DOLPHIN PRODUCTIONS INC
Form 10QSB
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-QSB

(Mark One)

x QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **March 31, 2006**

o TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT
For the transition period from ______________ to _____________

Commission file number **0-50164**

DOLPHIN PRODUCTIONS, INC.
(Exact name of small business issuer as specified in its charter)

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

Unit 3, 25/F., Global Gateway, 98 Wang Lung Street, Tsuen Wan, Hong Kong
(Address of principal executive offices)

011-8522-827-6288
(Issuer's telephone number)

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 13b-2 of the Exchange Act). Yes o No x

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

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

APPLICABLE ONLY TO CORPORATE ISSUES

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

As of May 11, 2006 there were 32,932,500 shares of $.001 par value common stock issued and outstanding

Transitional Small Business Disclosure Format (Check one): Yes o No x

SEC2334(9-05) **Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

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(Inapplicable items have been omitted)

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements (unaudited)

DOLPHIN PRODUCTIONS, INC.
[A Development Stage Company]

UNAUDITED CONDENSED BALANCE SHEETS

	March 31, 2006 $	September 30, 2005 $
ASSETS		
Current assets		
Cash and cash equivalents	23,769	10,683
Accounts receivable	9,730,369	-
Inventories	246,611	-
Advances to suppliers	187,215	-
Other receivables	660,025	-
Total current assets	10,847,989	10,683
Plant and equipment, net	720,169	-
TOTAL ASSETS	11,568,158	10,683
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Accounts payable	226,683	-
Receipt in advances	455,201	-
Accrued liabilities	97,395	-
Other payables	1,550,992	-
Taxes payable	1,037,328	159
Total current liabilities	3,367,599	159
Advance from a related party	2,838,569	-
TOTAL LIABILITIES	6,206,168	159
STOCKHOLDER'S EQUITY		
Common stock	32,933	770
Accumulated other comprehensive income	5,385,057	55230
Retained deficits	(56,000)	(45,476)
Total stockholder's equity	5,361,990	10,524
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	11,568,158	10,683

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

DOLPHIN PRODUCTIONS, INC.
[A Development Stage Company]

UNAUDITED CONDENSED STATEMENTS OF OPERATIONS

	For the Three Months Ended March 31, 2006	For the Three Months Ended March 31, 2005	For the Six Months Ended March 31, 2006	For the Six Months Ended March 31, 2005	From Inception on June 26, 1998 Through March 31, 2006
	$	$	$	$	$
REVENUE	-	675	-	675	39,091
COST OF GOODS SOLD	-	-	-	-	300
GROSS PROFIT	-	-	-	-	38,791
EXPENSES:					
Selling	-	-	-	-	4,561
General and administrative	7,254	1,863	10,524	4,302	89,922
Total Expenses	7,254	1,863	10,524	4,302	94,483
LOSS BEFORE OTHER INCOME (EXPENSE)	(7,254)	(1,188)	(10,524)	(3,627)	(55,692)
OTHER INCOME (EXPENSE)					
Interest revenue	-	-	-	-	11
Interest expense	-	-	-	-	(25)
Total Other Income (Expense)	-	-	-	-	(14)
LOSS BEFORE INCOME TAXES	(7,254)	(1,188)	(10,524)	(3,627)	(55,706)
CURRENT TAX EXPENSE (BENEFIT)	-	-	-	-	294
DEFERRED TAX EXPENSE (BENEFIT)	-	-	-	-	-
NET LOSS	(7,254)	(1,188)	(10,524)	(3,627)	(56,000)
LOSS PER COMMON SHARE	(.00)	(.00)	(.00)	(.00)	(.08)

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

DOLPHIN PRODUCTIONS, INC.
[A Development Stage Company]

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS

	For the Six Months Ended March 31, 2006	For the Six Months Ended March 31, 2005	From Inception on June 26, 1998 Through March 31, 2006
	$	$	$
Cash Flows from Operating Activities:			
Net loss	(10,524)	(3,627)	(56,000)
Adjustments to reconcile net loss to net cash used by operating activities:			
Non-cash expense for services rendered	-	-	5,000
Changes in assets and liabilities:			
Increase (decease) in accounts payable	-	(1,357)	-
Increase (decrease) in Utah sales tax payable	(159)	-	-
Net Cash (Used) by Operating Activities	(10,683)	(7,933)	(51,000)
Cash Flows from Investing Activities			
Acquisition of subsidiary companies (net of acquired cash)	23,769	-	-
Net Cash Provided by Investing Activities	23,769	-	-
Cash Flows from Financing Activities:			
Proceeds from issuance of common stock	-	-	51,000
Net Cash Provided by Financing Activities	-	-	51,000
Net Increase (Decrease) in Cash and Cash Equivalents	13,086	(7,933)	-
Cash and Cash Equivalents at Beginning of Period	10,683	21,002	-
Cash and Cash Equivalents at End of Period	23,769	13,069	-

Supplemental Disclosures of Cash Flow Information:

Cash paid during the period for:			
Interest	-	-	-
Income taxes	-	-	1,024

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

Supplemental Schedule of Non-cash Investing and Financing Activities:
For the six months ended March 31, 2006, the Company issued 32,162,500 to acquire entire increase in Innocom Technology Holdings Limited. The effect of net assets acquired is summarized as below.

	$
Net assets acquired	
Cash and cash equivalents	23,769
Accounts receivable	9,730,369
Inventories	246,611
Advances to suppliers	187,215
Other receivables	660,025
Plant and equipment, net	720,169
Accounts payable	(226,683)
Receipt in advances	(455,201)
Accrued liabilities	(97,395)
Other payables	(1,550,992)
Taxes payable	(1,037,328)
Advance from a related party	(2,838,569)
	5,361,990
Settled by issuance of new shares	5,361,990

For the six months ended March 31, 2005:
None

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

DOLPHIN PRODUCTIONS, INC.
[*A Development Stage Company*]

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Dolphin Productions, Inc. (“the Company”) was organized under the laws of the State of Nevada on June 26, 1998. The Company has, at the present time, not paid any dividends and any dividends that may be paid in the future will depend upon the financial requirements of the Company and other relevant factors.

Condensed Financial Statements - The accompanying financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at March 31, 2006 and 2005 and for the periods then ended have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company’s September 30, 2005 audited financial statements. The results of operations for the periods ended March 31, 2006 and 2005 are not necessarily indicative of the operating results for the full year.

Fiscal Year - The Company’s fiscal year-end is September 30th.

Consolidation - The consolidated financial statements include the accounts of the Company and its subsidiaries (the Group). Significant intercompany transactions have been eliminated in consolidation. Investments in which the company has a 20 percent to 50 percent voting interest and where the company exercises significant influence over the investee are accounted for using the equity method.

As of March 31, 2006, the particulars of the subsidiaries are as follows:

Name of company	*Place of incorporation*	*Date of incorporation*	*Attributable equity interest %*	*Issued capital*
Innocom Technology Holdings Limited	British Virgin Islands	July 12, 2005	100	US$1
Chinarise Capital (International) Limited (CCIL)	British Virgin Islands	January 28, 2003	100	US$1
Next Giant International Limited	British Virgin Islands	August 5, 2004	100	US$1
Beijing Unismobile	People’s	September 11, 2002	100	RMB20,000,000

Communication Technology Co., Ltd.(BUCTCL)	Republic of China

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

Accounts receivable - The Group extends unsecured credit to customers in the normal course of business and does not accrue interest on trade accounts receivable.

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

Inventories - Inventories are stated at the lower of cost or market with cost determined on a first-in, first-out basis.

During the reporting year, the Group did not make any allowance for inventories.

Foreign currency translation - The Group maintains its financial statements in the functional currency. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at rates of exchange prevailing at the balance sheet dates. Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchanges rates prevailing at the dates of the transaction. Exchange gains or losses arising from foreign currency transactions are included in the determination of net income for the respective periods.

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

The functional currency of the CCIL is the Hong Kong Dollar (HKD); whilst the functional currency of BUCTCL is the Renminbi (RMB). The financial statements are translated into United States dollars from HKD and RMB at year-end exchange rates as to assets and liabilities and average exchange rates as to revenues and expenses. Capital accounts are translated at their historical exchange rates when the capital transactions occurred.

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

Impairment of assets - The Group's policy is to periodically review and evaluate whether there has been a permanent impairment in the value of long-lived assets. Factors considered in the evaluation include current operating results, trends and anticipated undiscounted future cash flows. An impairment loss is recognized to the extent that the sum of undiscounted estimated future cash flows that is expected to result from the use of the asset, or other measure of fair value, is less than the carrying value.

During the reporting period, there was no impairment loss.

Financial instrument - The carrying amounts of all financial instruments approximate fair value. The carrying amounts of cash, accounts receivable, accounts payable and accrued liabilities approximate fair value due to the short-term nature of these items. The carrying amounts of borrowings approximate the fair value based on the Group's expected borrowing rate for debt with similar remaining maturities and comparable risk.

Income tax - The Group uses the asset and liability method of accounting for income taxes whereby deferred taxes are determined based on the temporary differences between the financial statements and tax bases of assets and liabilities using enacted tax rates in effect in the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Revenue recognition - Revenues are recognized upon shipment of product, at which time title of goods has been transferred to the buyer.

Concentration of credit risk - Concentration of credit risk is limited to accounts receivable and is subject to the financial conditions of major customers. The Group does not require collateral or other security to support accounts receivable. The Group conducts periodic reviews of its clients' financial condition and customers' payment practices to minimize collection risk on accounts receivable.

Cash and Cash Equivalents - The Company considers all highly liquid debt investments purchased with a maturity of three months or less to be cash equivalents.

Comprehensive Income - Comprehensive income is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, all items that are required to be recognized under current accounting standards as components of comprehensive income are required to be reported in a financial statement that is presented with the same prominence as other financial statements. The Group's current component of other comprehensive income is the foreign currency translation adjustment.

Loss Per Share - The computation of loss per share is based on the weighted average number of shares outstanding during the period presented in accordance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share" [*See Note 6*].

Recent accounting pronouncements - In May 2005, the FASB issued a SFAS 154, "Accounting Changes and Error Corrections" to replace APB Opinion No. 20, "Accounting Changes" and SFAS 3, "Reporting Accounting Changes in Interim statements" requiring retrospective application to prior periods financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. When it is impracticable to determine the period-specific effects of an accounting change on one or more individual prior periods presented, SFAS 154 requires the new accounting principle be applied to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustment be made to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) for that period rather than being reported in an income statement. When it is impracticable to determine the cumulative effect of applying a change in accounting principle to all prior periods, SFAS 154 requires that the new accounting principle be applied as if it were adopted prospectively from the earliest date practicable. The effective date for this statement is for accounting changes and corrections of errors made in fiscal year beginning after December 15, 2005.

In February 2006, the FASB issued a SFAS 155, "Accounting for Certain Hybrid Financial Instruments" to amend FASB Consolidated Financial Statements No. 133, Accounting for Derivative Instruments and Hedging Activities, and No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. This statement permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation and eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. This statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006.

The Group does not anticipate that the adoption of these two standards will have a material impact on these financial statements.

NOTE 2 - CAPITAL STOCK

Common Stock - During June 1998, the Company issued 500,000 shares of its previously authorized but unissued common stock for cash of $2,000 (or $.004 per share).

During January 1999, the Company issued 20,000 shares of its previously authorized but unissued common stock for cash of $4,000 (or $.20 per share).

During September 2004, the Company issued 225,000 shares of its previously authorized but unissued common stock for cash of $45,000 (or $.20 per share).

During September 2004, the Company issued 25,000 shares of its previously authorized but unissued common stock to certain officers and directors of the Company for services valued at $5,000 (or $.20 per share). The Company issued 7500 shares to its president/chairman of the board, 5000 shares to a vice-president/director, 5000 the chief financial officer/director, 5000 shares to the director who chairs the audit committee, and 2500 shares to two other officers.

During March 2006, the Company issued 32,162,500 shares to acquire entire interest in Innocom Technology Holdings Limited at net book of $5,361,990. The principal activities of Innocom Technology Holdings Limited are provision of design and solution for mobile phone, and trading of mobile phone and related components.

Stock Split - On January 15, 1999, the Company effected a five for two common stock split. The financial statements, for all periods presented, have been restated to reflect the stock split.

NOTE 3 - RELATED PARTY TRANSACTIONS

Management Compensation and Accrued Expenses - Salary expense to the President for the six months ended March 31, 2006 and 2005 amounted to $0 and $0, respectively.

Legal Services and Accrued Expenses - During the six months ended March 31, 2006 and 2005, respectively, the Company's president provided legal services of $0 and $0, respectively, to the Company.

NOTE 4 - INCOME TAXES

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes". SFAS No. 109 requires the Company to provide a net deferred tax asset/liability equal to the expected future tax benefit/expense of temporary reporting differences between book and tax accounting methods and any available operating loss or tax credit carry forwards. At March 31, 2006 the Company has available unused operating loss carry forwards of approximately $42,300, which may be applied against future taxable income and which expires in various years through 2025.

NOTE 5 - LOSS PER SHARE

The following data show the amounts used in computing loss per share:

	For the three ended March 31,	
	2006	2005
Net loss available to common shareholders (numerator)	(7,254)	(1,188)
Weighted average number of common shares outstanding used in loss per share for the period (denominator)	770,000	770,000

Dilutive loss per share was not presented, as the Company had no common stock equivalent shares for all periods presented that would affect the computation of diluted loss per share.

NOTE 6 - ADDITIONAL INFORMATION

The following pro forma consolidated statement of operations is presented for illustrative purposes only and is not necessarily indicative revenue and results of the operations of the Group that actually would have been achieved has the acquisition been completed on January 1, 2006 (Three months ended March 31, 2005: January 2001, 2005).

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2006 (Stated in US Dollars)

	Company	Innocom	Pro forma Adjustment	Pro forma Consolidated
	$	$	$	$
Net sales	-	10,507,316	-	10,507,316
Cost of sales	-	(9,252,817)	-	(9,252,817)
Gross profit	-	1,254,499	-	1,254,499
Selling and distributing costs	-	(123,718)	-	(123,718)
Administrative and other operating expenses	(7,254)	(88,646)	-	(95,900)
Income (loss) from operations	(7,254)	1,042,325	-	1,034,881
Interest expenses, net	-	(335)	-	(335)
Income (loss) before taxes	(7,254)	1,041,800	-	1,034,546
Income taxes	-	(172,934)	-	(172,934)
Net income (loss)	(7,254)	868,866	-	861,612
Earnings per share				0.027

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE THREE ENDED MARCH 31, 2005 (Stated in US Dollars)

	Company	Innocom	Pro forma Adjustment	Pro forma Consolidated
	$	$	$	$
Net sales	675	4,882,270	-	4,882,945
Cost of sales	-	(3,405,369)	-	(3,405,369)
Gross profit	675	1,476,901	-	1,477,576
Selling and distributing costs	-	(317,995)	-	(317,995)
Administrative and other operating expenses	(1,863)	(62,171)	-	(64,034)
Income (loss) from operations	(1,188)	1,096,735	-	1,095,547
Other income	-	125,624		125,624
Interest expenses, net	-	(3,176)	-	(3,587)
Income (loss) before taxes	(1,188)	1,219,183	-	1,217,584
Income taxes				