financial instruments

The carrying values of the Group s financial instruments, including cash and cash equivalents, trade and other receivables, deposits, trade and other payables approximate their fair values due to the short-term maturity of such instruments.

Basic and diluted earnings per share

The Company reports basic earnings or loss per share in accordance with SFAS No. 128, Earnings Per Share . Basic earnings per share is computed using the weighted average number of shares outstanding during the periods presented. The weighted average number of shares of the Company represents the common stock outstanding during the periods.

Recent accounting pronouncements

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections (SFAS 154), which changes the requirements for the accounting for and reporting of a change in accounting principle. The statement requires retrospective application to prior period financial statements of changes in accounting principle, unless impracticable to do so. It also requires that a change in the depreciation, amortization, or depletion method for long-lived non-financial assets be accounted as a change in accounting estimate, effected by a change in accounting principle. Accounting for error corrections and accounting estimate changes will continue under the guidance in APB Opinion 20, Accounting Changes , as carried forward in this pronouncement. The statement is effective for fiscal years beginning after December 15, 2005.

In November 2005, the FASB issued FSP Nos. FAS 115-1 and 124-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments. This FSP addresses the determination as to when an investment is considered impaired, whether the impairment is other-than-temporary , and the measurement of an impairment loss. The investment is impaired if the fair value is less than cost. The impairment is other-than-temporary for equity securities and debt securities that can contractually be prepaid or otherwise settled in such a way that the investor would not recover substantially all of its cost. If other-than-temporary , an impairment loss shall be recognized in earnings equal to the difference between the investment s cost and its fair value. The guidance in this FSP is effective in reporting periods beginning after December 15, 2005.

In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments, which amends SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 155), and SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. SFAS No. 155 simplifies the accounting for certain derivatives embedded in other financial instruments by allowing them to be accounted for as a whole if the holder elects to account for the whole instrument on a fair value basis. SFAS No. 155

also clarifies and amends certain other provisions of SFAS No. 133 and SFAS No. 140. SFAS No. 155 is effective for all financial instruments acquired, issued or subject to a re-measurement event occurring in fiscal years beginning after September 15, 2006. Earlier adoption is permitted, provided the Company has not yet issued financial statements, including for interim periods, for that fiscal year. The Company does not believe the adoption of SFAS No. 155 will have a material impact on the Company s consolidated financial position or results of operations.

The FASB released SFAS No. 156, Accounting for Servicing of Financial Assets, to simplify accounting for separately recognized servicing assets and servicing liabilities. SFAS No. 156 amends SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. SFAS No. 156 permits an entity to choose either the amortization method or the fair value measurement method for measuring each class of separately recognized servicing assets and servicing liabilities after they have been initially measured at fair value. SFAS No. 156 applies to all separately recognized servicing assets and liabilities acquired or issued after the beginning of an entity s fiscal year that begins after September 15, 2006. SFAS No. 156 will be effective for the Company as of December 31, 2006, the beginning of the Company s 2007 fiscal year. The Company does not believe the adoption of SFAS No. 156 will have a material impact on the Company s consolidated financial position or results of operations.

In July 2006, the FASB issued FIN 48 Accounting for Uncertainty in Income Taxes. This interpretation requires that we recognize in our financial statements, the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective as of the beginning of our 2007 fiscal year, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. The Company is currently evaluating the effect of FIN 48 on its financial statements.

In September 2006, the FASB issued SFAS No. 157 Fair Value Measurement (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This Statement shall be effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Earlier application is encouraged, provided that the reporting entity has not yet issued financial statements for that fiscal year, including any financial statements for an interim period within that fiscal year. The provisions of this statement should be applied prospectively as of the beginning of the fiscal year in which this Statement is initially applied, except in some circumstances where the statement shall be applied retrospectively. The Company is currently evaluating the effect, if any, of SFAS 157 on its financial statements.

The FASB released SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans: an amendment of FASB Statements No. 87, 88, 106, and 132(R), which requires an employer to recognize the over funded or under funded status of defined benefit and other postretirement plans as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through an adjustment to comprehensive income. This statement also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. The Company is required to initially recognize the funded status of its defined benefit and other postretirement plans as of December 31, 2006, and to provide the required disclosures in the Company s 2006 annual report on Form 10-KSB. The Company is assessing the impact on the adoption of SFAS No. 158 will have on the Company s consolidated financial position.

On February 15, 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of SFAS No. 115. The fair value option established by SFAS No. 159 permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity will report unrealized gains and losses on items for which the fair value option has been elected in earnings (or another performance indicator if the business entity does not report earnings) at each subsequent reporting date. The fair value option: (a) may be applied instrument by instrument, with a few exceptions, such as investments otherwise accounted for by the equity method; (b) is irrevocable (unless a new election date occurs); and (c) is applied only to entire instruments and not to portions of instruments. SFAS No. 159 is effective as of the beginning of an entity s first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of that fiscal year and also elects to apply the provisions of SFAS. No.157. The Company does not early adopt this statement.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION OR PLAN OF OPERATIONS

SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS

When used in this report, the words "may," "will," "expect," "anticipate," "continue," "estimate," "project," "intend," and similar expressions are intended to identify 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 regarding events, conditions, and financial trends that may affect the Company's future plans of operations, business strategy, operating results, and financial position. Persons reviewing this report are cautioned that any forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties and that actual results may differ materially from those included within the forward-looking statements as a result of various factors. Such factors are discussed under the "Item 2. Management's Discussion and Analysis of Financial Condition or Plan of Operations," and also include general economic factors and conditions that may directly or indirectly impact the Company's financial condition or results of operations.

History

Innocom Technology Holdings, Inc., (the "Company") was organized under the laws of the state of Nevada on June 26, 1998 under the name Dolphin Productions, Inc., The Company has provided musical and other performance services for concerts and public events. During the fiscal year ended September 30, 2003, the Company determined to shift its emphasis away from the presentation of concerts and toward the Internet marketing of recorded music. The Company has not presented live musical concerts during the last two fiscal years. The Company owns the rights to the domain name "dolphinproductions.net." The Company has encountered substantial competitive, legal, technological and financial obstacles to its entry into the business of marketing recorded music through the Internet. The Company has not generated substantial revenues from Internet marketing of musical properties.

On March 30, 2006, pursuant to an Agreement and Plan of Reorganization dated March 15, 2006 by and among Dolphin Productions, Inc., a Nevada corporation (the Company) and Innocom Technology Holdings Limited a British Virgin Islands corporation (Innocom) and certain shareholders of Innocom, the Company acquired 100% of Innocom s issued and outstanding common stock making Innocom a wholly owned subsidiary of the Company. As a result, the Company, which previously had no material operations has acquired the business of Innocom.

Our Business

We are a leading mobile communication technology company in China. We have two principal business lines; mobile phone handset design and trading of mobile phone handsets and components. We provide customized mobile phone design services to licensed manufacturers in China. Our services include hardware system design based on chipsets such as integrated circuits sourced from external suppliers, application software design and mobile phone handset casing design. In addition to design services, we provide sourcing of mobile phone handsets and components for customers on a wholesale basis.

We currently have two major revenue streams. Revenues are derived from providing total mobile phone handset design solutions to a client. This revenue stream is negotiated on a project by project basis. We also earn royalty fees when a client begins commercial production of handsets we have designed. The royalty is levied on either each printed circuit board shipped or charged on a lump sum basis.

In China, manufacturing of mobile phone handsets is a regulated industry with limited number of licensed manufacturers of mobile handsets. In order to lower cost and launch new models in a timely manner for competition, major licensed manufacturers will outsource the design of new precuts to independent design houses. They may or may not outsource the manufacturing process to electronic manufacturing services (EMS) providers. The licensed manufacturers then sell the final products under their own brand name in the Chinese retail market. Our clients are the licensed mobile handset manufacturers.

We plan to expand our existing mobile phone handset design services by increasing our number of staff in the product development department; work with existing customers to launch mobile phone handsets on our design platform to generate royalty income; cooperate with telecom operators in specifically designed mobile phone handsets for launch in the market; and expand our coverage to work with first and second tier licensed mobile phone manufacturers in China. We also plan to expand the sourcing of mobile phone handsets and components in both China and the overseas markets.

Customers

Our customers include major mobile handset brand owners in China, such as TCL, CECT, Cosun Communications, Panda Communications and Zhejiang Holley Communication Group Co., Ltd.

We generate our revenue from three main sources:

-

Design fees.

-

Royalty charged for each unit of mobile handset the customers produce based on the volume of production.

-

Sale of complete mobile handsets.

Facilities

We do not own any land and building. We currently rent a 300 square meters office in Beijing and a 284 square meters office in Shenzhen, the PRC for marketing of mobile phone handsets. We also rent a 200 square meters office with a lease period of two years in Hong Kong as our headquarter office.

Employees

As we will relocate our research and development division from Beijing to Shanghai, we disband most of our staff in our Beijing office recently. We currently have 15 employees, including 6 in sales and marketing, 4 in administration and management, and 5 in technical support and others.

RISK FACTORS

Set forth below is a description of factors that may affect our business, results of operations and share price from time to time.

Our sales and profitability depend on the continued growth of the mobile communications industry as well as the growth of the new market segments within that industry in which we have recently invested. If the mobile communications industry does not grow as we expect, or if the new market segments on which we have chosen to focus and in which we have recently invested grow less than expected, or if new faster-growing market segments emerge in which we have not invested, our sales and profitability may be adversely affected.

Our business depends on continued growth in mobile communications in terms of the number of existing mobile subscribers who upgrade or simply replace their existing mobile devices, the number of new subscribers and increased usage. As well, our sales and profitability are affected by the extent to which there is increasing demand for, and development of, value-added services, leading to opportunities for us to successfully market mobile devices that feature these services. These developments in our industry are to a certain extent outside of our control. For example, we are dependent on operators in highly penetrated markets to successfully introduce services that cause a substantial increase in usage of voice and data. Further, in order to support a continued increase in mobile subscribers in certain low-penetration markets, we are dependent on operators to increase their sales volumes of lower-cost mobile devices and to offer affordable tariffs. If operators are not successful in their attempts to increase subscriber numbers, stimulate increased usage or drive replacement sales, our business and results of operations could be materially adversely affected.

Our industry continues to undergo significant changes. First, the mobile communications, information technology, media and consumer electronics industries are converging in some areas into one broader industry leading to the creation of new mobile devices, services and ways to use mobile devices. Second, while participants in the mobile communications industry once provided complete products and solutions, industry players are increasingly providing specific hardware and software layers for products and solutions. As a result of these changes, new market segments within our industry have begun to emerge and we have made significant investments in new business opportunities in certain of these market segments, such as smart-phones, imaging, games, music and enterprise mobility infrastructure. However, a number of the new market segments in the mobile communications industry are still in early states of their development, and it may be difficult for us to accurately predict which new market segments are the most advantageous for us to focus on. As a result, if the segments on which we have chosen to focus grow less than expected, we may not receive a return on our investment as soon as we expect, or at all. We may also forego growth opportunities in new market segments of the mobile communications industry on which we do not focus.

Our results of operations, particularly our profitability, may be adversely affected if we do not successfully manage price erosion related to our products.

In the future, if, for competitive reasons, we need to lower the selling prices of certain of our products and if we cannot lower our costs at the same rate or faster, this may have a material adverse effect on our business and results of operations, particularly our profitability. To mitigate the impact of mix shifts on our profitability, we implement product segmentation with the aim of designing appropriate features with an appropriate cost basis for each customer segment. Likewise, we endeavor to mitigate the impact on our profitability of price erosion of certain features and functionalities by seeking to correctly time the introduction of new products, in order to align such introductions with declines in the prices of relevant components. We cannot predict with any certainty whether or to what extent we may need to lower prices for competitive reasons again and how successful we will be in aligning our cost basis to the pricing at any given point in time. Price erosion is a normal characteristic of the mobile devices industry, and the products and solutions offered by us are also subject to natural price erosion over time. If we cannot reduce our costs at the same rate, our business may be materially adversely affected. Although we may take actions to mitigate price erosion, such as strengthening the Company brand in order to support a price premium over certain of our competitors, there can be no assurance that we will be successful in this regard.

We must develop or otherwise acquire complex, evolving technologies to use in our business. If we fail to develop these technologies or to successfully commercialize them as new advanced products and solutions that meet customer demand, or fail to do so on a timely basis, it may have a material adverse effect on our business, our ability to meet our targets and our results of operations.

In order to succeed in our markets, we believe that we must develop or otherwise acquire complex, evolving technologies to use in our business. However, the development and use of new technologies, applications and technology platforms for our mobile devices involves time, substantial costs and risks both within and outside of our control. This is true whether we develop these technologies internally, by acquiring or investing in other companies or through collaboration with third parties.

The technologies, functionalities and features on which we choose to focus may not achieve as broad or timely customer acceptance as we expect. This may result from numerous factors including the availability of more attractive alternatives or a lack of sufficient compatibility with other existing technologies, products and solutions. Additionally, even if we do select the technologies, functionalities and features that customers ultimately want, we or the companies that work with us may not be able to bring them to the market at the right time.

Furthermore, as a result of ongoing technological developments, our products and solutions are increasingly used together with components or layers that have been developed by third parties, whether or not the Company has authorized their use with our products and solutions. However, such components, such as batteries, or layers, such as software applications, may not be compatible with our products and solutions and may not meet our and our customers' quality, safety or other standards. As well, certain components or layers that may be used with our products may enable our products and solutions to be used for objectionable purposes, such as to transfer content that might be hateful or derogatory. The use of our products and solutions with incompatible or otherwise substandard components or layers, or for purposes that are inappropriate, is largely outside of our control and could harm the Company brand.

We need to understand the different markets in which we operate and meet the needs of our customers, which include mobile network operators, distributors, independent retailers and enterprise customers. We need to have a competitive product portfolio, and to work together with our operator customers to address their needs. Our failure to identify key market trends and to respond timely and successfully to the needs of our customers may have a material adverse impact on our market share, business and results of operations.

We serve a diverse range of customers, ranging from mobile network operators, distributors, independent retailers to enterprise customers, across a variety of markets. In many of these markets, the mobile communications industry is at different stages of development, and many of these markets have different characteristics and dynamics, for example, in terms of mobile penetration rates and technology, feature and pricing preferences. Establishing and maintaining good relationships with our customers and understanding trends and needs in their markets require us to constantly obtain and evaluate a complex array of feedback and other data. We must do this efficiently in order to be able to identify key market trends and address our customers' needs proactively and in a timely manner. If we fail to analyze correctly and respond timely and appropriately to customer feedback and other data, our business may be materially adversely affected.

Certain mobile network operators require mobile devices to be customized to their specifications, by requesting certain preferred features, functionalities or design, together with co-branding with the network operator's brand. We believe that customization is an important element in gaining increased operator customer satisfaction and we are working together with operators on product planning as well as accelerating product hardware and software customization programs. These developments may result in new challenges as we provide customized products, such as the need for us to produce mobile devices in smaller lot sizes, which can impede our economies of scale, or the potential for the erosion of the Company brand, which we consider to be one of our key competitive advantages.

In order to meet our customers' needs, we need to introduce new devices on a timely basis and maintain a competitive product portfolio. For the Company, a competitive product portfolio means a broad and balanced offering of commercially appealing mobile devices with attractive features, functionality and design for all major user segments and price points. If we do not achieve a competitive portfolio, we believe that we will be at a competitive disadvantage, which may lead to lower revenue and lower profits.

The competitiveness of our portfolio is also influenced by the value of the Company brand. A number of factors, including actual or even alleged defects in our products and solutions, may have a negative effect on our reputation and erode the value of the Company brand.

Competition in our industry is intense. Our failure to respond successfully to changes in the competitive landscape may have a material adverse impact on our business and results of operations.

The markets for our products and solutions are intensely competitive. Industry participants compete with each other mainly on the basis of the breadth and depth of their product portfolios, price, operational and manufacturing efficiency, technical performance, product features, quality, customer support and brand recognition. We are facing increased competition from both our traditional competitors in the mobile communications industry as well as a number of new competitors, particularly from countries where production costs tend to be lower. Some of these competitors have used, and we expect will continue to use, more aggressive pricing strategies, different design approaches and alternative technologies than ours. In addition, some competitors have chosen a strategy of focusing on productization based on commercially available technologies and components, which may enable them to introduce products faster and with lower levels of research and development spending than the Company.

As a result of developments in our industry, we also expect to face new competition from companies in related industries, such as consumer electronics manufacturers and business device and solution providers, including but not limited to Dell, HP, Microsoft, Nintendo, Palm, Research in Motion and Sony. Additionally, because mobile network operators are increasingly offering mobile devices under their own brand, we face increasing competition from non-branded mobile device manufacturers. If we cannot respond successfully to these competitive developments, our business and results of operations may be materially adversely affected.

Reaching our sales, profitability, volume and market share targets depends on numerous factors. These include our ability to offer products and solutions that meet the demands of the market and to manage the prices and costs of our products and solutions, our operational efficiency, the pace of development and acceptance of new technologies, our success in the business areas that we have recently entered, and general economic conditions. Depending on those factors, some of which we may influence and others of which are beyond our control, we may fail to reach our targets and we may fail to provide accurate forecasts of our sales and results of operations .

A variety of factors discussed throughout these Risk Factors could affect our ability to reach our targets and give accurate forecasts. Although, we can influence some of these factors, some of them depend on external factors that are beyond our control. In our mobile device businesses, we seek to maintain healthy levels of sales and profitability through offering a competitive portfolio of mobile devices, growing faster than the market, working to improve our operational efficiency, controlling our costs, and targeting timely and successful product introductions and shipments. The quarterly and annual sales and operating results in our mobile device businesses also depend on a number of other factors that are not within our control. Such factors include the global growth in mobile device volumes, which is influenced by, among other factors, regional economic factors, competitive pressures, regulatory environment, the timing and success of product and service introductions by various market participants, including network operators, the commercial acceptance of new mobile devices, technologies and services, and operators' and distributors' financial situations. Our sales and operating results are also impacted by fluctuations in exchange rates and at the quarterly level by seasonality. In developing markets, the availability and cost, through affordable tariffs, of mobile phone service compared with the availability and cost of fixed line networks may also impact volume growth.

In our mobile networks business, we also seek to maintain healthy levels of sales and profitability and try to grow faster than the market. Our networks business's quarterly and annual net sales and operating results can be affected by a number of factors, some of which we can influence, such as our operational efficiency, the level of our research and development investments and the deployment progress and technical success we achieve under network contracts. Other relevant factors include operator investment behavior, which can vary significantly from quarter to quarter, competitive pressures and general economic conditions although these are not within our control.

The new business areas that we have entered may be less profitable than we currently foresee, or they may generate more variable operating results than we currently foresee. We expect to incur short-term operating losses in certain of these new business areas given our early stage investments in research and development and marketing in particular. Also our efforts in managing prices and costs in the long-term, especially balancing prices and volumes with research and development costs, may prove to be inadequate.

Although we may announce forecasts of our results of operations, uncertainties affecting any of these factors, particularly during difficult economic conditions, render our forecasts difficult to make, and may cause us not to reach the targets that we have forecasted, or to revise our estimates.

Our sales and results of operations could be adversely affected if we fail to efficiently manage our manufacturing and logistics without interruption, or fail to ensure that our products and solutions meet our and our customers' quality, safety and other requirements and are delivered in time.

Our manufacturing and logistics are complex, require advanced and costly equipment and include outsourcing to third parties. These operations are continuously modified in an effort to improve manufacturing efficiency and flexibility. We may experience difficulties in adapting our supply to the demand for our products, ramping up or down production at our facilities, adopting new manufacturing processes, finding the most timely way to develop the best technical solutions for new products, or achieving manufacturing efficiency and flexibility, whether we manufacture our products and solutions ourselves or outsource to third parties. Such difficulties may have a material adverse effect on our sales and results of operations and may result from, among other things: delays in adjusting or upgrading production at our facilities, delays in expanding production capacity, failure in our manufacturing and logistics processes, failures in the activities we have outsourced, and interruptions in the data communication systems that run our operations. Also, a failure or an interruption could occur at any stage of our product creation, manufacturing and delivery processes, resulting in our products and solutions not meeting our and our customers' quality, safety and other requirements, or being delivered late, which could have a material adverse effect on our sales, our results of operations and reputation and the value of the Company brand.

We depend on our suppliers for the timely delivery of components and for their compliance with our supplier requirements, such as, most notably, our and our customers' product quality, safety and other standards. Their failure to do so could adversely affect our ability to deliver our products and solutions successfully and on time.

Our manufacturing operations depend to a certain extent on obtaining adequate supplies of fully functional components on a timely basis. Our principal supply requirements are for electronic components, mechanical components and software, which all have a wide range of applications in our products. Electronic components include integrated circuits, microprocessors, standard components, memory devices, cameras, displays, batteries and chargers while mechanical components include covers, connectors, key mats and antennas. In addition, a particular component may be available only from a limited number of suppliers. Suppliers may from time to time extend lead times, limit supplies or increase prices due to capacity constraints or other factors, which could adversely affect our ability to deliver our products and solutions on a timely basis. Moreover, even if we attempt to select our suppliers and manage our supplier relationships with scrutiny, a component supplier may fail to meet our supplier requirements, such as, most notably, our and our customers' product quality, safety and other standards, and consequently some of our products are unacceptable to us and our customers, or we may fail in our own quality controls. Moreover, a component supplier may experience delays or disruption to its manufacturing, or financial difficulties. Any of these events could delay our successful delivery of products and solutions, which meet our and our customers' quality, safety and other requirements, or otherwise adversely affect our sales and our results of operations. Also, our reputation and brand value may be affected due to real or merely alleged failures in our products and solutions.

We are developing a number of our new products and solutions together with other companies. If any of these companies were to fail to perform, we may not be able to bring our products and solutions to market successfully or in a timely way and this could have a material adverse impact on our sales and profitability.

We continue to invite the providers of technology, components or software to work with us to develop technologies or new products and solutions. These arrangements involve the commitment by each company of various resources, including technology, research and development efforts, and personnel. Although the target of these arrangements is a mutually beneficial outcome for each party, our ability to introduce new products and solutions that meet our and our customers' quality, safety and other standards successfully and on schedule could be hampered if, for example, any of the following risks were to materialize: the arrangements with the companies that work with us do not develop as expected, the technologies provided by the companies that work with us are not sufficiently protected or infringe third parties' intellectual property rights in a way that we cannot foresee or prevent, the technologies, products or solutions supplied by the companies that work with us do not meet the required quality, safety and other standards or customer needs, our own quality controls fail, or the financial standing of the companies that work with us deteriorates.

Our operations rely on complex and highly centralized information technology systems and networks. If any system or network disruption occurs, this reliance could have a material adverse impact on our operations, sales and operating results.

Our operations rely to a significant degree on the efficient and uninterrupted operation of complex and highly centralized information technology systems and networks, which are integrated with those of third parties. Any failure or disruption of our current or future systems or networks could have a material adverse effect on our operations, sales and operating results. Furthermore, any data leakages resulting from information technology security breaches could also adversely affect us.

All information technology systems are potentially vulnerable to damage or interruption from a variety of sources. We pursue various measures in order to manage our risks related to system and network disruptions, including the use of multiple suppliers and available information technology security. However, despite precautions taken by us, an outage in a telecommunications network utilized by any of our information technology systems, virus or other event that leads to an unanticipated interruption of our information technology systems or networks could have a material adverse effect on our operations, sales and operating results.

Our products and solutions include increasingly complex technology involving numerous new Our patented and other proprietary technologies, as well as some developed or licensed to us by certain third parties. As a consequence, evaluating the protection of the technologies we intend to use is more and more challenging, and we expect increasingly to face claims that we have infringed third parties' intellectual property rights. The use of increasingly complex technology may also result in increased licensing costs for us, restrictions on our ability to use certain technologies in our products and solution offerings, and/or costly and time-consuming litigation. Third parties may also commence actions seeking to establish the invalidity of intellectual property rights on which we depend.

Our products and solutions include increasingly complex technology involving numerous new Company patented and other proprietary technologies, as well as some developed or licensed to us by certain third parties. As the amount of such proprietary technologies needed for our products and solutions continues to increase, the number of parties claiming rights continues to increase and become more fragmented within individual products, and as the complexity of the technology and the overlap of product functionalities increases, the possibility of more infringement and related intellectual property claims against us also continues to increase. The holders of patents potentially relevant to our product and solution offerings may be unknown to us, or may otherwise make it difficult for us to acquire a license on commercially acceptable terms. There may also be technologies licensed to and relied on by us that are subject to infringement or other corresponding allegations or claims by others which could damage our ability to rely on such technologies.

In addition, although we endeavor to ensure that companies that work with us possess appropriate intellectual property rights or licenses, we cannot fully avoid risks of intellectual property rights infringement created by suppliers of components and various layers in our products and solutions or by companies with which we work in cooperative research and development activities. Similarly, we and our customers may face claims of infringement in connection with our customers' use of our products and solutions. Finally, as all technology standards, including those used and relied on by us, include some intellectual property rights, we cannot fully avoid risks of a claim for infringement of such rights due to our reliance on such standards. We believe that the number of third parties declaring their intellectual property to be relevant to these standards is increasing, which may increase the likelihood that we will be subject to such claims in the future.

Any restrictions on our ability to sell our products and solutions due to expected or alleged infringements of third party intellectual property rights and any intellectual property rights claims, regardless of merit, could result in material losses of profits, costly litigation, the payment of damages and other compensation, the diversion of the attention of our personnel, product shipment delays or the need for us to develop non-infringing technology or to enter into royalty or licensing agreements. If we were unable to develop non-infringing technology, or if royalty or licensing agreements were not available on commercially acceptable terms, we could be precluded from making and selling the affected products and solutions. As new features are added to our products and solutions, we may need to acquire further licenses, including from new and sometimes unidentified owners of intellectual property. The cumulative costs of obtaining any necessary licenses are difficult to predict and may over time have a negative effect on our operating results.

In addition, other companies may commence actions seeking to establish the invalidity of our intellectual property, for example, patent rights. In the event that one or more of our patents are challenged, a court may invalidate the patent or determine that the patent is not enforceable, which could harm our competitive position. If any of our key patents are invalidated, or if the scope of the claims in any of these patents is limited by a court decision, we could be prevented from licensing the invalidated or limited portion of our intellectual property rights. Even if such a patent challenge is not successful, it could be expensive and time consuming, divert management attention from our business and harm our reputation. Any diminution of the protection that our own intellectual property rights enjoy could cause us to lose some of the benefits of our investments in R&D, which may have a negative effect on our results of operations.

If we are unable to recruit, retain and develop appropriately skilled employees, we may not be able to implement our strategies and, consequently, our results of operations may suffer.

We must continue to recruit, retain and through constant competence training develop appropriately skilled employees with a comprehensive understanding of our businesses and technologies. As competition for skilled personnel remains keen, we seek to create a corporate culture that encourages creativity and continuous learning. We are also continuously developing our compensation and benefit policies and taking other measures to attract and motivate skilled personnel. Nevertheless, we have encountered in the past, and may encounter in the future, shortages of appropriately skilled personnel, which may hamper our ability to implement our strategies and harm our results of operations.

The global networks business relies on a limited number of customers and large multi-year contracts. Unfavorable developments under such a contract or in relation to a major customer may affect our sales, our results of operations and cash flow adversely.

Large multi-year contracts, which are typical in the networks industry, include a risk that the timing of sales and results of operations associated with these contracts will be different than expected. Moreover, they usually require the dedication of substantial amounts of working capital and other resources, which impacts our cash flow negatively. Any non-performance by us under these contracts may have significant adverse consequences for us because network operators have demanded and may continue to demand stringent contract undertakings such as penalties for contract violations.

Our sales derived from, and assets located in, emerging market countries may be adversely affected by economic, regulatory and political developments in those countries. As sales from these countries represent an increasing portion of our total sales, economic or political turmoil in these countries could adversely affect our sales and results of operations. Our investments in emerging market countries may also be subject to other risks and uncertainties.

We generate sales from and have invested in various emerging market countries. As sales from these countries represent an increasing portion of our total sales, economic or political turmoil in these countries could adversely affect our sales and results of operations. Our investments in emerging market countries may also be subject to risks and uncertainties, including unfavorable taxation treatment, exchange controls, challenges in protecting our intellectual property rights, nationalization, inflation, incidents of terrorist activity, currency fluctuations, or the absence of, or unexpected changes in, regulation as well as other unforeseeable operational risks.

Allegations of health risks from the electromagnetic fields generated by base stations and mobile devices, and the lawsuits and publicity relating to them, regardless of merit, could affect our operations negatively by leading consumers to reduce their use of mobile devices or by causing us to allocate monetary and personnel resources to these issues.

There has been public speculation about possible health risks to individuals from exposure to electromagnetic fields from base stations and from the use of mobile devices. While a substantial amount of scientific research conducted to date by various independent research bodies has indicated that these radio signals, at levels within the limits prescribed by public health authority safety standards and recommendations, present no adverse effect to human health, we cannot be certain that future studies, irrespective of their scientific basis, will not suggest a link between electromagnetic fields and adverse health effects that would adversely affect our sales and share price. Research into these issues is ongoing by government agencies, international health organizations and other scientific bodies in order to develop a better scientific and public understanding of these issues.

Although the Company products and solutions are designed to meet all relevant safety standards and recommendations globally, no more than a perceived risk of adverse health effects of mobile communications devices could adversely affect us through a reduction in sales of mobile devices or increased difficulty in obtaining sites for base stations, and could have a negative effect on our reputation and brand value as well as harm our share price.

Changes in various types of regulation in countries around the world could affect our business adversely.

Our business is subject to direct and indirect regulation in each of the countries in which we, the companies with which we work or our customers do business. As a result, changes in various types of regulations applicable to current or new technologies, products or services could affect our business adversely. For example, it is in our interest that the Federal Communications Commission maintains a regulatory environment that ensures the continued growth of the wireless sector in the United States. In addition, changes in regulation affecting the construction of base stations and other network infrastructure could adversely affect the timing and costs of new network construction or expansion and the commercial launch and ultimate commercial success of these networks.

Moreover, the implementation of new technological or legal requirements, such as the requirement in the United States that all handsets must be able to indicate their physical location, could impact our products and solutions, manufacturing or distribution processes, and could affect the timing of product and solution introductions, the cost of our production, products or solutions as well as their commercial success. Finally, export control, tariff, environmental, safety and other regulation that adversely affects the pricing or costs of our products and solutions as well as new services related to our products could affect our net sales and results of operations. The impact of these changes in regulation could affect our business adversely even though the specific regulations do not always directly apply to us or our products and solutions.

Results of Operations for the Three-Month Periods Ended September 30, 2007 and 2006, and for the Nine-Month Periods Ended September 30, 2007 and 2006

Net Income. For the three months ended September 30, 2007, net income increased by $7,603,111 from $10,946,478 in 2006 to $18,549,589 in 2007. For the nine months ended September 30, 2007, net income increased by $7,663,108 from $23,037,763 in 2006 to $30,700,871 in 2007. As we acquired Innocom Technology Holdings Limited on March 30, 2006, results for the nine months ended September 30, 2006 included only results of the second and third quarters of 2006.

Net sales, gross profit and gross profit margin. Below is the summary of operations with different business segments, in design and solution provision for mobile phone and trading of mobile phone and related components respectively, for the three months ended September 30, 2007, for nine months ended September 30, 2007 and corresponding periods ended September 30, 2006.

	3 months ended September 30, 2007	**3 months ended September 30, 2006**	**9 months ended September 30, 2007**	**9 months ended September 30, 2006**
Net revenue				
- Design and solution provision for mobile phone	-	-	-	-
- Trading of mobile phone and related components	18,649,589	10,946,478	30,700,871	23,037,763
	18,649,589	10,946,478	30,700,871	23,037,763
Gross profit				
- Design and solution provision for mobile phone	-	-	-	-
- Trading of mobile phone and related components	1,138,238	564,937	1,792,083	2,101,038

	1,138,238	564,937	1,792,083	2,101,038
Gross profit ratio				
- Design and solution provision for mobile phone	-	-	-	-
- Trading of mobile phone and related components	6.10%	5.16%	5.84%	9.12%
	6.10%	5.16%	5.84%	9.12%

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Trading of mobile phone and related components is further analyzed in accordance with traded items as below.

	3 months ended September 30, 2007	3 months ended September 30, 2006	9 months ended September 30, 2007	9 months ended September 30, 2006
Net revenue				
- Trading of mobile phone	-	-	-	1,961,043
- Trading of integrated circuit boards and parts	18,649,589	10,946,478	30,700,871	21,076,720
	18,649,589	10,946,478	30,700,871	23,037,763
Gross profit				
- Trading of mobile phone	-	-	-	1,168,727
- Trading of integrated circuit boards and parts	1,138,238	564,937	1,792,083	932,611
	1,138,238	564,937	1,792,083	2,101,038
Gross profit ratio				
- Trading of mobile phone	-	-	-	59.60%
- Trading of integrated circuit boards and parts	6.10%	5.16%	5.84%	4.42%
	6.10%	5.16%	5.84%	9.12%

Trading of mobile phone handsets and components. For the three months ended September 30, 2007, sale increase increased by 70.37% from 10,946,478 to $18,649,589 relative to the prior period. The increase is attributable to new customer in Shenzhen. During the period, we trade component parts.

We acquired Innocom Technology Holdings Limited on march 30, 2006, results for the nine months ended September 30, 2006 included only results of the second and third quarters of 2006. Accordingly, for the nine months ended September 30, 2007, sale increased by approximately 33.26% from $23,023,763 to $30,700,871 relative to the prior period. We trade only spare parts during 2007, the gross profit margin of which is lower than complete set of mobile phone. As a result, the gross profit ratio drops from 9.12% in 2006 to 6.13% in 2007.

*Design and solution provision for mobile phone***.** During the first quarter of 2007, the design facilities of the design division has been moved from Beijing to Shanghai which is within one-hour drive from planned production divisions in Changzhou of Jiangsu Province.

On May 16, 2007, we dispose of entire interest in our Beijing design company for a consideration of RMB44 million (approximately $5,640,000). The Purchaser agrees that we reserve the right of priority to license from the Purchaser the mobile phone handset design solutions already completed prior to the completion of the agreement under the terms and conditions subject to further negotiations.

Mobile phone assembling plant. We have obtained approval in February 2007 to establish a wholly-foreign owned subsidiary in Jiangsu Province, the PRC. We plan to invest US$4.5million to set up production plant with annual capacity for assembling 1.5million units of mobile phones, which is expansible to annual volume of 4million units. During nine months ended September 30, 2007, we have contributed US$3million to this subsidiary for purchase of production equipment. The production plant is test running.

On May 16, 2007, we has acquired a 10-year mobile phone manufacturing license for a consideration of RMB45 million (approximately $5,770,000) and annual license fee of RMB500,000 (approximately $64,000).

We have submitted three designed solutions for testing. We expect to obtain approval of production in December.

Future Development. . Mobile phones have become fashionable products. We believe providing one-stop solution to our customers would create our blue ocean market. Therefore, during the period, we have taken below moves for vertical integration of mobile phone manufacturing.

On February 12, 2007, we have entered into a letter of intent to acquire entire interest in Shanghai Boda Electronics Co., Ltd. (BODA), a company formed under the laws of the PRC, the completion of which depends upon the result of the due diligent review. BODA has a strong logistic and distribution platform in provision of application solutions to component sourcing and delivery of finished mobile phone to wide variety customers in China. BODA has a strong design team in Texas Instruments platform which would be a complement to our current platform.

On February 27, 2007, we have entered into a memorandum of understanding (MOU) with Industry Community On-line Service Co., Ltd (ICOLS), a company formed under the laws of the Republic of Korea (Korea). Pursuant to this MOU, the Company and ICOLS are willing to set up a joint venture (JV) in China to promote the 3D mobile contents platform (GNEX) of ICOLS in the China market. In addition to the 3D mobile contents platform (GNEX), both parties will consider cooperation on the business of full 3D on-line games, SI & IT outsourcing, 3D solid LCD module, etc. ICOLS is listed on the KOSDAQ Stock Exchange of Korea and operates as a system & software developer and is the controlling company as well as the overseas agent of SINJISOFT Corporation (a company listed on KOSDAQ Stock Exchange of Korea).

On March 7, 2007, we have entered into a memorandum of understanding with shareholders to acquire 71.5% interest of Superior Precision Engineering Company Limited (SPE), the completion of which depends upon the result of due diligence review. SPE provides manufacturing service including tooling design and fabrication, injection molding, spraying, printing, laser marking and sub-assembly. Based on the result of due diligence review, we abort the investment plan.

Liquidity and Capital Resources

As of September 30, 2007, the Company had on hand cash of $75,654 total current assets of $7,712,969, long-term deferred assets of 9,976,446 and plant and equipments of $2,500. It owed $1,818,028 in current liabilities.

There is no net cash flow generated from financing activities for the three months ended September 30, 2007.

ITEM 3. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures. Based on the evaluation of our disclosure controls and procedures (as defined in Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e) required by Securities Exchange Act Rules 13a-15(b) or 15d-15(b), our Chief Executive Officer and our Chief Financial Officer have concluded that as of the end of the period covered by this report, our disclosure controls and procedures were effective.

(b) Changes in internal controls. There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

Reports on Form 8-K

Date

Items Reported

2-15-07

8.01, 9.01

3-5-07

8.01, 9.01

3-7-07

5.02

3-14-07

7.01, 8.01, 9.01

3-19-07

8.01, 9.01

3-29-07

5.02

Exhibits

Copies of the following documents are included as exhibits to this report pursuant to Item 601 of Regulation S-B.

Exhibit	SEC	Title of Document	Location

No.	Ref. No.		
1	31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Attached
3	31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Attached
3	32.1	Certification of the Principal Executive Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*	Attached
4	32.2	Certification of the Principal Financial Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*	Attached

* The Exhibit attached to this Form 10-QSB shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to liability under that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

SIGNATURES

In accordance with the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INNOCOM TECHNOLOGY HOLDINGS, INC.

Date: November 12, 2007

By: */s/ William Yan Sui Hui*

William Yan Sui Hui

Chief Executive Officer

Date: November 12, 2007

By: */s/ EddieWai Hung Cheung*

William Yan Sui Hui

Chief Financial Officer