

INNOCOM TECHNOLOGY HOLDINGS, INC.
Form 10-Q
May 20, 2009

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

FORM 10-Q

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

For the quarter ended March 31, 2009

-OR-

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

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
(State or other jurisdiction of
incorporation or organization)

87-0618756
(I.R.S. Employer Identification No.)

Suite 1501, Bank of East Asia Harbour View Centre, (Zip code)
56 Gloucester Road, Wanchai, Hong Kong, PRC
(Address of principal executive offices)

Issuer's telephone number, including area code: (852) 3102 1602

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

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

Yes No

Edgar Filing: INNOCOM TECHNOLOGY HOLDINGS, INC. - Form 10-Q

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

Yes No

The number of shares outstanding of each of the Registrant’s classes of common stock, as of May 8, 2009 was 37,900,536 shares, all of one class of \$0.001 par value Common Stock.

INNOCOM TECHNOLOGY HOLDINGS, INC.

FORM 10-Q

Quarter Ended March 31, 2009

TABLE OF CONTENTS

PART I— FINANCIAL INFORMATION

| | Page | |
|----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| Item 1 | Financial Statements | |
| | Condensed Consolidated Balance Sheets as of March 31, 2009 (unaudited) and December 31, 2008 (audited) | F-2 |
| | Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income for the Three Months Ended March 31, 2009 and 2008 (unaudited) | F-3 |
| | Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2009 and 2008 (unaudited) | F-4 |
| | Condensed Consolidated Statement of Stockholders' Deficit for the Three Months Ended March 31, 2009 (unaudited) | F-5 |
| | <u>Notes to Condensed Consolidated Financial Statements</u> | F-6 – F-12 |
| Item 2 | Managements Discussion and Analysis of Financial Condition and Results of Operation | 13 |
| Item 3 | Quantitative and Qualitative Disclosures About Market Risk | 16 |
| Item 4T | Controls and Procedures | 16 |
| PART II—OTHER INFORMATION | | |
| Item 1 | Legal Proceedings | 16 |
| Item 1A | Risk Factors | 16 |
| Item 2 | Unregistered Sales of Equity Securities and Use of Proceeds | 17 |
| Item 3 | Defaults Upon Senior Securities | 17 |
| Item 4 | Submission of Matters to a Vote of Security Holders | 17 |
| Item 5 | Other Information | 17 |
| Item 6 | Exhibits | 17 |
| | SIGNATURES | 17 |

SPECIAL NOTE ON FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 2 of Part I of this report include forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance, or

achievements expressed or implied by forward-looking statements.

In some cases, you can identify forward-looking statements by terminology such as "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "proposed," "intended," or "continue" or the negative of these terms or other comparable terminology. You should read statements that contain these words carefully, because they discuss our expectations about our future operating results or our future financial condition or state other "forward-looking" information. There may be events in the future that we are not able to accurately predict or control. Before you invest in our securities, you should be aware that the occurrence of any of the events described in this Annual Report could substantially harm our business, results of operations and financial condition, and that upon the occurrence of any of these events, the trading price of our securities could decline and you could lose all or part of your investment. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, growth rates, levels of activity, performance or achievements. We are under no duty to update any of the forward-looking statements after the date of this Quarterly Report to conform these statements to actual results.

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

| | Page |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Condensed Consolidated <u>Balance</u> Sheets as of March 31, 2009 and December 31, 2008 | F-2 |
| Condensed Consolidated <u>Statements</u> of Operations And Comprehensive Income (Loss) for the three months ended March 31, 2009 and 2008 and for the period from January 19, 2007 (Inception) through March 31, 2009 | F-3 |
| Condensed Consolidated <u>Statements of Cash Flows</u> for the three months ended March 31, 2009 and 2008 and for the period from January 19, 2007 (Inception) through March 31, 2009 | F-4 |
| Condensed Consolidated <u>Statement</u> of Stockholders' Equity (Deficit) for the period from January 19, 2007 (Inception) through March 31, 2009 | F-5 |
| <u>Notes to Condensed Consolidated Financial Statements</u> | F-6 to F-12 |

F-1

INNOCOM TECHNOLOGY HOLDINGS, INC.
(A Development Stage Company)
CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2009 AND DECEMBER 31, 2008
(Currency expressed in United States Dollars (“US\$”), except for number of shares)

| | March 31, 2009 (Unaudited) | December 31, 2008 (Audited) |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|-----------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 8,703 | \$ 11,553 |
| Prepayments and other receivables | 72,828 | 72,869 |
| Total current assets | 81,531 | 84,422 |
| Non-current assets: | | |
| Intangible assets, net | - | - |
| Land use right, net | - | - |
| Property, plant and equipment, net | 736,186 | 737,859 |
| TOTAL ASSETS | \$ 817,717 | \$ 822,281 |
| LIABILITIES AND STOCKHOLDERS’ DEFICIT | | |
| Current liabilities: | | |
| Accounts payable | \$ 80,595 | \$ 80,692 |
| Amount due to a related party | 4,249,797 | 4,152,410 |
| Other payables and accrued liabilities | 219,329 | 210,866 |
| Total current liabilities | 4,549,721 | 4,443,968 |
| Commitments and contingencies | | |
| Stockholders’ deficit: | | |
| Common stock, \$0.001 par value; 50,000,000 shares authorized; 37,898,251 shares and 37,898,251 shares issued and outstanding as of March 31, 2009 and December 31, 2008 | 37,898 | 37,898 |
| Additional paid-in capital | 6,901,232 | 6,901,232 |
| Accumulated other comprehensive income | 537,719 | 532,248 |
| Retained earnings | 5,351,825 | 5,351,825 |
| Deficit accumulated during the development stage | (16,560,678) | (16,444,890) |
| Total stockholders’ deficit | (3,732,004) | (3,621,687) |
| TOTAL LIABILITIES AND STOCKHOLDERS’ DEFICIT | \$ 817,717 | \$ 822,281 |

See accompanying notes to condensed consolidated financial statements.

INNOCOM TECHNOLOGY HOLDINGS, INC.
(A Development Stage Company)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME (LOSS)
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008 AND
FOR THE PERIOD FROM JANUARY 19, 2007 (INCEPTION) THROUGH MARCH 31, 2009
(Currency expressed in United States Dollars (“US\$”), except for number of shares)
(Unaudited)

| | Three months ended March 31, | | Period from January 19, 2007 (Inception) through March 31, 2009 |
|----------------------------------------------------|---------------------------------|--------------------|--------------------------------------------------------------------------------|
| | 2009 | 2008 | 2009 |
| Revenues, net | \$ - | \$ - | \$ - |
| Cost of revenue | - | - | - |
| Gross profit | - | - | - |
| Operating expenses: | | | |
| Impairment loss on long-lived assets | - | - | 14,481,991 |
| General and administrative | 115,788 | 137,066 | 1,857,248 |
| Total operating expenses | 115,788 | 137,066 | 16,339,239 |
| LOSS FROM OPERATIONS | (115,788) | (137,066) | (16,339,239) |
| Other income (expense): | | | |
| Interest expense | - | - | (240,497) |
| Interest income | - | - | 20,727 |
| Loss on disposal of plant and equipment | - | - | (1,669) |
| LOSS BEFORE INCOME TAXES | (115,788) | (137,066) | (16,560,678) |
| Income tax expense | - | - | - |
| LOSS FROM CONTINUING OPERATIONS, NET OF TAX | (115,788) | (137,066) | (16,560,678) |
| Discontinued operations, net of tax | - | 122,028 | 401,190 |
| NET LOSS | \$ (115,788) | \$ (15,038) | \$ (16,159,488) |
| Other comprehensive income: | | | |
| Foreign currency translation gain | 5,471 | 34,458 | 357,300 |
| COMPREHENSIVE (LOSS) INCOME | \$ (110,317) | \$ 19,420 | \$ (15,802,188) |
| | \$ (0.00) | \$ (0.00) | \$ (0.44) |

| | | | | |
|-------------------------------------------------------------------|----|------------|----|------------|
| Loss from continuing operations per share - Basic and diluted | | | | |
| Income from discontinued operations per share - Basic and diluted | \$ | - | \$ | 0.00 \$ |
| Net loss per share – Basic and diluted | \$ | (0.00) | \$ | (0.00) \$ |
| Weighted average shares outstanding – basic and diluted | | 37,898,251 | | 37,898,251 |

See accompanying notes to condensed consolidated financial statements.

F-3

INNOCOM TECHNOLOGY HOLDINGS, INC.
(A Development Stage Company)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008 AND
FOR THE PERIOD FROM JANUARY 19, 2007 (INCEPTION) THROUGH MARCH 31, 2009
(Currency expressed in United States Dollars (“US\$”))
(Unaudited)

| | 2009 | Three months ended March 31, 2008 | Period from January 19, 2007 Inception) through March 31, 2009 |
|----------------------------------------------------------------------------------------------------|--------------|-----------------------------------------|----------------------------------------------------------------------------|
| Cash flows from operating activities: | | | |
| Loss from continuing operations | \$ (115,788) | \$ (137,066) | \$ (16,560,678) |
| Adjustments to reconcile loss from continuing operations to net cash used in operating activities: | | | |
| Depreciation | 788 | 417 | 4,350 |
| Amortization of intangible assets | - | 148,671 | 598,562 |
| Impairment of long-lived assets | - | - | 14,481,991 |
| Write-off of obsolete inventories | - | - | 87,299 |
| Loss on disposal of plant and equipment | - | - | 1,669 |
| Change in operating assets and liabilities: | | | |
| Inventories | - | - | (87,299) |
| Prepayments and other receivables | - | (93,739) | (46,233) |
| Accounts payable, trade | - | - | 80,692 |
| Other payables and accrued liabilities | 8,463 | (400,780) | 21,632 |
| Net cash used in operating activities | (106,537) | (482,497) | (1,418,015) |
| Net cash provided by discontinued operations | - | 400,780 | 401,190 |
| Cash flows from investing activities: | | | |
| Purchase of intangible assets | - | - | (5,960,775) |
| Payment for property, plant and equipment | - | - | (8,896,299) |
| Net cash used in investing activities | - | - | (14,857,074) |
| Net cash provided by discontinued operations | - | - | (2,382) |
| Cash flows from financing activities: | | | |
| Advances from a related party | 97,387 | 87,156 | 15,346,129 |
| Repayment of short term borrowing | - | - | (6,080,032) |
| Proceeds from short-term loan | - | - | 6,080,032 |
| Net cash provided by financing activities | 97,387 | 87,156 | 15,346,129 |
| Effect of exchange rate changes on cash and cash equivalents | 6,300 | 19 | 538,855 |
| Net change in cash and cash equivalents | (2,850) | 5,458 | 8,703 |

| | | | |
|----------------------------------------------------------|----------|----------|------------|
| BEGINNING OF PERIOD | 11,553 | 3,597 | - |
| END OF PERIOD | \$ 8,703 | \$ 9,055 | \$ 8,703 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | | |
| Cash paid for income taxes | \$ - | \$ - | \$ - |
| Cash paid for interest | \$ - | \$ - | \$ 240,497 |

See accompanying notes to condensed consolidated financial statements.

F-4

INNOCOM TECHNOLOGY HOLDINGS, INC.
(A Development Stage Company)
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE PERIOD FROM JANUARY 19, 2007 (INCEPTION) THROUGH MARCH 31, 2009
(Currency expressed in United States Dollars ("US\$"), except for number of shares)
(Unaudited)

| | Common stock | | Additional paid-in capital | Accumulated other comprehensive income (loss) | Retained earnings | Deficit accumulated during development stage | Total stockholders' equity (deficit) |
|--------------------------------------------|---------------|-----------|----------------------------|-----------------------------------------------|-------------------|----------------------------------------------|--------------------------------------|
| | No. of shares | Amount | capital | income | earnings | stage | (deficit) |
| Balance as of January 19, 2007 (Inception) | 37,898,251 | \$ 37,898 | \$ 6,901,232 | \$ 180,418 | \$ 8,585,184 | \$ - | \$ 15,704,732 |
| Net loss for the year | - | - | - | - | (3,634,549) | - | (3,634,549) |
| Foreign currency translation adjustment | - | - | - | (8,766) | - | - | (8,766) |
| Balance as of December 31, 2007 | 37,898,251 | 37,898 | 6,901,232 | 171,652 | 4,950,635 | - | 12,061,417 |
| Net income (loss) for the year | - | - | - | - | 401,190 | (16,444,890) | (16,043,700) |
| Foreign currency translation adjustment | - | - | - | 360,596 | - | - | 360,596 |
| Balance as of December 31, 2008 | 37,898,251 | 37,898 | 6,901,232 | 532,248 | 5,351,825 | (16,444,890) | (3,621,687) |
| Net loss for the period | - | - | - | - | - | (115,788) | (115,788) |
| Foreign currency translation adjustment | - | - | - | 5,471 | - | - | 5,471 |
| Balance as of March 31, 2009 | 37,898,251 | \$ 37,898 | \$ 6,901,232 | \$ 537,719 | \$ 5,351,825 | \$ (16,560,678) | \$ (3,732,004) |

See accompanying notes to condensed consolidated financial statements.

F-5

INNOCOM TECHNOLOGY HOLDINGS, INC.

(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008 AND FOR THE PERIOD FROM JANUARY 19, 2007 (INCEPTION) THROUGH MARCH 31, 2009

(Currency expressed in United States Dollars (“US\$”))

(Unaudited)

NOTE 1 BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared by management in accordance with both accounting principles generally accepted in the United States (“GAAP”), and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Certain information and note disclosures normally included in audited financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading.

In the opinion of management, the consolidated balance sheet as of December 31, 2008 which has been derived from audited financial statements and these unaudited condensed consolidated financial statements reflect all normal and recurring adjustments considered necessary to state fairly the results for the periods presented. The results for the period ended March 31, 2009 are not necessarily indicative of the results to be expected for the entire fiscal year ending December 31, 2009 or for any future period.

These unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with the Management’s Discussion and the audited financial statements and notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2008.

NOTE 2 ORGANIZATION AND BUSINESS BACKGROUND

Innocom Technology Holdings, Inc. (the “Company” or “INCM”) was incorporated in the State of Nevada on June 26, 1998. On June 20, 2006, the Company changed its name from “Dolphin Productions, Inc.” to “Innocom Technology Holdings, Inc.”

The Company, through its subsidiaries, is principally engaged in trading and manufacture of mobile phone handsets and components in Hong Kong and the People’s Republic of China (“the PRC”).

In February, the Company has temporarily ceased its planned principal operation in the manufacturing facility in Changzhou City, Zhejiang Province, the PRC. Starting from the fourth quarter 2008, global economic conditions have deteriorated significantly across the countries and the demand for communication products and components was adversely slowed down. During such challenging economic times, the Company temporarily discontinued operation in the manufacture of mobile communication products and components in the PRC. The Company intends to continue to operate the manufacturing facility depending upon the market recovery condition and demands from the customers.

INCM and its subsidiaries are hereinafter referred to as (the “Company”).

NOTE 3 GOING CONCERN UNCERTAINTIES

These condensed consolidated financial statements have been prepared assuming that Company will continue as a going concern, which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future. The accompanying condensed consolidated financial statements do not reflect any

adjustments that might result if the Company is unable to continue as a going concern. The Company does not generate significant revenue, and has negative cash flows from operations, which raise substantial doubt about the Company's ability to continue as a going concern.

F-6

INNOCOM TECHNOLOGY HOLDINGS, INC.

(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008 AND FOR THE PERIOD FROM JANUARY 19, 2007 (INCEPTION) THROUGH MARCH 31, 2009

(Currency expressed in United States Dollars ("US\$"))

(Unaudited)

The continuation of the Company is dependent upon the continuing financial support from its shareholders throughout March 31, 2009. Management believes this funding will continue, and is also actively seeking new investors. Management believes the existing shareholders will provide the additional cash to meet the Company's obligations as they become due, and will allow its planned principal business to commence and assembly the production lines of mobile handsets and components in the PRC.

NOTE 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- Use of estimates

In preparing these condensed 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 periods reported. Actual results may differ from these estimates.

- Basis of consolidation

The condensed consolidated financial statements include the financial statements of INCM and its subsidiaries.

All significant inter-company balances and transactions within the Company have been eliminated upon consolidation.

- Development stage company

The Company has no substantive operations as of March 31, 2009 and the historical operations of the Company relating to its planned manufacturing facility in the PRC are presented for the period from January 19, 2007 (date of inception). The Company is considered as a development stage company in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 7, "Accounting and Reporting by Development Stage Enterprises".

- Revenue recognition

The Company will recognize its revenue in accordance with the Staff Accounting Bulletin No. 104, "Revenue Recognition in Financial Statements" ("SAB 104"). Revenue will be recognized upon shipment, provided that evidence of an arrangement exists, title and risk of loss have passed to the customer, fees are fixed or determinable and collection of the related receivable is reasonably assured. Revenue will be recorded net of taxes and estimated product returns, which is based upon the Company's return policy, sales agreements, management estimates of potential future product returns related to current period revenue, current economic trends, changes in customer composition and historical experience. To date, the Company has had no revenues and is in the development stage.

- 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.

- Intangible assets

Intangible assets include trademarks of mobile phone handsets purchased from a third party. In accordance with Statement of Financial Accounting Standards (“SFAS”) No. 142, “Goodwill and Other Intangible Assets” (“SFAS No. 142”), intangible assets with finite useful lives related to developed technology, customer lists, trade names and other intangibles are being amortized on a straight-line basis over the estimated useful life of the related asset.

F-7

INNOCOM TECHNOLOGY HOLDINGS, INC.

(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008 AND FOR THE PERIOD FROM JANUARY 19, 2007 (INCEPTION) THROUGH MARCH 31, 2009

(Currency expressed in United States Dollars (“US\$”))

(Unaudited)

Trademarks are carried at cost less accumulated amortization and impairment loss, are amortized on a straight-line basis over their estimated useful lives of 10 years beginning at the time the related trademarks are granted. They will be used in the planned assembly line for mobile phone communication products and components in the PRC and subject to amortization when they are in operational use.

No provision for amortization is made until such time as trademarks are put into operational use.

- Land use right

All lands in the People’s Republic of China (the “PRC”) are owned by the PRC government. The government in the PRC, according to the relevant PRC law, may sell the right to use the land for a specified period of time. Thus, all of the Company’s land purchases in the PRC are considered to be leasehold land and are stated at cost less accumulated amortization and any recognized impairment loss. Amortization is provided over the term of the land use right agreements on a straight-line basis, which is 45 years and they will expire in 2054.

No provision for amortization is made until such time as the relevant assets are put into operational use.

- Plant and equipment, net

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on the straight-line basis (after taking into account their respective estimated residual values) over the following expected useful lives from the date on which they become fully operational:

| | Depreciable life | Residual value |
|------------------------------------------|------------------|----------------|
| Plant and machinery | 5-10 years | 5% |
| Furniture, fixtures and office equipment | 5 years | 5% |

Expenditure for repairs and maintenance is expensed as incurred. When assets have retired or sold, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the results of operations.

- Valuation of long-lived assets

Long-lived assets primarily include plant and equipment, land use right and intangible assets. In accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”, the Company periodically reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives are no longer appropriate. Each impairment test is based on a comparison of the undiscounted cash flows to the recorded value of the asset. If an impairment is indicated, the asset is written down to its estimated fair value based on a discounted cash flow analysis. Determining the fair value of long-lived assets includes significant judgment by management, and different judgments could yield different results. There has been no impairment as of March 31, 2009.

- Comprehensive (loss) income

SFAS No. 130, "Reporting Comprehensive Income", establishes standards for reporting and display of comprehensive income, its components and accumulated balances. Comprehensive income as defined includes all changes in equity during a period from non-owner sources. Accumulated comprehensive income, as presented in the accompanying consolidated statements of stockholders' equity consists of changes in unrealized gains and losses on foreign currency translation. This comprehensive income is not included in the computation of income tax expense or benefit.

F-8

INNOCOM TECHNOLOGY HOLDINGS, INC.

(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008 AND FOR THE PERIOD FROM JANUARY
19, 2007 (INCEPTION) THROUGH MARCH 31, 2009

(Currency expressed in United States Dollars ("US\$"))

(Unaudited)

- Income taxes

The Company accounts for income tax using SFAS No. 109 "Accounting for Income Taxes", which requires the asset and liability approach for financial accounting and reporting for income taxes. Under this approach, deferred income taxes are provided for the estimated future tax effects attributable to temporary differences between financial statement carrying amounts of assets and liabilities and their respective tax bases, and for the expected future tax benefits from loss carry-forwards and provisions, if any. Deferred tax assets and liabilities are measured using the enacted tax rates expected in the years of recovery or reversal and the effect from a change in tax rates is recognized in the consolidated statement of operations and comprehensive income in the period of enactment. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion of, or all of the deferred tax assets will not be realized.

The Company adopts Financial Accounting Standards Board ("FASB") Interpretation No. (FIN) 48, "Accounting for Uncertainty in Income Taxes" and FSP FIN 48-1, which amended certain provisions of FIN 48. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 requires that the Company determine whether the benefits of the Company's tax positions are more likely than not of being sustained upon audit based on the technical merits of the tax position. The provisions of FIN 48 also provide guidance on de-recognition, classification, interest and penalties, accounting in interim periods and disclosure.

In connection with the adoption of FIN 48, the Company also adopted the policy of recognizing interest and penalties, if any, related to unrecognized tax positions as income tax expense. The Company did not have any unrecognized tax positions or benefits and there was no effect on the financial condition or results of operations for the period ended March 31, 2009. The Company's tax returns remain open subject to examination by major tax jurisdictions.

- Net (loss) income per share

The Company calculates net (loss) income per share in accordance with SFAS No. 128, "Earnings per Share". Basic (loss) income per share is computed by dividing the net (loss) income by the weighted-average number of common shares outstanding during the period. Diluted (loss) income per share is computed similar to basic (loss) 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 stock equivalents had been issued and if the additional common shares were dilutive.

- Foreign currencies translation

Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency using the applicable exchange rates at the balance sheet dates. The resulting exchange differences are recorded in the statement of operations.

INNOCOM TECHNOLOGY HOLDINGS, INC.

(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008 AND FOR THE PERIOD FROM JANUARY 19, 2007 (INCEPTION) THROUGH MARCH 31, 2009

(Currency expressed in United States Dollars ("US\$"))

(Unaudited)

The reporting currency of the Company is the United States dollar ("US\$"). The Company's subsidiaries operating in Hong Kong maintained their books and records in its local currency, Hong Kong Dollars ("HK\$"), which are functional currencies as being the primary currency of the economic environment in which these entities operate.

In general, assets and liabilities are translated into US\$, in accordance with SFAS No. 52, "Foreign Currency Translation", using the exchange rate on the balance sheet date. Revenues and expenses are translated at average rates prevailing during the period. The gains and losses resulting from translation of financial statements of foreign subsidiaries are recorded as a separate component of accumulated other comprehensive income within the statement of stockholders' equity.

Translation of amounts from HK\$ into US\$ has been made at the following exchange rates for the respective period:

| | Three months ended | |
|-----------------------------------------|--------------------|--------|
| | March 31, | |
| | 2009 | 2008 |
| Period end RMB:US\$ exchange rate | 6.8293 | 7.0222 |
| Average monthly RMB:US\$ exchange rate | 6.8252 | 7.1800 |
| Period end HK\$:US\$ exchange rate | 7.7505 | 7.7827 |
| Average monthly HK\$:US\$ exchange rate | 7.7547 | 7.7954 |

- Related parties

Parties, which can be a corporation or individual, are considered to be related if the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Companies are also considered to be related if they are subject to common control or common significant influence.

- Fair value of financial instruments

The Company values its financial instruments as required by SFAS No. 107, "Disclosures about Fair Value of Financial Instruments". The estimated fair value amounts have been determined by the Company, using available market information and appropriate valuation methodologies. The estimates presented herein are not necessarily indicative of amounts that the Company could realize in a current market exchange.

The Company's financial instruments primarily consist of cash and cash equivalents, prepaid expenses and other receivable, amount due to a related party, other payables and accrued liabilities.

As of the balance sheet dates, the estimated fair values of the financial instruments were not materially different from their carrying values as presented due to the short term maturities of these instruments and that the interest rates on the borrowings approximate those that would have been available for loans of similar remaining maturity and risk profile at respective period ends.

- Recent accounting pronouncements

The Company has reviewed all recently issued, but not yet effective, accounting pronouncements and does not believe the future adoption of any such pronouncements may be expected to cause a material impact on its financial condition or the results of its operations.

In December 2007, the FASB issued a revision to SFAS No. 141, "Business Combinations" ("SFAS No. 141(R)"). SFAS No. 141(R) revises the accounting for business combinations. Under SFAS No. 141(R), an acquiring entity will be required to recognize the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. Specifically, SFAS No. 141(R) will change the accounting for acquisition costs, noncontrolling interests, acquired contingent liabilities, restructuring costs associated with a combination and certain tax-related items, as well as require additional disclosures. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company is required to apply SFAS No. 141(R) to any acquisitions in 2009 or thereafter.

F-10

INNOCOM TECHNOLOGY HOLDINGS, INC.

(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008 AND FOR THE PERIOD FROM JANUARY 19, 2007 (INCEPTION) THROUGH MARCH 31, 2009

(Currency expressed in United States Dollars (“US\$”))

(Unaudited)

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51” (“SFAS No. 160”). SFAS No. 160 establishes accounting and reporting standards for noncontrolling interests in subsidiaries. This statement requires the reporting of all noncontrolling interests as a separate component of stockholders’ equity, the reporting of consolidated net income (loss) as the amount attributable to both the parent and the noncontrolling interests and the separate disclosure of net income (loss) attributable to the parent and to the noncontrolling interests. In addition, this statement provides accounting and reporting guidance related to changes in noncontrolling ownership interests. Other than the reporting requirements described above which require retrospective application, the provisions of SFAS No. 160 are to be applied prospectively in the first annual reporting period beginning on or after December 15, 2008. The Company’s adoption of SFAS No. 160 on January 1, 2009 did not have an impact on its consolidated results of operations or financial position.

In December 2008, the FASB issues Staff Position (“FSP”) No. 140-4 and FIN 46(R)-8, “Disclosures by Public Entities about Transfers of Financial Assets and Interests in Variable Interest Entities”. The purpose of this FSP is to promptly increase disclosures by public entities and enterprises until the pending amendments to SFAS No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities”, (“SFAS No. 140”) and FASB Interpretation No. 46 (revised December 2003), “Consolidation of Variable Interest Entities”, (“FIN 46(R)”) are finalized and approved by the FASB. The FSP is effective for reporting periods (interim and annual) ending after December 15, 2008. This adoption did not have any impact on the consolidated financial statements.

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

NOTE 5 DISCONTINUED OPERATIONS

Starting from the fourth quarter of 2008, global economic conditions have deteriorated significantly across the countries and the demand for communication products and components was adversely slowed down. The Company has also discontinued its trading business in the mobile communication products and components in Hong Kong since the customers no longer demanded for sales orders during the first quarter of 2009.

INNOCOM TECHNOLOGY HOLDINGS, INC.

(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008 AND FOR THE PERIOD FROM JANUARY 19, 2007 (INCEPTION) THROUGH MARCH 31, 2009

(Currency expressed in United States Dollars ("US\$"))

(Unaudited)

NOTE 6 AMOUNT DUE TO A RELATED PARTY

As of March 31, 2009, a balance of \$4,249,797 due to a director and a major shareholder of the Company, Mr. William Hui, represented temporary advance to the Company which was unsecured, interest-free and has no fixed repayment term.

NOTE 7 INCOME TAXES

The Company operates in various countries: United States, British Virgin Island, Hong Kong and the PRC that are subject to tax in the jurisdictions in which they operate, as follows:

United States of America

The Company is registered in the State of Nevada and is subject to United States current tax law.

British Virgin Island

Under the current BVI law, the Company is not subject to tax on income.

Hong Kong

For the three months ended March 31, 2009 and 2008 and for the period from January 19, 2007 (Inception) through March 31, 2009, no provision for Hong Kong Profits Tax is provided for as the Company's income neither arises in, nor is derived from Hong Kong under its tax law.

The PRC

The Company's subsidiary, CICTL is subject to the unified income rate of 25% on the taxable income. For the three months ended March 31, 2009 and 2008 and for the period from January 19, 2007 (Inception) through March 31, 2009, CICTL generated net operating losses and accordingly, no provision for income tax has been recorded.

NOTE 8 COMMITMENTS AND CONTINGENCIES

(a) Operating lease commitment

The Company leases an office premise under a non-cancelable operating lease for a term of 2 years due June 15, 2010. Costs incurred under this operating lease are recorded as rent expense and totaled approximately \$32,954, \$26,169 and \$261,029 for the three months ended March 31, 2009 and 2008, and the period from January 1, 2007 (Inception) through March 31, 2009.

Period ending March 31,

| | |
|------|------------|
| 2009 | \$ 131,889 |
|------|------------|

| | |
|-------|------------|
| 2010 | 27,477 |
| Total | \$ 159,366 |
| F-12 | |

ITEM 2. MANagements DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION OR PLAN OF OPERATION

The following review concerns three months ended March 31, 2009 and March 31, 2008, which should be read in conjunction with the financial statements and notes thereto presented in the Form 10-K.

Forward Looking Statements

The information in this discussion contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements involve risks and uncertainties, including statements regarding our capital needs, business strategy and expectations. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expect", "plan", "intend", "anticipate", "believe", "estimate", "predict", "potential" or "continue", the negative of such terms or other comparable terminology. Actual events or results may differ materially. We disclaim any obligation to publicly update these statements, or disclose any difference between its actual results and those reflected in these statements. The information constitutes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

History

Innocom Technology Holdings, Inc. (the "Company" or "INCM") was incorporated in the State of Nevada on June 26, 1998.

On June 20, 2006, the Company changed its name from "Dolphin Productions, Inc." to "Innocom Technology Holdings, Inc."

On January 19, 2007, Changzhou Innocom Communication Technology Limited is incorporated and registered in the People's Republic of China ("the PRC").

On May 16, 2007, the Company purchased a 10 years mobile phone manufacturing license in a consideration of RMB45 million (approximately \$5,770,000) and annual license fee of RMB500,000 (approximately \$64,000).

On May 8, 2008, the Company completed the establishment of a new subsidiary, Changzhou Innocom Communication Technology Limited in the PRC upon the approval of its local government.

Overview and Future Plan of Operations

In February 2009, the Company determined to have a temporary closure in the manufacturing facility in Changzhou City, Zhejiang Province, the PRC. Starting from the fourth quarter 2008, global economic conditions have deteriorated significantly across the countries and the demand for communication products and components was adversely slowed down. During such challenging economic times, the Company temporarily discontinued operation in the manufacture of mobile communication products and components in the PRC. However, the Company did not intend to dispose by sale and may continue to operate the manufacturing facility depending upon the market recovery condition in the next 12 months.

Results of Operations for Three Months ended March 31, 2009 and March 31, 2008

During the three months ended March 31, 2009, we experienced a net loss of \$115,788 compared to a net loss of \$15,038 for three months ended March 31, 2008. The loss is attributable to the significant deteriorated environment and the challenging economic crisis of the period.

Revenue

As a result of temporary discontinue of business and operation in the manufacture of mobile communication products and components in the PRC, the revenue recorded zero during both three months ended March 31, 2009 and March 31, 2008.

Cost of Sales

As a result of temporary discontinue of business and operation in the manufacture of mobile communication products and components in the PRC, the cost of sale recorded zero during both three months ended March 31, 2009 and March 31, 2008.

Administrative Expenses

Administrative expenses mainly included office rental charges, salaries and professional fee.

Below table sets out the components of non-cash items:

| | Three Months ended March 31, | |
|-----------------------------------|---------------------------------|------------|
| | 2009 | 2008 |
| Depreciation | \$ 788 | \$ 417 |
| Amortization of intangible assets | - | 148,671 |
| | \$ 788 | \$ 149,088 |

The depreciation policy adopted in for the fiscal year 2009 was consistent with that adopted in 2008.

Other Income

No other income occurred for both three months period ended March 31, 2009 and March 31, 2008.

Net Loss

Net loss for the three months ended March 31, 2009 was \$115,788 compared to net loss of \$15,038 for the three months ended March 31, 2008. Loss of both periods and the increase of loss for the three months ended March 31, 2009 is attributable to the significant deteriorated environment and the challenging economic crisis of the periods.

Trends, Events, and Uncertainties

On May 8, 2008, we have completed the establishment of a new subsidiary, Changzhou Innocom Communication Technology Limited in Changzhou, Jiangsu Province, China upon the approval of its local government. Trial assembling of mobile phones has been completed. We will assemble mobile phones under the purchased trade mark namely "Tsinghua Unisplendour" and other mobile phone components on OEM basis. On August 13, 2008, this subsidiary has entered into an annual assembling service agreement for a brand-name mobile phone manufacturer on OEM basis. We expect to start assembling service in first quarter of 2009.

However, starting from the fourth quarter 2008, global economic conditions have deteriorated significantly across the countries and the demand for communication products and components was adversely slowed down. During challenging economic times, the Company determined to temporarily discontinue operation in the manufacture of mobile communication products and components in February 2009.

Liquidity and Capital Resources for Three Months Ended March 31, 2009 and 2008

Cash flows from operating activities – continuing operation

We experienced negative cash flows used in operations in the amount of \$106,537 for three months ended March 31, 2009 as compared with negative cash flow used in the operations in the amount of \$482,497 and positive cash flow generated from discontinued operation in the amounts of \$400,780 for three months ended March 31, 2008.

Cash flows from investing activities – continuing operations

During three months ended March 31, 2009, there are no investment activities.

Cash flows from financing activities – continuing operations

We experienced positive cash flow advanced from a related party in the amount of \$97,387 and \$87,156 for the three months ended March 31, 2009 and 2008.

Liquidity

On a long-term basis, our liquidity will be dependent on establishing profitable operations, receipt of revenues, additional infusions of capital and additional financing. If necessary, we may raise capital through an equity or debt offering. The funds raised from this offering will be used to develop and execute our business plan. However, there can be no assurance that we will be able to obtain additional equity or debt financing in the future, if at all. If we are unable to raise additional capital, our growth potential will be adversely affected. Additionally, we will have to significantly modify our plans.

Critical Accounting Policies

The financial statements are prepared in accordance with accounting principles generally accepted in the U.S., which requires us to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying financial statements and related footnotes. In preparing these financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. We do not believe there is a great likelihood that materially different amounts would be reported related to the accounting policies described below. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates.

Details of critical accounting policies are set out in notes to the financial statements included in Item 1.

Employees

As of March 31, 2009, we had approximately 5 full-time employees employed in Hong Kong. From time to time we employ independent contractors to support our production, engineering, marketing, and sales departments.

Website Access to our SEC Reports

Our Internet website address is www.innocomtechnology.com. Through our Internet website, we will make available, free of charge, the following reports as soon as reasonably practicable after electronically filing them with, or furnishing them to, the SEC: our Annual Reports on Form 10-K; our Quarterly Reports on Form 10-Q; our Current Reports on Form 8-K; and amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities

Exchange Act of 1934, as amended (the "Exchange Act"). Our Proxy Statements for our Annual Stockholder Meetings are also available through our Internet website. Our Internet website and the information contained therein or connected thereto are not intended to be incorporated into this Annual Report on Form 10-K.

You may also obtain copies of our reports without charge by writing to:

Attn: Investor Relations
Suite 1501, Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong, PRC

The public may also read and copy any materials filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549, or through the SEC website at www.sec.gov. The Public Reference Room may be contact at (800) SEC-0330. You may also access our other reports via that link to the SEC website.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Foreign Exchange Risk

While our reporting currency is the U.S. Dollar, all of our consolidated revenues and consolidated costs and expenses are denominated in Renminbi. All of our assets are denominated in RMB except for cash. As a result, we are exposed to foreign exchange risk as our revenues and results of operations may be affected by fluctuations in the exchange rate between U.S. Dollars and RMB. If the RMB depreciates against the U.S. Dollar, the value of our RMB revenues, earnings and assets as expressed in our U.S. Dollar financial statements will decline. We have not entered into any hedging transactions in an effort to reduce our exposure to foreign exchange risk.

Inflation

Inflationary factors such as increases in the cost of our product and overhead costs may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of gross margin and selling, general and administrative expenses as a percentage of net revenues if the selling prices of our products do not increase with these increased costs.

ITEM 4T. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures.

Based on an evaluation under the supervision and with the participation of management, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures as defined in Section 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act") were effective as of March 31, 2008 to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2008, which were identified in connection with management's evaluation required by paragraph (d) of rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not involved in any material pending legal proceedings at this time, and management is not aware of any contemplated proceeding by any governmental authority.

ITEM 1A. RISK FACTORS

N/A

16

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

INDEX TO EXHIBITS
OF
INNOCOM TECHNOLOGY HOLDINGS, INC.

- 31.1 Rule 13a-14 (a)/15d-14 (a) Certification of Chief Executive Officer
- 31.2 Rule 13a-14 (a)/15d-14 (a) Certification of Chief Financial Officer
- 32.1 Section 1350 Certification of Chief Executive Officer
- 32.2 Section 1350 Certification of Chief Financial Officer

SIGNATURES

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

INNOCOM TECHNOLOGY HOLDINGS, INC.

Dated: May 20, 2009

/s/ William Yan Sui Hui
William Yan Sui Hui, Chief Executive Officer
(Principal executive officer)

Dated: May 20, 2009

/s/ Cheung Wai Hung, Eddie
Cheung Wai Hung, Eddie, Chief Financial Officer
(Principal financial officer)

