TELECOM COMMUNICATIONS INC
Form 10QSB
February 01, 2005

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

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

FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2004

| | 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)

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

ROOM 1602, 16/F., 5-9 OBSERVATORY COURT, TST, 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 |X| 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: 70,188,000 shares of Common Stock, $.001 Par Value Per Share, outstanding as of January 28, 2005.

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

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TELECOM COMMUNICATIONS, INC. AND SUBSIDIARIES

ITEM 1. FINANCIAL INFORMATION

CONDENSED CONSOLIDATED BALANCE SHEET

	December 31, 2004 (Unaudited)
Assets	
Current assets	
Cash and cash equivalents	$ 324,702
Accounts receivable	1,311,026
Due from a related party	-
Prepaid expenses and other current assets	34,143
Total current assets	1,669,871
Property, plant and equipment, net	3,962,810
Total assets	$ 5,632,681

Liabilities and Stockholders' Equity

Current liabilities	
Accounts payable and accrued expenses	385,971
Other loan	60,808
Due to a related party	162,181
Total current liabilities	608,960
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 70,188,000 shares issued and outstanding)	70,188
Additional paid in capital	14,029,406
Accumulated other comprehensive income	248
Accumulated deficit	(9,076,121)
Total stockholders' equity	5,023,721
Total liabilities and stockholders' equity	$ 5,632,681

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

TELECOM COMMUNICATIONS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended December 31,	
	2 0 0 4	2 0 0 3
	(Unaudited)	(Unaudited)
Net Revenues	1,575,338	632,578
Cost of sales	(786,557)	(126,516)
Gross profit	788,781	506,062
Operating expenses:		
Selling, general and administrative	(432,968)	(111,442)

Income/(Expense) from operations	355,813	394,620
Other Income/(Expense):		
Interest income	112	-
Other income	7,590	-
Interest expense	(550)	(58)
Acquisition costs	-	-
Total Other Income/(Expense)	7,152	(58)
Income/(Expense) from operations before income taxes	362,965	394,562
Provision for income taxes	-	
Income from continuing operations	362,965	394,562
Income from discontinued operations,	-	103,030
Profit before minority interest	-	497,592
Minority interest in income of subsidiary	-	(78,912)
Net Income	$ 362,965	$ 418,680
Earnings per Common Share - Discontinued Operations Basic & diluted	$ -	$ 0.01
Earnings per Common Share- Continuing Operations Basic & diluted	$ 0.01	$ 0.01
Weighted Average Common Share outstanding - Basic & diluted	$ 69,629,000	$ 37,299,000

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

TELECOM COMMUNICATIONS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended December 31, 2004 (Unaudited)	Three Months Ended December 31, 2003 (Unaudited)
Net cash provided by/(used in) operating activities	64,851	(100,046)
Cash flows from investing activities		
Cash acquired in acquisition	-	219,321
Capital expenditure	(67,672)	(59,603)
Net cash flows (used in)/provided by investing activities	(67,672)	159,718
Cash flows from financing activities		
Due to related party	(3,162)	64,046
Repayment of finance lease	(6,137)	-
Proceeds from loan payable	-	1,090,682
Net cash flows (used by)/provided by financing activities:	(9,299)	1,154,728
Effect of exchange rate changes in cash	115	(58,965)
Net (decrease)/increase in cash and cash equivalents	(12,005)	1,155,435
Cash and cash equivalents - beginning of period	336,707	-
Cash and cash equivalents - end of period	324,702	1,155,435
Supplemental disclosure of cash flow information:		
Non cash investing and financing activities:		
Common stock issued for acquisition of software	2,000,000	-
Common stock issued for recapitalization	-	217,597
Acquisition details:		
Fair value of assets acquired	-	9,743,773
Liabilities assumed	-	9,743,773

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

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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.

BUSINESS DESCRIPTION AND ORGANIZATION

THE COMPANY

Telecom Communications, Inc. (the "Company" or "Telecom") was incorporated on January 6, 1997 in the State of Indiana.

On September 30, 2003, Telecom 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. In exchange for the capital interest, the majority shareholder and his designate received a total of 23.8 million shares of Telecom's common stock, representing approximately 64% of the outstanding shares of Telecom. On the closing of the Stock Purchase Agreement, the majority shareholder was elected chairman and CEO of the Company.

Telecom conducts all of its business in China through Arran's subsidiary IC Star MMS Limited ("IC Star"). IC Star (formerly known as Sino Super Limited) was an 80% owned China-based local information and services affiliate network. Established in December 1991, IC Star links entertainment and lifestyle information to local communities across China.

On March 16, 2004, the Company acquired from Auto Treasure Holdings Limited, an entity 100% owned by the then majority shareholder of the Company, the remaining 20% interest of IC Star together with 100% interest of Huiri Electric (Panyu) Limited ("Huiri") for a consideration of 9,889,000 shares of Telecom common stock and 10,000,000 warrants to purchase 10,000,000 shares of Telecom common stock at $2 per share. As a result, as of March 16, 2004, Telecom owned 100% of IC Star and Huiri. 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 to the new issuance of 9,889,000 shares of Telecom common stock and 10,000,000 warrants (expire 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.

On December 15, 2003, the Company formed Alpha Century Holdings Limited ("Alpha"), which is a wholly owned subsidiary registered in British Virgin Islands and was formed for investment holdings. On March 31, 2004, Arran sold its interest in Huiri to Alpha for approximately $13,000.

In July 2004, Telecom started to conduct its business through Alpha and the principal activity of Alpha was the provision of (i) total solution software with entertainment and lifestyle information and (ii) a mobile message service platform.

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 Panyu on April 16, 2004. Panyu's operating results for the three months ended December 31, 2003 are shown as Discontinued Operations in the consolidated statements of income.

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.

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 Telecom, Arran, Alpha, IC Star and Huiri. 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.

The Company has determined Hong Kong dollars, to be the functional currency of Arran, Alpha and IC Star and the People's Republic of China Chinese Yuan Renminbi, to be the functional currency of Huiri. There were no material gains or losses or effect of exchange rate changes on cash recognized as a result of translating foreign currencies to the U.S. dollars due to the stability of the currency. No assurance however, can be given as to the future valuation of the foreign currencies and how further movements in the foreign currencies could affect future earnings of the Company.

The balance sheets of all foreign subsidiaries were translated at period end exchange rates. All of the Company's material long-lived assets are located in the People's Republic of China at December 31, 2004. Expenses were translated at exchange rates in effect during the year, substantially the same as the period end rates.

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 are 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 stock options.

REVENUE RECOGNITION

The Company recognizes revenue when there is persuasive evidence of an arrangement, delivery has occurred, the fee is fixed or determinable, collectibility is reasonably assured, and there are no substantive performance obligations remaining.

3. RELATED PARTY TRANSACTIONS

An officer of the Company, or companies owned by this officer, advanced funds to the Company for working capital purposes. At December 31, 2004, the Company owed this officer or his companies $162,181. The advances are non-interest bearing and are payable on demand and are shown as a current liability.

Grace Motion, Inc., a company in which a director of the Company has a beneficial interest, was paid a consulting fee amounting to US $11,538.

A personal guarantee was granted by Mr. Gary Lam for the lease of an automobile for $76,923.

4. STOCK TRANSACTIONS

On October 7, 2004, Telecom entered into a stock purchase agreement with Taikang, an affiliate of the Company, for the purchase of 10,000,000 shares of the Company's common stock, par value $.001 per share for an aggregate purchase price of $2,000,000 that was paid to the Company in the form of software.

5. 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.

There are net operating loss carryforwards allowed China's governments' tax systems. In China, the previous five years net operating losses are allowed to be carried forward five years to offset future taxable income. The Company has available approximately $ 344,968 of unused operating loss carryforwards and based on a 33% tax rate has a deferred tax asset of approximately $113,840. The

Company recorded a valuation allowance for the same amount at December 31, 2004.

No provision for Hong Kong profits tax is made 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.

6. SUBSEQUENT EVENTS

On January 14, 2005, the Company filed a preliminary proxy statement with the SEC for the following proposals.

Proposal 1 - To consider and approve the reincorporation of the Company in the State of Delaware (the "Reincorporation Proposal") and to adopt a new certificate of incorporation and bylaws as part of the merger. Proposal 1 requires the affirmative vote of a majority of the outstanding shares of Common Stock.

Proposal 2 - To authorize the Board of Directors to amend the Articles of Incorporation (the "Company's Articles") to effectuate a reverse split of the outstanding shares of common stock of the Company on a 2 to 1 basis. If Proposal 2 is approved, a reverse split would be adopted regardless of whether the Reincorporation Proposal is approved. If the Reincorporation Proposal is approved, Proposal 2 will require the affirmative vote of a majority of the outstanding shares of Common Stock. If the Reincorporation Proposal is not approved, Proposal 2 will require the affirmative vote of a majority of votes cast as is required under Indiana law; and

Proposal 3 - To elect directors to serve on the Board of Directors for a term of one year expiring at the 2006 annual meeting of stockholders or until their successors are duly elected. The 5 directors receiving the most number of votes shall be elected.

On January 27, 2005, a written charter of the Audit Committee of the Board of Directors was approved by the full Board.

As set forth in more detail in the charter, the Audit Committee's primary responsibilities fall into three broad categories:

a. the Committee is charged with monitoring the preparation of quarterly and annual financial reports by our Management, including discussions with our Mangagement and the outside auditors about draft annual financial statements and key accounting and reporting matters;

b. the Committee is responsible for matters concerning the relationship between us and the outside auditors, including their appointment or removal; reviewing the scope of their audit services and related fees, as well as any other services being provided to us; and determining whether the outside auditors are independent (based in part on the annual letter provided to us pursuant to Independence Standards Board Standard No. 1); and

c. the Committee oversees Management's implementation of effective systems of internal controls, including review of policies relating to legal and regulatory compliance, ethics and conflicts of interests.

On January 27, 2005, a written charter of the Audit Committee of the Board of Directors was approved by the full Board.

As set forth in more detail in the charter, the Audit Committee's primary

responsibilities are as set forth below:

It is the duty of the Compensation Committee to develop, administer and review our compensation plans, programs, and policies; to monitor the performance and compensation of executive officers; and to make appropriate recommendations and reports to the Board of Directors relating to executive compensation.

On January 27, 2005, a written Code of Ethics for Senior Financial Officers was approved by the full Board.

As set forth in more detail in the charter, the Code of Ethics outlines the duties and responsibilities of the Senior Financial Officers, including honest and ethical conduct, filing and maintenance of financial records and periodic reports, and compliance with applicable laws, rules and regulations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND 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 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 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. ("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 are a leading value-added information service provider for China and the global Chinese community. 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. Telecom 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 Telecom'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 facilitate 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 & 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. We also established the network database from the construction company that we previously owned, Panyu No. 6 Construction Company Limited ("Panyu"), that provided network construction and general construction to the region. 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 specializing on entertainment and lifestyle contents in China. Since the launch of our Total Solutions - Information System and the SMS/MMS CRM in July, we have signed various contracts with clients as a result of increased customer acceptance. We will target the enterprise multimedia communications market in China which we believe has significant growth potential. We have been able to sign three contracts with business partners since October 2004 because our latest products, SEO4Miblie (Search Engine Optimization for mobile phones) and AdMaxB2Search, have proved our strength in innovative and creative value-added service.

We will derive our revenues from the offering of our products Total Solutions System - Information Manager System, SMS/MMS CRM System, SEO4Mobile and AdMaxB2Search. 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 Telecom is especially confident that SEO4Mobile and AdMaxB2Search platform will provide excellent revenue when these two products gain popularity within the mobile phone users.

BUSINESS PARTNERSHIP DEVELOPMENTS

On October 26, 2004, IC Star MMS Limited (http://www.icstarmms.com) has entered into a cooperation with Baidu.com (http://www.baidu.com), the number one Chinese internet search engine. Under the agreement, IC Star MMS will work with Baidu.com to develop Short Messaging Service (SMS), Multimedia Messaging Service (MMS), and other wireless content such as artist profiles and gaming. Baidu will provide the technical platform and take part in promoting this new operation to its users that have 60 million keyboard resolutions every day.

On November 1, 2004, Telecom reached an agreement with Aries Vision Technology Limited and Gold Swallow Shop Limited to form Animation Studio, a joint venture to create, develop and produce computer generated or flash animated feature films, videos and multimedia content, and to develop and distribute digital videos and other products based on such content. Aries Vision Technology is currently producing an animated feature films to be broadcast on Cartoon Channel in China during the second quarter of 2005. Gold Swallow Shop has invested to develop related software and run a distribution chain of home videos, music and games software in China. Gold Swallow develops home videos and distributes products that ignite customers to become better and more active participants in the China experience. In addition to the joint venture, TCOM will grant a first right for exclusive arrangement wireless value-added service of all products and contents that are developed by the joint venture from time to time.

On November 15, 2004, IC Star MMS Limited (http://www.icstarmms.com), has entered into cooperation with the wireless business division of Beijing eLong Information Techlonogy Limited, a company of eLong Inc. (Nasdaq: LONG) (http://www.elong.com), the leading online travel service provider and community in China. Under the agreement, IC Star MMS will utilize the best of its pool of celebrity and their artistic resources, in conjunction with eLong's development of Short Messaging Service (SMS), Multimedia Messaging Service (MMS) and Coloring Ring Back Tone service. eLong will provide the technical platform and promote these new services to its users.

Since October 2003, the Company or its subsidiaries, through our strategic partner--Aixi Software Ltd., has signed contracts with various Service Providers in China in order to expand our network database. The Service Providers include:

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 SMS allows potential access to virtually all of China's 185 million Global System for Mobile communications ("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. 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 of 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". () 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 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.

Tencent Company Limited

Tencent is one of the first Internet Instant Messaging (IM) software developers in China, and a leading provider for Internet and mobile value-added services with a focus on IM and related value-added services. Its holding company, Tencent Holdings Limited, has been listed on the Hong Kong Stock Exchange since June 2004. Tencent was founded in November 1998 in Shenzhen, China. In February 1999, Tencent launched its first IM software--"Tencent QQ." Over the past five years, Tencent has strived to pursue technological advancement while maintaining a steady high growth in users. The vast community of Tencent QQ users demonstrates Tencent's technological strength in operating massive online application systems and IM-related applications.

Tencent users can communicate real time with each other via our IM platform with their PCs, mobile and fixed line phones, as well as various terminal devices. Not only can users communicate via text, images, audio, video and email, but they also have access to various Internet services and mobile value-added services designed to enhance the community experience, including mobile games, dating, content downloads and other entertainment services.

Under the agreements, the partners started to market IC Star's and ACH's short messages service (SMS), Multimedia Message Services, ring tones, and broadband to their own multi-millions of users. IC Star will provide entertainment

information celebrities as its core competency and other integrated contents.

Both companies will work together to provide better customer preferred types of wireless/Internet products and services and to lead a new trend of offering Total Solutions to corporations through wireless and Internet communications in China.

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

THREE MONTHS ENDED DECEMBER 31, 2004 COMPARED TO THREE MONTHS ENDED DECEMBER 31, 2003

The following table shows the selected unaudited condensed consolidation income statement data of the Company and its subsidiaries for the three-month period ended December 31, 2004. The data should be read in conjunction with the audited and unaudited Condensed Consolidated Financial Statements of the Company and related notes thereto.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended December 31,	
	2004	2003
Net revenues	$ 1,575,338	$ 632,578
Cost of sales	(786,557)	(126,516)
Gross profit	788,781	506,062
Operating expenses	(432,968)	(111,442)
Income from operations	355,813	394,620
Other income (expense):		
Interest income	112	-
Other income	7,590	-
Gain on disposal of subsidiary	-	-
Interest expense	(550)	(58)
Acquisition costs	-	-

Total other income/ (expense)	7,152	(58)
Income from operations before income taxes	362,965	394,562
Provision for income taxes	-	-
Income from continuing operations before discontinued operations	362,965	394,562
Income from discontinued operations	-	103,030
Profit before minority interest	-	497,592
Minority interest in income of subsidiary	-	(78,912)
Net Income/(loss)	$ 362,965	$ 418,680
Earnings per common share - Discontinued operations Basic & diluted	$ -	$ 0.01
Earnings per common share - Continued operations Basic & diluted	$ 0.01	$ 0.01
Weighted average common share Outstanding - basic & diluted	69,629,000	37,299,000

REVENUES

Revenues recorded at $1,575,338 for the three month period ended December 31, 2004 compared to $632,578 for the same period ended December 31, 2003, an increase of $942,760 reflecting the change of our business model from profit sharing to fixed monthly fee income by contracting with clients. Revenues for the period ended December 31, 2004 were generated from communication services including our products namely Total Solutions and SEO4Mobile.

COSTS AND EXPENSES

Cost of sales was $786,557 for the three month period ended December 31, 2004 or 50% of net revenue compared to $126,516 for the same corresponding period ended December 2003. Cost of sales consists of purchase of various contents and other later stage production from raw contents and costs associated with the performance of our communication services.

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For the three months ended December 31, 2004, we incurred operating expenses of $432,968 as compared to $111,442 for the same period at December 31, 2003. The $432,968 of 2004 included general operating expenses of $116,511 or 7.4% of net revenue and depreciation expense of $316,368 or 20.1% of net revenue.

Interest expense was recorded at $550 and interest income was $112 for the three months ended December 2004 representing 0.03% and 0.01% of net revenue respectively.

Other income of $7,590 was recorded as the collection of loan receivable that was originally owed to the Company by the sold subsidiary in November 2003.

OVERALL

We reported net income for the three months ended December 31, 2004 of $362,965. This translates to overall per-share profit of $.01 for the three months ended December 31, 2004.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2004, we had a cash balance of $324,702 held in The People's Republic of China, Hong Kong. We currently have no cash positions in the United States. We have been funding our operations from the receipts from customers.

At December 31, 2004, the Company owed one officer or his companies $162,181. The advances are non-interest bearing and are payable on demand.

Management has invested substantial time evaluating and considering numerous proposals for possible acquisitions or combinations 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 $64,851 for the three months ended December 31, 2004. 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, 2004 was $67,672, all of which was used for capital expenditures.

Net cash required by financing activities was $9,299.

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.

OPERATING RISK

Currently, the Company's revenues are primarily derived from the reselling of software to enterprises, large corporations, and the academic sector, as well as telecom-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.

PRODUCTS RISK

Our revenue-producing operations are limited and the information available about us makes an evaluation of us difficult. We have conducted limited operations and have little operating history that permits you to evaluate our business and our prospects based on prior performance. You must consider your investment in light of the risks, uncertainties, expenses and difficulties that are usually encountered by companies in their early stages of development, particularly those engaged in international commerce. In addition to competing with other telecommunication and web 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 in general, it may be able to offer products at a lower price. There can be no assurance that the Company will remain competitive should this occur.

EXCHANGE RISK

The Company generates revenue and incurs expenses and liabilities in Chinese renminbi, Hong Kong dollars and U.S. dollars. As a result, the Company is subject to the effects of exchange rate fluctuations with respect to any of these currencies. Since 1994, the official exchange rate for the conversion of renminbi to U.S. dollars has generally been stable and the renminbi has appreciated slightly against the U.S. dollar. However, given recent economic instability and currency fluctuations in the world, the Company can offer no assurance that the renminbi will continue to remain stable against the U.S. dollar or any other foreign currency. The Company's results of operations and financial condition may be affected by changes in the value of renminbi and other currencies in which its earnings and obligations are denominated. The Company has not entered into agreements or purchased instruments to hedge its exchange rate risks, although the Company may do so in the future.

OUR FUTURE PERFORMANCE IS DEPENDENT ON OUR ABILITY TO RETAIN KEY PERSONNEL

Our future success depends on the continued services of executive management in China. The loss of any of their services would be detrimental to us and could have an adverse effect on our business development. We do not currently maintain key-man insurance on their lives. Our future success is also dependent on our ability to identify, hire, train and retain other qualified managerial and other employees. Competition for these individuals is intense and increasing.

OUR BUSINESS DEPENDS SIGNIFICANTLY UPON THE PERFORMANCE OF OUR SUBSIDIARIES, WHICH IS UNCERTAIN.

Currently, a majority of our revenues are derived via the operations of our subsidiaries. Economic, governmental, political, industry and internal company factors outside our control affect each of our subsidiaries. If our subsidiaries do not succeed, the value of our assets and the price of our common stock could decline. Some of the material risks relating to our partner companies include:

- our subsidiaries are located in China and have specific risks associated with that; and

- Intensifying competition for our products and services and those of our subsidiaries, which could lead to the failure of some of our subsidiaries

A VISIBLE TRADING MARKET FOR OUR COMMON STOCK MAY NOT DEVELOP

Our common stock is currently traded on the Over-the-Counter Bulletin Board under the symbol "TCOM". The quotation of our common stock on the OTCBB does not assure that a meaningful, consistent and liquid trading market currently exists. We cannot predict whether a more active market for our common stock will develop in the future. In the absence of an active trading market:

- investors may have difficulty buying and selling or obtaining market quotations;

- market visibility for our common stock may be limited; and

- a lack of visibility for our common stock may have a depressive effect on the market price for our common stock.

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

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

On October 7, 2004, Telecom entered into a stock purchase agreement with Taikang Capital Managements Company ("Taikang"), an affiliate of the Company, for the purchase of 10,000,000 shares of the Company's common stock, par value $.001 per share for an aggregate purchase price of $2,000,000. The proceeds were used to purchase an asset in relation to our latest products SEOO4Mobile.

ITEM 3. EXHIBITS

(A) EXHIBITS

EXHIBIT NUMBER

14

31.1	Rule 13a-14(a)/15d-14(a) Certification (CEO)*
31.2	Rule 13a-14(a)/15d-14(a) Certification (CFO)*
32.1	Section 1350 Certification (CEO)*
32.2	Section 1350 Certification (CFO)*

*Filed herewith.

(B) REPORTS ON FORM 8-K

- Form 8-K dated July 22, 2004;
- Form 8-K dated July 22, 2004;
- Form 8-K dated August 16, 2004;
- Form 8-K dated September 17, 2004;
- Form 8-K dated October 7, 2004;
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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: February 1, 2005

TELECOM COMMUNICATIONS, INC.

By: /s/ Shanhe Yang

Shanhe Yang
President and CEO
(Principal Executive Officer)

Date: February 1, 2005

By: /s/ Gary Lam

Gary Lam
Principal Financial and

Accounting Officer