MyStarU.com,Inc.
Form 10QSB
February 14, 2008

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

FORM 10-QSB

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

For the quarterly period ended December 31, 2007

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

For the transition period from ________ to ________

Commission file number 333-62236

MYSTARU.COM, INC.
(Exact Name of Small Business Issuer as Specified in Its Charter)

Delaware	**35-2089848**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

9/F., Beijing Business World
56 Dongxinglong Avenue
CW District
Beijing, China 100062
(Address of Principal Executive Offices)

(86) 10 6702 6968
(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 o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date**:** 151,014,316 shares of common stock, $.001 par value per share, outstanding as of January 24, 2008.

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

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

MYSTARU.COM, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET

	December 31, 2007 Unaudited	September 30, 2007 Audited
ASSETS		
Current Assets		
Cash	$ 529,567	$ 1,150,422
Accounts Receivable, Net of Allowances for Doubtful Accounts of $247,066 (September 30, 2007 - $413,036) (Note 4)	11,424,981	7,982,668
Accounts Receivable, Related Party (Note 4)	1,107,359	1,107,359
Inventory	76,386	-
Prepaid Expenses	1,547,585	1,778,966
Other Current Assets	337,580	598,588
Total Current Assets	15,023,458	12,618,003
Property, Plant & Equipment, Net (Note 8)	7,530,011	8,376,420
Intangible Assets		
Copyrights, Net of Accumulated Amortization of $2,518,918 (September 30, 2007 - $2,534,178) (Note 7)	6,849,275	6,262,456
Goodwill (Note 5, 7)	556,319	354,615
Total Intangible Assets	7,405,594	6,617,071
TOTAL ASSETS	$ 29,959,063	$ 27,611,494
LIABILITIES & STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	$ 4,210,971	$ 3,435,530
Accrued Liabilities	195,127	257,712
Due to Related Party (Note 2)	5,918	-
Total Current Liabilities	4,412,016	3,693,242
Total Liabilities	4,412,016	3,693,242
Minority Interest in Consolidated Subsidiaries (Note 12)	4,910,696	3,801,642
Commitment and Contingencies (Note 13)		
Stockholders' Equity (Note 9)		
Preferred stock, $0.001 par value, authorized: 50,000,000 shares, zero shares issued and	-	-

outstanding at December 31, 2007 and September 30, 2007				
Common stock, $0.001 par value, authorized: 300,000,000 shares, 151,014,316 and 146,288,000 shares issued and outstanding at December 31, 2007 and September 30, 2007		151,014		146,288
Additional Paid in Capital		23,679,069		22,905,224
Shares to be Issued		-		2,065
Deferred Stock-Based Compensation		(1,532,906)		(479,225)
Accumulated Other Comprehensive Income		19,339		(7,016)
Accumulated Deficit		(1,680,165)		(2,450,726)
Total Stockholders' Equity		20,636,351		20,116,610
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$	29,959,063	$	27,611,494

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

2

MYSTARU.COM, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED DECEMBER 31, 2007 AND 2006

		2007 Unaudited		2006 Unaudited (Restated)
Revenues				
Licensing and Royalty Revenues	$	1,323,962	$	120,613
Online Membership Services		1,722,279		2,626,158
Import and Export Sales		4,364,583		2,038,260
Media and Marketing Management		300,900		-
Software Sales		-		819,100
Software Sales - Related Party		-		360,000
Other Revenues		229		-
Total Revenue		7,711,953		5,964,131
Costs of Sales		5,785,142		3,454,989
Gross Profit		1,926,811		2,509,142
Operating Expenses				
Salaries and Wages		63,007		156,106
Stock Compensation		363,869		1,027,030
Bad Debt (Recovery) Expense		(161,415)		1,139,325
Selling, general and administrative		634,566		279,678
Total Operating Expenses		900,027		2,602,139
Income (Loss) From Continuing Operations		1,026,784		(92,997)
Other Income and Expenses		8,443		21,580
Net Income (Loss) From Continuing Operations Before Income Taxes & Minority Interest		1,035,227		(71,417)
Provision for Income Taxes		(1,051)		(873)
Net Income (Loss) From Continuing Operations Before Minority Interest		1,034,176		(72,290)
Minority Interest in Income of Subsidiary		(263,615)		(586,591)
Net Income (Loss) from Operations		770,561		(658,881)
Foreign Currency Translation Adjustment		(26,355)		6,894
Comprehensive Income (Loss)	$	744,206	$	(651,987)
Basic Net Income (Loss) Per Common Share	$	0.01	$	(0.01)

Diluted Net Income (Loss) Per Common Share	$	0.01	$	(0.01)
Number of Common Shares Used to Compute Basic Weighted Average		148,675,128		109,512,315
Number of Common Shares Used to Compute Diluted Weighted Average		148,675,128		109,512,315

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

3

MYSTARU.COM, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASHFLOWS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2007 AND 2006

		2007 Unaudited		2006 Unaudited (Restated)
Cash flows from operating activities				
Net income (loss)	$	770,561		(658,881)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation		1.407,050		9,042
Loss on sale of copyrights		52,467		-
Bad debt expense		25,014		1,139,325
Recovery of bad debts		(185,431)		-
Minority interests		263,615		-
Amortization of prepaid entertainment arts advertising		262,515		-
Amortization of stock based compensation		363,869		1,027,030
Changes in operating assets and liabilities:				
Accounts receivable		(3,276,343)		(2,969,968)
Inventory		(76,386)		-
Prepaid expenses		(31,134)		-
Other current assets		261,008		-
Accounts payable		775,441		-
Accrued expenses		(62,585)		-
Net cash provided by (used in) operating activities		549,661		(1,453,452)
Cash flows from investing activities:				
Cash received in acquisition of MGI		2,834		-
Cash proceeds from sale of copyrights		279,824		-
Purchase of copyrights		(914,810)		-
Capital expenditures		-		(8,153)
Net Cash Used In Investing Activities		(632,152)		(8,153)
Cash flows from financing activities				
Repayments to related party		-		(57,514)
Proceeds from new issuance of common stock		-		695,000
Net cash flows provided by financing activities:		-		637,486
Effect of exchange rate changes on cash		(538,364)		6,894
Net decrease in cash		(620,855)		(817,225)
Cash - beginning of period		1,150,422		1,211,542
Cash - end of period	$	529,567	$	394,317
Supplemental disclosure of cash flow information:				
Taxes paid	$	-	$	-
Interest paid	$	-	$	-

Non cash investing and financing activities:				
Issuance of stock for services by subsidiary, deferred compensation	$	840,000	$	-
Issuance of stock for services, deferred compensation	$	577,550	$	-
Common stock issued in lieu of cash payment of accounts payable	$	-	$	705,000
Acquisition of MG1 through issuance of common stock		200,000		-
Acquired websites through issuance of common stock	$	-	$	2,619,000

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

4

MYSTARU.COM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2007 AND 2006

Note 1 - BUSINESS DESCRIPTION AND ORGANIZATION

MyStarU.com, Inc., a Delaware corporation (together with its consolidated subsidiaries, “MYST” or the “Company”) is a fully integrated information and entertainment service provider to the business, internet, and consumer markets in the People’s Republic of China (the “PRC”). The Company was originally incorporated on January 6, 1997 in the State of Indiana under the corporate name MAS Acquisition XXI Corp. On December 21, 2000, the Company acquired Telecom Communications of America, a sole proprietorship in California, and changed its name to Telecom Communications, Inc. On February 28, 2005, the Company reincorporated in the State of Delaware by merging with a Delaware corporation of the same name. The surviving Delaware corporation succeeded to all of the rights, properties and assets and assumed all of the liabilities of the original Indiana corporation. On July 10, 2007, the Company changed its name from Telecom Communications, Inc. to MyStarU.com, Inc. The Company's common stock continues to be quoted under the symbol, “MYST.OB,” on the FINRA over-the-counter bulletin board (“OTCBB”) in the United States of America.

The company operates under the following business segments:

1. Investments in Entertainment Arts Productions - The Company purchases and licenses or resells copyrights of entertainment-related assets.

2. Online Content and Member Services Provider - The Company provides online content and member services for commercial use.

3. Software Sales - The Company provides web-based and mobile software platforms.

4. Media and Marketing Management - The Company’s subsidiary, Media Group International, coordinates product placement activities for filmmakers and advertisers within the entertainment arts industry of the PRC.

5. Importing and Exporting of Goods - The Company conducts international trade using the PRC as its base of operations.

On April 25, 2006, the Company’s majority-owned subsidiary, Subaye.com, Inc. (“Subaye.com”), acquired 100% of the shares of Guangzhou Panyu Metals & Minerals Import and Export Co., Limited (“Panyu M&M”), a PRC limited company, from the sole shareholder, Wukang IE Limited for $500,000. Panyu M&M’s principal activity is conducting import and export trade in PRC. On October 1, 2006, Subaye sold 100% of the shares of Panyu M&M to MYST.

On June 28, 2006, the Company acquired 53.92% of the outstanding common stock, par value of $0.001 of Subaye.com (F/K/A HRDQ Group, Inc.) by acquiring 2,024,190 shares of common stock of Subaye for $1,060,000. Concurrently, Subaye acquired certain valuable assets by selling 798,747 shares of its common stock to China Dongguan Networks, Inc (“CDN”) for $415,348 and 500,000 shares of its common stock to Top Rider Group Limited for $1,100,000.

Subaye also issued 200,000 Series A Convertible Preferred Stock, par value $0.01, to Top Rider Group Limited for $660,000. Each share of Subaye’s Series A Convertible Preferred Stock is convertible into two shares of Subaye’s common stock. The proceeds from the issuance of Subaye’s common stock and preferred stock were used primarily to acquire a new website, www.subaye.com.

On September 1, 2006, the Company formed Guangzhou Subaye Computer Technology Limited ("GSTC") as a PRC limited company, wholly-owned by the Company. GSTC provides computer services, such as web development, networking infrastructure and web infrastructure support services.

On May 16, 2007, Subaye.com issued 1,150,000 shares of its common stock for $2,300,000 to the Company. As a result of this transaction, the Company hheld a direct 64.60% ownership interest Subaye.com. An independent valuation of Subaye.com was completed as of September 30, 2006 in order to facilitate an impartial and best efforts arms-length transaction between the majority and minority shareholders of Subaye.com.

On July 10, 2007, the Company filed appropriate documents with the Secretary of State of Delaware and changed its name from Telecom Communications, Inc. to MyStarU.com, Inc.

On October 1, 2007, the Company sold 100% of the outstanding ownership units of GSTC to its majority-owned subsidiary, Subaye.com for $3,894,720. Payment of the purchase price was made in the form of 2,748,788 shares of Subaye.com common stock. In accordance with Accounting Principles Board Opinion No. 16, as amended, the transaction was accounted for as a reorganization using the historical cost basis of the Company's investments and cash advances in GSTC, rather than the fair market value of Subaye.com common stock.

On October 1, 2007, Top Rider Group Limited, the sole holder of the Subaye.com preferred stock, converted its shares of preferred stock to 400,000 shares of Subaye.com's common stock.

On October 23, 2007, the Company's subsidiary, Subaye.com, acquired 100% of the outstanding ownership units of Media Group International Limited, a Hong Kong company, for consideration of $200,000, which was paid in the form of 100,000 shares of common stock of Subaye.com Subaye.com will immediately begin executing the planned integration of the Corporate Video Online/Offline, commercial movie advertising markets, and overseas business operations and networks. Subaye.com expects the acquisition and the subsequent integration to be a leading provider of corporate video online/offline and product placement advertising in movies. The acquisition broadens its product portfolio and addressable market, helps develop overseas markets, and will immediately increase corporate video members and revenue.

Subsequent to the above transactions and certain other transactions disclosed in Note 9, the Company holds a 69.01% ownership in Subaye.com

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP").

The interim results of operations are not necessarily indicative of the results to be expected for the fiscal year ending September 30, 2008. The Company's financial statements contained herein are unaudited and, in the opinion of management, contain all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of financial position, results of operations and cash flows for the period presented. The Company's accounting policies and certain other disclosures are set forth in the notes to the consolidated financial statements contained in the Company's Annual Report on Form 10-KSB for the year ended September 30, 2007. These financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto. The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 could differ from those estimates.

Principles of Consolidation

Basis of presentation

The consolidated financial statements, prepared in accordance with US GAAP, include the assets, liabilities, revenues, expenses and cash flows of the Company and all its subsidiaries. This basis of accounting differs in certain material respects from that used for the preparation of the books and records of the Company's principal subsidiaries, which are prepared in accordance with the accounting principles and the relevant financial regulations applicable to enterprises with limited liabilities established in the PRC ("PRC GAAP") the accounting standards used in the place of their domicile. The accompanying consolidated financial statements reflect necessary adjustments not recorded in the books and records of the Company's subsidiaries to present them in conformity with US GAAP.

The consolidated financial statements of the Company reflect the activities of the parent and the following subsidiaries. All significant intercompany accounts, transactions and cash flows are eliminated on consolidation.

Subsidiaries	Countries Registered In	Percentage of Ownership
Arran Services Limited	British Virgin Islands	100.00%
MyStarU Limited	Hong Kong, The People's Republic of China	100.00%
Alpha Century Holdings Limited	British Virgin Islands	100.00%
3G Dynasty Inc.	British Virgin Islands	100.00%
Subaye.com, Inc.	United States of America, Delaware	69.01%
Subaye IIP Limited	British Virgin Islands	69.01%
Guangzhou Panyu Metals & Materials Limited	The People's Republic of China	100.00%
Guangzhou Subaye Computer Tech Limited	The People's Republic of China	69.01%
Media Group International Limited	Hong Kong, The People's Republic of China	69.01%
MyStarU.com, Inc.	United States of America, Delaware	100.00%

General Statement

The Securities and Exchange Commission ("SEC") has issued Financial Reporting Release No. 60, *Cautionary Advice Regarding Disclosure About Critical Accounting Policies* (“FRR 60”), suggesting companies provide additional disclosure and commentary on their most critical accounting policies. In FRR 60, the SEC defined the most critical accounting policies to be the ones that are most important to the portrayal of a company’s financial condition and operating results, and require management to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. The methods, estimates and judgments the Company uses in applying these most critical accounting policies have a significant impact on the results the Company reports in its consolidated financial statements.

We believe the following critical accounting policies and procedures, among others, affect our more significant judgments and estimates used in the preparation of our consolidated financial statements:

- Revenue recognition;

- Valuation of common stock issuances in lieu of cash compensation;

- Valuation of intangible assets and long lived assets, review for impairment losses.

Foreign currency translation

The reporting currency of the Company is the US dollar. The Company’s principal operating subsidiaries established in the PRC and Hong Kong, use their local currency, Renminbi (RMB), and Hong Kong Dollar (HKD), as their functional currency. Results of operations and cash flows are translated at average exchange rates during the period, and assets and liabilities are translated at the unified exchange rate as quoted by the People’s Bank of China at the end of the period. Translation adjustments resulting from this process are included in accumulated other comprehensive income in stockholders’ equity on the balance sheets. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred.

Translation adjustments resulting from this process are included in accumulated other comprehensive income in stockholders' equity on the balance sheets and amounted to $(26,355) and $6,894 as of December 31, 2007 and 2006, respectively.

Revenue Recognition

In accordance with the SEC Staff Accounting Bulletin No. 104, *Revenue Recognition* ("SAB 104"), the Company recognizes revenue when the following fundamental criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the price to the customer is fixed or determinable and (iv) collection of the resulting receivable is reasonably assured. These criteria are usually met at the time of product shipment or performance of service.

Revenue for the monthly subscription from the members who subscribed to the Company’s website(s) is recognized on a pro-rata basis, is calculated on a day-to-day basis and invoiced at the end of each month. The Company does not currently charge a cancellation fee or penalty if and when a customer decides to terminate their membership with our website(s).

Revenue for the monthly subscription of the Company’s licensed products, including all post-delivery support and the right to receive unspecified upgrades/enhancements of the licensed products, is charged at a monthly basic price.

Pursuant to the terms of the agreements, a fixed sum is due at the beginning of each month regardless of whether the customer requires service during that month. The Company recognizes the subscription on the first day of each month for which the support service agreement is in place.

Licensing revenue derived from the Company's copyrights are recognized in accordance with Statement of Position 00-2, *Accounting by Producers or Distributors of Films* ("SOP 00-2"). SOP 00-2 specifies that revenue is to be recognized when all of the following conditions are met:

1. Persuasive evidence of a sale or licensing arrangement with a customer exists.

2. The film is complete and, in accordance with the terms of the arrangement, has been delivered or is available for immediate and unconditional delivery.

3. The license period of the arrangement has begun and the customer can begin its exploitation, exhibition, or sale.

4. The arrangement fee is fixed or determinable.

5. Collection of the arrangement fee is reasonably assured.

When the Company's licensing fee is based on a percentage or share of a customer's revenue from the exploitation of the films, the Company recognizes revenue as the customer exploits the films and the Company meets all of the other revenue recognition conditions. In those circumstances, the Company receives reports from the customers on a periodic basis and uses those reports as the basis for recording revenue.

Consulting services revenue is recognized as services are rendered and calculated by the agreed-upon sum on a straight-line basis over the contract period, usually for two years.

The Company negotiates contracts with its customers which may include revenue arrangements with multiple deliverables, as outlined by Emerging Issues Task Force No. 00-21 (EITF 00-21). The Company's accounting policies are defined such that each deliverable under a contract is accounted for separately. Historically, the Company has negotiated and signed contracts with its customers that outline the contract amount and specific terms and conditions associated with each deliverable. In these arrangements, our fee includes both the initial selling price of our software package profits and the monthly subscription of the licensed products for the contract period, usually for two years. The Company has historically separated out the various components of revenues as outlined within its contracts and has accounted for each component of the contract separately, in accordance with the terms of the contracts applicable to each component of the Company's revenues.

The Company recognizes revenue on import and export sales when products are delivered and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. Net sales of products represent the invoiced value of goods, net of value added taxes, sales returns, trade discounts and allowances. In December 1999, the Securities Exchange Commission issued Staff Accounting Bulletin ("SAB) No. 101, "Revenue Recognition" and in July 2000, the Emerging Issues Task Force ("EITF") issued EITF Abstract No. 99-19 "Reporting Revenue Gross as a Principal versus Net as an Agent" ("EITF 99-19") which provided further guidance to SAB 101 on revenue recognition in certain circumstances. Prior to the introduction of EITF 99-19, the manner in which the Company recognized revenues depended on the goods and services sold. We reviewed the considerations included in EITF 99-19 with respect to sales of products within each of our business segments but with particular attention to our importing and exporting business segment. We determined that while EITF 99-19 outlines the variety of types of business transactions which would require the Company to report its revenues and costs of goods sold on a net basis, we do not believe our importing and exporting business should be accounted for with net reporting of revenues and costs of sales. The Company takes full ownership and assumes the risk of loss for its imported goods while the goods are in transit. The Company does not consider itself an agent for its customers, as described by EITF 99-19. After reviewing EITF 99-19, management believes that the Company is correct in continuing to present its revenues and costs of goods sold on a gross basis.

Sales revenue represents the invoiced value of goods, net of a value-added tax (VAT). All of the Company's products sold in the PRC are subject to a Chinese value-added tax at a rate of 6% of the gross sales price or at a rate approved by the Chinese local government.

Amortization of Copyrights

The Company amortizes its copyrights using the individual-film-forecast-computation method, in accordance with the SOP 00-2, which amortizes or accrues (expenses) such costs in the same ratio that current period actual revenue (numerator) bears to estimated remaining unrecognized ultimate revenue as of the beginning of the current fiscal year (denominator). The Company began amortization of certain movie copyrights in December 2006, when the Company began to recognize revenue from the films. Amortization related to the movies was $0 and $65,633 for the three months ended December 31, 2007 and 2006, and was included in cost of sales.

The ultimate revenue to be included in the denominator of the individual-film-forecast-computation method fraction is subject to certain limitations as set forth in the SOP. If an event or change in circumstance indicates that the Company should assess whether the fair value of the copyright is less than its unamortized costs, the Company will determine the fair value of the film and will write off the amount by which the unamortized capitalized costs exceeds the episode's fair value. Accordingly, the Company cannot subsequently restore any amounts written off in previous fiscal years to income.

Concentrations of Credit Risk

Cash includes cash on hand and demand deposits in accounts maintained with state-owned banks within the PRC and Hong Kong. Certain financial instruments, which subject the Company to concentration of credit risk, consist of cash. Balances at financial institutions or state-owned banks within the PRC are not covered by insurance. Total cash in state-owned banks and cash on hand at December 31, 2007 and 2006, amounted to $529,567 and $394,317, respectively, of which no deposits are covered by insurance. The Company has not experienced any losses in such accounts and believes it is not exposed to any risks on its cash in bank accounts.

The Company's operations are carried out in the PRC. Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environments in the PRC, and by the general state of the PRC economy. The Company's operations in the PRC are subject to specific considerations and significant risks not typically associated with companies in North America and Western Europe. These include risks associated with, among others, the political, economic and legal environments and foreign currency exchange. The Company's results may be adversely affected by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

Stock-Based Compensation

The Company applied the recognition and measurement principles of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* , ("APB 25") and related Interpretations in accounting for those plans through December 31, 2002.

In December 2004, FASB issued Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment* ("SFAS 123 (R)"), which establishes accounting standards for transactions in which an entity receives employee services in exchange for (a) equity instruments of the entity or (b) liabilities that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of equity instruments. Effective on January 1, 2003, the Company adopted SFAS 123(R), which requires the Company to recognize the grant-date fair value of stock options and equity based compensation issued to employees in the statement of operations. The statement also requires that such transactions be accounted for using the fair-value-based method, thereby eliminating use of the intrinsic method of accounting in APB No. 25, , which was permitted under SFAS 123, as originally issued.

In March 2005, the SEC staff issued additional guidance on SFAS 123 (R) in the form of Staff Accounting Bulletin No. 107 ("SAB No. 107"). SAB 107 was issued to assist preparers by simplifying some of the implementation challenges of FAS 123 (R) while enhancing the information that investors receive SAB 107 creates a framework that is premised on two themes: (a) considerable judgment will be required by preparers to successfully implement FAS 123 (R), specifically when valuing employee stock options; and (b) reasonable individuals, acting in good faith, may conclude differently on the fair value of employee share options. Key topics covered by SAB 107 include: (a) valuation models - SAB 107 reinforces the flexibility allowed by FAS 123 (R) to choose an option-pricing model that meets the standard's fair value measurement objective; (b) expected volatility - the SAB provides guidance on when it would be appropriate to rely exclusively on either historical or implied volatility in estimating expected volatility; and (c) expected term - the new guidance includes examples and some simplified approaches to determining the expected term under certain circumstances. The Company has applied the principles of SAB 107 in conjunction with its adoption of SFAS 123 (R) but does not believe its adoption will have material impact on the Company's financial statements.

Software Development Costs

The Company accounts for software development costs in accordance with SFAS No. 86, *Accounting for the Cost of Computer Software to be Sold, Leased, or Otherwise Marketed* . Under SFAS No. 86, the Company expenses software development costs as incurred until it is determined that the software is technologically feasible. Once it is determined that the entertainment software is technologically feasible and there is a basis for estimating the recoverability of the development costs from future cash flows, the Company capitalizes the remaining software development costs until the software product is released. Historically, the Company has purchased all of its software from third parties.

Once the Company releases software as entertainment content, amortizing the related capitalized software development costs is commenced. The Company records amortization expense as a component of cost of sales. The Company calculates the amortization of software development costs using two different methods, and then amortizes the greater of the two amounts. Under the first method, the Company divides the current period gross revenue for the released software by the total of current period gross revenue and anticipated future gross revenue for the software and then multiplies the result by the total capitalized software development costs. Under the second method, the Company divides the software’s total capitalized costs by the number of periods in the software’s estimated economic life up to a maximum of twelve months. Differences between the Company’s actual gross revenues and what it projected may result in adjustments in the timing of amortization. If management deems a title’s capitalized software development costs unrecoverable based on expected future gross revenue and corresponding cash flows, the Company will write off the costs and record the charge to development expense or cost of revenue, as appropriate.

Property, Plant and Equipment

Property and equipment is located in the PRC and is recorded at cost less accumulated depreciation. Depreciation and amortization is calculated using the straight-line method over the expected useful life of the asset, after the asset is placed in service. The Company generally uses the following depreciable lives for its major classifications of property and equipment:

Description	Useful Lives
Computer hardware	3 years
Computer software	3 years
Web site	3 years
Motor Vehicles	3 years
Furniture and fixtures	5 years
Leasehold improvements	5 years

Valuation of Long-Lived Assets

Long-lived tangible assets and definite-lived intangible assets are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The Company uses an estimate of undiscounted future net cash flows of the assets over the remaining useful lives in determining whether the carrying value of the assets is recoverable. If the carrying values of the assets exceed the expected future cash flows of the assets, the Company recognizes an impairment loss equal to the difference between the carrying values of the assets and their estimated fair values. Impairment of long-lived assets is assessed at the lowest levels for which there are identifiable cash flows that are independent from other groups of assets. The evaluation of long-lived assets requires the Company to use estimates of future cash flows. However, actual cash flows may differ from the estimated future cash flows used in these impairment tests. At December 31, 2007, based on management's projected future cash flows, management has determined its long-lived assets to be fairly valued as they are recorded within the financial statements included herein.

Inventory

Inventory is stated at the lower of cost or market. The cost is determined under the first-in-first-out (FIFO) method valuation method. An allowance for excess or obsolete inventory is maintained by the Company. The Company determines an appropriate balance in this account based on historical data and specific identification of certain inventory items. The Company's subsidiary, Panyu M&M, routinely ships and accepts deliveries of goods without insuring for potential losses on the goods during the course of delivery from Panyu M&M's suppliers. Additionally, in certain cases, the Company may accept liability for losses incurred on its goods as they are en route for delivery to Panyu M&M's customers. The Company has not historically encountered significant losses during the delivery process (both to and from Panyu M&M) but there is potential for significant losses to occur at any time.

Goodwill and Intangible Assets

The Company adopted SFAS No. 141, *Business Combinations,* and SFAS No. 142, *Goodwill and Other Intangible Assets* , effective June 2001. SFAS No. 141 requires the use of the purchase method of accounting for any business combinations initiated after June 30, 2002, and further clarifies the criteria to recognize intangible assets separately from goodwill. Under SFAS No. 142, goodwill and indefinite−life intangible assets are no longer amortized but are reviewed for impairment annually. The results of Panyu M&M and Media Group International Limited and the estimated fair market values of its assets and liabilities have been included in our consolidated financial statements from the dates of acquisition, April 25, 2006 and October 23, 2007, respectively.

Cash and Cash Equivalents

For purposes of the cash flow statements, the Company considers all highly liquid investments with original maturities of three months or less at time of purchase to be cash equivalents. All cash is held in large banks located in Hong Kong and the PRC or is cash in hand.

Trade Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts represents the Company's best estimate of the amount of probable credit losses in the existing accounts receivable balance. The Company determines the allowance for doubtful accounts based upon historical write-off experience and current economic conditions. The Company reviews the adequacy of its allowance for doubtful accounts on a regular basis. Receivable balances past due over 120 days, which exceed a specified dollar amount, are reviewed individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does have off-balance sheet credit exposure related to its customers. The concentration of customers owing at least 5% of the Company's outstanding accounts receivable as of December 31, 2007 was 85% of the company's accounts receivable.

Allowances for doubtful accounts receivable balances are recorded when circumstances indicate that collection is doubtful for particular accounts receivable or as a general reserve for all accounts receivable. Management estimates such allowances based on historical evidence such as amounts that are subject to risk. Accounts receivable are written off if reasonable collection efforts are not successful.

Credit Risk and Customers

We have a concentration of customers in each of our business segments. We are diligent in attempting to ensure that we issue credit to credit-worthy customers. However, our customer base is small and our accounts receivable balances are usually over 90 days outstanding, and that exposes us to significant credit risk. Therefore, a credit loss can be significant relative to our overall profitability.

Comprehensive Income

Accumulated other comprehensive income represents foreign currency translation adjustments and is included in stockholders' equity on the balance sheets.

Income Taxes

Income taxes are accounted for under the asset and liability method in accordance with SFAS No. 109 *Accounting for Income Taxes* . Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Research and Development

Research, development, and engineering costs are expensed as incurred, in accordance with SFAS No. 2, *Accounting for Research and Development Costs* . Research, development, and engineering expenses primarily include payroll and headcount related costs, contractor fees, infrastructure costs, and administrative expenses directly related to research and development support. Research and development expenses for 2007 and 2006 were $0, respectively.

Due to Related Party

The caption "Due to Related Party" on the accompanying consolidated Balance Sheet consists of a loan that is unsecured, non-interest bearing and has no fixed terms of repayment, and therefore, is deemed payable on demand. As of December 31, 2007, the Company had an unsecured loan payable to an officer of Subaye.com's Media Group International Limited subsidiary.

Net Earnings (Loss) Per Share

The Company utilizes SFAS No. 128, *Earnings per Share* to calculate gain or loss per share. Basic gain or loss per share is computed by dividing the gain or loss available to common stockholders (as the numerator) by the weighted-average number of common shares outstanding (as the denominator). Diluted gain or loss per share is computed similar to basic gain or loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if all potential common stock (including common stock equivalents) had all been issued, and if such additional common shares were dilutive. Under SFAS No. 128, if the additional common shares are dilutive, they are not added to the denominator in the calculation. Where there is a loss, the inclusion of additional common shares is anti-dilutive (since the increased number of shares reduces the per share loss available to common stock holders). For certain periods in which the Company incurred a loss, common stock equivalents have been excluded from the calculation of diluted loss per share.

There were no common stock equivalents as of December 31, 2007 or 2006, respectively.

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, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are periodically reviewed and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary.

Segment Reporting

SFAS No. 131, *Disclosure About Segments of an Enterprise and Related Information* , requires use of the "management approach" model for segment reporting. Under this model, segment reporting is consistent with the way a company's management organizes segments within the company for making operating decisions and assessing performance. Reportable segments are based on products and services, geography, legal structure, management structure, or any other manner in which management disaggregates a company.

Reclassifications

Certain reclassifications to the Company's balance sheet and income statement have been made in 2006, in order for the 2007 financial statements to conform to the presentation of these financial statements. These reclassifications did not impact the Company's assets, liabilities, net income (loss) or stockholders equity for the three months ended December 31, 2007 and 2006, respectively.

NOTE 3 - GOING CONCERN

The Company's financial statements have been prepared on a going concern basis, which contemplates continuity of operations, realization of assets and liquidation of liabilities in the normal course of business. The Company had cumulative losses of $1,680,165 as of December 31, 2007 and cash flows from operations during the three months ending December 31, 2007 of $549,661. The Company has committed to its new business segment, "Investments in Entertainment Arts," which requires substantial capital in order to invest in and manage the Company's investments. The Company's other business segments also may require outside sources of capital as well. The ability of the Company to operate as a going concern depends upon its ability to obtain outside sources of working capital and/or generate positive cash flow from operations. Management is aware of these requirements and is undertaking specific measures to address these liquidity concerns. Specifically, to increase revenues and generate strong operating cashflows, the Company has focused on increasing its member users of its websites, is determined to sell off assets it does not intend to utilize in the near future and will focus on continued sales of its master franchise licenses through its proprietary web-based educational platforms. The Company believes its outlook is promising and in particular that internal cashflows will improve and sources of external financing will continue to be available upon demand. The Company reached operating profitability during the first quarter of fiscal year 2008. We expect to continue to generate profits throughout the remainder of fiscal year 2008. Notwithstanding the foregoing, there can be no assurance that the Company will be successful in obtaining such financing, that it will have sufficient funds to execute its business plan or that it will generate positive operating results. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

NOTE 4 - ACCOUNTS RECEIVABLE

The Company's business operations are conducted in the PRC. During the normal course of business, the Company extends unsecured credit to its customers. Management reviews its accounts receivable on a regular basis to determine if the allowance for doubtful accounts is adequate. An estimate for doubtful accounts is made when collection of the full amount is no longer probable. Trade accounts receivable at December 31, 2007 and September 30, 2007 consisted of the following:

	December 31, 2007	September 30, 2007
	Unaudited	Audited
Trade accounts receivable	$ 11,672,047	$ 8,395,704
Less: allowance for doubtful accounts	(247,066)	(413,036)

Totals	$	11,424,981	$	7,982,668

The activity in the allowance for doubtful accounts for trade accounts receivable for the three months ended December 31, 2007 and 2006 is as follows:

		December 31, 2007		**September 30, 2007**
		Unaudited		Audited
Beginning allowance for doubtful accounts	$	413,036	$	883,220
Additional charged to bad debt expense		25,014		28,996
Recovery of accounts charged to bad debt expense in 2006 and 2005		(185,431)		(503,972)
Gain on foreign currency translation		5,553		4,792
Ending allowance for doubtful accounts	$	247,066	$	413,036

12

The Company's future operations and continued expansion is subject to a significant concentration risk. During the three months ended December 31, 2007 and 2006, the Company's revenues from customers in the PRC accounted for 100% of total revenues, respectively. The Company's accounts receivable from customers in the PRC as of December 31, 2007 and 2006 amounted to 100% of total accounts receivable, respectively.

The Company has the following concentrations of business with customers constituting greater than 5% of the Company's gross sales in the three months ended December 31, 2007 and 2006. Their revenues totaled approximately $6,300,000, representing approximately 78% of our total revenue. The loss of these customers, individually or in the aggregate, could have a material impact on our future results of operations.

	December 31, 2007	**December 31, 2006**
	Unaudited	Audited
QXS Enterprise	15%	-%
SSTH	23%	-%
Fengcun Electronic	23%	6%
Fenglin Qimao	17%	-%

The Company has the following concentrations of business with customers constituting greater than 5% of the Company's accounts receivable as of December 31, 2007 and September 30, 2007. The nonpayment of these accounts receivables, individually or in the aggregate, could have a material impact on our future results of operations.

	December 31, 2007	**September 30, 2007**
	Unaudited	Audited
Essential Gallery Enterprises Limited	9%	5%
TaiKang Capital Management Corporation	9%	5%
IC China Corporation	9%	5%
QXS Enterprise	15%	-%
SSTH	15%	-%
China Industry Park Holdings Ltd.	16%	9%
Fenglin Qimao	11%	-%
Fengcun Electronic	15%	6%

The Company has not experienced any significant difficulty in collecting its accounts receivable in the past and has no reason to believe this may change in the near future.

The Company has the following concentrations of business with one supplier constituting greater than 10% of the Company's purchasing volume during the three months ended December 31, 2007 and 2006:

	December 31, 2007	**December 31, 2006**
	Unaudited	Audited
ZesTV	86.6%	0%

NOTE 5 - BUSINESS ACQUISITIONS

<u>Acquisitions of Interests in Panyu Metals & Minerals Import & Export Co. Limited</u>

On April 1, 2006, the Company's subsidiary, Subaye.com, acquired a 100% interest in Panyu Metals & Minerals Import & Export Co. Limited ("Panyu M&M") for total consideration of $500,000, which was payable in the form of $500,000 of the Company's yet-to-be collected accounts receivable. The net assets received by the Company from the acquisition of Panyu M&M totaled $179,986. In accordance with the purchase method of accounting, the results of Panyu M&M and the estimated fair market value of the assets and liabilities assumed have been included in the consolidated financial statements from the date of acquisition.

The purchase price of Panyu M&M was allocated to the assets acquired and liabilities assumed by Subaye.com. The Company recorded $354,051 of goodwill, which was the excess of acquisition costs over fair value of net assets of Panyu M&M.

Accounts receivables	$	193,453
Property, plant, and equipment		12,024
Other current assets		368,951
Goodwill		354,051
Liabilities assumed		(608,465)
Net assets acquired	$	320,014
Purchase consideration	$	500,000
Net assets acquired		(320,014)
Net cash inflow from acquisition of the Panyu M&M	$	179,986

On October 1, 2006, the Company acquired 100% of the outstanding ownership interests in Guangzhou Panyu Metals & Minerals Import & Export Co. Limited from its majority owned subsidiary, Subaye.com, for gross consideration of $500,000. The net assets received by the Company from the acquisition of Panyu M&M totaled $145,385. In accordance with the purchase method of accounting, the results of Panyu M&M and the estimated fair market value of the assets and liabilities assumed have been included in the consolidated financial statements from the date of acquisition.

The purchase price of Panyu M&M was allocated to the assets acquired and liabilities assumed by the Company less the goodwill of $320,014, which was recorded upon Subaye.com's acquisition of Panyu M&M. The company recorded $354,615 of intangible assets, which was the excess of acquisition cost over fair value of net assets of Panyu M&M.

Accounts receivables		642,262
Property, plant, and equipment		13,214
Other current assets		4,821
Goodwill		354,615
Accounts payable and accrued liabilities assumed		(586,254)
Customer deposits liability assumed		(40,365)
Net assets acquired	$	388,293
Purchase consideration	$	500,000
Net assets acquired		(388,293)
Net cash inflow from acquisition of Panyu M&M	$	111,707

Acquisition of Media Group International Limited

On October 23, 2007, the Company's subsidiary, Subaye.com Inc., acquired 100% of the outstanding ownership units of Media Group International Limited ("MGI") for 100,000 shares of common stock of Subaye.com, Inc., valued at $200,000 which was the fair market value of recent arms length tranactions involving the common stock of Subaye.com Inc. The net assets received by Subaye.com Inc. from the acquisition of MGI totaled $197,166. In accordance with the purchase method of accounting, the results of MGI and the estimated fair market value of the assets and liabilities assumed have been included in the consolidated financial statements from the date of acquisition.

The purchase price of MGI was allocated to the assets acquired and liabilities assumed by the Subaye.com Inc. less the goodwill of $202,453, which was recorded upon Subaye.com's acquisition of MGI. The company recorded $202,453 of goodwill, which was the excess of acquisition cost over fair value of net assets of MGI.

Fixed assets, net	$	653
Goodwill		202,453
Due to related party		(5,940)
Net assets acquired	$	197,166
Purchase consideration	$	200,000
Net assets acquired		(197,166)
Net cash inflow from acquisition of MGI	$	2,834

Goodwill is comprised of the residual amount of the purchase price over the fair value of the acquired tangible and intangible assets. The operating results of MGI, have been included in our subsidiary, Subaye.com's statement of operations from October 23, 2007 and within the Company's statement of operations since October 23, 2007. If the operating results had been included since the beginning of the current fiscal year, October 1, 2007, the Company's pro-forma consolidated revenue and the Company's pro-forma net income would have been $7,711,953 (unchanged) and $718,765, respectively.

14

NOTE 6 - SALE OF ASSETS

On December 30, 2007, the Company sold all rights under its copyright for the internet programming rights to First Open. Once the sale was complete, the Company had no remaining assets or copyrights associated with the First Open production. The details of the sale are listed below:

		2007
Gross proceeds from the sale of Copyright - First Open: internet rights	$	279,824
Adjusted cost basis		(332,291)
Net loss	$	(52,467)

The copyright's adjusted cost basis was net of an impairment loss writedown in 2006 of $332,291 and was not net of any amortization or depreciation.

The Company reviewed its business plan with regard to whether the Company will continue to sell off assets it doesn't consider to have immediate benefit to the Company. As a result, the Company believes the sale of these copyrights is in the ordinary course of business and should not be reported as an extraordinary event or as other income. Accordingly, the Company has reported the proceeds from the sales in "licensing and royalty revenues" within the consolidated statement of operations and the adjusted cost basis associated with the sale in costs of sales on the consolidated statement of operations.

NOTE 7 - GOODWILL & INTANGIBLE ASSETS

Intangible assets are stated at cost (estimated fair value upon contribution or acquisition), less accumulated amortization and impairment. Amortization expense is recognized on the straight-line basis over the estimated useful lives of the assets as follows:

Intangible assets	Estimated useful lives
Copyrights	Variable
Permits and licenses	5 years

The following table summarizes the lives and the carrying values of all the Company's goodwill and intangible assets by category, as of December 31, 2007 and 2006:

		December 31, 2007		**September 30, 2007**
		Unaudited		Audited
Copyrights - Motion Picture, Television, Internet and DVD Productions	$	9,368,192	$	8,796,635
Accumulated Amortization		(2,518,918)		(2,534,178)
		6,849,275		6,262,457
Goodwill		556,319		354,614
Total	$	7,405,594	$	6,617,071

The following table summarizes the copyrights held by the Company as of December 31, 2007, all of which are or will be PRC productions or are being held for investment purposes. All copyrights are wholly-owned by the Company unless noted otherwise.

Copyrights for Movies, DVDs, Television and Internet Broadcasting

Big Movie: Subaye ***
DaYouCun
BaoBu
YeLangQuan a/k/a Pye Dog (50% ownership)

*** The copyrights for “Big Movie: Subaye” do not include rights for television broadcasting.

15

<u>Copyrights for Internet Broadcasting Only</u>

Big Movie 2: Two
Stupid Eggs
DaYouCun
BaoBu
ZuiAiZongDongYuan
ShiFenAi
HongMeiLi
Xin Xiang
TianDiGaoBai
FengKuangFenShiWng
TuYaDeKunShi
YongShi
GongBu
NianCaiNuMo
DaTangFengYUN

The Company amortizes its copyrights using the individual-film-forecast-computation method, in accordance with the SOP 00-2, which amortizes or accrues (expenses) such costs in the same ratio that current period actual revenue (numerator) bears to estimated remaining unrecognized ultimate revenue as of the beginning of the current fiscal year (denominator). The Company began amortization of the Big Movie: Subaye movie copyrights in December 2006, when the Company began to recognize revenue from the film. Total amortization of the copyrights was $0 and $65,633 for the three months ended December 31, 2007 and 2006, respectively, and was included in cost of sales.

The ultimate revenue to be included in the denominator of the individual-film-forecast-computation method fraction is subject to certain limitations as set forth in SOP 00-2. If an event or change in circumstance indicates that the Company should assess whether the fair value of the copyright is less than its unamortized costs, the Company will determine the fair value of the film and will write off the amount by which the unamortized capitalized costs exceeds the episode's fair value. Accordingly, the Company cannot subsequently restore any amounts written off in previous fiscal years to income.

Given the environment in which the Company currently operates, it is reasonably possible that managements estimate of the economic useful lives of these assets or the assumption that they will recover their carrying amounts from future operations, could change in the future.

Intangible assets of the Company are reviewed annually or more often if circumstances dictate, to determine whether their carrying value has become impaired. The Company considers assets to be impaired if the carrying value exceeds the future projected cash flows from related operations. The Company also re-evaluates the periods of amortization to determine whether subsequent events and circumstances warrant revised estimates of useful lives. As of December 31, 2007 and September 30, 2007, respectively, the Company expects these assets, at their current carrying value, to be fully recoverable.

The portion of the acquisition costs of Panyu M&M that has been allocated to goodwill totaled $354,614. Such allocation was made on the basis of the Company’s appraised value of Panyu M&M’s net assets as of the acquisition date.

The portion of the acquisition costs of MGI that has been allocated to goodwill totaled $202,453. Such allocation was made on the basis of recent arms length transactions involving the common stock of Subaye.com, Inc.

NOTE 8 - PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following:

	December 31, 2007	September 30, 2007
Computer Software & Equipment	$ 9,216,539	$ 8,650,977
Websites	8,691,027	8,702,399
Motor Vehicle	83,689	83,689
Leasehold Improvements	216,842	211,101
Furniture & Fixtures	32,098	30,277
	18,240,195	17,678,443
Less: Accumulated depreciation and amortization	(10,710,184)	(9,302,023)
	$ 7,530,011	$ 8,376,420

Depreciation and amortization related to the assets listed above totaled $1,407,050 and $9,042 for 2007 and 2006, respectively.

Included within accumulated depreciation as of December 31, 2007 is $1,111 of accumulated depreciation from the MGI acquisition.

NOTE 9 - STOCKHOLDERS' EQUITY

The Company was incorporated on January 6, 1997 in the State of Indiana under the corporate name MAS Acquisition XXI Corp. On December 21, 2000, the Company acquired Telecom Communications of America, a sole proprietorship in Los Angeles, California since August 15, 1995, and changed its name to Telecom Communications, Inc. On February 28, 2005, the Company reincorporated in the State of Delaware by merging with a Delaware corporation of the same name. The surviving Delaware corporation succeeded to all of the rights, properties and assets and assumed all of the liabilities of the original Indiana corporation. On July 10, 2007, the Company changed its name from Telecom Communications, Inc. to MyStarU.com, Inc.

The Company is authorized to issue 350,000,000 shares, in aggregate, consisting of 300,000,000 shares of common stock, $0.001 par value, and 50,000,000 shares of preferred stock, $0.001 par value. The Company's Certificate of Incorporation authorizes the Board of Directors (the "Board") to determine the preferences, limitations and relative rights of any class or series of Company preferred stock prior to issuance and each such class or series must be designated with a distinguishing designation prior to issuance. As of the date of the report, no shares of the Company's preferred stock and 151,014,316 shares of the Company's common stock were issued or outstanding.

Stock-Based Compensation

On May 1, 2005, the Company issued 4,000,000 shares of common stock to two consultants as part of their compensation at market price of $.29 with a total of $1,160,000. The Company amortized such consultancy fee as expense over its service period of 24 months commenced from May 1, 2005. The stock-based compensation expense for the three months ended December 31, 2007 and 2006 was $0 and $145,000, respectively.

On July 22, 2005, the Company issued 3,500,000 shares of common stock to two consultants as part of their compensation at market price of $.24 with a total of $840,000. The stock-based compensation expense for the three months ended December 31, 2007 and 2006 was $0 and $123,529, respectively.

On January 1, 2006, the Company issued 3,000,000 shares of common stock to three consultants as part of their compensation at market price of $.50 with a total of $1,500,000. The Company amortized the consultancy fee of $1,500,000 over services period of a 12 month period. The terms for these agreements are 12 months starting from January 1, 2006 to December 31, 2006. The stock-based compensation expense for the three months ended December 31 2007 and 2006 was $0 and $375,000, respectively.

On April 12, 2006, the Company issued 4,000,000 shares of common stock to five consultants as part of their compensation at a market price of $.52 with a total of $2,080,000. The Company amortized the consultancy fee of $1,300,000 over services period of a 24 month period, the remaining $780,000 is amortized over services period of a 12 month period. It resulted in an expense of $119,167 for each month for 12 months and the remaining 12 months will have an expense of $54,167. The stock-based compensation expense for the three months ended December 31, 2007 and 2006 was $162,500 and $357,500, respectively.

On November 27, 2006, the Company issued 300,000 shares of the Company's common stock to Mary Kratka for investor relations and promotions services at price of $0.26 per share for a total consideration equal to $78,000. The shares were amortized over 3 months with a stock-based compensation expense of $26,000 each month. The total stock-based compensation expense for the three months ended December 31, 2007 and 2006 was $0 and $26,000, respectively.

On January 10, 2007, the Company issued 250,000 shares of common stock to Mary Kratka for investor relations and promotions services at price of $.45 per share for total consideration equal to $112,500. The shares are being amortized over 12 months with a stock-based compensation expense of $9,375 each month. The total stock-based compensation expense for the three months ended December 31, 2007 and December 31, 2006 was $28,125 and $0, respectively.

On January 31, 2007, the Company issued 750,000 shares of common stock to Bon Air Group Limited for investor relations and promotion services at price of $.30 per share for a total consideration equal to $225,000. The shares are being amortized over 12 months with stock-based compensation expense of $18,700 each month. The total stock-based compensation expense for the three months ended December 31, 2007 and December 31, 2006 was $56,250 and $0, respectively.

On July 16, 2007, the Company agreed to issue 365,000 shares of common stock to a consultant for international business consulting services at price of $.16 per share for a total consideration equal to $58,400. The shares are being amortized over 24 months with stock-based compensation expense of $2,433 each month. The total stock-based compensation expense for the three months ended December 31, 2007 and December 31, 2006 was $7,300 and $0, respectively.

On October 3, 2007, the Company issued 735,000 shares of common stock to the Company's Chief Financial Officer for services to be provided over a two year period at price of $.13 per share for a total consideration equal to $95,550. The shares are being amortized over 24 months with stock-based compensation expense of $3,981 each month. The total stock-based compensation expense for the three months ended December 31, 2007 and December 31, 2006 was $11,944 and $0, respectively.

On October 3, 2007, the Company issued 1,000,000 shares of common stock to the Company's Chief Executive Officer for services to be provided over a two year period at price of $.13 per share for a total consideration equal to $130,000. The shares are being amortized over 24 months with stock-based compensation expense of $5,417 each month. The total stock-based compensation expense for the three months ended December 31, 2007 and December 31, 2006 was $16,250 and $0, respectively.

On October 3, 2007, the Company issued 400,000 shares of common stock to a investor relations consultant, for services to be provided over a 24 month period at price of $.13 per share for a total consideration equal to $52,000. The shares are being amortized over 24 months with stock-based compensation expense of $2,167 each month. The total stock-based compensation expense for the three months ended December 31, 2007 and December 31, 2006 was $6,500 and $0, respectively.

On October 3, 2007, the Company issued 526,316 shares of common stock for investor relations purposes, for services to be provided over a 12 month period at price of $.57 per share for a total consideration equal to $300,000. The shares are being amortized over 12 months with stock-based compensation expense of $25,000 each month. The total stock-based compensation expense for the three months ended December 31, 2007 and December 31, 2006 was $75,000 and $0, respectively.

Subaye.com Stock Based Compensation

On October 1, 2007, Subaye.com issued 170,000 shares of common stock to Subaye.com's Chief Executive Officer for services to be provided over a two year period from January 2, 2008 through December 31, 2009 at a price of $2.00 per share for a total consideration equal to $200,000. The shares will be amortized over 24 months with stock-based compensation expense of $8,333.33 each month. The total stock-based compensation expense for the three months ended December 31, 2007 and December 31, 2006 was $0 and $0, respectively.

On October 1, 2007, Subaye.com issued 50,000 shares of common stock to an employee of Subaye.com for services to be provided beginning February 1, 2008 at a price of $2.00 per share for a total consideration equal to $100,000. The shares will be expensed once the employee has satisfied other terms within their employment contract, including certain aspects with regard to relocation terms and considerations. The total stock-based compensation expense for the three months ended December 31, 2007 and December 31, 2006 was $0 and $0, respectively.

On October 1, 2007, the Company issued 200,000 shares of common stock to an investor relations consultant, for services to be provided over a 24 month period at price of $2.00 per share for a total consideration equal to $400,000. The shares will be amortized over 24 months with stock-based compensation expense of $16,667 each month. The total stock-based compensation expense for the three months ended December 31, 2007 and December 31, 2006 was $0 and $0, respectively.

Total stock compensation expense reported was $363,869 and $1,027,030 for the three months ended December 31, 2007 and 2006, respectively.

Purchase of Websites

On October 3, 2006, the Company issued 4,000,000 shares at a price of $0.20 per share, as consideration equivalent to $800,000, to World-East Corporation Ltd., in exchange for the website known as www.mystaru.com.

On October 20, 2006, the Company issued 5,300,000 shares at a price of $0.17 per share as consideration equivalent to $901,000, to Bloomen Corporation Ltd., in exchange for the website known as www.icurls.com.

On October 20, 2006, the Company issued 5,400,000 shares at a price of $0.17 per share as consideration equivalent to $918,000, to China IPTV Industry Park Holdings Ltd., in exchange for the website known as www.goongreen.org .

Sales of Common Stock Securities

On October 31, 2006, pursuant to three stock purchase agreements, the Company issued 10,000,000 shares of its common stock, at $0.10 per share, for a total of $1,400,000.

NOTE 10 - INCOME TAX

The Company accounts for income taxes under SFAS No. 109, *Accounting for Income Taxes* . SFAS 109 requires the recognition of deferred income tax liabilities and assets for the expected future tax consequences of temporary differences between income tax basis and financial reporting basis of assets and liabilities. Provision for income taxes consist of taxes currently due plus deferred taxes.

In July, 2006, the FASB issued FASB Interpretations No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109* ("FIN 48"), which clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a return. FIN 48 provides guidance on the measurement, recognition, classification and disclosure of tax positions, along with accounting for the related interest and penalties. FIN 48 became effective as of January 1, 2007 and had no impact on the Company's consolidated financial statements.

The charge for taxation is based on the results for the year as adjusted for items, which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of assessable tax profit. In principle, deferred tax liabilities are recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probably that taxable profit will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated using tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the income statement, except when it is related to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they related to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

United States of America

Since the Company had no operations within the United States, there is no provision for US taxes and there are no deferred tax amounts as of December 31, 2007 and 2006, respectively.

Delaware

The Company is incorporated in Delaware but does not conduct business in Delaware. Therefore, the Company is not subject to corporate income tax. However, the Company does have to pay Franchise Tax to the Delaware Department of State. Regardless of where the Company conducts business, it must file an Annual Franchise Tax Report and pay Franchise Tax for the privilege of incorporating in Delaware. The minimum Franchise Tax is $35 with a maximum of $165,000. The Company has not filed its Franchise Tax Return for 2007 as of yet but anticipates its Franchise Tax owed to Delaware is approximately $4,000 and $2,500 for the three months ended Deceember 30, 2007 and 2006, respectively.

British Virgin Islands

Alpha Century Holdings, 3G Dynasty, Subaye IIP and Arran Services are incorporated in the British Virgin Islands and, under the current laws of the British Virgin Islands, are not subject to income taxes.

Hong Kong

Media Group International Ltd and MyStarU Ltd. are incorporated in Hong Kong and is subject to Hong Kong taxation on its activities conducted in Hong Kong and income arising in or derived from Hong Kong. No provision for Hong Kong profits tax has been made as the Company incurred a loss during the years ended December 31, 2007 and 2006, respectively. The applicable Hong Kong statutory tax rate for the three months ended December 31, 2007 and 2006 is 17.5%, respectively.

People's Republic of China

Enterprise income tax in PRC is generally charged at 33% of a company's assessable profit, of which 30% is a national tax and 3% is a local tax. The Company's subsidiaries incorporated in PRC are subject to PRC enterprises income tax at the applicable tax rates on the taxable income as reported in their Chinese statutory accounts in accordance with the relevant enterprises income tax laws applicable to foreign enterprises. Pursuant to the same enterprises income tax laws, the Company's subsidiaries are fully exempted from PRC enterprises income tax for two years starting from the first profit-making year, followed by a 50% tax exemption for the next three years.

No provision for enterprise income tax in the PRC had been made for the years ended September 30, 2007 and 2006 due to the fact that the Company had a net loss for the tax year ended September 30, 2007 and was exempt from PRC tax based on the statutory provisions granting a tax holiday for a two year period, as stated above, for the years ended September 30, 2006 and 2005. The Company is currently reviewing its financial forecast for 2008 and is considering the potential of certain tax liabilities for 2008.

The Company is governed by the Income Tax Law of the People's Republic of China concerning Foreign Investment Enterprises and Foreign Enterprises and various local income tax laws ("the Income Tax Laws"). Under the Income Tax Laws, foreign investment enterprises ("FIE") generally are subject to an income tax at an effective rate of 33% (30% state income taxes plus 3% local income taxes) on income as reported in their statutory financial statements after appropriate tax adjustments unless the enterprise is located in specially designated regions of cities for which more favorable effective tax rates apply. Upon approval by the PRC tax authorities, FIEs scheduled to operate for a period of 10 years or more and engaged in manufacturing and production may be exempt from income taxes for two years, commencing with their first profitable year of operations, after taking into account any losses brought forward from prior years, and thereafter with a 50% exemption for the next three years.

Beginning January 1, 2008, the new Enterprise Income Tax ("EIT") law of the People's Republic of China will replace the existing laws for Domestic Enterprises ("DES") and Foreign Invested Enterprises ("FIEs").

The key changes are:

a. The new standard EIT rate of 25% will replace the 33% rate currently applicable to both DES and FIEs, except for High Tech companies who pays a reduced rate of 15%. The Company currently believes it will qualify as a high tech company.

b. Companies established before March 16, 2007 will continue to enjoy tax holiday treatment approved by local government for a grace period of the next five years or until the tax holiday term is completed, whichever is sooner.

The Company and all of its subsidiaries, except for Subaye IIP, were established before March 16, 2007 and therefore the Company is qualified to continue enjoying the reduced tax rate as described above. Since the detailed guidelines of the new tax law is not publicized yet, the Company cannot determined what the new tax rate will be applicable to the Company after the end of their respective tax holiday terms.

The following table reconciles the U.S. statutory rates to the Company's effective tax rate for the three months ended December 31, 2007 and 2006:

	2007	**2006**
U.S. Statutory rates	35.0%	35.0%
Foreign income	(35.0)	(35.0)
China tax rates	33.0	33.0
China income tax exemption	(33.0)	(33.0)
Effective income tax rates	0%	0%

<u>Value Added Tax</u>

Enterprises or individuals who sell products, engage in repair and maintenance or import and export goods in the PRC are subject to a value added tax in accordance with Chinese laws. The value added tax rate applicable to the Company is 6% of the gross sales price. No credit is available for VAT paid on the purchases.

NOTE 11 - RELATED PARTY TRANSACTIONS

TaiKang Capital Management Corporation ("Taikang") held more than 5% of the outstanding common stock of the Company as of December 31, 2007 and September 30, 2007, respectively. The table below details sales to Taikang during the three months ended December 31, 2007 and 2006, respectively.

	December 31, 2007	December 31, 2006
Sales of products to:		
TaiKang Capital Management Corporation	$ -	$ 360,000

NOTE 12 - MINORITY INTEREST

Minority interest represents the minority stockholders' proportionate share of 30.99% (2006 - 46.08%) of the equity of Subaye.com. The Company's 69.01% controlling interest requires that Subaye.com's operations be included in the Consolidated Financial Statements. The 30.99% (2006 - 46.08%) equity interest of Subaye.com that is not owned by the Company is shown as "Minority interests in consolidated subsidiaries" in the financial statements is shown as $4,910,696 and $3,801,642, respectively. Included within Minority interests as of December 31, 2006, are 200,000 Series A Convertible Preferred stock outstanding in Subaye.com valued at $780,000. This stock was convertible into 400,000 shares of common stock, at a conversion rate of two shares of common stock for every one share of preferred stock. On October 1, 2007, the preferred stock was converted into 400,000 shares of common stock.

	December 31, 2007	September 30, 2007
Minority interest of shareholders	$ 4,910,696	$ 3,021,642
Minority interest of preferred stock	-	780,000
Minority interest in consolidated subsidiaries	$ 4,910,696	$ 3,801,642

NOTE 13 - COMMITMENTS & CONTINGENCIES

Operating Leases - In the normal course of business, the Company leases office space under operating lease agreements. The Company rents office space, primarily for regional sales administration offices, in commercial office complexes that are conducive to administrative operations. The operating lease agreements generally contain renewal options that may be exercised at the Company's discretion after the completion of the base rental terms. In addition, many of the rental agreements provide for regular increases to the base rental rate at specified intervals, which usually occur on an annual basis. As of December 31, 2007, the Company had operating leases that have remaining terms of 3 and 6 months. The following table summarizes the Company's future minimum lease payments under operating lease agreements as of December 31, 2007:

Fiscal Year Ended September 30,

2008	$ 113,840
	113,840

Rent expense under operating leases was $105,815 and $70, 319 for 2007 and 2006, respectively.

We may be involved from time to time in ordinary litigation that will not have a material effect on our operations or finances. We are not aware of any pending or threatened litigation against the company or our officers and directors in their capacity as such that could have a material impact on our operations or finances.

NOTE 14 - OPERATING RISK

Credit risk

The Company is exposed to credit risk from its cash at bank and fixed deposits and bills and accounts receivable. The credit risk on cash at bank and fixed deposits is limited because the counterparties are recognized financial institutions. Bills and accounts receivable are subjected to credit evaluations. An allowance has been made for estimated irrecoverable amounts which has been determined by reference to past default experience and the current economic environment.

Foreign currency risk

Most of the transactions of the Company were settled in Renminbi and U.S. dollars. In the opinion of the directors, the Company would not have significant foreign currency risk exposure.

Company's operations are substantially in foreign countries

Substantially all of the Company's products are manufactured in China. The Company's operations are subject to various political, economic, and other risks and uncertainties inherent in China. Among other risks, the Company's operations are subject to the risks of restrictions on transfer of funds; export duties, quotas, and embargoes; domestic and international customs and tariffs; changing taxation policies; foreign exchange restrictions; and political conditions and governmental regulations

NOTE 15 - SEGMENT REPORTING

The company operates under the following business segments:

1. Investments in Entertainment Arts Productions - The Company purchases and licenses or resells copyrights of entertainment-related assets.

2. Online Content and Member Services Provider - The Company provides online content and member services for commercial use

3. Software sales - The Company provides web-based and mobile software platforms

4. Entertainment Arts Media and Marketing Management - The Company's subsidiary, MGI, coordinates product placement activities for filmmakers and advertisers within the entertainment arts industry of the PRC.

5. Importing and exporting of goods - The Company conducts international trade using the PRC as its base of operations

Three Months Ended December 31, 2007	Investments in Entertainment Arts Productions	Online Content and Member Services Provider	Entertainment Arts Media and Marketing Management	Importing and Exporting of Goods	Corporate/ Others	Consolidated Total
Net sales	$ 1,323,962	$ 1,722,279	$ 300,900	$ 4,364,583	229	$ 7,711,953
Cost of sales	551,948	780,460	250,493	4,202,241	-	5,785,142
Segment income (loss) before taxes	(733,432)	815,255	40,785	78,472	543,125	744,205
Segment assets	11,792,596	8,975,306	264,928	3,952,199	4,974,034	29,959,063
Expenditures for segment assets	914,810	-	-	-	-	914,810

Three Months Ended December 31, 2006	Investments in Entertainment Arts Productions	Online Memberships for the B2B Marketplace	Entertainment Arts Media and Marketing Management	Importing and Exporting of Goods	Corporate/ Others	Consolidated Total
Net sales	$ 120,613	$ 2,626,158	$ -	$ 2,038,260	$ 1,179,100	$ 5,964,131
Cost of sales	507,509	278,817	-	2,003,838	664,825	3,454,989
Segment income (loss) before taxes	(398,279)	964,372	-	492	(638,002)	(71,417)
Segment assets	4,673,352	16,055,801	-	741,441	4,440,962	25,911,556
Expenditures for segment assets	-	2,606,588	-	20,565	-	2,627,153

NOTE 16 - STOCK AWARDS PLAN

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

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 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 the Company for the year ended September 30, 2007 and notes thereto contained in the report on Form 10-KSB as filed with the Securities and Exchange Commission.

OVERVIEW

Company Background

MyStarU.com, Inc., a Delaware corporation, together with its consolidated subsidiaries, is a fully integrated information and entertainment service provider to the business, internet, and consumer markets in the PRC. The Company was originally incorporated on January 6, 1997 in the State of Indiana under the corporate name MAS Acquisition XXI Corp. On December 21, 2000, the Company acquired Telecom Communications of America, a sole proprietorship in California, and changed its name to Telecom Communications, Inc. On February 28, 2005, the Company reincorporated in the State of Delaware by merging with a Delaware corporation of the same name. The surviving Delaware corporation succeeded to all of the rights, properties and assets and assumed all of the liabilities of the original Indiana corporation. On July 10, 2007, the Company changed its name from Telecom Communications, Inc. to MyStarU.com, Inc. The Company's common stock continues to be quoted under the symbol, “MYST.OB,” on the FINRA over-the-counter bulletin board (“OTCBB”) in the United States of America.

The consolidated financial statements presented are those of MYST, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The results of operations are for the period ended December 31, 2007 and 2006, respectively. The Company’s financial statements contained herein were reviewed for a fair presentation of the financial position, results of operations and cash flows for the periods presented. The Company’s accounting policies and certain other disclosures are set forth in the notes to the consolidated financial statements contained herein.

The consolidated financial statements of the Company reflect the activities of the parent and the following subsidiaries.

Subsidiaries	Countries Registered In	Percentage of Ownership
Arran Services Limited	British Virgin Islands	100.00 %
MyStarU Limited	Hong Kong, The People’s Republic of China	100.00 %
Alpha Century Holdings Limited	British Virgin Islands	100.00 %

3G Dynasty Inc.	British Virgin Islands	100.00 %
Subaye.com, Inc.	United States of America, Delaware	69.01 %
Subaye IIP Limited	British Virgin Islands	69.01 %
Guangzhou Panyu Metals & Materials Limited	The People’s Republic of China	100.00 %
Guangzhou Subaye Computer Tech Limited	The People’s Republic of China	69.01 %
Media Group International Limited	Hong Kong, The People’s Republic of China	69.01 %
MyStarU.com, Inc.	United States of America, Delaware	100.00 %

General Business Discussion

The company operates under the following business segments:

1. Investments in Entertainment Arts Productions - The Company purchases and licenses or resells copyrights of entertainment-related assets.

2. Online Content and Member Services Provider - The Company provides online content and member services for commercial use

3. Software sales - The Company provides web-based and mobile software platforms

4. Media and Marketing Management - The Company’s subsidiary, Media Group International, coordinates product placement activities for filmmakers and advertisers within the entertainment arts industry of the PRC.

5. Importing and exporting of goods - The Company conducts international trade using the PRC as its base of operations

Investments in Entertainment Arts Productions

We generate income from the purchase and subsequent licensing or resale of copyrights for motion pictures, internet broadcasting, television broadcasting, digital video discs ("DVD") and other possible forms of reproductions of our copyrighted assets. 3G Dynasty began the theatrical screening of the film BIG MOVIE (http://ent.sina.com.cn/f/m/bigmovie/index.shtml) in 400 theaters throughout the PRC beginning on December 29, 2006 and running through January 20, 2007. The "Investments in Entertainment Arts" business segment is committed to bringing a variety of unique titles to the Chinese market. Our first release, BIG MOVIE, a joint venture with Hua Xia Films Distributions Limited Beijing, is a template for the future distribution of film in the PRC by MYST. 3G Dynasty is also working with Sina.com (Nasdaq: SINA) for movie promotion and marketing services. We currently hold copyrights for 3 additional motion pictures which are presently in production with our production partners. However, the governmental approval process for release of these 3 additional motions pictures is not yet complete. We also hold several copyrights that we expect to license or resell for internet rights, DVD rights and overseas rights.

We believe our subsidiary, 3G Dynasty, has made and continues to make sound investments in entertainment arts productions in the PRC and is well positioned for continued growth in a fast-paced market. 3G Dynasty began to establish a film distribution network with the purchase of the copyrights to certain films in March 2006. 3G Dynasty distributes films, through multiple distribution channels into the PRC film market, including through the internet, mobile phone, TV, VCD/DVD and theatrical screenings in cinemas across the PRC. We will continue to make investments to establish our distribution network and acquire more copyrights for high quality programming content.

The following table summarizes the copyrights held by the Company as of December 31, 2007, all of which are or will be PRC productions or are being held for investment purposes. All copyrights are wholly-owned by the Company unless noted otherwise.

Copyrights for Movies, DVDs, Television and Internet Broadcasting

Big Movie: Subaye ***
DaYouCun
BaoBu
YeLangQuan a/k/a Pye Dog (50% ownership)

*** The copyrights for "Big Movie: Subaye" do not include rights for television broadcasting.

Copyrights for Internet Broadcasting Only

Big Movie 2: Two Stupid Eggs
DaYouCun
BaoBu
ZuiAiZongDongYuan
ShiFenAi
HongMeiLi
Xin Xiang
TianDiGaoBai
FengKuangFenShiWng
TuYaDeKunShi

YongShi
GongBu
NianCaiNuMo
DaTangFengYUN

One of our business partners, ZesTV, Inc. (“ZesTV”) is a leading Chinese media and entertainment company. ZesTV is involved with the development, production, and marketing of entertainment, news and information to a global audience. ZesTV owns and operates a valuable portfolio of news and entertainment networks, a premier motion picture company, significant television production operations, a leading internet entertainment website group, and plans the development of studio-branded theme parks. MYST has the first right of refusal to buy ZesTV music, films and TV programming copyrights of online content.

MYST will continue its aggressive search for further investments into the entertainment arts industry in the PRC. We intend to continue to have consistent discussions with filmmakers regarding these investments.

Media and Marketing Management

Our subsidiary, Subaye.com acquired MGI, on October 23, 2007. MGI is a premier media and marketing management firm. MGI's product line includes converged TV/movie DVD distributions, corporate video presentations, a TV programming agency, video-on-demand media systems (VOD), digital advertising systems, product placement in movies, sponsorship management for TV programming, and service assurance. The Company is a leading provider of product placement in movies, which provides filmmakers and advertisers with a cost-effective solution to increase forward capacity and enable future flexibility on existing cinema lines, DVD sales networks, and VOD online. MGI was founded in 2000 and is headquartered in Hong Kong. The Company's intentions are to utilize the contacts and know-how of MGI in a variety of ways but in general, MGI will focus its efforts on assisting Subaye.com as it continues its current expansion plans and will also support the Company's activities in the Entertainment Arts industry.

Online Content and Member Services Provider

We own a majority interest in our subsidiary, Subaye.com We have established a website, www.subaye.com, which we believe is the premier provider of corporate online video in China and is seen as a destination for business to business e-commerce in the PRC for customers who utilize the website to enhance the marketing and promotion of their business products and services. We continue to experience a strong demand for our services through www.subaye.com and believe the market it serves is one of the fastest growing in the PRC, which consequently increases the demand for our services. These customers are demanding prominent and easily assessable methods to market and promote their products or services. We expect continued growth for this website during the fiscal year ending September 30, 2008.

Subaye.com - internet corporate video provider

We consider ourselves to be leading internet corporate video provider in the PRC, and we offer a unique Chinese language corporate video sharing platform for both individual users and our small to midsize enterprise customers. Subaye.com generated over $4.3 million in revenue in its first full year of operations in 2007. From July 1, 2007 through December 31, 2007, Subaye.com did not charge its members a monthly access fee and allowed its members and potential members to utilize the Subaye.com website, and certain other components associated with the website, free of charge. In January 2008, Subaye.com began charging for access to the website and its associated components and generated membership revenues for January, 2008 of approximately $910,000. We focus on our potential users in the PRC that demand publishing and sharing their corporate video online over the internet. Our platform consists of our websites and the Subaye alliance network, which is our network of third-party websites ("Subaye Alliance").

Our services are designed to enable internet users to find relevant information video online from our video database. It includes Chinese language corporate web pages, news, images and multimedia files, through links provided on our websites. We provide our users with easy access to an index of up to 1,200,000 video clips, images and web pages. Many of our customers also use the Subaye.com website for secondary purposes. For example, our customers have used the website as a sales and marketing tool related to traditional sales operations and also business to business to consumer-based online auctions.

	Subaye.com Corporate Profiles
September 30, 2007	38,123

December 31, 2007	45,243
January 31, 2008	53,342

For our corporate users, Subaye.com allows companies to post their products with corporate video to the platform for a monthly fee. We launched the internet video services on our Subaye.com website and began generating revenues from corporate video uploading services in November, 2006. We have grown significantly since we commenced operations in October of 2006. We charge our members a monthly charge of approximately $100. From time to time, we offer special promotions to allow potential member users and current member users to use our website free of charge. From July 1, 2007 through December 31, 2007, Subaye.com was accessed free of charge by all Subaye.com members and potential members. The Company anticipates a significant increase in membership growth of Subaye.com in the coming months, due to the continued use of the website by its members and its potential members.

Subaye.com Members

December 31, 2007	16,348
January 31, 2008	18,859

We believe that our leading position in the PRC is primarily attributable to the following strengths:

- largest corporate video online audience;
- first video uploading service provider in the PRC with an extensive customer base across industries;
- one of the most widely recognized internet enterprise video brands--we sponsored a movie in the PRC, enhancing our ability to attract both users and customers;
- local market experience and expertise in introducing and expanding our services across the PRC and operating in the PRC's rapidly evolving internet industry;
- leading technology with a proven platform, providing users with relevant video showcase and customers with a cost-effective way to reach potential consumers; and
- extensive and effective nationwide network of over 100 regional distributors, providing high-quality and consistent customer services.

Our goal is to become a platform that provides internet users with the best way to find information and allows businesses to reach a broad base of potential customers. We intend to achieve our goal by implementing the following strategies:

- growing our online video marketing business by attracting potential customers and increasing per-customer spending on our services; enhancing user experience;
- increasing traffic through the development and introduction of new video-related features and functions;
- expanding the Subaye Alliance by leveraging our brand and offering competitive economic arrangements to Subaye Alliance members; and
- pursuing selective strategic acquisitions and alliances that will allow us to increase user traffic, enlarge our customer base, expand our product offerings and reduce customer acquisition costs.

The successful execution of our strategies is subject to certain risks and uncertainties, including our ability to:

- maintain our leading position in the internet video industry in the PRC;
- offer new and innovative products and services to attract and retain a larger user base;
- attract additional customers and increase per-customer spending;
- increase awareness of our brand and continue to develop user and customer loyalty;

· respond to competitive market conditions;

26

- respond to changes in our regulatory environment;
- manage risks associated with intellectual property rights;
- maintain effective control of our costs and expenses;
- raise sufficient capital to sustain and expand our business;
- attract, retain and motivate qualified personnel; and
- upgrade our technology to support increased traffic and expanded services.

Subaye.com’s limited operating history may make it more difficult to evaluate our future prospects and results of operations. If we are unsuccessful in addressing any of these risks and uncertainties, our business may be materially and adversely affected.

Subaye.com achieved profitability as of the quarter ended December 31, 2006. We have experienced growth in recent periods, in part, due to the growth in the PRC’s online marketing industry, which may not be representative of future growth or be sustainable. We cannot assure that our historical financial information is indicative of our future operating results or financial performance, or that our profitability will be sustained.

MyStarU.com and Icurls.com

The Company purchased www.mystaru.com on October 1, 2006, and www.icurls.com on November 20, 2006. We expect to use the two websites in 2008 to continue to develop the Company’s offerings in the arts education market. Through December 31, 2007 the Company has recorded revenue of $2,000,000 for “master franchise licenses to unrelated parties in the PRC.. The third party purchasers are intent on utilizing the Company’s education-related web-based offerings in certain sectors of the PRC and across potential large portions of the PRC population within each sector. MyStarU.com's content launch includes ten hours of multimedia performing education courses developed by Stareastnet (http://www.stareastnet.com). The content draws on the popularity of Stareastnet's unique 30-minute presentation concept. Stareastnet has been producing artist profiles since 1999, and delivers several live seminars each year. The Company anticipates that additions to the Stareastnet content will continue to be added as the Company reviews and approves of the educational material.

The system is a prototype for state-of-the-art delivery of streaming video performing education courses in the music and movie industries in the PRC. The new courseware was developed using the GSCT's EDU v5.0 Education Management System and is delivered to viewers via the MyStarU platform. The multimedia content is produced using Adobe Flash(r) video synchronized presentations and demonstrative video clips. Users can view multimedia performing training presentations that include downloadable video files of course materials and are then able to upload their own video files to teachers for analysis, which affords users the opportunity to have questions answered by course teachers. MyStarU intends to use this new capability to reach hundreds of thousands of young people who are interested in entering the performing arts, music and movie industries. MyStarU’s goal is to deliver education content online without meaningful limitations or restrictions.

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

In a country with significant mobile phone usage, the growth opportunities remain tremendous. The PRC has more than 1.3 billion people, and mobile services will remain a strong area of growth. Entertainment content for these mobile devices is in high demand and MyStarU Ltd. hopes to become a dominant player within this space.

SkyeStar.com

We expect SkyeStar.com ("SkyeStar") to be positioned in 2008 to generate a new revenue stream for the Company utilizing our pre-exisitng social networks, established by the entity over the past several years. SkyeStar was launched with the intent of utilizing IPTV technology, with new features that allow users access their SkyeStar accounts using IPTV. SkyeStar is currently a free, members-only web site that offers community, e-mail, exclusive music and video downloads, instant messaging, blogs, photos and more. We will generate revenue by advertising, entertainment downloads, pay per view, video-on-demand and VIP membership fees.

IPTV is the format representing the convergence of internet, television and telecommunication networks, and is expected to be adopted in the PRC next year. This technology might not yet be available throughout the PRC but we believe a significant portion of the PRC's internet users have already embraced this technology, and we believe this technology may be adopted on a widespread basis in 2008.

The PRC is one of the largest IPTV markets in the world. The PRC was among the first markets in the world to put IPTV services in commercial trial operation. Statistics show that there are 360 million TV viewers and 75 million broadband users in the PRC, creating a significant potential market for development of IPTV services.

3G Dynasty is also responsible for sales of MyStarU Ltd products, and has focused on entertainment content for 3G mobile and internet use. IC Star Wireless Application Protocol ("WAP") Club is based on the IC Star Theme Club on WAP, which provides the most comprehensive and up-to-date mobile entertainment services in the PRC. The WAP users can access IC Star Theme Club for content we provide through China Mobile Communications. In May 2005, 3G Dynasty created the website http://skyestar.com , a multi-channel infotainment portal supported by proprietary fan clubs and a community platform. It allows new members to personalize their own homepage with 3G Dynasty's content. It registers members and allows them to build their personal homepage on WAP. As the host and content provider, 3G Dynasty will start publishing a daily Real Simple Syndication ("RSS") feed of its original content from a number of its contracted web sites, including local information, life style and entertainment content. Through the use of RSS feeds, users can receive 3G Dynasty's daily content automatically, thereby broadening 3G Dynasty's distribution and providing an additional platform for mobile phone users who are registered members of the Star Theme Club on WAP. Members with their homepage on WAP can reach their targeted audience through wireless technology.

This personal homepage and WAP membership service was launched in June 2006. The adoption of RSS has deepened our relationship with our members and enhanced the appeal of our original content. We believe that RSS represents the next evolution in the distribution of content. It allows publishers and end users alike to be seamlessly notified of new content and to integrate that content into start pages, blogs and web sites. As more and more people personalize their content on the internet, many are turning to RSS feeds to quickly and easily access information from news and entertainment sites.

On July 1, 2006, all contracted base businesses that operate as IC Star and IC Star Brands were combined with the personalized homepage on WAP and SkyeStar.com. As of December 31, 2007, IC Star WAP Club had approximately 61,000 registered members.

SkyeStar.com provides users multiple opportunities to play games, send MMS/SMS greetings, watch movie trailers, find show times, and purchase tickets and DVDs. They can also rate, review and refer their entertainment choices to others. Customization features allow members to create their own personal homepages, profile and display their entertainment favorites as well as access their friends' recommendations. SkyeStar.com's innovative fan club's networking features flow throughout the site so users can enjoy diverse content and connect with other people who enjoy similar interests.

SkyeStar.com features include:

- "My Star Friend", where members upload images of their artist friends, create star profiles, and enter them in a ratings system allowing members to vote on the my star friend;

- Fans Experiences Sharing, where members rate and review their favorite movies, music, and greetings;

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Customizable User Homepages, Profiles, where members track their favorite movies, music, games, stars and greetings, as well as their friends' favorites, upload photos, check music statistics, view event reminders, and post on "friends-only" message boards;

· User Music Critics, where members review and rate their choices of music, add their ratings to a community score and compare their reviews and ratings to those of professional music critics;

· Online & Downloadable Games, where members play single player and multiplayer games online or download and purchase their favorites; and

· User-Generated Content, where developers and creators upload their own music, games and photos for the community to enjoy and review.

MyStarU Ltd has partnered with several industry leaders to provide content on the SkyeStar.com entertainment portal. Among its partners, Stareastnet, provides features such as "Artist Profiles and Homepages" and NC Entertainment, provides movie trailers. SkyeStar.com provides a community experience by including artists, movies, games, music and more. Through user-generated content, as well as personal homepages and content reviews, community members can express themselves and become a trusted referral of content for their friends.

Software Sales

We offer software-based products through Subaye.com's subsidiary, Guangzhou Subaye Computer, which serves the voice, video, data, web and mobile communication markets. The Company will deliver its content through its software products, using various media, to several hundred million end users in the telecommunications market in the PRC. Since the 2005 launch of our Total Solutions System ("TS"), together with our SEO4Mobile Short Message Services ("SMS") search engine software in 2005, we believe that we now have the right software products to deliver our content, in order to serve the rapidly expanding telecommunications market in the PRC. We are targeting enterprises in the multimedia communications market in the PRC, where there is significant growth potential. In the PRC there are billions of messages sent every month through SMS, which is the basic form of text messaging. We note that there is also a significant increase in Multimedia Message Services ("MMS"). MYST's Customer Relations Management Virtual Call Center ("CRM") provides highly customized, scalable and flexible interactive services, offers customers high value and low cost sales and service solutions using the highly scalable interactive MMS response, with interactive voice response and speech recognition solutions.

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

TS, our specialized software product, 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. Designed around MYST's internet content and database and integrated into the Information Manager System and SMS/MMS Call Center CRM System core software, the TS application facilitates the collaboration of key business processes, such as, corporate and marketing communications, membership distance interactive programs, product development, customer relationship management and content management by allowing dispersed enterprise users to collaborate in real time with multimedia message services.

This business model is built on the integration of strong entertainment and lifestyle content into the TS, network database and the application of technology. Network database was established by signing contracts with strategic partners and obtaining the database of each partner's respective internet and mobile phone users. Our content was built through our business alliance with MyStarU, Ltd (formerly known as IC Star MMS Limited) , which is currently one of our subsidiaries and a network services provider based in Hong Kong, which provides links to entertainment and lifestyle information to local communities across the PRC. MyStarU Ltd, which was originally created as the Star SMS /MMS called "My Star Friends" community, was first invented as a SMS/MMS interactive between MyStarU Ltd and fans of local artists around the world. By integrating the network database and contents into software that MYST sources from the market, we can leverage the functions of the software and target it to various industries.

SEO4Mobile

SEO4Mobile, a search engine optimization for mobile phones, is the original unique new service solution creation by Alpha. The SEO4Mobile offers wireless mobile phone service, allowing providers the ability to use SMS search implementation for their users. Mobile phone users who enter a relevant keyword or keyword phrase, along with a geographic identifier, can send searches via an SMS to a service code. The search results will be received by MMS and the search engine optimization processes the search through the internet within a matter of minutes. Many searchers don't realize that within an SMS search query, they can add in a geographic identifier. By specifically laying out a separate search SMS for the geographic portion, SEO4Mobile helps structure the search in a simple and efficient way for the searcher. SEO4Mobile has been selected by service providers such as China Mobile Communications and China Unicom.

Revenues are derived principally by providing integrated solutions and an AdMaxB2Search platform by entering into business contracts with enterprises for a fixed monthly fee. The management of MYST is confident that the SEO4Mobile and AdMaxB2Search platforms will provide excellent revenue when these two products gain popularity with mobile phone users. SEO4Mobile is a cutting edge technology designed to integrate the internet with mobile phones, using search engine technology using a pay per click business model. We continue to target the approximate 300 million mobile phone users as well as the 111 million internet users in the PRC. According to the Ministry of Information of the PRC, the PRC's internet users account for about 8.5% of its population, far below the United States of America, where 60% of the population are internet users.

IBS v4.1 and v5.0Enterprise Suite

The IBS v4.1 and v5.0 software suites are our main product line, and include a built-in MoDirect, an innovative suite of technologies that enables wireless and web publishers to target SEO4Mobile users more effectively and allows advertisers to obtain targeted leads with rich demographic data. IBS v4.1 and v5.0 are part of the TS family. Corporate users can leverage all available information resource management on the intranet/extranet over the internet, including wireless applications, and advertisers can use the IBS v4.1 and v5.0 to publish SMS and MMS by searches on mobile phones. The system enables manufacturers and services providers to use the internet to establish and manage continuous connections with automated e-services, operations monitoring and e-commerce offerings. The system's customers include end-user clients in many industries throughout the PRC. The IBS v4.1 and v5.0 standard package includes three servers, software, as well as system integration.

On September 1, 2006, the Company organized Guangzhou Subaye Computer Tech Ltd. (“GSCT”) as a new wholly-owned subsidiary of the Company. GSCT is responsible for the operation and management of the Company’s TS, SMS/MMS virtual Call Center CRM Systems, SEO4Mobile, MoDirect, AdMaxB2Search and IBS v4.1 and v5.0 software suites As GSCT integrates with the TS business group of MYST, it will strategically invest in the PRC, specifically to address new market dynamics and help SME users get the most from end user content while effectively handling changes in capacity, deal terms and players.

The integration expertise we gained through the successful launch of GSCT, and the IBS v5.0 Enterprise Suite gives us confidence in our core business model within the SME market, the potential for our total solution business, and the achievement of synergies we identified as part of our strategic investment efforts.

GSCT has continued to develop relationships established in the past with some of the Company’s contacts in the internet and businesss industries such as Baidu.com (Nasdaq: BIDU), Shanghai Linktone Information Limited (Nasdaq: LTON), the wireless business division of Beijing eLong Information Technology Limited, a subsidiary of eLong Inc. (Nasdaq: LONG), 3721 Inter China Network Software Co. Ltd (www.3721.com), a Yahoo!, Inc. Company (Nasdaq: YHOO), Tencent Company Limited (www.qq.com), Kongzhong Corporation (Nasdaq: KONG), Guangdong Mobile Communication Co., Limited , a China Mobile Communications Corporation and China Mobile (Hong Kong) Ltd. (NYSE: CHL) to develop entertainment SMS, MMS, WAP portal and other wireless contents such as artist profiles, gaming and an SEO4Mobile SMS search engine.

Import and Export Trading

Our subsidiary, Panyu M&M holds the licenses and approvals necessary to operate our international trading and provide e-commerce logistic agent services . Panyu M&M operates in today’s global economy and continually delivers quality services for our importing and exporting clientele. As in the other three business segments, we believe the import/export businesses of the PRC are well-positioned. We believe we can benefit substantially from the further development of this business segment in the years to come.

Results of Operations

Income Statement Items

The following table summarizes the results of our operations during the three months ended December 31, 2006 and 2005 and provides information regarding the dollar and percentage increase or (decrease) from the current fiscal period to the prior fiscal period:

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)

	December 31, 2007 (Unaudited)	December 31, 2006 (Unaudited)	$ Increase (Decrease)	% Increase (Decrease)
Net revenues	$ 7,711,953	$ 5,964,131	$ 1,747,822	29%
Cost of sales	(5,785,142)	(3,454,989)	2,330,153	67%
Gross profit	1,926,811	2,509,142	(582,331)	(23)%
Operating expenses	900,027	2,602,139	(1,702,112)	(65)%
Income (Loss) from operations	1,026,784	(92,997)	1,119,781	(1186)%
Other income	8,443	21,580	(13,137)	(61)%
Income from continued operations	1,035,227	(71,417)	1,106,644	(1204)%

Provision for income taxes		(1,051)		-	(1,051)	(100)%
Minority interest in loss of subsidiary		(263,615)		(586,591)	322,976	(55)%
Net income (loss)		770,561		(658,881)	(1,429,442)	(217)%
Other comprehensive income		(26,355)		6,894	(33,249)	(482)%
Comprehensive income		744,206		(651,987)	1,396,193	(214)%
Earnings per common shares						
-Basic	$	0.01	$	(0.01)		
- Fully diluted	$	0.01	$	(0.01)		
Weighted average common share Outstanding						
-Basic		148,675,128		109,512,315		
- Fully diluted		148,675,128		109,512,315		

30

Revenues increased by $1,747,822 due primarily to:

Revenues totaled $7,711,953 for the three months ended December 31, 2007 compared to $5,964,131 for the three months ended December 31, 2006. The increase of $1,747,822 is due primarily to the increase in sales of the Company's "Master Franchise Licenses," which accounted for $1,323,962 and $0 in revenues for the three months ended December 31, 2007 and December 31, 2006, respectively. Additionally, the Company benefited from increased sales in its import and export business segment, which totaled $4,364,583 for the three months ended December 31, 2007 and $2,038,260 for the three months ended December 31, 2006. The import and export business segment has produced consistent and significant growth each fiscal quarter since it was acquired in April, 2006. The Company's online content and membership services business segment reported sales of $1,722,278, which consisted entirely of the sale of the Company's IBS V.50 software to the current members of Subaye.com. Subaye.com did not record any revenues for the three months ended December 31, 2007 due to a promotional event whereby none of the current or potential members of Subaye.com were asked to pay for access to the website and its ancillary content from July 1, 2007 through December 31, 2007. The Company's promotional offer has now ended and we expect to now generate revenues from monthly membership fees from this point forward. However, the Company will entertain possible future promotional offers if management determined the long term benefits of a promotional offer can be substantiated and are significant.

Costs of Sales increased by $2,330,153 due primarily to:

Costs of sales totaled $5,785,142 and $3,454,989 for the three months ended December 31, 2007 and 2006, respectively. The Company's import and export business segment had higher costs in 2007 versus 2006, which was in line with expectations. Costs of sales for Panyu M&M, which is the sole contributor to the import and export business, totaled $4,200,914 versus total costs of $2,003,838 for 2006. The Company also sold its copyright for "internet productions" of the First Open copyright in December, 2006. The cost basis of the copyright was $332,291, and is included in costs of sales for the three months ended December 31, 2007.

Operating Expenses decreased by $1,702,112 due primarily to:

For the three months ended December 31, 2007, we incurred stock based compensation expenses of $363,869 versus $1,027,030 in the three months ended December 31, 2006. The Company entered into less significant stock based compensation agreements in 2007 and many of the contracts signed in 2005 had just recently been fully amortized as of October 1, 2007. Additionally, during the course of the last quarter of fiscal year 2007 and first quarter of 2008, the Company completed a full review of its accounts receivable balances and determined it had over-reserved for its potentially uncollectible accounts receivable in past years. The Company recorded a bad debt recovery of approximately $185,000 in three months ended December 31, 2007 and now believes its allowance for doubtful accounts and accounts receivable balances are now fairly presented as of December 31, 2007.

Other income decreased by $13,137 due primarily to:

The total other income was $8,443 and $21,580 for the three months ended December 31, 2007 and 2006, respectively. In 2006, the Company reported a gain on the sale of one of its automobiles.

Stock-Based Compensation Expense decreased by $663,161 due primarily to:

The stock-based compensation expense was $363,869 and $1,027,030 for the three months ended December 31, 2007 and 2006, respectively. The Company entered into fewer significant stock based compensation agreements in 2007 and many of the stock based compensation agreements of significant value that were negotiated in 2005 had been fully amortized as of October 1, 2007 but not as of October 1, 2006.

Corporate Taxes

Enterprise income tax in PRC is generally charged at 33% of a company’s assessable profit, in which 30% is a national tax and 3% is a local tax. For foreign investment enterprises established in a Special Economic Zone or Coastal Open Economic Zone, and which are engaged in production-oriented activities, the national tax rate could be reduced to 15% or 24% respectively. Companies which are incorporated in the PRC are subject to a PRC enterprise income tax at the applicable tax rates on the taxable income as reported in their Chinese statutory accounts in accordance with the relevant enterprise income tax laws applicable to foreign enterprises. Pursuant to the same enterprise income tax laws, the subsidiaries are fully exempted from PRC enterprise income tax for two years starting from the first profit-making year, followed by a 50% tax exemption for the next three years.

No provision for Enterprise income tax in the PRC had been made for the three months ended December 31, 2006 and 2005 due to the fact that it is exempt from the PRC tax, based on the statutory provisions granting a tax holiday for a two year period, as stated above, or for the Company’s operations for the three months ended December 31, 2006 and 2005. The Company’s first profit taking year was the year ended September 30, 2005. Therefore, tax would have been due to the PRC if the Company had generated PRC taxable income for the fiscal year ended September 30, 2007. The Company did not generate net income for 2007. The Company anticipates generating PRC taxable income during 2008 but at this time. A provision for PRC income tax is expected to be recorded during at least the last two quarters of 2008 and possibly during the second quarter of 2008.

The Company uses the liability method, where deferred tax assets and liabilities are determined based on the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial and income tax reporting purposes. There are no material timing differences and therefore no deferred tax asset or liability at December 31, 2006.

If all of the above tax holidays and concessions had not been available, we would have paid approximately $245,000 and $0 more in taxes for the three months ended December 31, 2007 and 2006 respectively.

OVERALL

We reported net income for the three months ended December 31, 2007 of $770,561. Earnings per share for the three months ended December 31, 2007 was $0.01 versus $(0.01) for the three months ended December 31, 2006.

Liquidity And Capital Resources

We believe that our currently-available working capital should be adequate to sustain our operations through the end of fiscal year 2008.

As of December 31, 2007, we had a cash balance of $529,567 held in PRC and Hong Kong banks and including cash on hand. We currently have no cash positions in the United States. We have been funding our operations from the receipts from customers and sales of our common stock.

Management has invested substantial time evaluating and considering numerous proposals for possible investments, acquisitions or business combinations, either looked for by management or presented to management 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 our shareholders. No assurance can be given that any such project, acquisition or combination will be concluded, or that any such actions will be approved by our Board of Directors.

Net cash provided by operations for the three months ended December 31, 2007 was $11,297. 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, 2007 was $632,152. The Company purchased copyrights to 2 new productions in the three months ended December 31, 2007.

The Company did not complete any financing transactions during the three months ended December 31, 2007.

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.

Critical Accounting Policies

The preparation of financial statements in conformity with US GAAP requires our management to make assumptions, estimates and judgments that affect the amounts reported in the financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. We consider our critical accounting policies to be those that require the more significant judgments and estimates in the preparation of financial statements, including the following:

Revenue recognition

We recognize revenue in accordance with SEC Staff Accounting Bulletin No. 104. Product revenue is recognized when title and risk of ownership have been transferred, provided that persuasive evidence of an arrangement exists, the price is fixed and determinable, remaining obligations are insignificant and collectibility is reasonably assured. Transfer of title and risk of ownership occur when the product shipped to the customer. Revenue is recorded at the invoiced amount net of discounts.

Accounting on property, plant and equipment

Property and equipment is located in the PRC and is recorded at cost. Depreciation and amortization is calculated using the straight-line method over the expected useful life of the asset, after the asset is placed in service. The Company generally uses the following depreciable lives for its major classifications of property and equipment:

Description	**Useful Lives**
Computer hardware	**3 years**
Computer software	**3 years**
Web site	**5 years**
Motor Vehicles	**3 years**
Furniture and fixtures	**5 years**
Leasehold improvements	**5 years**

Accounting for amortization of Copyrights

Amortization of Copyrights - The Company amortizes the License and Agreement asset for the films using the individual-film-forecast-computation method, in accordance with SOP 00-2, which amortizes or accrues (expenses) such costs in the same ratio that current period actual revenue (numerator) bears to estimated remaining unrecognized ultimate revenue as of the beginning of the current fiscal year (denominator). The Company began amortization of the capitalized movie in 2006, when the Company began to recognize revenue from the films. Amortization related to the movie was $0 and $65,633 for the three months ended December 31, 2007 and 2006, respectively, which amounts were included in cost of sales.

Accounting for allowance for doubtful accounts

Trade accounts receivable- Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts represents the Company's best estimate of the amount of probable credit losses in the existing accounts receivable balance. The Company determines the allowance for doubtful accounts based upon historical write-off experience and current economic conditions. The Company reviews the adequacy of its allowance for doubtful accounts on a regular basis. Receivable balances past due over 120 days, which exceed a specified dollar amount, are reviewed individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Allowances for doubtful accounts receivable balances are recorded when circumstances indicate that collection is doubtful for particular accounts receivable or as a general reserve for all accounts receivable. Management estimates such allowances based on historical evidence such as amounts that are subject to risk. Accounts receivables are written off if reasonable collection efforts are not successful.

Allowance for doubtful accounts was $247,066 and $413,036 as of December 31, 2007 and September 30, 2007, respectively.

Income taxes

Income taxes are provided on the asset and liability approach for financial accounting and reporting of income taxes. Any tax paid by subsidiaries during the year is recorded. Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted as of the date of the balance sheet. Deferred income tax liabilities or assets are recorded to reflect the tax consequences in future years of the difference between the tax basis of assets and liabilities and the financial reporting amounts as of each year end. A valuation allowance is recognized if it is more likely than not that some portion, or all, of a deferred tax asset will not be realized.

Risk Factors That May Affect Future Operating Results

You should carefully consider the risks described below before making an investment decision. The risks and uncertainties described below are the material risks that apply to our business, operations, financial condition and prospects.

Operating Risk

Currently, the Company's revenues are derived from four segments related to integrated communications network solutions, imports and export trading, royalty income form movie copy rights and membership income from websites. 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 the Company makes evaluation of the Company difficult. We have conducted limited operations and we 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 U.S. 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 U.S. companies do gain access to the PRC markets in general, 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.

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. On July 21, 2005, the People's Bank of China ("PBOC") announced a revaluation of the Chinese currency renminbi ("RMB") or yuan, which immediately jolted international finance markets. PBOC said the RMB will no longer be pegged to the U.S. dollar and will be traded at a rate of 8.11 for 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 the PRC. 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 the PRC 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 Viable 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 "MYST". 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.

Our Stock Is a Penny Stock, and There Are Significant Risks Related to Buying and Owning Penny Stock

Rule 15g-9 under the Securities Exchange Act of 1934 imposes additional sales practice requirements on broker-dealers that sell non-Nasdaq listed securities except in transactions exempted by the rule, including transactions meeting the requirements of Rule 506 of Regulation D under the Securities Act and transactions in which the purchaser is an institutional accredited investor (as defined) or an established customer (as defined) of the broker or dealer. For transactions covered by this rule, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to sale. Consequently, this rule may adversely affect the ability of broker-dealers to sell our securities and may adversely affect your ability to sell any of the securities you own.

The Securities and Exchange Commission regulations define a "penny stock" to be any non-Nasdaq equity security that has a market price (as defined in the regulations) of less than $5.00 per share or with an exercise price of less than $5.00 per share, subject to some exceptions. For any transaction by a broker-dealer involving a penny stock, unless exempt, the rules require delivery, prior to any transaction in a penny stock, of a disclosure schedule prepared by the SEC relating to the penny stock market. Disclosure is also required to be made about commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements are required to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. Our market liquidity could be severely adversely affected by these rules on penny stocks.

Our largest target market is in the PRC and there are several significant risks relating to conducting operations in the PRC. Our business, financial condition and results of operations are, to a significant degree, subject to economic, political and social events in the PRC.

Governmental Policies in the PRC Could Impact Our Business

Since 1978, the PRC's government has been and is expected to continue reforming its economic and political systems. These reforms have resulted in and are expected to continue to result in significant economic and social development in the PRC. Many of the reforms are unprecedented or experimental and may be subject to change or readjustment due to a number of political, economic and social factors. We believe that the basic principles underlying the political and economic reforms will continue to be implemented and provide the framework for the PRC's political and economic system. New reforms or the readjustment of previously implemented reforms could have a significant negative effect on our operations. Changes in the PRC's political, economic and social conditions and governmental policies which could have a substantial impact on our business include:

· new laws and regulations or new interpretations of those laws and regulations;

· the introduction of measures to control inflation or stimulate growth;

· changes in the rate or method of taxation;

· the imposition of additional restrictions on currency conversion and remittances abroad; and

· any actions which limit our ability to conduct lottery operations in the PRC.

Economic Policies in the PRC Could Negatively Impact Our Business

The economy of the PRC differs from the economies of most countries belonging to the Organization for Economic Cooperation and Development in various respects, such as structure, government involvement, level of development, growth rate, capital reinvestment, allocation of resources, self-sufficiency, rate of inflation and balance of payments position. In the past, the economy of the PRC has been primarily a planned economy, subject to one- year and five-year state plans adopted by central government authorities and largely implemented by provincial and local authorities. These plans set production and development targets.

Since 1978, increasing emphasis had been placed on decentralization and the utilization of market forces in the development of the PRC's economy. Economic reform measures adopted by the PRC's government may be inconsistent or ineffectual, and we may not be able to capitalize on future reforms in all cases. Further, these measures may be adjusted or modified in ways that could result in economic liberalization measures that are inconsistent from time to time, from industry to industry or across different regions of the country. The PRC's economy has experienced significant growth in the past decade. This growth, however, has been accompanied by imbalances in the PRC's economy and has resulted in significant fluctuations in general price levels, including periods of inflation. The PRC's government has implemented policies from time to time to increase or restrain the rate of economic growth, control periods of inflation or otherwise regulate economic expansion. While we may be able to benefit from the effects of some of these policies, these policies and other measures taken by the PRC's government to regulate the economy could also have a significant negative impact on economic conditions in the PRC with a resulting negative impact on our business.

The PRC's Entry into the WTO Creates Uncertainty

The PRC formally became the 143rd member of the World Trade Organization (WTO), the multilateral trade body, on December 11, 2001. Entry into the WTO will require the PRC to further reduce tariffs and eliminate other trade restrictions. While the PRC's entry into the WTO and the related relaxation of trade restrictions may lead to increased foreign investment, it may also lead to increased competition in the PRC's markets from international companies. The impact of the PRC's entry into the WTO on the PRC's economy and our business is uncertain.

Uncertainty Relating to the PRC's Legal System Could Negatively Affect Us

The PRC has a civil law legal system. Decided court cases do not have binding legal effect on future decisions. Since 1979, many new laws and regulations covering general economic matters have been promulgated in the PRC. Despite this activity to develop the legal system, the PRC's system of laws is not yet complete. Even where adequate law exists in the PRC, enforcement of contracts based on existing law may be uncertain and sporadic and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgment by a court of another jurisdiction. The relative inexperience of the PRC's judiciary in many cases creates additional uncertainty as to the outcome of any litigation. Further, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes.

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 90 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 were not 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.

We have taken several actions in order to remedy the shortcomings in our disclosure controls and procedures, including the appointment of a new CFO with more experience in U.S. public company reporting. We are also in the process of migrating our financial data into accounting software that we believe will better facilitate the control and review process. We will continue to identify and correct any deficiencies in order for our Certifying Officers to be able to conclude that our controls and procedures are effective.

The Certifying Officers have also indicated that, except as set forth above, 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.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

None.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

On October 1, 2007, Top Rider Group Limited, the sole holder of the Subaye.com preferred stock, converted its shares of preferred stock to 400,000 shares of the Company’s common stock.

On October 3, 2007, the Company issued 735,000 shares of common stock to the Company’s Chief Financial Officer for services to be provided over a two year period at price of $.13 per share.

On October 3, 2007, the Company issued 1,000,000 shares of common stock to the Company’s Chief Executive Officer for services to be provided over a two year period at price of $.13 per share.

On October 3, 2007, the Company issued 400,000 shares of common stock to an investor relations consultant for services to be provided over a 24 month period at price of $.13 per share.

On October 3, 2007, the Company issued 526,316 shares of common stock for investor relations purposes, for services to be provided over a 12 month period at price of $.13 per share.

All of the equity securities described in this Item 2 have been issued in reliance on the exemptions from registration provided by Section 4(2) of the Securities Act of 1933.

ITEM 3. Defaults Under Senior Securities

None.

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

None.

ITEM 5. Other Information

(a) Not applicable.

(b) Information required by Item 407(c)(3) of Regulation S-B

None.

ITEM 6. EXHIBITS

Exhibits

<u>Exhibit Number</u>

10.1 Fee Agreement, by and between J. Crane & Company, P.C. and the Company, dated as of October 4, 2007
10.2 Employment Agreement, by and between Alan R. Lun and the Company, dated as of October 3, 2007
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.

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 14, 2008	MYSTARU.COM, INC.	
	By:	/s/ Alan R. Lun Alan R. Lun President and CEO (Principal Executive Officer)
Date: February 14, 2008		
	By:	/s/ James T. Crane James T. Crane Principal Financial and Accounting Officer