

TEDA TRAVEL GROUP INC  
Form 10QSB  
May 20, 2005

**U.S. SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-QSB**

(Mark One)

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

**For the quarterly period ended March 31, 2005**

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

**For the transition period from \_\_\_\_ to \_\_\_\_**

Commission file number 000-30264

**TEDA TRAVEL GROUP, INC.**

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

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**11-3177042**  
(I.R.S. Employer  
Identification Number)

**Suite 2102, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong**

(Address of principal executive offices)

Registrant's Telephone Number, Including International Code and Area Code:

**(011) (852) 2833-2186**

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

As of May 18, 2005, the Issuer had outstanding 21,842,885 shares of the Issuer's common stock, \$.001 par value.

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

**PART I FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**TEDA TRAVEL GROUP, INC.  
AND SUBSIDIARIES  
CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
AS OF MARCH 31, 2005**

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(UNAUDITED)

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**TEDA TRAVEL GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEET**

**MARCH 31, 2005**

**(UNAUDITED)**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 88,182
Accounts receivable, net	134,783
Prepaid expenses and other current assets	192,505
Total Current Assets	415,470

**PROPERTY AND EQUIPMENT NET**

44,139

**OTHER ASSETS**

Intangible license rights, net	641,141
Investment in affiliate	2,802,488
Total Other Assets	3,443,629

**TOTAL ASSETS**

\$ 3,903,238

**LIABILITIES AND STOCKHOLDERS' DEFICIENCY**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 203,763
Capital lease current	9,333
Due to affiliate	3,881,110
Due to related parties	16,141
Total Current Liabilities	4,110,347

**LONG-TERM LIABILITIES**

Capital lease long-term	10,165
Total Long-Term Liabilities	10,165

**TOTAL LIABILITIES**

4,120,512

**STOCKHOLDERS' DEFICIENCY**

Preferred stock, \$.001 par value, 5,000,000 shares authorized, none issued and outstanding	
Common stock, \$.001 par value, 100,000,000 shares authorized, 21,667,885 shares issued and outstanding	21,668
Additional paid-in capital	4,612,757
Deferred stock compensation	(185,602 )
Accumulated deficit	(4,666,097 )
Total Stockholders' Deficiency	(217,274 )

**TOTAL LIABILITIES AND STOCKHOLDERS DEFICIENCY** \$ 3,903,238

See accompanying notes to condensed consolidated financial statements.

**TEDA TRAVEL GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004**  
**(UNAUDITED)**

	<b>2005</b>	<b>2004</b>
<b>REVENUE, NET</b>	\$ 143,969	\$ 109,283
<b>EXPENSES</b>		
Stock issued for services	389,250	1,977,325
Professional fees	43,745	84,185
Payroll	108,024	43,142
Management fees	7,692	7,692
Other selling, general and administrative	179,295	27,162
Total Expenses	728,006	2,139,506
<b>LOSS FROM OPERATIONS</b>	(584,037 )	(2,030,223 )
<b>OTHER EXPENSE</b>		
Other expense	(316 )	
Interest expense	(2,687 )	
Equity in loss of affiliate	(66,565 )	(71,668 )
Total Other Expense	(69,568 )	(71,668 )
<b>LOSS BEFORE TAXES</b>	(653,605 )	(2,101,891 )
Income taxes	10,173	6,781
<b><u>NET LOSS</u></b>	\$ (663,778 )	\$ (2,108,672 )
Net loss per common share - basic and diluted	\$ (0.03 )	\$ (0.11 )
Weighted average number of common shares outstanding basic and diluted	21,667,885	18,524,504

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See accompanying notes to condensed consolidated financial statements.

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**TEDA TRAVEL GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASHFLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004**

(UNAUDITED)

	2005		2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss	\$ (663,778 )	\$	(2,108,672 )
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	63,840		1,165
Stock and warrants issued for consulting services	389,250		1,977,325
Loss in affiliate	66,565		71,668
Increase (decrease) in:			
Accounts receivable	24,719		(107,323 )
Prepaid expenses	(105,647 )		10,906
Decrease (increase) in:			
Accounts payable and accrued expenses	65,133		79,433
Net Cash Used In Operating Activities	(159,918 )		(75,498 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property and equipment	(3,016 )		
Net Cash Provided By (Used In) Investing Activities	(3,016 )		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Due to related parties	(2,769 )		(5,363 )
Due from directors	(5,669 )		(5,028 )
Due from affiliates	195,152		
Payments on capital lease	(2,340 )		
Net Cash Provided By (Used In) Financing Activities	184,374		(10,391 )
<b>INCREASE (DECREASE) IN CASH</b>	<b>21,440</b>		<b>(85,889 )</b>

<b>CASH BEGINNING OF PERIOD</b>		66,742		98,079
<b><u>CASH END OF PERIOD</u></b>	\$	88,182	\$	12,190

**SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:**

During 2004, the Company leased a vehicle under a capital lease for \$24,178.

See accompanying notes to condensed consolidated financial statements.

**TEDA TRAVEL GROUP, INC. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF SEPTEMBER 30, 2004**

**(UNAUDITED)**

**NOTE 1**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles and the rules and regulations of the Securities and Exchange Commission for interim financial information. Accordingly, they do not include all the information and footnotes necessary for a comprehensive presentation of financial position and results of operations.

It is management's opinion, however that all material adjustments (consisting of normal recurring adjustments) have been made which are necessary for a fair financial statements presentation. The results for the interim period are not necessarily indicative of the results to be expected for the year.

For further information, refer to the consolidated financial statements and footnotes included in the Company's Form 8-K/A.

**NOTE 2**

**REVERSE MERGER**

On March 10, 2004, Acola Corp. consummated an agreement with Teda Travel, Inc. a Florida corporation, pursuant to which Teda Travel, Inc. exchanged 100% of the then issued and outstanding shares of common stock of Teda Hotels Management Company, Limited for 17,853,578 shares or approximately 86% of the common stock of Acola Corp. As a result of the agreement, the transaction was treated for accounting purposes as a capital transaction and recapitalization by the accounting acquirer (Teda Hotels Management Company, Limited) and as a reorganization by the accounting acquiree (Acola Corp.). Subsequent to the merger, Acola Corp. changed its name to Teda Travel Group, Inc.

Accordingly, the financial statements include the following:

(1)

The balance sheet consists of the net assets of the acquirer at historical cost and the net assets of the acquiree at historical cost.

(2)

The statement of operations includes the operations of the acquirer for the periods presented and the operations of the acquiree from the date of the merger.

**NOTE 3**

**PRINCIPLES OF CONSOLIDATION**

The accompanying condensed consolidated financial statements for 2004 include the accounts of Teda Travel Group, Inc. from the date of merger and its wholly owned subsidiary Teda Hotels Management Company Limited and its wholly owned subsidiaries Teda Hotels Management Limited, and Teda BVI, Ltd.

**TEDA TRAVEL GROUP, INC. AND SUBSIDIARY**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF SEPTEMBER 30, 2004**

**(UNAUDITED)**

The accompanying condensed consolidated financial statements for 2005 include the accounts of Teda Travel Group, Inc. and its wholly owned subsidiaries Teda Hotels Management Company Limited, Teda Hotels Management Limited, Teda BVI, Ltd., Teda Beijing, Ltd. and its 60% owned subsidiary Landmark International Hotel Group, Ltd. hereafter referred to as (the Company ). The Company accounts for its 35% investment in a joint venture using the equity method. All significant inter-company transactions and balances have been eliminated in consolidation.

**NOTE 4**

**INVESTMENT IN AFFILIATE**

On January 6, 2002, the Company acquired a 35% interest in a real estate joint venture located in China. The joint venture was formed to develop and manage a mixed-use complex of apartments, restaurants, a hotel and a private clubhouse. The joint venture was formed with a maximum life of 50 years. The joint venture partner is also a 17% stockholder of the Company.

A summary of the unaudited condensed consolidated financial statements of the affiliate as of March 31, 2005 is as follows:

Current assets	\$ 7,937,355
Non-current assets	36,870,788
 Total Assets	 44,808,143
 Current liabilities	 29,551,350
Non-current liabilities	4,837,929
Stockholders equity	10,418,864
 Total Liabilities and Stockholders Equity	 44,808,143

Revenues	\$ 2,170,284
Gross Profit	923,864
Net Income	51,168

The Company's share of the loss for 2005 after accounting for differences between Hong Kong GAAP and U.S. GAAP are as follows:

Company share at 35%	\$ 17,909
Less: U.S. GAAP adjustment for depreciation	(84,474 )
Equity in loss of affiliate	\$ (66,565 )

**TEDA TRAVEL GROUP, INC. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF SEPTEMBER 30, 2004**

**(UNAUDITED)**

**NOTE 5**

**RELATED PARTY TRANSACTIONS**

During the three months ended March 31, 2005 and 2004, the Company received management revenue of \$100,581 and \$94,106, respectively from two properties it manages that are owned by a shareholder.

During the three months ended March 31, 2005 and 2004, the Company paid \$7,692 to two directors for consulting and professional services.

During the three months ended March 31, 2005 and 2004, the Company paid \$8,824 and \$8,181 to a director and stockholder for office space.

**NOTE 6**

**DUE TO RELATED PARTIES**

The Company's former affiliate, Teda Travel, Inc. which owned approximately 86% of our common stock has advanced the Company \$3,326,707. The amounts are unsecured, non-interest bearing and due on demand.

At March 31, 2005, a related party is owed \$7,714 for office space leased to the Company.





**TEDA TRAVEL GROUP, INC. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF SEPTEMBER 30, 2004**

**(UNAUDITED)**

**NOTE 7**

**BUSINESS SEGMENTS**

The Company has two operating segments. Each segment operates exclusively in Asia. The Company's Property Management segment provides management services to hotels and resorts in Asia. The Real Estate Investment segment invests in real estate development projects. The accounting policies of the segments are the same as described in the summary of significant accounting policies. There are no inter-segment sales.

<b>2005</b>	<b>Property Management</b>	<b>Real Estate Investments</b>	<b>Total</b>
Revenue	\$ 143,969	\$	\$ 143,969
Loss from operations	(597,213 )	(66,565 )	(663,778 )
Depreciation and amortization	63,840		63,840
Assets	1,100,750	2,802	3,903,238
Capital Expenditures	3,016		3,016
<b>2004</b>	<b>Property Management</b>	<b>Real Estate Investments</b>	<b>Total</b>
Revenue	\$ 109,283	\$	\$ 109,283
Loss from operations	(2,037,004 )	(71,668 )	(2,108,672 )
Depreciation	1,165		1,165

Assets	269,398	3,590,200	3,859,598
Capital Expenditures			

**NOTE 8****SUBSEQUENT EVENTS****(A) Acquisitions**

During 2004, the Company entered into a letter of intent to purchase 55% of the outstanding stock of Teda Resort Alliance Development Co, Ltd. for cash of approximately \$280,872 and \$105,328 payable in shares of common stock. Upon completion of an independent valuation, the purchase price was adjusted to \$199,516. The transaction was approved by the Chinese Authority on April 25, 2005, and the Company closed the transaction on April 27, 2005.

**TEDA TRAVEL GROUP, INC. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF SEPTEMBER 30, 2004**

**(UNAUDITED)**

***(B) Stock Issued for Services***

During April 2005, the Company issued 175,000 shares of common stock to a consultant for services to be performed through April 2006. The shares were valued at \$262,500, the fair value on the date of grant.

On January 4, 2005, the Company entered into an agreement to acquire 55% equity interest in Shanghai Bowking Hotel Management Company Limited for \$242,000 of which \$121,000 was payable in cash and \$121,100 was payable in the form of 48,440 restricted common shares of the Company valued at a fair value of \$121,100. The Company expects to complete the acquisition in the second quarter of 2005.

## **Item 2. Management's Discussion and Analysis or Plan of Operation.**

### ***Cautionary Statements***

The following discussion and analysis should be read in conjunction with the Company's Consolidated Financial Statements and the Notes thereto included in Part I, Item 1 of this Report. All amounts are expressed in U.S. dollars.

The following discussion regarding the Company and its business and operations contains forward-looking statements within the meaning of Private Securities Litigation Reform Act 1995. These statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward-looking terminology such as may, expect, anticipate, estimate or continue or the negative thereof or other variations thereon or comparable terminology. The reader is cautioned that all forward-looking statements are necessarily speculative and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward looking statements. The Company does not have a policy of updating or revising forward-looking statements and thus it should not be assumed that silence by management of the Company over time means that actual events are bearing out as estimated in such forward looking statements.

### ***Overview***

The Company is a Delaware corporation incorporated on September 10, 1993, currently headquartered in Hong Kong SAR, People's Republic of China ( PRC ). It has since engaged in various ventures and was led by numerous different management teams for the last ten years. The most recent operation Company was previously was known as Acola Corp. ( Acola ), which came into being on October 12, 2001. Acola was formed to attempt to distribute an anti-cancer drug in Mexico, where it was unable to secure enough capital to obtain the exclusive distribution rights to the drug and has had no business since 2002.

On March 10, 2004, Teda Travel Incorporated, a Florida Corporation ( Teda Florida ), entered into a Share Exchange Agreement ( Exchange Agreement ) with its wholly owned subsidiary, Teda Hotels Management Company Limited, a British Virgin Islands Corporation ( Teda BVI ) and Acola. The Exchange Agreement set forth certain terms and conditions of the exchange by which the entire issued share capital of Teda BVI is transferred to that of Acola in exchange for approximately 86% of the issued share capital of Acola. The closing of the Transaction occurred on March 12, 2004. On the closing date, pursuant to the Exchange Agreement, all of Acola's existing officers and directors, except Mr. James N. Baxter, resigned and all the directors of Teda Florida were elected on the Board of Acola. Mr. James N. Baxter resigned on March 30, 2004. In order to better reflect the new operations of the Company, the Company amended its certificate of incorporation to change its name to that of Teda Travel Group, Inc. on April 20, 2004.

Prior to the share exchange, the Company had no material operations. The merger was accounted for as a recapitalization of Teda BVI, as the shareholders of Teda BVI acquired capital stock of the Company in a reverse acquisition. Accordingly, the assets and liabilities of Teda BVI were recorded at historical cost, and the shares of common stock issued by the Company were reflected in the consolidated financial statements with retroactive effect, as if the Company had been the parent company from inception. The Company's former year-end date was June 30 and currently assumes the year-end date of the acquirer of December 31.

The Company primarily earns its revenues through the provision of management services, including training and consulting services, to hotels and resorts in the PRC through its operating subsidiaries, Teda BVI, and Teda Hotels Management Limited, a Hong Kong corporation; and a 60%-held subsidiary, Landmark International Hotel Group Limited, acquired through an acquisition that closed on November 8, 2004.

The Company is also an investor in real estate development projects in the PRC. In January 2002, the Company acquired a 35% interest in a real estate joint venture by the name of Tianjin Yide Real Estate Company Limited. The Company's co-venturer is a real estate developer by the name of Tianjin Teda International Hotels Development Company Limited, a corporation owned by the Tianjin provincial government and formed under the laws of the People's Republic of China. Through the real estate joint venture, the Company owns a 35% interest in a multi-use complex featuring apartment units for sale, as well as a hotel and clubhouse. *For more information about the Company's real estate joint venture, please see Item 2, Properties, in the Teda Travel Group, Inc.'s Annual Report on Form 10-KSB, as filed with the United States Securities and Exchange Commission on April 13, 2005.*

Revenues are derived from the Company's provision of management services to hotels and resorts which include management fees and incentive fees from the properties that it manages, pursuant to the terms and conditions of its management contracts. Each of the hotels and resorts is managed under a management contract with terms varying from 2-10 years. As of March 31, 2005, the Company manages 13 hotels and a club house located in various parts of the PRC, encompassing more than 2,695 rooms.

Under its management contracts with each of the hotel and resort properties, the Company is responsible for the supervision and day-to-day operations of the property in exchange for a basic management fee based on gross revenues. In addition, the Company may also earn an incentive fee based upon gross operating profits of the property managed.

In April 2005, the Company completed the acquisition of a 55% equity interest in Teda Resort Alliance Development Company Limited ( TRAC ) for \$199,516, within which \$145,102 were payable in cash, the remaining \$54,412 were payable in restricted shares of common stock of the Company. Established in 1999, TRAC provides timeshare services for customers in China, and is the largest partner of RCI, the biggest timeshare operator in the world. It has a customer base of over 4,000 members and has been growing due to its vast choice of hotels and resorts available to its users. TRAC is noted as a successful timeshare operator in China and is also an owner of eight hotel properties in both China and South East Asia.

Management of the Company plans to grow by acquiring peer hotel management companies and may diversify the Company's business through entering new travel business sectors such as online reservation services and travel agencies.

*For more information relating to the Company's business, please see the section entitled "Business" in the Teda Travel Group, Inc.'s Annual Report on Form 10-KSB as filed with the United States Securities and Exchange Commission on April 13, 2005.*

### *Critical Accounting Policies*

The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including but not limited to those related to income taxes and impairment of long-lived assets. We base our estimates on historical experience and on various other assumptions and factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Based on our ongoing review, we plan to make adjustments to our judgments and estimates where facts and circumstances dictate. Actual results could differ from our estimates.

We believe the following critical accounting policies are important to the portrayal of our financial condition and results and require our management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

#### *(i) Property and Equipment*

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful life of the assets from three to thirty nine years. Repairs and maintenance on property and equipment are expensed as incurred.

#### *(ii) Revenue Recognition*

The Company recognizes hotel and resort management service fees in the period when the services are rendered.

#### *(iii) Foreign Currency Translation*

The Company's assets and liabilities that are denominated in foreign currencies are translated into the currency of United States dollars using the exchange rates at the balance sheet date. For revenues and expenses, the average exchange rate during the year was used to translate Hong Kong dollars and Chinese Renminbi into United States dollars. The translation gains and losses resulting from changes in the exchange rate are charged or credited directly to the stockholders' equity section of the balance sheet when material. All realized and unrealized transaction gains and losses are included in the determination of income in the period in which they occur. Translation and transaction gains



and losses are included in the statement of operations because they are not material as of March 31, 2005.

(iv) Stock-Based Compensation

The Company accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees and related interpretations and elects the disclosure option of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation ( SFAS No. 123 ).

Accordingly, compensation cost for stock options is measured as the excess, if any, of the fair value of the Company's stock at the date of grant over the amount an employee must pay to acquire the stock. The Company also records stock compensation expense for any options issued to non-employees using the fair value method prescribed in SFAS No. 123.

(v) Income Taxes

The Company accounts for income taxes under the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 109 Accounting for Income Taxes ( SFAS No. 109 ). Under SFAS No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. 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. Under SFAS No. 109, 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.

(vi) Long-Lived Assets

The Company accounts for long-lived assets under the Statements of Financial Accounting Standards Nos. 142 and 144 Accounting for Goodwill and Other Intangible Assets and Accounting for Impairment or Disposal of Long-Lived Assets ( SFAS No. 142 and 144 ). In accordance with SFAS No. 142 and 144, long-lived assets, goodwill and certain identifiable intangible assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of evaluating the recoverability of long-lived assets, goodwill and intangible assets, the recoverability test is performed using undiscounted net cash flows related to the long-lived assets.

***Consolidated Results of Operations***

*For the quarterly periods ended March 31, 2005 and March 31, 2004*

**Revenues.** Revenues for the period ended March 31, 2005 were \$143,969 as compared to revenues of \$109,283 for the same period last year, an increase of \$34,686, or 32%. We enjoyed a healthy growth in the current quarter, especially with the number of hotels under our management that has grown from 3 to 13. Our flagship hotels also enjoyed healthy growth in revenue, especially that of Tianjin International Hotel and Club which recorded a 16% increase in gross revenue. During 2005, \$18,140 in gross revenue was recognized for the new hotels managed by Landmark International Hotel Group Limited, a subsidiary of the Company. These factors jointly contribute to the

increase in revenue during the current quarter.

During the period ended March 31, 2005 and 2004, the Company received \$100,581 and \$94,106, which amounts accounted for 70% and 86%, respectively, of the Company's revenues and which amounts derived from two properties managed by the Company and owned by the Company's real estate joint venture partner.

*Other Selling, G&A expenses.* Other selling, G&A expenses for the period ended March 31, 2005 were \$151,769 as compared to \$111,347 for the period ended March 31, 2004, an increase of \$40,422 or 36%. The significant increases in Other Selling, G&A is due to the counsel cost incurred on due diligence, acquisition agreement drafting and other costs incurred for implementing procedures to satisfy regulations within the Sarbanes-Oxley Act, the Company expects the legal costs to reduce significantly hereafter.

*Stock issued for services.* The Company recorded stock compensation of \$389,250 for shares issued to consultants for media relations during the three months ended March 31, 2005. The Company recorded \$1,977,325 in the same period last year which represented mainly consultancy fees related to the share exchange transaction that closed on March 12, 2004

*Loss from Operations.* The Company incurred a loss from operations of \$584,037 for the period ended March 31, 2005 as compared to a loss of \$2,030,223 last year. The loss from Operations reflected a decrease in expenses as outlined above, mostly that of the stock issued for services, and an increase in revenue.

*Equity loss in associate.* The Company recorded an equity loss in affiliate of \$66,565 for the period ended March 31, 2005 as compared to \$71,668 for the period ended March 31, 2004, a decrease of \$5,103, or 7%. The decrease in net loss was due to increased hotel accommodation revenue recorded by the associate during the quarter.

*Income tax.* The Company derives its hotel management income in the People's Republic of China and is subject to withholding income tax in the People's Republic of China depending upon the province in which a particular hotel is located. Income tax expense the Company charged to the consolidated income statement for period ended March 31, 2005 was \$10,173 as compared to \$6,781 for the period ended March 31, 2004, an increase of \$3,392 or 50%.

*Net Loss.* The Company recorded a net loss of (\$663,778) as compared to a net loss of (\$2,108,672) for the same period last year. The significant decrease was mainly due to the non-recurring \$1,977,325 expense derived from the stock issued for services last year described above, in addition to increase in gross revenue.

### ***Consolidated Financial Condition***

#### ***Liquidity and Capital Resources***    *March 31, 2005*

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*Operating.* For the period ended March 31, 2005, the Group's operations utilized cash resources of \$159,918, as compared to utilizing cash of \$75,498 for the period ended March 31, 2004, an increase of \$84,420. This is mainly attributable to the increase in accounts receivable.

*Investing and financing.* For the period ended March 31, 2005, the Group's investing activities utilized cash resources of \$5,356, as compared to utilizing cash of \$10,391 for the period ended March 31, 2004, a decrease of \$5,035.

The Company anticipates that the \$157,000 of cash payments due for acquisitions of TRAC and Shanghai Bowking Hotels Management Company shall be satisfied by loans from shareholders.

Although there are no formal agreements, the shareholders have verbally indicated to us their willingness to provide funding for these payments. In the meantime, the Company is implementing various measures to attempt to improve its operations and liquidity including bank loans and private placements. To the extent that the Company's operations and liquidity does not improve, the Company may be forced to reduce operations to a level consistent with its available working capital resources. The Company may also have to consider a formal or informal restructuring or reorganization.

### ***Off-Balance Sheet Arrangements***

We do not have any off-balance sheet financing arrangements.

### **Item 3. Controls and Procedures.**

Based on our management's evaluation (with the participation of our chief executive officer and chief financial officer), as of the end of the period covered by this report, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, (the "Exchange Act")) are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

There was no change in our internal control over financial reporting during our first quarter of fiscal 2005 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II OTHER INFORMATION**

### **Item 1. Legal Proceedings**

In August 2000, the Company received a letter from an attorney advising that there is an Order for Entry of Default Judgment in the District Court of Boulder, Colorado against a predecessor of the Company in favor of two alleged former employees of Northern Lights Software, Ltd. (a subsidiary of the Company) dated March 10, 1998 in the total amount of \$74,887. The judgment was apparently for alleged unpaid wages. Pursuant to an Agreement and Plan of

Reorganization dated February 15, 1999, a former director of the Company had personally warranted that there were no undisclosed liabilities in the Company and had indemnified the Company against such claims. He stated that he believed that claimants were actually employees of Northern Lights Software (New York) Ltd., a subsidiary of Northern Lights Software, Ltd. (Delaware), a predecessor of the Company. The Company's predecessor accepted \$10,300 from the former director in exchange for releasing his indemnification of the Company. The Company believes that the Colorado lawsuit was brought against the wrong corporation and that the default judgment was erroneously issued in violation of Colorado statutes, as interpreted by the Colorado Supreme Court. Based upon a review of the record in the case, management believes that it would be an error for any court to enforce the default judgment, and the Company plans to mount a vigorous defense against any effort to enforce the judgment against the Company.

Other than that stated above, to the best knowledge of the Officers and Directors of the Company, neither the Company nor any of its Officers or Directors is a party to any material legal proceeding or litigation and such persons know of no other material legal proceeding or litigation contemplated or threatened. Other than that stated above, there are no judgments against the Company or its Officers or Directors.

**Item 4. Changes in Securities.**

On April 29, 2005 we issued 175,000 shares of our common stock in connection with the appointment of a Media Services Provider in the U.S. for the term of one year from May 5, 2005. The common shares were issued pursuant to Regulation S under the Act. There was no underwriter involved in this issuance.

**Item 6. Exhibits.**

(a)

See Exhibit Index.

(b)

Reports on Form 8-K:

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On January 24, 2005, the Company filed a Current Report on Form 8-K dated January 14, 2005, for the purpose of announcing entering into a Material Agreement in acquisition of a 55% equity interest in Shanghai Bowking Hotel Management Co. Limited.

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On April 28, 2005, the Company filed a Current Report on Form 8-K dated August 27, 2005, for the purpose of announcing government's approval of completing the transaction to acquire a 55% equity interest in Teda Resort Alliance Development Co. Limited



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On May 9, 2005, the Company filed a Current Report on Form 8-K dated May 9, 2005, for the purpose of announcing signing a Supplemental agreement regarding amendment to consideration payable on the sale and purchase of equity interests in Teda Resort Alliance Development Co. Limited.

**SIGNATURES**

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

**TEDA TRAVEL GROUP, INC.**

Date: March 18, 2005

By: /s/ GODFREY CHIN TONG HUI  
Godfrey Chin Tong Hui,  
Chief Executive Officer

Date: March 18, 2005

By: /s/ HON MING WONG  
Hon Ming Wong,  
Chief Financial Officer

**EXHIBIT INDEX**

31.1

Certification of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002

31.2

Certification of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002

32.1

Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2

Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002