

INNOCOM TECHNOLOGY HOLDINGS, INC.
Form 10-K
April 15, 2010

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2009

OR

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

For the transition period from _____ to _____

Commission File Number 0- 50164

INNOCOM TECHNOLOGY HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
Incorporation or organization)

87-0618756
(IRS Employer Identification No.)

Suite 901, Sun Hung Kai Centre,
30 Harbour Road, Wanchai, Hong Kong, PRC
(Address of principal executive offices)

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

Securities registered pursuant to Section 12(b) of the Act: None.

Securities registered pursuant to Section 12(g) of the Act: Common Stock (\$0.001 par value)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

As of December 31, 2009, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$419,493.18 based on the closing sale price as reported on the Over-the-Counter Bulletin Board. As of April 14, 2010, there were 37,900,536 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

Innocom Technology Holdings, Inc.

FORM 10-K

For the Year Ended December 31, 2009

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INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements. These statements relate to future events or our future financial performance. 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," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential" or "continue," the negative of such terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no duty to update any of the forward-looking statements after the date of this report to conform such statements to actual results or to changes in our expectations.

Readers are also urged to carefully review and consider the various disclosures made by us which attempt to advise interested parties of the factors which affect our business, including without limitation the disclosures made in PART I. ITEM 1A.: Risk Factors and PART II. ITEM 6 "Management's Discussion and Analysis or Plan of Operation" included herein.

PART I.

Item 1. Business

History

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

On March 30, 2006, pursuant to an Agreement and Plan of Reorganization dated March 15, 2006 among the Company, Innocom Technology Holdings Limited, a British Virgin Islands corporation, ("Innocom") and certain shareholders of Innocom, the Company acquired 100% of Innocom's issued and outstanding common stock making Innocom a wholly owned subsidiary of the Company. As a result, the Company, which previously had no material operations, has acquired the business of Innocom which have two principal business lines: design and solution provision for mobile phones, and trading of mobile phone handsets and related components.

In 2006, we change the name of the Company from Dolphin Production, Inc. to Innocom Technology Holdings, Inc.

Due to keen competition, the Company ceased the business of design and solution provision for mobile phone segment in the last quarter of 2006 and disposed of entire segment in May 2007 with a profit of US\$599,544.

In February 2007, we have established a wholly-foreign owned subsidiary company to acquire distressed land, factory building and equipments under receivership from municipal government. Deposits have been paid by installments. We expect to complete the acquisition in near future. The factory will be used for assembling mobile phones under the

trade mark we purchased in May 2007 and components parts on OEM basis.

In May 2007, we acquire a trade mark, namely “Tsinghua Unisplendour” for a period of 10 years.

In 2007, we discontinue the registration of domain name “dolphinproductions.net”.

Our Business

We provide sourcing of mobile phone handsets and components for customers on a wholesale basis.

Customers

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

We generate our revenue from sale and trading of complete mobile handsets and component parts.

Facilities

Other than PRC land use right held by Changzhou Innocom Communication Technology, we do not own any land and building in Hong Kong. We currently rent a 260 square meters office with a lease period of two years in Hong Kong as our headquarter office.

Employees

As of December 31, 2009, we employed approximately 3 full-time employees. The Company does not have any collective bargaining agreements with its employees and we consider our employee relations to be good.

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 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. 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 1A. Risk Factors

N/A

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal executive offices are located at Suite 901, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong, PRC. In January 2010, we began renting office facilities consisting of approximately 120 square meters in Hong Kong, our current headquarters, for a period of 2 (2) years on a month-to-month basis at \$5,600 per month. During the twelve months ended December 31, 2009, total payments for all property rent was \$131,861 (Twelve months ended December 31, 2008: \$109,292).

We periodically evaluate our facilities requirements. Some of our facilities are sublet in whole or in part.

Item 3. 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 4. Submission of Matters to a Vote of Security Holders

No matters were submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders.

PART II.

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the Over-the-Counter Bulletin Board under the symbol "INCM.OB". As of April 14, 2010, there were: (i) 248 shareholders of record, without giving effect to determining the number of shareholders who hold shares in "street name" or other nominee status; (ii) no outstanding options to purchase shares of our common stock; (iii) outstanding 37,900,536 shares of our common stock, of which 6,316,759 shares are either freely tradable or eligible for sale under Rule 144 or Rule 144K, and (v) no shares subject to registration rights.

The following table sets forth, for the fiscal quarters indicated, the high and low closing prices as reported by the Over-the-Counter Bulletin Board. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

Sales Price

		High		Low
Fiscal 2009				
First Quarter	\$	0.04	\$	0.03
Second Quarter	\$	0.09	\$	0.03
Third Quarter	\$	0.08	\$	0.03

Fourth Quarter	\$	0.04	\$	0.03
Fiscal 2008				
First Quarter	\$	0.35	\$	0.17
Second Quarter	\$	0.30	\$	0.15
Third Quarter	\$	0.22	\$	0.09
Fourth Quarter	\$	0.20	\$	0.03

Dividend Policy

We have not paid, nor declared, any dividends since our inception and do not intend to declare any such dividends in the foreseeable future. Our ability to pay dividends is subject to limitations imposed by Nevada law. Under Nevada law, dividends may be paid to the extent that a corporation's assets exceed its liabilities and it is able to pay its debts as they become due in the usual course of business.

Recent Sales of Unregistered Securities

During the year ended December 31, 2009, we did not issue any securities that were not registered under the Securities Act of 1933, as amended (the "Securities Act").

Item 6. Selected Financial Data

The following tables summarize the consolidated financial data of Innocom Technology Holdings, Inc. for the periods presented. You should read the following financial information together with the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes to these consolidated financial statements appearing elsewhere in this Form 10-K.

	Years ended December 31,		
	2007	2008	2009
Revenue	\$ 2,241,726	\$ 401,190	\$ -
Cost of sales	-	-	-
Gross profit	2,241,726	401,190	-
Depreciation and amortization	(6,000,306)	(602,124)	(3,154)
Impairment loss on long-lived assets	-	(14,481,991)	-
Selling and distribution expenses	-	-	-
General and administrative expenses	(468,665)	(1,139,336)	(350,960)
Other income	592,696	19,058	-
Interest expense	-	(240,497)	(1)
Income (loss) before income tax	(3,634,549)	(16,043,700)	(354,115)
Income tax expense	-	-	-
Net income (loss) attributable to the Shareholders of the Company	\$ (3,634,549)	\$ (16,043,700)	\$ (354,115)
Earnings (loss) per Share — basic (US\$)	\$ (0.10)	\$ (0.42)	\$ (0.01)
Earnings (loss) per Share — diluted (US\$)	\$ (0.10)	\$ (0.42)	\$ (0.01)

	As of December 31,		
	2007	2008	2009
Cash and cash equivalents	\$ 3,597	\$ 11,553	\$ 7,548
Total current assets	30,233	84,422	80,398
Total assets	14,098,908	822,281	815,136
Short-term borrowings	-	-	-
Total current liabilities	2,037,491	4,443,968	4,791,956
Total stockholders' equity (deficit)	12,061,417	(3,621,687)	(3,976,820)

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

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.

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.

Results of Operations for the Years Ended December 31, 2009 and December 31, 2008

During the year ended December 31, 2009, we experienced a net loss of \$354,115 which is attributable to the significant deteriorated environment and the challenging economic crisis during the year.

During the year ended December 31, 2008, we experienced a net loss of \$16,043,700 which is attributable to impairment loss of long-lived assets resulting from temporary closure of production facilities during the first quarter of 2009.

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 the year ended December 31, 2009.

During year ended December 31, 2008, we derived \$401,190 revenue from our Trading of Mobile Phone and Related Component operations, representing a decrease in revenue of \$1,840,536 or 82% decrease from comparable year ended December 31, 2007. The decrease is attributable to the slow down of economy.

Cost of Sales

As our trading cost is netted with billed value as revenue, the Company does not have any cost of sales.

Administrative Expenses

Below table sets out the analysis of administrative expenses:

	Year ended December 31, 2009	Year ended December 31, 2008
Total general and administrative expenses	\$ 354,114	\$ 1,741,460
Less: non-cash items	(3,154)	(689,423)
	\$ 350,960	\$ 1,052,037

The decrease in administrative expenses was primarily attributable to temporary discontinue of business and operation in the manufacture of mobile communication products and components in the PRC.

Non-cash items

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

	Year ended December 31, 2009	Year ended December 31, 2008
Amortization of intangible assets	\$ -	\$ 598,562
Depreciation	3,154	3,562
Write-off of obsolete inventories	-	87,299
	\$ 3,154	\$ 689,423

The decrease in amortization of intangible assets is due to intangible assets being written off during the last quarter of 2008.

The depreciation policy adopted in 2009 was consistent with that adopted in 2008.

Other Income (Expenses)

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

	Year ended December 31, 2009	Year ended December 31, 2008
Interest income	\$ -	\$ 20,727
Interest expense	\$ 1	\$ 240,497

Loss on disposal of plant and equipment	-	1,669
	\$ 1	\$ 242,166

Net Loss

Net loss for 2009 of \$354,115 is attributable to the significant deteriorated environment and the challenging economic crisis during the year.

Net loss for 2008 of \$16,043,700 is attributable to impairment loss of long-lived assets resulting from temporary closure of production facilities during the first quarter of 2009.

Trends, Events, and Uncertainties

N/A

Liquidity and Capital Resources for the Twelve Month Period Ended December 31, 2009 and 2008

Cash flows from operating activities

We experienced negative cash flows used in operations in the amount of \$298,918 for the year ended December 31, 2009.

We experienced negative cash flows used in operations in the amount of \$910,288 for the year ended December 31, 2008.

Cash flows from investing activities

During 2009, there are no investing activities.

During 2008, we purchase \$258,982 plant and equipment and \$185,402 land use right financed by amount due from a related party

Cash flows from financing activities

During 2009, we obtain \$295,941 advance from a related party.

During 2008, we obtain short term loan of \$6,080,032 which is fully repaid during the year.

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 8.

Item 7A. 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 ("RMB"). 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.

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Item 8. Financial Statements and Supplementary Data

INNOCOM TECHNOLOGY HOLDINGS, INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of
Innocom Technology Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Innocom Technology Holdings, Inc. and its subsidiaries (“the Company”) as of December 31, 2009 and 2008, and the related consolidated statements of operations and comprehensive loss, cash flows and stockholders’ deficit for the years ended December 31, 2009 and 2008. The financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits include consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2009 and 2008, and the results of operations and cash flows for the years ended December 31, 2009 and 2008 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has incurred substantial losses and capital deficits, all of which raise substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 2. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ ZYCPA Company Limited

ZYCPA Company Limited
Certified Public Accountants

Hong Kong, China
April 15, 2010

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2384 2022

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

	As of December 31,	
	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,548	\$ 11,553
Prepayments and other receivables	72,850	72,869
Total current assets	80,398	84,422
Non-current assets:		
Plant and equipment, net	734,738	737,859
TOTAL ASSETS	\$ 815,136	\$ 822,281
LIABILITIES AND STOCKHOLDERS’ DEFICIT		
Current liabilities:		
Accounts payable	\$ 80,696	\$ 80,692
Amount due to a related party	4,448,351	4,152,410
Other payables and accrued liabilities	262,909	210,866
Total current liabilities	4,791,956	4,443,968
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 December 31, 2009 and 2008	37,898	37,898
Additional paid-in capital	6,901,232	6,901,232
Accumulated other comprehensive income	531,230	532,248
Accumulated deficit	(11,447,180)	(11,093,065)
Total stockholders’ deficit	(3,976,820)	(3,621,687)
TOTAL LIABILITIES AND STOCKHOLDERS’ DEFICIT	\$ 815,136	\$ 822,281

See accompanying notes to consolidated financial statements.

INNOCOM TECHNOLOGY HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(Currency expressed in United States Dollars (“US\$”), except for number of shares)

	Years ended December 31,	
	2009	2008
Revenues, net	\$ -	\$ 401,190
Cost of revenue	-	-
Gross profit	-	401,190
Operating expenses:		
Impairment loss on long-lived assets	-	14,481,991
General and administrative	354,114	1,741,460
Total operating expenses	354,114	16,223,451
LOSS FROM OPERATIONS	(354,114)	(15,822,261)
Other income (expense):		
Interest expense	(1)	(240,497)
Interest income	-	20,727
Loss on disposal of plant and equipment	-	(1,669)
LOSS BEFORE INCOME TAXES	(354,115)	(16,043,700)
Income tax expense	-	-
NET LOSS	\$ (354,115)	\$ (16,043,700)
Other comprehensive (loss) income:		
Foreign currency translation (loss) gain	(1,018)	360,596
COMPREHENSIVE LOSS	\$ (355,133)	\$ (15,683,104)
Net loss per share – Basic and diluted	\$ (0.01)	\$ (0.42)
Weighted average shares outstanding – Basic and diluted	37,898,251	37,898,251

See accompanying notes to consolidated financial statements.

INNOCOM TECHNOLOGY HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(Currency expressed in United States Dollars (“US\$”))

	Years ended December 31,	
	2009	2008
Cash flows from operating activities:		
Net loss	\$ (354,115)	\$ (16,043,700)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	3,154	3,562
Amortization of intangible assets	-	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	-	(46,233)
Accounts payable, trade	-	80,692
Other payables and accrued liabilities	52,043	13,169
Net cash used in operating activities	(298,918)	(910,288)
Cash flows from investing activities:		
Payment on proceeds from disposal of subsidiaries	-	(2,382)
Payment on plant and equipment	-	(258,982)
Payment on land use rights	-	(185,402)
Net cash used in investing activities	-	(446,766)
Cash flows from financing activities:		
Advances from a related party	295,941	836,052
Proceeds from short-term borrowings	-	6,080,032
Repayment of short-term borrowings	-	(6,080,032)
Net cash provided by financing activities	295,941	836,052
Effect of exchange rate changes on cash and cash equivalents	(1,028)	528,958
Net change in cash and cash equivalents	(4,005)	7,956
CASH AND CASH EQUIVALENT, BEGINNING OF YEAR	11,553	3,957
CASH AND CASH EQUIVALENT, END OF YEAR	\$ 7,548	\$ 11,553
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ 1	\$ 240,497
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Settlement of amount due to related party with proceeds from disposal of subsidiaries	\$ -	\$ 5,617,101

See accompanying notes to consolidated financial statements

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INNOCOM TECHNOLOGY HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(Currency expressed in United States Dollars ("US\$"), except for number of shares)

	Common stock		Additional	Accumulated	Retained	Total
	No. of	Amount	paid-in	comprehensive	earnings	stockholders'
	shares		capital	(loss) income	(accumulated	equity
					deficit)	(deficit)
Balance as of January 1, 2008	37,898,251	\$ 37,898	\$ 6,901,232	\$ 171,652	\$ 4,950,635	\$ 12,061,417
Net loss for the year	-	-	-	-	(16,043,700)	(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	(11,093,065)	(3,621,687)
Net loss for the year	-	-	-	-	(354,115)	(354,115)
Foreign currency translation adjustment	-	-	-	(1,018)	-	(1,018)
Balance as of December 31, 2009	37,898,251	\$ 37,898	\$ 6,901,232	\$ 531,230	\$ (11,447,180)	\$ (3,976,820)

See accompanying notes to consolidated financial statements.

INNOCOM TECHNOLOGY HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(Currency expressed in United States Dollars (“US\$”))

1. 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.

As of December 31, 2009, details of the Company’s subsidiaries are described below: