

TELECOM COMMUNICATIONS INC
Form 10QSB
August 15, 2005

**\$U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-QSB

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

For the quarterly period ended June 30, 2005

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

For the transition period from _____ to _____

Commission file number 333-62236

TELECOM COMMUNICATIONS, INC.

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

Delaware
(State or other jurisdiction of
incorporation or organization)

35-2089848
(I.R.S. Employer
Identification No.)

**Suites 2412-13, Shell Tower, Times Square, 1 Matheson Street, Causeway Bay, Hong
Kong**
(Address of principal executive offices)

(852)2782 0983
Issuer's telephone number

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

Check whether the issuer (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 No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 73,688,000 shares of Common Stock, \$.001 Par Value Per Share, outstanding as of June 30, 2005.

Transitional Small Business Disclosure Format (Check One): Yes No

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PART I. FINANCIAL INFORMATION**TELECOM COMMUNICATIONS, INC. AND SUBSIDIARIES****ITEM 1. FINANCIAL INFORMATION****CONDENSED CONSOLIDATED BALANCE SHEET**

	June 30, 2005 (Unaudited)	
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$	249,253
Accounts receivable - Affiliate		700,000
- Others		4,015,489
Prepaid expenses and other current assets		82,690
Total current assets		5,047,432
Property, plant and equipment, net		3,764,304
Total assets	\$	8,811,736
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities		
Accounts payable		994,252
Accrued expenses		51,194
Due to a stockholder		86,051
Due to a related company		18,690
Total current liabilities		1,150,187
Commitments and contingencies (refer to note 8)		
Stockholders' equity		
Preferred stock (\$.001 Par Value: 50,000,000 Shares Authorized; no shares issued and outstanding)		-
Common stock (\$.001 Par Value: 300,000,000 Shares Authorized 73,688,000 shares issued and outstanding)		73,688
Additional paid in capital		15,075,906
Accumulated other comprehensive income		249
Accumulated deficit		(7,488,294)
Total stockholders' equity		7,661,549
Total liabilities and stockholders' equity	\$	8,811,736

The accompanying notes are an integral part of the condensed consolidated financial statements.

TELECOM COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Nine Months Ended June 30,		Three Months Ended June 30,	
	2 0 0 5 (Unaudited)	2 0 0 4 (Unaudited)	2 0 0 5 (Unaudited)	2 0 0 4 (Unaudited)
Net Revenues	6,301,132	838,008	2,848,472	205,447
Cost of sales	(3,988,038)	(126,417)	(1,726,328)	-
Gross profit	2,313,094	711,591	1,122,144	205,447
Operating expenses:				
Selling, general and administrative	(390,896)	(2,136,974)	(191,624)	(1,929,229)
Income/ (Expense) from operations	1,922,198	(1,425,383)	930,520	(1,723,782)
Other Income/ (Expense):				
Interest income	49	-	5	-
Other income	-	130,144	78	129,886
Interest expense	(1,614)	-	(388)	544
Acquisition costs	-	(8,146,780)	-	(19,863)
Total Other Income/ (Expense)	(1,565)	(8,016,636)	(305)	110,567
Income/ (Expense) from operations before income taxes	1,920,633	(9,442,019)	930,215	(1,613,215)
Provision for income taxes	-	-	-	-
Income/ (Expense) from continuing operations	1,920,633	(9,442,019)	930,215	(1,613,215)
Income/ (Expense) from discontinued operations,				
- Gain on disposal of subsidiary	53,431	200,772	53,431	20,205
- Loss on disposal of subsidiary	-	(145,622)	-	(145,622)
- Net income from the discontinued operations of subsidiaries	-	489,192	-	-
- Net (expenses) from the discontinued operations of subsidiaries	(23,272)	(29,799)	(8,100)	(29,799)
Total Income/ (Expense) from discontinued operations	30,159	514,543	45,331	(155,216)
Net Income/ (Loss)	\$ 1,950,792	\$ (8,927,476)	\$ 975,546	\$ (1,768,431)
Earnings per Common Share - Discontinued Operations	\$ 0.00	\$ 0.01	\$ 0.00	\$ (0.01)
Earnings per Common Share-				

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Continuing Operations	\$	0.02	\$	(0.22)	\$	0.01	\$	(0.03)
Total earnings per Common Share -								
Basic & diluted	\$	0.03	\$	(0.21)	\$	0.01	\$	(0.04)
Weighted Average Common Share								
outstanding - Basic & diluted		71,125,500		41,893,285		73,688,000		49,502,286

The accompanying notes are an integral part of the condensed consolidated financial statements.

TELECOM COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended June 30,	
	2005 (Unaudited)	2004 (Unaudited)
Net cash provided by (used in) operating activities	(399,491)	69,329
Cash flows from investing activities		
Long term investment	-	200,000
Purchase of property and equipment	(2,602,600)	(639,001)
Proceeds from sales of discontinued operations	6,410	
Sale proceeds of disposal of subsidiary, net of cash	(519)	758,669
Net cash flows provided by (used in) investing activities	(2,596,709)	319,668
Cash flows from financing activities		
Due from related party	-	486,965
Due to a stockholder	18,690	-
Due to a related party	(79,293)	(93,596)
Repayment of finance lease	(80,444)	-
Proceeds from loan payable	-	304,063
Proceeds from new issuance of common stock	3,050,000	-
Due to stockholder, net	-	(2,062,069)
Net cash flows provided by (used in) financing activities:	2,908,953	(1,364,637)
Effect of exchange rate changes in cash	(207)	-
Net (decrease) in cash and cash equivalents	(87,454)	(975,640)
Cash and cash equivalents - beginning of period	336,707	1,155,435
Cash and cash equivalents - end of period	249,253	179,795
Supplemental disclosure of cash flow information:		
Non cash investing and financing activities:		
Net book value of subsidiary sold	-	2,726,012

The accompanying notes are an integral part of the condensed consolidated financial statements

TELECOM COMMUNICATIONS, INC. AND SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS
(UNAUDITED)**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-QSB and Item 310 of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for annual financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The accounts of the Company and all of its subsidiaries are included in the condensed consolidated financial statements. All significant intercompany accounts and transactions are eliminated in consolidation. Operating results for the interim periods are not necessarily indicative of the results that may be expected for the year ending September 30, 2005. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Form 10-KSB for the year ended September 30, 2004.

1. BUSINESS DESCRIPTION AND ORGANIZATION

THE COMPANY

TELECOM COMMUNICATIONS, INC.

Telecom Communications, Inc. (the "Company" or "TCOM") was incorporated on January 6, 1997 in the State of Indiana. The Company has changed its state of incorporation from Indiana to Delaware, effected by a merger into a Delaware Corporation with the same name on February 28, 2005. The surviving Delaware company succeeds to all the rights, properties and assets and assumes all of the liabilities.

ARRAN SERVICES LIMITED

On September 30, 2003, TCOM consummated a Stock Purchase Agreement with Arran Services Limited ("Arran") and its sole shareholder (the "majority shareholder"), for the acquisition of all of the capital stock of Arran, a British Virgin Island corporation and its principal activity was investment holding and it held 100% shareholding of IC Star MMS Limited.

IC STAR MMS LIMITED

IC Star MMS Limited ("IC Star") which was formerly known as Sino Super Limited, was established in December 1991. IC Star links entertainment and lifestyle information to local communities across China.

On March 16, 2004, Arran acquired from Auto Treasure Holdings Limited, an entity 100% owned by the majority shareholder, the remaining 20% interest of IC Star together with 100% interest of Huiiri Electric (Panyu) Limited ("Huiiri") for a consideration of 9,889,000 shares of TCOM common stock and 10,000,000 warrants to purchase 10,000,000 shares of TCOM common stock at \$2 per share.

As a result, as of March 16, 2004, Arran owned 100% of IC Star and Huiiri. This transfer was deemed to be a transfer between entities under common control and was therefore recorded on the Company's records at its historical cost basis. In connection with the new issuance of 9,889,000 shares of TCOM common stock and 10,000,000 warrants (expiring March 15, 2006), the excess of the purchase consideration of \$8,322,295 over the book value of the net assets of \$195,378 acquired amounted to \$8,126,917 and was recorded in the consolidated statement of operations as

acquisition expense.

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TELECOM COMMUNICATIONS, INC. AND SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS
(UNAUDITED)**

ALPHA CENTURY HOLDINGS LIMITED

On December 15, 2003, the Company formed Alpha Century Holdings Limited ("Alpha") which is a wholly owned subsidiary registered in the British Virgin Islands. Alpha commenced its business on July 1, 2004 and its principal activity was provision of total solution software with entertainment and lifestyle information and provision of mobile message service platform.

PANYU NO.6 CONSTRUCTION COMPANY

Panyu No.6 Construction Company ("Panyu"), was a 60% owned subsidiary located in Guangzhou, China, and its business was an integrated construction company. The Company sold all its interests in Panyu on April 16, 2004 with the net loss on the disposal of \$145,622. Panyu's operating income for the nine months ended June 30, 2004 of \$489,192 was shown as Discontinued Operations in the condensed consolidated statements of operations.

HUIRI ELECTRIC (PANYU) LIMITED

Hui Electric (Panyu) Limited ("Hui"), a corporation established in the People's Republic of China, was a wholly owned subsidiary of Arran since March 16, 2004 and its principal activity was trading of electric lighting. On March 31, 2004, Arran sold all its interests in Hui to Alpha for approximately \$13,000.

On June 22, 2005, Alpha sold all its interests in Hui resulting in a net gain on the disposal of \$53,431. Hui's operating expenses for the nine months ended June 30, 2005 of \$23,272 was shown as Discontinued Operations in the condensed consolidated statements of operations and \$29,799 for the same period ended June 30, 2004. Hui's operating expenses for the three months ended June 30, 2005 of \$8,100 was shown as Discontinued Operations in the condensed consolidated statements of operations and \$29,799 for the same period ended June 30, 2004

3G DYNASTY INC.

On February 21, 2005, the Company formed 3G Dynasty Inc. ("3G Dynasty") which is a wholly owned subsidiary registered in the British Virgin Islands. 3G Dynasty commenced its business on April 1, 2005 and its principal activity was provision of entertainment content for 3G mobile and Internet use.

CONTROL BY PRINCIPAL STOCKHOLDERS

The directors, executive officers and their affiliates or related parties, own beneficially and in the aggregate, the majority of the voting power of the outstanding shares of the common stock of the Company. Accordingly, the directors, executive officers and their affiliates, if they voted their shares uniformly, would have the ability to control the approval of most corporate actions, including increasing the authorized capital stock of the Company and the dissolution, merger or sale of the Company's assets or business.

TELECOM COMMUNICATIONS, INC. AND SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS
(UNAUDITED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION AND BASIS OF PRESENTATION

The condensed consolidated financial statements of the Company, include the accounts of TCOM and its subsidiaries, namely Arran, Alpha, IC Star and 3G Dynasty, together with the accounts of Panyu and Huiyi that were classified under Income from discontinued operations in 2004. The consolidated statements have been prepared in accordance with accounting principles generally accepted in the United States of America. All significant intercompany transactions have been eliminated.

FOREIGN CURRENCY TRANSLATION

Transactions and balances originally denominated in U.S. dollars are presented at their original amounts. Transactions and balances in other currencies are converted into U.S. dollars in accordance with Statement of Financial Accounting Standards (SFAS) No. 52, "Foreign Currency Translation," and are included in determining net income or loss.

For foreign operations with the local currency as the functional currency, assets and liabilities are translated from the local currencies into U.S. dollars at the exchange rate prevailing at the balance sheet date. Revenues, expenses and cash flows are translated at the average exchange rate for the period to approximate translation at the exchange rate prevailing at the dates those elements are recognized in the financial statements. Translation adjustments resulting from the process of translating the local currency financial statements into U.S. dollars are included in determining comprehensive loss.

The Company has determined Hong Kong dollars to be the functional currency of Arran, Alpha, IC Star and 3G Dynasty, and the People's Republic of China Chinese Yuan Renminbi to be the functional currency of Huiyi and Panyu. The financial statements of the subsidiaries are translated to United States dollars using year-end rates of exchange for assets and liabilities, and average rates of exchange for the period for revenues, costs, and expenses. Net gains and losses resulting from foreign exchange transactions are included in the consolidated statements of operations. The cumulative translation adjustment and effect of exchange rate changes for the period ended June 30, 2005 was \$249.

COMPREHENSIVE LOSS

Comprehensive loss includes changes to equity accounts that were not the result of transactions with shareholders. Comprehensive loss is comprised of net loss and other comprehensive income and loss items. The Company's comprehensive income and losses generally consist of changes in the fair value of changes in the cumulative foreign currency translation adjustment.

TELECOM COMMUNICATIONS, INC. AND SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS
(UNAUDITED)**

RELATED PARTY AND STOCKHOLDERS' LOANS

The caption "Due to related party" are loans that are unsecured, non-interest bearing and have no fixed terms of repayment, and therefore, are deemed payable on demand.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SIGNIFICANT ESTIMATES

Several areas require management's estimates relating to uncertainties for which it is reasonably possible that there will be a material change in the near term. The more significant areas requiring the use of management estimates related to valuation of the useful lives of the Company's equipment and valuation of tax and other contingent liabilities and the valuation of the stock warrants and options issued and outstanding

EARNINGS PER SHARE

Basic earnings per common share ("EPS") is calculated by dividing net earnings by the weighted average number of common shares outstanding during the period. Diluted earnings per common share are calculated by adjusting the weighted average outstanding shares, assuming conversion of all potentially dilutive instruments.

Common stock equivalents, including stock warrants to purchase an aggregate of 10,000,000 shares at June 30, 2005, are not included in the diluted loss per share for the nine months ended June 30, 2005 and 2004, as they are anti-dilutive. The warrants are exercisable 2 years from the issuance date of March 16, 2004 at an exercise price of \$2 per share. All of the warrants expire on March 15, 2006.

REVENUE RECOGNITION

The Company recognizes revenues in accordance with the guidelines of the Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") No. 104 "Revenue Recognition". The Company recognizes revenues principally from the sale of the rights to use its database of entertainment contents with software applications or the subscription of its software applications.

TELECOM COMMUNICATIONS, INC. AND SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS
(UNAUDITED)****4. RESTATEMENT DUE TO DISCONTINUED OPERATIONS**

A restatement was made on the comparative figures for the period ended June 30, 2004 due to the disposal of Huiiri. Its net operating loss of \$29,799 was reclassified and included in Income/(Expenses) from discontinued operations and the restated figures were shown as follows:

	Nine Months Ended June 30,	
	2004 (Unaudited) Restated	2004 (Unaudited) Before
Net Revenues	838,008	856,827
Cost of sales	(126,417)	(164,382)
Gross profit	711,591	692,445
Operating expenses:		
Selling, general and administrative	(2,136,974)	(2,149,674))
Expense from operations	(1,425,383)	(1,457,229)
Total Other Expense	(8,016,636)	(7,813,817)
Expense from continuing operations	(9,442,019)	(9,271,046)
Income/ (Expense) from discontinued operations,		
- Gain on disposal subsidiary - others	200,772	-
- Loss on disposal subsidiary - Panyu	(145,622)	(145,622)
- Net income from discontinued operation of subsidiary		
- Panyu	489,192	489,192
- Net expense from discontinued operation of subsidiary - Huiiri	(29,799)	-
	514,543	343,570
Net (Loss)	\$ (8,927,476)	\$ (8,927,476)

5. RELATED PARTY TRANSACTIONS

A stockholder of the Company or companies owned by the stockholder advanced funds to the Company for working capital purposes. At June 30, 2005, the Company owed the stockholder and his companies amounting \$86,051 and \$18,690. The advances are non-interest bearing and are payable on demand and is shown as a current liability.

Grace Motion, Inc. a company in which an officer of the Company has a beneficial interest, was paid a consulting fee amounting to \$34,615.

The Company signed a 3-year contract with Taikang Capital Managements Corporation (Taikang”), a stockholder of the Company for the provision of total solution software on July 1, 2005. During the nine months ended June 30, 2005, the Company received income from Taikang amounting to \$1,080,000. The amount due from the stockholder at June 30, 2005 of \$700,000 was classified as Accounts receivable - Affiliate under Current Assets.

TELECOM COMMUNICATIONS, INC. AND SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS
(UNAUDITED)**

6. STOCK TRANSACTIONS

On February 1, 2005, TCOM entered into a stock agreement with Top Rider Group Limited for the purchase of 3,500,000 shares of the Company's common stock, par value \$0.001 per share for an aggregate purchase price of \$1,050,000. All of such shares are restricted securities within the meaning of the Securities Act of 1933. The purchase consideration was to settle the purchase of software IBS V4.1 of \$500,000 and the purchase for database of movie stars and singers content of \$550,000.

7. INCOME TAXES

The Company accounts for income taxes in accordance with the provisions of SFAS No. 109, "Accounting for Income Taxes."

Income tax expense is based on reported income before income taxes. Deferred income taxes reflect the effect of temporary differences between assets and liabilities that are recognized for financial reporting purposes and the amounts that are recognized for income tax purposes. In accordance with SFAS No. 109, "Accounting for Income Taxes", these deferred income taxes are measured by applying currently enacted tax laws.

No provision for Hong Kong profits tax is made for IC Star MMS Limited as the Company's income is sourced outside Hong Kong.

The company will withhold and pay income taxes on its employees' wages, which funds the Chinese government's sponsored health and retirement programs of all the employees.

TELECOM COMMUNICATIONS, INC. AND SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS
(UNAUDITED)****8. COMMITMENTS AND CONTINGENCIES - LEASE OBLIGATIONS**

Operating Leases

Lessee Costs - In the normal course of business, the Company leases office space under noncancelable operating lease agreements. The Company rents office space, primarily for regional sales administration offices, in commercial office complexes that are conducive to administrative operations. These operating lease agreements generally contain renewal options that may be exercised at the Company's discretion after the completion of the base rental term. In addition, many of the rental agreements provide for regular increases to the base rental rate at specified intervals, which usually occur on an annual basis. At June 30, 2005, the Company had operating leases that have remaining terms of 34 months. The following table summarizes the Company's future minimum lease payments under operating lease agreements at June 30, 2005 :

Year ended June, 30		
2006	\$	52,408
2007		52,408
2008		43,673
	\$	148,489

The Company recognizes lease expense on a straight-line basis over the life of the lease agreement. Contingent rent expense is recognized as it is incurred. Total rent expense in continuing operations from operating lease agreements was \$ 20,414 and \$ 14,015, for the nine months ended 2005 and 2004.

9. SUBSEQUENT EVENTS

On July 11, 2005, the Company formed a company called Island Media International Limited ("IMIL), a company registered in the British Virgin Islands. The Company subscribed to purchase shares equal to 60% of the equity interest in IMIL. IMIL is engaged in investment holdings and holds 100% of the shares of Talent Leader Entertainment & Productions Limited, a private company registered in Hong Kong on July 20, 2005 and its principal activity is entertainment production in Hong Kong

TELECOM COMMUNICATIONS, INC. AND SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS
(UNAUDITED)**

10. STOCK PLAN

On June 8, 2005, a Registration Statement on Form S-8 was filed by the Company with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, for registration under said Act of an additional 30,000,000 shares of common stock in connection with the Company's 2005 Stock Awards Plan.

All shares issued under the Plan may be either authorized and unissued shares or issued shares reacquired by the Company. Under the Plan, no participant may receive in any calendar year (i) Stock Options relating to more than 10,000,000 shares, (ii) Restricted Stock or Restricted Stock Units that are subject to the attainment of Performance Goals of Section 13 hereof relating to more than 5,000,000 shares, (iii) Stock Appreciation Rights relating to more than 10,000,000 shares, or (iv) Performance Shares relating to more than 5,000,000 shares. No non-employee director may receive in any calendar year Stock Options relating to more than 1,200,000 shares or Restricted Stock Units relating to more than 500,000 shares. The shares reserved for issuance and the limitations set forth above shall be subject to adjustment. All of the available shares may, but need not, be issued pursuant to the exercise of Incentive Stock Options. The number of shares that may be issued under the Plan for benefits other than Stock Options or Stock Appreciation Rights shall not exceed a total of 30,000,000 shares.

ITEM MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS 2. OF OPERATIONS

Special Note Regarding Forward-Looking Statements

This periodic report contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations, business strategies, operating efficiencies or synergies, competitive positions, growth opportunities for existing products, plans and objectives of management. Statements in this periodic report that are not historical facts are hereby identified as "forward-looking statements" for the purpose of the safe harbor provided by Section 21E of the Exchange Act and Section 27A of the Securities Act.

Prospective shareholders should understand that several factors govern whether any forward-looking statement contained herein will be or can be achieved. Any one of those factors could cause actual results to differ materially from those projected herein. These forward-looking statements include plans and objectives of management for future operations, including plans and objectives relating to the products and the future economic performance of the Company. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions, future business decisions, and the time and money required to successfully complete development projects, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Company. Although we believe that the assumptions underlying the forward-looking statements contained herein are reasonable, any of those assumptions could prove inaccurate and, therefore, there can be no assurance that the results contemplated in any of the forward-looking statements contained herein will be realized. Based on actual experience and business development, the Company may alter its marketing, capital expenditure plans or other budgets, which may in turn affect the results of operations. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of any such statement should not be regarded as a representation by the Company or any other person that the objectives or plans of the Company will be achieved.

The following discussion of the results of operations and financial condition of the Company should be read in conjunction with the financial statements of Telecom Communications, Inc. ("TCOM") for the year ended September 30, 2004 and notes thereto contained in the report on Form 10-KSB as filed with the Securities and Exchange Commission.

Overview

We conducted our business in Asia via our wholly owned subsidiaries, Alpha Century Holdings Limited, Arran Services Limited, IC Star MMS, Limited (<http://www.ICStarMMS.com>) and 3G Dynasty Inc. On July 11, 2005, we formed Island Media International Limited ("IML"), a British Virgin Islands incorporated company, and subscribed for 60% holdings of IML. IML is formed for the purpose of holding a Hong Kong incorporated company called Talent Leader Entertainment and Productions Limited, formed on July 20, 2005, which is doing business in Entertainment and content productions. We have an opportunity to become the leading value-added information service provider for China and the global Chinese community. Our products include Total Solutions System, CRM System, SEO4Mobile and AdMaxB2Search, and IBS 4.1 Enterprise Suite.

About Total Solutions System - SMS/MMS Call Center & CRM System

Our specialized product Total Solutions System offers integrated communications network solutions and Internet content service in universal voice, video, data, web and mobile communication for interactive media applications, technology and content leaders in interactive multimedia communications. TCOM develops markets and sells a universal media software solution for enterprise-wide deployment of integrated voice, video, data, web, and mobile

communication for media applications. Designed around TCOM's Internet content and database and integrated into the Information Manager System and SMS/MMS Call Center CRM System core software, the Total Solutions application facilitates the collaboration of key business processes such as, corporate and marketing communications, membership distance interactive program, product development, customer relationship management and content management by allowing dispersed enterprise users to collaborate in real time with multimedia message services.

Our business model is built on the integration of strong entertainment and lifestyle content, network database and the application of technology. Network database was established by signing contracts with strategic partners and collected all of their Internet and mobile phone users to be the online/offline members in China. Our content was built through our business alliance in which IC Star MMS Limited (formerly known as Sino Super Ltd.) (<http://www.ICSTARMMS.com>), one of our subsidiaries and a network services provider based in Hong Kong, links entertainment and lifestyle information to local communities across China. IC Star, which was originally created as the Star SMS /MMS called "My Star Friends" community, was first invented as a SMS/MMS interactive between IC Star and fans of local artists in the world. By integrating the network database and contents into a software that TCOM sources from the market, we can leverage the functions of the software and target it to various industries.

We believe that we are one of the leading Internet and value-added telecommunications services providers specialized on entertainment and lifestyle contents in China. Since the launch of our Total Solutions - Information System and the SMS/MMS CRM in July 2004, we have signed various contracts with clients which showed customer acceptance. It proved that our expectation on the reception of the integrated Internet and value-added telecommunication service is on the right track. For instance, the CRM virtual call center through ASP licensees and business customers which is part of our product, namely Total Solutions, has added 114 stations to bring a total business customer and virtual call center stations to 217 as of March 31, 2005. We will target the enterprise multimedia communications market in China, in which we believe there is a significant growth potential.

About SEO4Mobile

SEO4Mobile (Search Engine Optimization for mobile phones) (<http://www.seo4mobile.com>) is the original unique new service solution creation by Alpha Century Holdings Limited, a wholly-owned subsidiary of Telecom Communications, Inc. (OTC Bulletin Board: TCOM). SEO4Mobile -- Search Engine Optimizer for mobile phones via text messages (SMS) and multimedia message services (MMS), offers wireless mobile phone value-added service providers the ability to use a short message service (SMS) search implementation for their users. Mobile phone users who enter a relevant keyword or keyword phrase, along with a geographic identifier, can send searches in via an SMS to a service code. The search results will be received by a multimedia message service (MMS) and within 5 minutes Search Engine Optimization processes the search through the Internet. Many searchers don't realize that within an SMS search query they can add in a geographic identifier. By specifically laying out a separate search SMS for the geographic portion, SEO4Mobile helps structure the search in a simple and efficient way for the searcher. Now, SEO4Mobile has been selected by such service providers (SP) as China Mobile and China Unicom.

Both SEO4Mobile and AdMaxB2Search have proved our strength in innovative and creative value-added service in that three contracts have been signed with business partners since October 2004. Revenues are derived principally from providing integrated solutions and AdMaxB2Search platform by entering into business contracts with enterprises for a fixed monthly fee. The management of TCOM is especially confident that SEO4Mobile and AdMaxB2Search platform will provide excellent revenue when these two products gain popularity with the mobile phone users. In fact, SEO4Mobile is a cutting edge technology designed to integrate the Internet with mobile phones using search engine technology and a pay per click business model. We will target the 300 million mobile phone users as well as the 111 million Internet users in China. According to the Ministry of Information, China's Internet users are about 8.5% of its population, which is behind the 60% of Internet users in the U.S.

About IBS V4.1 Enterprise Suite

IBS v4.1 is a new product line including built-in MoDirect, an innovative suite of technologies that enables wireless and web publishers to target SEO4Mobile users more effectively and allows advertisers to obtain targeted leads with rich demographic data. IBS v4.1 is one of the Total Solutions (TM) families. Corporate users are allowed to leverage all information resource management on the intranet/extranet over the internet, plus wireless applications as well as allowing an advertiser to use the IBS V 4.1 to publish their products and message services (SMS/MMS) by searches

on mobile phones. The system enables manufacturers and services providers to use the Internet to establish and manage continuous connections with automated e-services, operations monitoring and e-commerce offerings. The system's customers include end-user clients in many industries throughout China. IBS v4.1 SME Standard Package includes 3 servers and software, as well as the system integration. On June, 2005, Alpha Century Holdings Limited (Alpha) has delivered the 2nd shipment of IBS v4.1 Enterprise Suite to the agent of 43 small middle size enterprises, totaling ten sets of SME Standard Packages plus 7,000 seat licenses, according to the second order from corporate users.

IC Star WAP Club

On February 2005, we established 3G Dynasty Inc. for the preparation of the Third Generation mobile system. 3G Dynasty will be responsible for sales of IC Star MMS products, and will focus on entertainment content for 3G mobile and Internet use. IC Star WAP Club is based on the IC Star Theme Club on WAP, which provides the most comprehensive and up-to-date mobile entertainment services in China. The WAP users can access IC Star Theme Club for content we provide through China Mobile Communications. On May 2005, 3G Dynasty, Inc., the subsidiary of the Company, created the website <http://skystar.com>, a multi-channel entertainment portal supported by proprietary fan clubs and community platform. It allows new members to personalize their own homepage with 3G Dynasty's content as added-on value.

On July 1, all contracted base business that operates as IC Star MMS and IC Star Brands will be combined with the personalized homepage on WAP and SkyeStar.com, the flagship entertainment property that operates by a joint venture of 3G Dynasty, Inc and its business partners in China. As the integration internet business group of TCOM, 3G Dynasty strategic investment in China will be created specifically to address those new market dynamics and help telecom carriers get the most from content programs, while effectively handling changes in capacity, deal terms and players. As of June 30, 2005, IC Star WAP Club had 305,242 registered members.

Business Partnership Developments

The Company has moved forward to develop and implement agreements with business partners through its subsidiaries' operations. 3G Dynasty Inc. (<http://www.icstarmms.com>) has finished the integration of all business units of IC Star MMS Limited through Aixi Software Limited into cooperation with **Baidu.com (Nasdaq: BIDU)**; **Shanghai Linktone Information Limited (Nasdaq: LTON)**; the wireless business division of **Beijing eLong Information Technology Limited, a company of eLong Inc. (Nasdaq: LONG)**; **3721 Inter China Network Software Co. Ltd (www.3721.com)**; a **Yahoo!, Inc. Company (Nasdaq:YHOO)**; **Tencent Company Limited (www.qq.com)**; **Kongzhong Corporation (Nasdaq:KONG)**; **Guangdong Mobile Communication Co., Limited, a China Mobile Communications Corporation; and China Mobile (Hong Kong) Ltd. (NYSE:CHL)** to develop entertainment Short Messaging Service (SMS), Multimedia Messaging Service (MMS), WAP portal and other wireless contents such as artist profiles, gaming and SEO4Mobile SMS search engine

Since October 2003, the Company or its subsidiaries, through our strategic partner--Aixi Software Limited, has signed contracts with various Service Providers and wireless telecom carriers in China.

TCOM has continually worked to establish a system that can quickly and accurately respond to the market, as well as raise shareholder value by strengthening the development and competitiveness of each business. As part of this strategy, TCOM has been implementing the integration of development, production and sales of each business within the Company. It has determined that a positive impact will be realized from integrating the functions of the various contracted operations lines of business and that as a result, 3G Dynasty Inc. will become more competitive and synergies will be realized between its marketing, product development and sales organizations. It is also projected that as the resources of the Company are increased and the strategic alliance structured, the overall efficiency of Group management will improve, providing even greater shareholder value.

In a country with significant mobile phone usage, the growth opportunities remain tremendous. China has more than 1 billion people and mobile services will remain a strong area of growth. Entertainment content for these mobile devices is in high demand and 3G Dynasty hopes to become the dominant player within this space.

Impact of Inflation

We believe that inflation has had a negligible effect on operations during the period. We believe that we can offset inflationary increases in the cost of sales by increasing sales and improving operating efficiencies.

Trends, Events, and Uncertainties

Demand for the Company's products will be dependent on, among other things, market acceptance of the Company's concept, the quality of its products and general economic conditions, which are cyclical in nature. Inasmuch as a major portion of the Company's activities is the receipt of revenues from the sales of its products, the Company's business operations may be adversely affected by the Company's competitors and prolonged recessionary periods.

Results of Operations

The following table shows the financial data of the unaudited condensed consolidated statements of operations of the Company and its subsidiaries for the nine-month period and three-month period ended June 30, 2005 and 2004. The data should be read in conjunction with the audited and unaudited condensed consolidated financial statements of the Company and related notes thereto.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Nine Months Ended June 30,		Three Months Ended June 30,	
	2005 (Unaudited)	2004 (Unaudited)	2005 (Unaudited)	2004 (Unaudited)
Net Revenues	6,301,132	838,008	2,848,472	205,447
Cost of sales	(3,988,038)	(126,417)	(1,726,328)	-
Gross profit	2,313,094	711,591	1,122,144	205,447
Operating expenses:				
Selling, general and administrative	(390,896)	(2,136,974)	(191,624)	(1,929,229)
Income/ (Expense) from operations	1,922,198	(1,425,383)	930,520	(1,723,782)
Other Income/ (Expense):				
Interest income	49	-	5	-
Other income	-	130,144	78	129,886
Interest expense	(1,614)	-	(388)	544
Acquisition costs	-	(8,146,780)	-	(19,863)
Total Other (Expense)	(1,565)	(8,016,636)	(305)	110,567
Income/ (Expense) from operations before income taxes	1,920,633	(9,442,019)	930,215	(1,613,215)
Provision for income taxes	-	-	-	-
Income/ (Expense) from continuing operations	1,920,633	(9,442,019)	930,215	(1,613,215)
Income/ (Expense) from discontinued operations,				
- Gain on disposal of subsidiary	53,431	200,772	53,431	20,205
- Loss on disposal of subsidiary	-	(145,622)	-	(145,622)
	-	489,192	-	-

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- Net income from the discontinued operations of subsidiaries					
- Net (expenses) from the discontinued operations of subsidiaries	(23,272)	(29,799)	(8,100)	(29,799)	
Total Income/ (Expense) from discontinued operations	30,159	514,543	45,331	(155,216)	
Net Income/ (Loss)	\$ 1,950,792	\$ (8,927,476)	\$ 975,546	\$ (1,768,431)	
Earnings per Common Share - Discontinued Operations	\$ 0.00	\$ 0.01	\$ 0.00	\$ (0.01)	
Earnings per Common Share- Continuing Operations	\$ 0.03	\$ (0.22)	\$ 0.01	\$ (0.03)	
Total earnings per Common Share - Basic & diluted	\$ 0.03	\$ (0.21)	\$ 0.01	\$ (0.04)	
Weighted Average Common Share outstanding - Basic & diluted	71,125,500	41,893,285	73,688,000	49,502,286	

NINE-MONTH PERIOD ENDED JUNE 30, 2005 COMPARED TO NINE-MONTH ENDED JUNE 30, 2004**Revenues**

Revenues were recorded at \$6,301,132 for the nine month period ended June 30, 2005 compared to \$838,008 for the same period ended June 30, 2004, an increase of \$5,463,124 reflecting the change of our income business model from profit sharing to fixed monthly fee income by contracting with clients and the increase in sales of our products. Revenues by different products for the nine months ended June 30, 2005 and 2004 are as follows:

By Products:	Nine Months Ended June 30,	
	2005 (Unaudited)	2004 (Unaudited)
Total Solution Software	2,471,190	-
CRM System	421,200	-
SEO4Mobile	2,528,000	-
IBS 4.1 Enterprise Suite	686,880	
IC Star WAP Club	193,862	
Others	0	838,008
Total Revenue	6,301,132	838,008

During the nine months ended June 30, 2005, sales of the Total Solution System to Taikang Capital Managements Corporation, a stockholder of the Company, amounting to \$1,080,000 were classified as Related Party Transactions and the amount due from this stockholder at June 30, 2005 of \$700,000 was classified as Accounts receivable - Affiliate under Current Assets.

Costs and Expenses

Cost of sales was \$3,988,038 for the nine month period ended June 30, 2005 or 63.3% of net revenue compared to \$126,417 for the same corresponding period ended June 30, 2004. Cost of sales consists of the purchase of various contents and other later stage production from raw contents and costs associated with the performance of our communication services plus depreciation charges. Cost of sales by different products for the nine months ended June 30, 2005 and 2004 are as follows:

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By Products:	Nine Months Ended June 30,	
	2005 (Unaudited)	2004 (Unaudited)
Total Solution Software	1,207,230	-
CRM		