TELECOM COMMUNICATIONS INC
Form 10QSB
February 23, 2004

United States
Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-QSB

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

For the fiscal quarter ended:	December 31, 2003
Commission file number:	333-62236

TELECOM COMMUNICATIONS, INC.
(Exact name of registrant as specified in its charter)

Indiana	35-2089848
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

74 Shanan Road, Panyu, Guangzhou, GD 511490, China
(Address of principal executive offices)(Zip code)

(8620)8487 9179
(Registrant's telephone number, including area code)

Indicate by check mark whether 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 X No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of February 15, 2004: 37,299,000 outstanding shares of common stock, $.001 par value per share.

TELECOM COMMUNICATIONS, INC. AND SUBSIDIARIES
FORM 10-QSB
QUARTERLY PERIOD ENDED DECEMBER 31, 2003
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TELECOM COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

	December 31, 2003 (Unaudited)
ASSETS	
CURRENT ASSETS:	
Cash	$ 1,416,986
Accounts receivable	546,430
Inventory of real estate held for sale	1,434,603
Costs and estimated earnings in excess of billings on uncompleted contracts	5,772,046
Due from related party	25,295
Prepaid expenses and other current assets	757,065
Total Current Assets	9,952,425

PROPERTY AND EQUIPMENT - net	1,138,725
OTHER ASSETS	22,338
Total Assets	$ 11,113,488

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:	
Loans payable	$ 1,391,291
Accounts payable and accrued expenses	2,054,966
Customer deposits	3,378,652
Billings in excess of cost and estimated earnings on uncompleted contracts	85,540
Due to related parties	159,406
Total Current Liabilities	7,069,855
LONG TERM LIABILITIES:	
Due to related party	2,159,073
Total Liabilities	9,228,928
MINORITY INTEREST	1,583,280
STOCKHOLDERS' EQUITY:	
Preferred stock ($.001 Par Value; 20,000,000 Shares Authorized; no shares issued and outstanding)	-
Common stock ($.001 Par Value; 80,000,000 Shares Authorized; 37,299,000 shares issued and outstanding)	37,299
Additional paid-in capital	400,000
Accumulated deficit	(118,919)
Accumulated other comprehensive loss	(17,100)
Total Stockholders' Equity	301,280
Total Liabilities and Stockholders' Equity	$ 11,113,488

See notes to unaudited consolidated financial statements

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TELECOM COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

For the Three Months Ended
December 31,

	2003	2002
	(Unaudited)	(Unaudited)
NET REVENUES	$ 1,909,840	$ -
COST OF SALES	1,156,370	-
GROSS PROFIT	753,470	-
OPERATING EXPENSES:		
Salaries	25,568	-
Selling, general and administrative	172,706	-
Total Operating Expenses	198,274	-
INCOME FROM OPERATIONS	555,196	-
OTHER INCOME (EXPENSE):		
Interest income	2,106	-
Interest expense	(24,725)	-
Total Other Income (Expense)	(22,619)	-
INCOME BEFORE PROVISION FOR INCOME TAXES	532,577	-
PROVISION FOR INCOME TAXES	(59,307)	-
INCOME BEFORE DISCONTINUED OPERATIONS AND MINORITY NTEREST	473,270	-
DISCONTINUED OPERATIONS:		
Gain from sale discontinued operations	55,695	
INCOME BEFORE MINORITY INTEREST	528,965	-
MINORITY INTEREST IN INCOME OF SUBSIDIARY	(110,285)	-
NET INCOME	$ 418,680	$ -
Income per Common Share - Basic and Diluted	$ 0.01	0.00
Weighted Average Common Shares Outstanding - Basic and Diluted	37,299,000	37,299,000

See notes to unaudited consolidated financial statements

TELECOM COMMUNICATIONS, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Three Months Ended December 31, 2003	2002
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income from continuing operations	$ 362,985	$ -
Adjustments to reconcile net income to net cash provided by operating activites:		
Depreciation	193,407	-
Minority interest	110,285	-
Changes in assets and liabilities:		
Accounts receivable	58,522	-
Inventory of real estate held for sale	1,310	-
Costs and estimated earnings in excess of billings on uncompleted contracts	(777,667)	-
Due from related party	(34)	
Prepaid and other current assets	673,453	-
Other assets	3,761	-
Accrued payable and accrued expenses	1,550,802	-
Customer deposits	(1,485,731)	-
Billings in excess of costs and estimated earnings on uncompleted contracts	(39,709)	-
NET CASH PROVIDED BY CONTINUING OPERATING ACTIVITIES	651,384	-
Income from discontinued operations	55,695	-
NET CASH PROVIDED BY DISCONTINUED OPERATING ACTIVITIES	55,695	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	707,079	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(9,274)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(9,274)	-

CASH FLOWS FROM FINANCING ACTIVITIES:		
Due to related party	63,179	-
Payments on loan payable	(485,641)	-
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(422,462)	-
EFFECT OF EXCHANGE RATE CHANGES IN CASH	(13,792)	-
NET INCREASE IN CASH	261,551	-
CASH - beginning of year	1,155,435	-
CASH - end of period	$ 1,416,986	$ -
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Noncash investing and financing activities:		
Capital contributed in connection with accrued lawsuit settlement	$ 400,000	$ -

See notes to unaudited consolidated financial statements.

TELECOM COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003
(UNAUDITED)

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company

Telecom Communications, Inc. (the "Company" or "Telecom") was founded as a sole proprietorship in 1995. The purpose of the Company was to provide low cost access to long distance carriers for individuals needing to call Latin and South America. The Company's long distance operated over the Internet. In addition, the Company also provided various services such as check cashing, money wiring, the sale of bus tokens and passes, and California lottery tickets.

Telecom has discontinued its current operations in the United States and will focus on its newly acquired operations.

On September 30, 2003, Telecom Communications, Inc. consummated a Stock Purchase Agreement with Arran Services Limited ("Arran") and its sole shareholder, Mr. Fred Deng Chiyuan, for the acquisition of all of the capital stock of Arran, a British Virgin Island corporation. In exchange for the capital interest, Mr. Deng received a total of 22.8 million shares and one designate of Mr. Deng received 1 million shares of Telecom common stock, representing approximately 64% of the outstanding shares of Telecom. The Stock Purchase Agreement has been accounted for as a reverse acquisition under the purchase method for business combinations. Accordingly, the combination of the two companies is recorded as a recapitalization of Telecom, pursuant to which Arran is treated as the continuing entity. In connection the recapitalization, the Company reclassified negative paid-in capital of $89,099 to the accumulated deficit.

Arran conducts business in China through its two subsidiaries, Panyu No. 6 Construction Company Limited and IC Star MMS, Limited as follows:

Panyu No 6 Construction Company Limited, a 60 % owned Chinese company located in Guangzhou, China ("Panyu"), is an integrated construction company. Panyu is focused on both general construction as well as the construction of network infrastructure for residential, industrial, cultural and commercial building communities. The construction on network infrastructure is mainly for communication through the setting up of broadband and telephone lines, intranet network within the community, as well as television cable, electricity wire and air conditioning.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company -continued

IC Star MMS Limited (formerly known as Sino Super Limited) was an 80% owned China-based local information and services affiliate network. Established in December 1991, ICStarMMS.com links entertainment and lifestyle information to local communities across China. On December 31, 2003, the Company was to suppose to acquire the remaining 20% minority interest in its IC Star MMS subsidiary for 9,889,000 shares of common stock and 10,000,000 warrants to purchase an additional 10,000,000 common shares at an exercise price of $2.00. In January 2004, this acquisition of the remaining 20% was cancelled and no shares and warrants were issued.

On November 20, 2003, the Company sold a subsidiary of Arran, StarEastNet Limited, for $200,000.

The accompanying consolidated financial statements include the accounts of Telecom and its wholly-owned and partially-owned subsidiaries. All material intercompany transactions and balances have been eliminated.

Net income per share

Basic income per share is computed by dividing net income by weighted average number of shares of common stock outstanding during each period. Diluted income per share is computed by dividing net income by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during each period.

Inventory of real estate held for sale

Real estate held for sale is carried at the lower of cost or fair value less estimated selling costs. Costs relating to improvement of real estate are capitalized. Allowance for losses are available to absorb losses incurred on real estate and represents additions charged to expense, less net gains or losses. In determining the allowance for losses to be maintained, management evaluates current economic conditions, fair value of the underlying collateral and risk characteristics of real estate held for sale. As of December 31, 2003, the Company was holding $1,434,603 in real estate held for sale.

TELECOM COMMUNICATIONS, INC., INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2003
(UNAUDITED)

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Revenues are recognized on the percentage-of-completion method for certain of these contracts, measured by the percentage of costs incurred to date to estimated total costs for each contract. This method is used because management considers costs incurred to be the best available measure of progress on these contracts. Revenues are recognized on the completed-contract method for certain other contracts. Contracts to manage, supervise, or coordinate the construction activity of others are recognized only to the extent of the fee revenue.

The Company acts as a consultant to various contractors and performs administrative services for a fixed percentage of the total contract price. Fees are recognized as services are performed. Consulting revenue is included in net revenues on the statements of operations for the three months ended December 31, 2003 and 2002.

The Company recognizes revenue from wireless services when services are performed.

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.

TELECOM COMMUNICATIONS, INC., INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2003
(UNAUDITED)

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation (continued)

The functional currency of the Company's Chinese subsidiaries, IC China Star East MMS, Limited, Honk Kong dollars (HKD) is the local currency and for its subsidiary, Panyu No. 6 Construction Company Limited, Chinese Remnibi (RMB), is the local currency. 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 at December 31, 2003 was $17,023. As of December 31, 2003, the exchange rate for the Chinese Renminbi (RMB) was $1 US for 8.28 RMB and for the Honk Kong dollar (HKD) was $1 US for 7.764 HKD.

Stock-based compensation

The Company accounts for stock options issued to employees in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. As such, compensation cost is measured on the date of grant as the excess of the current market price of the underlying stock over the exercise price. Such compensation amounts, if any, are amortized over the respective vesting periods of the option grant. The Company adopted the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" and SFAS 148, "Accounting for Stock-Based Compensation -Transition and Disclosure", which permits entities to provide pro forma net income (loss) and pro forma earnings (loss) per share disclosures for employee stock option grants as if the fair-valued based method defined in SFAS No. 123 had been applied. The Company accounts for stock options and stock issued to non-employees for goods or services in accordance with the fair value method of SFAS 123.

Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts

Costs and estimated earnings in excess of billings on uncompleted contracts arise when revenues are recorded on a percentage-of-completion basis but cannot be invoiced under the terms of the contract. Such amounts are invoiced upon completion of contractual milestones. Costs and estimated earnings in excess of billings also include certain costs associated with unapproved change orders. These costs are included when change order approval is probable. Amounts are carried at the lower of cost or net realizable value. No profit is recognized on costs incurred until change order approval is obtained. The amounts recorded involve the use of judgments and estimates; thus, actual recoverable amounts could differ from original assumptions.

TELECOM COMMUNICATIONS, INC., INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003

(UNAUDITED)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts (continued)

Assets and liabilities related to costs and estimated earnings in excess of billings as well as billings in excess of costs and estimated earnings have been classified as current and non-current under the operating cycle concept whereby all contract-related items are regarded as current regardless of whether cash will be received or paid within a 12-month period.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs, and depreciation costs. Selling, general, and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions, and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Profit incentives are included in revenues when their realization is reasonably assured. An amount equal to contract costs attributable to claims is included in revenues when realization is probable and the amount can be reliably estimated.

The asset, "Costs and estimated earnings in excess of billings on uncompleted contracts," represents revenues recognized in excess of amounts billed. The liability, "Billings in excess of costs and estimated earnings on uncompleted contracts," represents billings in excess of revenues recognized.

NOTE 2 - RELATED PARTY TRANSACTIONS

As of December 31, 2003, the Company's Panyu subsidiary had advanced $22,338 to a company owned by Panyu's general manager. The advances are non-interest bearing and are payable on demand.

In connection with the acquisition of one of the Company's subsidiaries, the Company owes its principal shareholder and officer $2,201,192, of which $2,159,073 was reflected as long-term.

An officer of the Company or companies owned by this officer advances funds to the Company for working capital purposes. At December 31, 2003, the Company owed this officer or his companies $117,287. The advances are non-interest bearing and are payable on demand.

NOTE 3 - ACQUISITIONS AND DISPOSITIONS

On January 1, 2003, the Company acquired from its principal shareholder 60% ownership in Panyu No. 6 Construction Company Limited to the Company. The fair market value of the net assets acquired from its principal shareholder was

$2,159,072 and was reflected as due to related party - long term on the consolidated balance sheet.

On January 7, 2003, the Company's Arran subsidiary completed the acquisition of Superb Quality Limited a British Virgin Island Company and its subsidiaries. The purchase price of this acquisition was $65,562 with $100 payable to the shareholders of the acquired entity and $65,462 payable to a related entity for the assignment of a non-interest bearing demand note, payable by one of the acquired Company's subsidiaries. The purchase price approximated the fair market value of the assets acquired. On November 20, 2003, the Company sold a subsidiary of Arran, Superb Quality Limited which holds 100% shareholding of StarEastNet Limited, for $200,000. As a result of the sale of Superb Quality Limited, the Company recorded a $55,695 gain from the sale in the quarter ended December 31, 2003. StarEastNet Limited and Superb Quality Limited are reported separately as a discontinued operation, and prior periods have been restated in the Company's financial statements, related footnotes and the management's discussion and analysis to conform to this presentation. In connection with this sale the Company is due $3,128,340 in the form of loan receivable that was originally owed to the Company by the sold subsidiary. The purchaser has agreed to assume the liability and will make payments of approximately $136,000 per month beginning in May 2004. The payments will continue for 23 months. If the purchaser fails to make payments for six consecutive months the purchaser must return the shares of the subsidiary to the Company. Due to the uncertainty regarding the collection of the note, the Company will recognize the payments of the receivable as gain on the sale of subsidiary as the payments are received. Therefore, no gain was recognized during the quarter ended December 31, 2003 with respect to this note.

The following approximate unaudited pro forma consolidated results of operations have been prepared as if the acquisitions of Panyu No. 6 Construction Company Limited had occurred as of the following periods:

	Three Months Ended December 31, 2002
Net Revenues	$ 2,200,000
Net Income	$ 50,000
Net Income per Share	$ .00

Pro forma data does not purport to be indicative of the results that would have been obtained had these events actually occurred at the beginning of the period presented and is not intended to be a projection of future results.

TELECOM COMMUNICATIONS, INC., INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2003
(UNAUDITED)

NOTE 3 - SEGMENT INFORMATION

The following information is presented in accordance with SFAS No. 131, Disclosure about Segments of an Enterprise and Related Information. In the periods ended December 31, 2003 and 2002, the Company operated in two reportable business segments - (1) construction services (2) telecommunications and related-services. The Company's reportable segments are strategic business units that offer different products. They are managed separately based on the fundamental differences in their operations.

Information with respect to these reportable business segments for the three months ended December 31, 2003 and 2002 is as follows: `

	For the Three Months Ended December 31, 2003	For the Three Months Ended December 31, 2002
Net Revenues:		
Construction services	$ 1,276,377	$ -
Telecommunication and related-services	633,463	-
Consolidated Net Revenue	$ 1,909,840	-
Cost of Sales and Operating expenses:		
Construction services	$ 1,111,193	$ -
Telecommunication and related-services	238,348	-
Depreciation:		
Construction services	$ 5,103	$ -
Telecommunication and related-services	-	-
Interest Expense:		
Construction services	$ 24,725	$ -
Telecommunication and related-services	-	-
Net Income:		
Construction services	$ 46,894	$ -
Telecommunication and related-services	371,786	-
Net Income	$ 418,680	$ -
Total Assets at December 31, 2003 and 2002:		
Construction services	$ 10,571,992	-
Telecommunication and related-services	541,496	-
Consolidated Asset Total	$ 11,113,488	-

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TELECOM COMMUNICATIONS, INC., INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2003
(UNAUDITED)

NOTE 3 - SEGMENT INFORMATION (Continued)

For the three months ended December 31, 2003, the Company derived 100% of its revenue from its subsidiaries located in the People's Republic of China. Additionally, all of the Company's identifiable assets are located in the People's Republic of China.

Currently, the Company's revenues are derived from sale of construction services and telecommunications related services to customers in the Peoples Republic of China (PRC). The Company hopes to expand its operations to countries outside the PRC, however, such expansion has not been commenced and there are no assurances that the Company will be able to achieve such an expansion successfully. Therefore, a downturn or stagnation in the economic environment of the PRC could have a material adverse effect on the Company's financial condition.

ITEM 2.MANAGEMENT'S DISCUSSION AND ANALYSIS OR RESULTS 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 our results of operations. In light of the significant uncertainties inherent in the forward-looking statements included therein, 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 analysis of the results of operations and financial condition of the Company should be read in conjunction with the financial statements of Telecom Communications, Inc. for the year ended September 30, 2003 and notes thereto contained on the report Form 10-KSB as filed with the Securities and Exchange Commission.

Overview

We are currently holding a 60% interest in Panyu No.6 Construction Company Limited ("Panyu") located at Guangzhou, China. Panyu is an integrated construction company that has most of its construction project in the Guangzhou area. It provides general construction for the area from residential community, hospital, commercial and cultural building blocks as well as digital communities. About 50% of its integrated construction project is on network infrastructures which is mainly for communication through the setting up of broadband and fiber cable system over communities, LAN/WAN and Wi-Fi, Internet/intranet/TV and wireless data communications network infrastructure for all telecom communications and electrical appliances.

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ITEM 2.MANAGEMENT'S DISCUSSION AND ANALYSIS OR RESULTS OF OPERATIONS (continued)

Our primary mission is to develop real estate in China by taking advantage of China's strong economic growth, which we believe, based on management's past experience, will result in an increasing need for top quality office space and high-end residential luxury homes. Currently, we plan to complete the development of our existing land with residential homes and commercial space for sale. Our primary investment objective is to realize capital appreciation from the sale of the properties within three to five years after such properties have been developed or purchased. Our secondary investment objective is to generate cash from the properties by the leasing of commercial space; in particular, ground level retail space. Once a project is completed and fully operational, we intend to sell our interest in such project, thereby generating funds for further development projects.

Additionally, we are a leading network infrastructures services company and value-added information service provider for China and the global Chinese communities. With a branded network of localized websites, targeting greater China and overseas Chinese, we provide an array of services to our users including region-focused online portals, mobile value-added services, online games, virtual ISP, classified listings, e-commerce and enterprise CRM solutions. In turn, we generate revenue through advertising, mobile value-added services, fee-based services, e-commerce, community and enterprise services. With 10 million registered users of channel partners in China at December 31, 2003, we believe ICStar is the most recognized online brand in China and among Chinese communities world-wide.

One of our subsidiaries, IC Star MMS Ltd., or ICStar (formerly known as Sino Super Ltd.),a network services company based in Hong Kong, began operations in December 1999 as an internet alliance concept focused on providing solutions to Chinese city local contents providers wishing to publish their news across China. In May 2000, ICStar launched our affiliate network, then called goongreen.org, offering Chinese-language local news, information and community features such as publishing services targeted at online users in China. In October 2002, ICStar expanded its affiliate network by partnering with Aixi Software Limited, a leading network Internet/Intranet development company with office in Guangzhou China and 6 distinct web sites targeting Chinese community users, education users and business users in China. In Jan 2003, we continued our network expansion and entertainment contents providing by acquisition stareastnet.com a leading entertainment and life information destination web site targeting Chinese users in greater China. Today, we operate ICStarMMS web sites in China, Hong Kong, Taiwan, and North America to provide Chinese content and services that speak directly to the audience of each region, enriching the online experience of their users.

We will derive our revenues from network infrastructures services and content service sources. Network infrastructures services revenues are derived principally from community and construction projects arrangements under which we receive revenues mainly on a project basis, fixed payment from community and companies, or a combination of them. Content service revenues are derived primarily from mobile value-added services, community and companies network information services, fee based services, e-commerce and enterprise services. Mobile value-added services revenues mainly include services fees received from offering user-customized information subscription, My Star Friend interactive SMS, personal greetings, customized mobile phone screen decoration, personalized ring tones, mobile Fans club service and wireless games. Such services are charged on a monthly or per message basis. Fee based services revenues mainly include services fees received from offering information subscriptions on our web sites, online games, virtual ISP and paid network services. Enterprise services revenues mainly include services charges on opt-in SMS classified listings, call center and enterprise CRM solutions.

In November 2003, we sold our 80% ownership in Superb Quality Limited to a third party investor for a consideration of $200,000 in cash dated on November 20, 2003. StarEastNet.com business model has not been profitable in the past several years and Management believes it will not help the company in the long run, as the company shifts its core business to wireless short/multimedia messaging services. As a result of the sale of Superb Quality Limited and its subsidiary SarEastNet Limited, the Company recorded a $55,695 gain from the sale in the quarter ended December 31, 2003. Superb Quality Limited is reported separately as a discontinued operation, and prior periods have been restated in the Company's financial statements, related footnotes and the management's discussion and analysis to conform to this presentation. In connection with this sale the Company is due $3,128,340 in the form of loan receivable that was originally owed to the Company by the sold subsidiary. The purchaser has agreed to assume the liability and will make payments of approximately $136,000 per month beginning in May 2004. The payments will continue for 23 months. If the purchaser fails to make payments for six consecutive months the purchaser must return the shares of the subsidiary to the Company. Due to the uncertainty regarding the collection of the note, the Company will recognize the payments of the receivable as gain on the sale of subsidiary as the payments are received. Therefore, no gain was recognized during the quarter ended December 31, 2003 with respect to this note.

Business Partnership Developments

In October and November 2003, we have entered agreements to form strategic partnership with, through our business partner Aixi Software Limited Guangzhou China:

21CN.com a wholly-owned subsidiary of China Telecom Corporation Limited, 21cn.com is the largest Internet portal provider in Southern China region and No. 4 Internet Portal provider behind SOHU.com, SINA.com, and Netease.com in China.

Newpalm (China) Information Technology Company, Limited, a wholly owned subsidiary of Hongkong.com (HK:08006). Chinadotcom (Nasdaq:China) is holding 81.37% of Hongkong.com (HK:08006).

Shanghai Linktone

Founded in October 1999, Linktone has emerged as an acknowledged leader in China's fast-growing wireless services sector. By developing a wide range of attractive content and applications for the paying end user, and by establishing nearly nationwide coverage through China's mobile operators, China Mobile and China Unicom, Linktone has enjoyed substantial, sustained growth in its user base and revenues.

Linktone's current focus on Short Messaging Services (SMS) allows potential access to virtually all of China's 185 million GSM subscribers, among users of SMS, and familiarity with its functions, continues to increase rapidly month to month. Linktone's consumer services focus on entertainment, messaging and personalized information. Linktone has also established itself as a provider of innovative enterprise solutions. In May 2002, Linktone partnered with McDonald's Corporation (China) to launch a first of its kind, nationwide SMS promotion for the 2002 World Cup Tournament in Japan and Korea. Linktone has also worked to promote feature films, television programs, major entertainment events, and consumer goods.

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ITEM 2.MANAGEMENT'S DISCUSSION AND ANALYSIS OR RESULTS OF OPERATIONS (continued)
Although SMS remains Linktone's core focus, the Company has developed offerings for the mobile operators that include WAP over GPRS, WAP over CDMA, EMS, MMS, location-based and cell-broadcasting content and applications, as well as a number of products, scheduled for release later this year, for China Mobile's new 2.5G GPRS network. Linktone's headquarters are located in Shanghai, and the company maintains regional offices in Beijing, Guangzhou, Fuzhou, Qingdao and Xian.

5Wan.com

5wan International concentrates on tens of millions cell phone users offering the finest in humanization, high technology, and mobile entertainment. They are working hard to provide top level and exciting entertainment services for Chinese mobile users, and provide much better WAP games. In China, 5wan has already launched several WAP games, and achieved great success. Their first release was the first role play WAP game - "SYZF"; 5wan then introduced the release of the first multi-person SMS game - "king of fighter". (http://www.5wan.com)

5wan's products and services are based on WAP, SMS, GPRS, Java and MPEG4. Also, 5wan is the first software developer to pass the Ericsson GPRS test. Ericsson (ERICY) has already used 5wan's game software into its application integration, recommended formally by China Mobile (CHL).

3721 Inter China Network Software Co. Ltd

3721 Inter China Network Software Co. Ltd (www.3721.com), which was recently acquired by Yahoo! Holdings (Hong Kong) Ltd., a wholly owned subsidiary of Yahoo!, Inc.

Under the agreements, The partners started to market ICStar MMS's short messages service (SMS), Multimedia Messages Services (MMS), ring tones, broadband to its own multi millions users . ICStarMMS will provide entertainment information celebrities as its core competency and other wireless contents such as wall paper and gaming. Both companies will work together to provide better customer preferred type of wireless/Internet products and services to lead a new trend of entertainment era in China.

IC Star MMS Limited has been working with Aixi Software, Limited (http://www.aixi.net) to develop a software program that is specifically provided to service providers in the wireless messaging services in China. The

SMS/MMS Information Manager System software has generated sales via revenue sharing model with service providers. This month the company will launch the SMS/MMS Call Center CRM System (Enterprise version) for the service providers.

In the meantime, IC Star MMS, together with Aixi Software, will also launch ICPhone Opt-in Classified List service. This service is specifically designed for the service providers to offer information services software.

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.

ITEM 2.MANAGEMENT'S DISCUSSION AND ANALYSIS OR RESULTS OF OPERATIONS (continued)

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

THREE MONTHS ENDED DECEMBER 31, 2003 COMPARED TO THREE MONTHS ENDED DECEMBER 31, 2002

Revenue for the three months ended December 31, 2003 was $1,909,840 as follows:

Net Revenues:	
Construction services	$ 1,276,377
Telecommunication and related-services	633,463
Consolidated Net Revenue	$ 1,909,840

We did not have revenues for the three months ended December 31, 2002. Revenues from constructions services are recognized on the percentage-of-completion method for certain of these contracts, measured by the percentage of costs incurred to date to estimated total costs for each contract. This method is used because management considers costs incurred to be the best available measure of progress on these contracts. Revenues are recognized on the completed-contract method for certain other contracts. Contracts to manage, supervise, or coordinate the construction activity of others are recognized only to the extent of the fee revenue. The Company recognizes revenue from wireless services when services are performed.

For the three months ended December 31, 2003, costs of sales amounted to $1,156,370 or 60.5% of net revenues and consists of direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs, and depreciation costs as well as local taxes incurred as well as costs associated with the performance of our telecommunication services. These costs are directly attributable to our construction projects

Cost of Sales:

	Amount	% of Related Revenues
Construction services	$ 1,029,677	80.7%
Telecommunication and related-services	126,693	20.0%
Consolidated Costs of Sales	$ 1,156,370	60.5%

ITEM 2.MANAGEMENT'S DISCUSSION AND ANALYSIS OR RESULTS OF OPERATIONS (continued)

For the three months ended December 31, 2003, we incurred operating expenses of $198,274. For the three months ended December 31, 2003, operating expenses consisted of salaries of $25,568, and other selling, general and administrative expenses of $172,706. For the three months ended December 31, 2002, we did not incur any operation expenses since we had no operations and acquired all of our subsidiaries on January 2003.

For the three months ended December 31, 2003, we incurred interest expense of $24,725 and interest income of $2,106.

For the three months ended December 31, 2003, we recorded minority interest expense of $110,285 related the allocation of profits to our minority interest holder.

For the three months ended December 31, 2003, we incurred foreign income tax expense of $59,307 related to our foreign operations.

The following approximate unaudited pro forma consolidated results of operations have been prepared as if the acquisitions of Panyu No. 6 Construction Company Limited had occurred as of the following period:

	Three Months Ended December 31, 2002
Net Revenues	$ 2,200,000
Net Income	$ 50,000
Net Income per Share	$ .00

Pro forma data does not purport to be indicative of the results that would have been obtained had these events actually occurred at the beginning of the periods presented and is not intended to be a projection of future results.

OVERALL

We reported net income for the three months ended December 31, 2003 of $418,680. This translates to overall per-share income of $.01 for the three months ended December 31, 2003.

ITEM 2.MANAGEMENT'S DISCUSSION AND ANALYSIS OR RESULTS OF OPERATIONS (continued)

Liquidity And Capital Resources

At December 31, 2003, we had a cash balance of $1,416,986 held in The People's Republic of China. We currently have no cash positions in the United States. We have been funding our operations from the receipt of customer deposits on our constructions projects and from working capital loans as described below:

- On July 9, 2002, our Panyu subsidiary, entered into a one-year renewable working capital loan with a Chinese bank for $787,101. The note was renewed in 2003 and is currently due on July 3, 2004 and bears interest at 5.841% annually and is collateralized by certain assets of the Company.

- On December 23, 2002, Panyu entered into a one-year renewable working capital loan with a Chinese bank for $484,370. The note is due on February 1, 2005, and currently bears interest at 5.31% per annum and is collateralized by certain assets of the Company.

- We have three non-interest bearing loans from individuals totaling $605,462. Such loans are payable on demand.

Management has invested substantial time evaluating and considering numerous proposals for possible acquisition or combination developed by management or presented by investment professionals, the Company's advisors and others. We continue to consider acquisitions, business combinations, or start up proposals, which could be advantageous to shareholders. No assurance can be given that any such project; acquisition or combination will be concluded.

Our Company's future operations and growth will likely be dependent on our ability to raise capital for expansion and to implement our strategic plan.

Net cash provided by operations was $707,079 for the three months ended December 31, 2003 and was attributable to our net income from continuing operations of $362,985, income from the sale of our subsidiary of $55,695, and by non-cash activity such as depreciation of $193,407 and minority interest of $110,285 as well as changes in the net assets of the Company of $40,325. In the future, we may use cash in our operations due to the continuing implementation of our business model and increased expenses from costs associated with being a public company.

Net cash used in investing activities for the three months ended December 31, 2003 was $9,274 for capital expenditures.

Net cash used in financing activities were $422,462 for the three months ended December 31, 2003 and related primarily to proceeds from related party loans of $63,179 offset by payments of loans payable of $485,641.

We currently have no material commitments for capital expenditures. Our future growth is dependent on our ability to raise capital for expansion, and to seek additional revenue sources. If we decide to pursue any acquisition opportunities or other expansion opportunities, we may need to raise additional capital, although there can be no assurance such capital- raising activities would be successful.

ITEM 2.MANAGEMENT'S DISCUSSION AND ANALYSIS OR RESULTS OF OPERATIONS (continued)

CRITICAL ACCOUNTING POLICIES

A summary of significant accounting policies is included in Note 1 to the audited consolidated financial statements included herein. Management believes that the application of these policies on a consistent basis enables the Company to provide useful and reliable financial information about the company's operating results and financial condition.

The preparation of financial statements in conformity with generally accepted accounting principles 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 the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

We account for stock options issued to employees in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. As such, compensation cost is measured on the date of grant as the excess of the current market price of the underlying stock over the exercise price. Such compensation amounts, if any, are amortized over the respective vesting periods of the option grant. We adopted the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" and SFAS 148, "Accounting for Stock-Based Compensation -Transition and Disclosure", which permits entities to provide pro forma net income (loss) and pro forma earnings (loss) per share disclosures for employee stock option grants as if the fair-valued based method defined in SFAS No. 123 had been applied. We account for stock options and stock issued to non-employees for goods or services in accordance with the fair value method of SFAS 123.

Revenues are recognized on the percentage-of-completion method for certain of these contracts, measured by the percentage of costs incurred to date to estimated total costs for each contract. This method is used because management considers costs incurred to be the best available measure of progress on these contracts. Revenues are recognized on the completed-contract method for certain other contracts. Contracts to manage, supervise, or coordinate the construction activity of others are recognized only to the extent of the fee revenue. The Company recognizes revenue from wireless services when services are performed.

We act as a consultant to various contractors and performs administrative services for a fixed percentage of the total contract price. Fees are recognized as services are performed. Consulting revenue is included in net revenues on the statements of operations for the three months ended December 31, 2003.

ITEM 2.MANAGEMENT'S DISCUSSION AND ANALYSIS OR RESULTS OF OPERATIONS (continued)

OPERATING RISK

Currently, the Company's revenues are primarily derived from the construction of network infrastructure for residential, industrial and cultural and commercial building blocks to customers in the Peoples Republic of China

(PRC). The Company hopes to expand its operations to countries outside the PRC, however, such expansion has not been commenced and there are no assurances that the Company will be able to achieve such an expansion successfully. Therefore, a downturn or stagnation in the economic environment of the PRC could have a material adverse effect on the Company's financial condition.

(b) Products risk

In addition to competing with other construction companies, the Company could have to compete with larger US companies who have greater funds available for expansion, marketing, research and development and the ability to attract more qualified personnel if access is allowed into the PRC market. If US companies do gain access to the PRC markets, they may be able to offer products at a lower price. There can be no assurance that the Company will remain competitive should this occur.

(c) Exchange risk

The Company can not guarantee that the current exchange rate will remain steady, therefore there is a possibility that the Company could post the same amount of profit for two comparable periods and because of a fluctuating exchange rate actually post higher or lower profit depending on exchange rate of the Chinese (RMB) or the Hong Kong Dollar (HK$) converted to US dollars on that date. The exchange rate could fluctuate depending on changes in the political and economic environments without notice.

(d) Political risk

Currently, PRC is in a period of growth and is openly promoting business development in order to bring more business into PRC. Additionally PRC allows a Chinese corporation to be owned by a United States corporation. If the laws or regulations are changed by the PRC government, the Company's ability to operate the PRC subsidiaries could be affected.

(e) Our future performance is dependent on its ability to retain key personnel

Our performance is substantially dependent on the performance of our senior management. In particular, the Company's success depends on the continued effort of our Senior Management to maintain all contact with our Chinese subsidiaries. The Company's inability to retain Senior Management could have a material adverse effect on our prospects, businesses, Chinese operations, financial conditions

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ITEM 3. CONTROLS AND PROCEDURES

Our Chief Executive Officer and Chief Financial Officer (collectively, the "Certifying Officers") are responsible for establishing and maintaining disclosure controls and procedures for us. Based upon such officers' evaluation of these controls and procedures as of a date within 45 days of the filing of this Quarterly Report, and subject to the limitations noted hereinafter, the Certifying Officers have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in this Quarterly Report is accumulated and communicated to management, including our principal executive officers as appropriate, to allow timely decisions regarding required disclosure.

The Certifying Officers have also indicated that there were no significant changes in our internal controls or other factors that could significantly affect such controls subsequent to the date of their evaluation, and there were no corrective actions with regard to significant deficiencies and material weaknesses.

Our management, including each of the Certifying Officers, does not expect that our disclosure controls or our internal controls will prevent all error and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and their can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of these inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Part II - OTHER INFORMATION

Item 1.Legal Proceedings

On December 4th 2003, a writ of summons was issued by third parties (as a contracted consultants group for Arran Services Limited) against Arran Services Limited and the subsidiaries of the Company claiming for unspecified damages for alleged breach of contract and an injunction to restrain the subsidiaries to use some of the entertainment contents. A defense letter was issued on December 24th 2003 by Arran's legal advisor, claiming the Action by the plaintiff is entirely misconceived and without merit. The directors are of the view that the Company has solid grounds to defense. Accordingly, no provision for this Action has been provided in the financial statements. "

Item 2. Changes in Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(1) Exhibits

Exhibit Number	Description
31.1	Certification by Chief Executive Officer Pursuant to Section 302
31.2	Certification by Chief Financial Officer Pursuant to Section 302
32.1	Certification by Chief Executive Officer Pursuant to Section 906
32.2	Certification by Chief Financial Officer Pursuant to Section 906

(2) Reports on Form 8-K

None

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in Panyu, Guangzhou, China on February 20, 2004.

TELECOM COMMUNICATIONS, INC.

Date: February 20, 2004

By: /s/ Fred Deng

Fred Deng
CEO, President and Chairman

In accordance with the Securities Exchange Act, the registrant has caused this report to be signed on behalf by the undersigned that is duly authorized of 1934, this report has been signed by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Date: February 20, 2004

By: /s/ Fred Deng

Fred Deng
CEO, President and Chairman

Date: February 20, 2004

By: /s/ Gary Lam,

Gary Lam
Principal Financial and
Accounting Officer