

INNOCOM TECHNOLOGY HOLDINGS, INC.  
Form 10-Q  
November 15, 2010

**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 September 30, 2010**

**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 901, Sun Hung Kai Centre, 30**  
**Harbour Road, Wanchai, Hong Kong, PRC**

(Zip code)

(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  .

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 November 15, 2010 was 37,898,251 shares, all of one class of \$0.001 par value Common Stock.

**INNOCOM TECHNOLOGY HOLDINGS, INC.**

**FORM 10-Q**

**Quarter Ended September 30, 2010**

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**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**

**INNOCOM TECHNOLOGY HOLDINGS, INC.**

**(A Development Stage Company)**

**INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

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## INNOCOM TECHNOLOGY HOLDINGS, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

AS OF SEPTEMBER 30, 2010 AND DECEMBER 31, 2009

(Currency expressed in United States Dollars ( US\$ ), except for number of shares)

	September 30, 2010 (Unaudited)	December 31, 2009 (Audited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 21,954	\$ 7,548
Prepayments and other receivables	55,892	72,850
Total current assets	77,846	80,398
Non-current assets:		
Property, plant and equipment, net	752,232	734,738
<b>TOTAL ASSETS</b>	<b>\$ 830,078</b>	<b>\$ 815,136</b>
<b>LIABILITIES AND STOCKHOLDERS DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 80,696	\$ 80,696
Amount due to a related party	4,720,180	4,448,351
Other payables and accrued liabilities	222,314	262,909
Total liabilities	5,023,190	4,791,956
Commitments and contingencies		
Stockholders' deficit:		
Common stock, \$0.001 par value; 50,000,000 shares authorized; 37,898,251 shares issued and outstanding as of September 30, 2010 and December 31, 2009	37,898	37,898
Additional paid-in capital	6,901,232	6,901,232
Accumulated other comprehensive income	499,722	531,230
Accumulated deficit	(11,631,964)	(11,447,180)
Total stockholders' deficit	(4,193,112)	(3,976,820)
<b>TOTAL LIABILITIES AND STOCKHOLDERS DEFICIT</b>	<b>\$ 830,078</b>	<b>\$ 815,136</b>



See accompanying notes to condensed consolidated financial statements.

## INNOCOM TECHNOLOGY HOLDINGS, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

## AND COMPREHENSIVE LOSS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

(Currency expressed in United States Dollars ( US\$ ), except for number of shares)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
<b>Revenues, net</b>	\$ -	\$ -	\$ -	\$ -
<b>Cost of revenue</b>	-	-	-	-
<b>Gross profit</b>	-	-	-	-
<b>Operating expenses:</b>				
General and administrative	68,817	91,470	184,923	265,257
Total operating expenses	68,817	91,470	184,923	265,257
<b>LOSS FROM OPERATIONS</b>	(68,817)	(91,470)	(184,923)	(265,257)
Other income:				
Sundry income	139	-	139	-
<b>LOSS BEFORE INCOME TAX</b>	(68,678)	(91,470)	(184,784)	(265,257)
Income tax expense	-	-	-	-
<b>NET LOSS</b>	\$ (68,678)	\$ (91,470)	\$ (184,784)	\$ (265,257)
Other comprehensive (loss) income:				
- Foreign currency translation (loss) gain	(5,293)	(5,380)	(31,508)	96
<b>COMPREHENSIVE LOSS</b>	\$ (73,971)	\$ (96,850)	\$ (216,292)	\$ (265,161)
Net loss per share Basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
	37,898,251	37,898,251	37,898,251	37,898,251

Weighted average common  
stock outstanding Basic and  
diluted

See accompanying notes to condensed consolidated financial statements.

## INNOCOM TECHNOLOGY HOLDINGS, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

## FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

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

(Unaudited)

	Nine months ended September 30,	
	2010	2009
<b>Cash flows from operating activities:</b>		
Net loss	\$ (184,784)	\$ (265,257)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	2,883	2,365
Change in operating assets and liabilities:		
Prepayments and other receivables	16,958	-
Other payables and accrued liabilities	(40,595)	(35,193)
Net cash used in operating activities	(205,538)	(298,085)
<b>Cash flows from investing activities:</b>		
Acquisition of plant and equipment	(5,135)	-
Net cash used in investing activities	(5,135)	-
<b>Cash flows from financing activities:</b>		
Advances from a related party	271,829	289,144
Net cash provided by financing activities	271,829	289,144
Effect of exchange rate changes on cash and cash equivalents	(46,750)	128
Net change in cash and cash equivalents	14,406	(8,813)
<b>CASH AND CASH EQUIVALENT, BEGINNING OF PERIOD</b>	7,548	11,553
<b>CASH AND CASH EQUIVALENT, END OF PERIOD</b>	\$ 21,954	\$ 2,740

## SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

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Cash paid for income taxes	\$	-	\$	-
Cash paid for interest	\$	-	\$	-

See accompanying notes to condensed consolidated financial statements.

**INNOCOM TECHNOLOGY HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS DEFICIT**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010**  
**(Currency expressed in United States Dollars ( US\$ ), except for number of shares)**  
**(Unaudited)**

	Common stock		Additional paid-in capital	Accumulated other comprehensive income		Accumulated deficit	Total stockholders deficit
	No. of shares	Amount					
Balance as of January 1, 2010	37,898,251	\$ 37,898	\$ 6,901,232	\$ 531,230	(11,447,180)	\$ (3,976,820)	
Net loss for the period	-	-	-	-	(184,784)	(184,784)	
Foreign currency translation adjustment	-	-	-	(31,508)	-	(31,508)	
Balance as of September 30, 2010	37,898,251	\$ 37,898	\$ 6,901,232	\$ 499,722	(11,631,964)	\$ (4,193,112)	

See accompanying notes to condensed consolidated financial statements.

**INNOCOM TECHNOLOGY HOLDINGS, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010**

**(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, 2009 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 nine months ended September 30, 2010 are not necessarily indicative of the results to be expected for the entire fiscal year ending December 31, 2010 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, 2009.

**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 2009, 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**

The accompanying condensed consolidated financial statements have been prepared using the going concern basis of accounting, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

For the nine months ended September 30, 2010, the Company has experienced a net loss of \$184,784 with an accumulated deficit of \$11,631,964 as of that date. The continuation of the Company as a going concern through September 30, 2011 is dependent upon the continuing financial support from its stockholders. Management believes this funding will continue, and is also actively seeking new investors. Management believes the existing stockholders 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.

These factors raise substantial doubt about the Company's ability to continue as a going concern. These condensed consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets and liabilities that may result in the Company not being able to continue as a going concern.



**INNOCOM TECHNOLOGY HOLDINGS, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010**

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

**(Unaudited)**

**NOTE - 4**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying condensed consolidated financial statements reflect the application of certain significant accounting policies as described in this note and elsewhere in the accompanying condensed consolidated financial statements and notes.

1

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.

1

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.

1

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.

1

Property, plant and equipment, net

Property, 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%
Leasehold improvement	2 years	0%

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.

Depreciation expense was \$1,031 and \$788 for the three months ended September 30, 2010 and 2009, respectively.

Depreciation expense was \$2,883 and \$2,365 for the nine months ended September 30, 2010 and 2009, respectively.

1

Valuation of long-lived assets

In accordance with Accounting Standards Codification ( ASC ) Topic 360-10-5, *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 September 30, 2010.

**INNOCOM TECHNOLOGY HOLDINGS, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010**

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

**(Unaudited)**

1

Revenue recognition

The Company will recognize its revenue in accordance with the ASC Topic 605, "*Revenue Recognition*". 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.

1

Comprehensive income or loss

ASC Topic 220, *Comprehensive Income* establishes standards for reporting and display of comprehensive income or loss, its components and accumulated balances. Comprehensive income or loss as defined includes all changes in equity during a period from non-owner sources. Accumulated comprehensive income or loss, as presented in the accompanying consolidated statement of stockholders' deficit consists of changes in unrealized gains and losses on foreign currency translation. This comprehensive income or loss is not included in the computation of income tax expense or benefit.

1

Income taxes

The provision for income taxes is determined in accordance with the provisions of ASC Topic 740, *Income Taxes* ( ASC 740 ). Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Any effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

ASC 740 prescribes a comprehensive model for how companies should recognize, measure, present, and disclose in their financial statements uncertain tax positions taken or expected to be taken on a tax return. Under ASC 740, tax positions must initially be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions must initially and subsequently be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts.

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 nine months ended September 30, 2010. The Company and its subsidiaries are subject to local and various foreign tax jurisdictions. The Company's tax returns remain open subject to examination by major tax jurisdictions.

1

Net loss per share

The Company calculates net loss per share in accordance with ASC Topic 260 *Earnings per Share* . Basic loss per share is computed by dividing the net loss by the weighted-average number of common shares outstanding during the period. Diluted loss per share is computed similar to basic loss 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.

1

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.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010**

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

**(Unaudited)**

The reporting currency of the Company is United States Dollars ("US\$"). The Company's subsidiaries operating in Hong Kong and the PRC maintained their books and records in their local currency, Hong Kong Dollars ("HK\$") and Renminbi Yuan ( RMB ), 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 ASC Subtopic 830-30 *Translation of Financial Statement*, 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\$1 has been made at the following exchange rates for the respective period:

	September 30, 2010	September 30, 2009
Period-end RMB:US\$1 exchange rate	6.698	6.838
Average period RMB:US\$1 exchange rate	6.816	6.843
Period-end HK\$:US\$1 exchange rate	7.758	7.750
Average period HK\$:US\$1 exchange rate	7.772	7.752

1

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.

1

#### Segment reporting

ASC Topic 280, *Segment Reporting* establishes standards for reporting information about operating segments on a basis consistent with the Company's internal organization structure as well as information about geographical areas, business segments and major customers in the financial statements. The Company operates one reportable segment in Hong Kong.

1

#### Fair value measurement

ASC Topic 820 *Fair Value Measurements and Disclosures* ("ASC 820") establishes a new framework for measuring fair value and expands related disclosures. Broadly, ASC 820 framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. ASC 820 establishes a three-level valuation hierarchy based upon observable and non-observable inputs. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

For financial assets and liabilities, fair value is the price the Company would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date.

1

#### Financial instruments

Cash and cash equivalents, prepayments and other receivables, accounts payable, amount due to a related party, other payables and accrued liabilities, are carried at cost which approximates fair value.



**INNOCOM TECHNOLOGY HOLDINGS, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010**

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

**(Unaudited)**

1

Recent accounting pronouncements

The Company has reviewed all recently issued, but not yet effective, accounting pronouncements and do 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, as follows:

In September 2009, the Financial Accounting Standard Board ( FASB ) issued certain amendments as codified in ASC Topic 605-25, *Revenue Recognition; Multiple-Element Arrangements*. These amendments provide clarification on whether multiple deliverables exist, how the arrangement should be separated, and the consideration allocated. An entity is required to allocate revenue in an arrangement using estimated selling prices of deliverables in the absence of vendor-specific objective evidence or third-party evidence of selling price. These amendments also eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method. The amendments significantly expand the disclosure requirements for multiple-deliverable revenue arrangements. These provisions are to be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with earlier application permitted. The Company will adopt the provisions of these amendments in its fiscal year 2011 and is currently evaluating the impact of these amendments to its consolidated financial statements.

In April 2010, the FASB issued ASU 2010-13, *Compensation - Stock Compensation (Topic 718): Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades*. ASU 2010-13 provides guidance on the classification of a share-based payment award as either equity or a liability. A share-based payment that contains a condition that is not a market, performance, or service condition is required to be classified as a liability. ASU 2010-13 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010 and is not expected to have a significant impact on the Company's financial statements.

In July 2010, the FASB issued new accounting guidance that will require additional disclosures about the credit quality of loans, lease receivables and other long-term receivables and the related allowance for credit losses. Certain additional disclosures in this new accounting guidance will be effective for the Company on December 31, 2010 with certain other additional disclosures that will be effective on March 31, 2011. The Company does not expect the adoption of this new accounting guidance to have a material impact on its consolidated financial statements.

**NOTE - 5**

**AMOUNT DUE TO A RELATED PARTY**

As of September 30, 2010, a balance of \$4,720,180 due to a director and a major shareholder of the Company, Mr. William Yan Sui Hui, represented temporary advance to the Company which was unsecured, interest-free with no fixed repayment term.

**NOTE - 6**

**INCOME TAXES**

The Company operates in various countries: United States, British Virgin Island, Hong Kong and the PRC that are subject to taxes 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 nine months ended September 30, 2010, no provision for Hong Kong Profits Tax is provided for since the Company's income neither arises in, nor is derived from Hong Kong under its applicable tax law.

**INNOCOM TECHNOLOGY HOLDINGS, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010**

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

**(Unaudited)**

*The PRC*

With effect from January 1, 2008, the Company is subject to the unified income rate of 25% on the taxable income. For the nine months ended September 30, 2010, the Company generated net operating losses and accordingly, no provision for income tax has been recorded.

**NOTE - 7**

**COMMITMENTS AND CONTINGENCIES**

The Company currently does not have any formal rent agreements. The Company recorded and paid rent expense at the current market fair value on a monthly basis under the lease agreement signed by a related party, which was controlled by the director and major shareholder of the Company.

Costs incurred under this operating lease are recorded as rental expense and totaled approximately \$45,084 and \$98,893 for the nine months ended September 30, 2010 and 2009, respectively.

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

The following review concerns three months ended September 30, 2010 and September 30, 2009, and nine months ended September 30, 2010 and September 30, 2009, 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 has 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. We believe that the carrying amount of manufacturing facility is likely recoverable at its net realizable value.

### **Results of Operations for Three Months Ended September 30, 2010 and September 30, 2009 and Nine Months Ended September 30, 2010 and September 30, 2009**

During the three months ended September 30, 2010, we experienced a net loss of \$68,678 compared to a net loss of \$91,470 for three months ended September 30, 2009. During nine months ended September 30, 2010, we experienced a net loss of \$184,784 compared to a net loss of \$265,257 for nine months ended September 30, 2009. 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, no revenue is recorded during both three and nine months ended September 30, 2010.



*Cost of Sales*

As a result of temporary discontinuation of business and operation in the manufacture of mobile communication products and components in the PRC, no cost of sale is recorded during both three and nine months ended September 30, 2010.

*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		Nine Months ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Depreciation	\$ 1,031	\$ 788	\$ 2,883	\$ 2,365

The depreciation policy adopted in for the fiscal year 2010 was consistent with that adopted in 2009.

*Other Income*

Total other income for both periods presented was immaterial and consisted of the following:

Three Months	Three Months	Nine Months	Nine Months
ended	ended	ended	ended
September 30,	September 30,	September 30,	September 30,
2010	2009	2010	2009

Sundry income	\$	139	\$	-	\$	139	\$	-
Interest income	\$	-	\$	-	\$	-	\$	-
Interest expense	\$	-	\$	-	\$	-	\$	-

*Net Loss*

Net loss for the nine months ended September 30, 2010 was \$184,784 compared to net loss of \$265,257 for the nine months ended September 30, 2009. Loss of both periods 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. However, 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. During challenging economic times, the Company determined to discontinue operation in the manufacture of mobile communication products and components in February 2009. We expect to start assembling service in the second quarter of 2011.

**Liquidity and Capital Resources for Nine Months Ended September 30, 2010 and 2009***Cash flows from operating activities*

We experienced negative cash flows used in operations in the amount of \$205,538 for nine months ended September 30, 2010 as compared with negative cash flow used in the operations in the amount of \$298,085 for nine months ended September 30, 2009.

*Cash flows from investing activities*

During nine months ended September 30, 2010, we purchase \$5,135 plant and equipment.

During nine months ended September 30, 2009, there are no investment activities.

*Cash flows from financing activities*

During nine months ended September 30, 2010 we experienced positive cash flow advanced from a related party in the amount of \$271,829.

During nine months ended September 30, 2009 we experienced positive cash flow advanced from a related party in the amount of \$289,144.

*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 September 30, 2010, we had approximately 3 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](http://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 901, Sun Hung Kai Centre

30 Harbour 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](http://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 September 30, 2010 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, 2010, 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

### **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: November 15, 2010

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

Dated: November 15, 2010

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

