TEDA TRAVEL GROUP INC
Form 10QSB
November 15, 2004

U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended September 30, 2004

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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	**11-3177042**
(State or Other Jurisdiction of Incorporation or Organization)	(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

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

As of November 12, 2004, the Issuer had outstanding 21,467,885 shares of the Issuer s common stock, $.001 par value.

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

TEDA TRAVEL GROUP, INC.

AND SUBSIDIARY

CONTENTS

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

TEDA TRAVEL GROUP, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEET

SEPTEMBER 30, 2004

(UNAUDITED)

ASSETS		
CURRENT ASSETS		
Cash	$	138,293
Accounts receivable, net		168,982
Prepaid expenses and other current assets		111,816
Total Current Assets		419,091
PROPERTY AND EQUIPMENT NET		45,841
INVESTMENT IN AFFILIATE		3,135,416
TOTAL ASSETS	$	3,600,348
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$	133,912
Capital lease current		9,359
Note payable related party		169,992
Due to related parties		3,279,962
Total Current Liabilities		3,593,225
LONG-TERM LIABILITIES		
Capital lease long-term		14,819
Total Long-Term Liabilities		14,819

TOTAL LIABILITIES	3,608,044
STOCKHOLDERS EQUITY	
Preferred stock, $.001 par value, 5,000,000 shares authorized,	
none issued and outstanding	
Common stock, $.001 par value, 100,000,000 shares authorized,	
21,395,923 shares issued and outstanding	21,396
Additional paid-in capital	3,861,029
Deferred stock compensation	(713,728)
Accumulated deficit	(3,176,393)
Total Stockholders Equity	(7,696)
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 3,600,348

See accompanying notes to condensed consolidated financial statements

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TEDA TRAVEL GROUP, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	For the Three Months Ended September 30, 2004	For the Three Months Ended September 30, 2003	For the Nine Months Ended September 30, 2004	For the Nine Months Ended September 30, 2003
REVENUE, NET	$ 141,117	$ 127,123	$ 386,446	$ 271,353
EXPENSES				
Stock issued for services	382,876		3,168,597	
Professional fees	48,538		171,401	
Payroll	60,676	48,741	148,418	144,376
Management fees	7,692	7,692	23,077	23,077
Other selling, general and administrative	43,759	82,392	106,473	249,375
Total Expenses	543,541	138,825	3,617,966	416,828
LOSS FROM OPERATIONS	(402,424)	(11,702)	(3,231,520)	(145,475)
OTHER INCOME (EXPENSE)				
Other income		3		39
Interest income	4		40	
Equity loss of affiliate	(225,036)	(247,528)	(526,452)	(805,311)
Total Other Income (Expenses)	(225,032)	(247,525)	(526,412)	(805,272)
LOSS BEFORE TAXES	(627,456)	(259,227)	(3,757,932)	(950,747)
Income taxes	8,861	8,025	24,178	15,933
NET LOSS	$ (636,317)	$ (267,252)	$ (3,782,110)	$ (966,680)

Net loss per common share				
basic and diluted	$ (0.03)	$ (0.02)	$ (0.19)	$ (0.06)
Weighted average number of				
common shares outstanding				
basic and diluted	21,395,923	17,853,578	20,296,109	17,853,578

See accompanying notes to condensed consolidated financial statements

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TEDA TRAVEL GROUP, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	For the Nine Months Ended September 30, 2004	For the Nine Months Ended September 30, 2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (3,782,110)	$ (966,680)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	11,257	3,638
Stock and warrants issued for consulting services	3,168,597	
Loss in affiliate	526,452	805,311
Increase (decrease) in:		
Accounts receivable	(80,473)	(75,994)
Prepaid expenses	(34,816)	(23,930)
Decrease (increase) in:		
Accounts payable and accrued expenses	86,578	4,696
Net Cash Used In Operating Activities	(104,515)	(252,959)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(12,165)	(8,745)
Investment in affiliate		(3,386,551)
Net Cash Used In Investing Activities	(12,165)	(3,395,296)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Due to related parties	16,238	(358)
Due from directors	(21,645)	6,659
Proceeds from convertible note payable		3,350,000
Payment on note payable related party	(9,066)	

Proceeds from note payable related party		179,058		
Payments on capital lease		(7,691)		
Net Cash Provided By Financing Activities		156,894		3,356,301
INCREASE (DECREASE) IN CASH		40,214		(291,954)
CASH BEGINNING OF PERIOD		98,079		323,283
CASH END OF PERIOD	$	138,293	$	31,329

NON-CASH INVESTING AND FINANCING

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 s filed with the SEC on May 28, 2004 and June 4, 2004.

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.

TEDA TRAVEL GROUP, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2004

(UNAUDITED)

NOTE 3

PRINCIPLES OF CONSOLIDATION

The accompanying condensed consolidated financial statements include the accounts of Teda Travel Group, Inc. and its wholly owned subsidiary Teda Hotels Management Company Limited hereafter referred to as (the Company). 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 September 30, 2004 is as follows:

Current assets	$ 16,803,621
Non-current assets	33,726,512
Total Assets	50,530,133
Current liabilities	34,804,827
Non-current liabilities	4,837,929
Stockholders equity	10,887,377
Total Liabilities and Stockholders Equity	50,530,133
Revenues	$ 6,713,362
Gross Profit	1,826,895
Net Loss	(780,086)

The Company s share of the loss for 2004 after accounting for differences between Hong Kong GAAP and U.S. GAAP are as follows:

Company shares at 35%	$ (273,030)
Less: U.S. GAAP adjustment for depreciation	253,422
Equity in loss of affiliate	$ (526,452)

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 nine months ended September 30, 2004 and 2003, the Company received management revenue of $336,494 and $217,898, respectively from two properties it manages that are owned by a shareholder.

During the nine months ended September 30, 2004 and 2003, the Company paid $23,077 to two directors for consulting and professional services.

During the nine months ended September 30, 2004, the Company paid $21,967 to a director and stockholder for office space.

During the nine months ended September 30, 2004, the Company received a note payable from a stockholder of $179,058.

NOTE 6

DUE TO RELATED PARTIES

The Company s affiliate, Teda Travel, Inc. which owns approximately 86% of our common stock has advanced the Company $3,258,360. The amounts are unsecured, non-interest bearing and due on demand.

At September 30, 2004, a related party is owed $21,602 for office space leased to the company.

NOTE 7

NOTE PAYABLE RELATED PARTY

During September 2004, the Company issued a note payable to a stockholder for $179,058. The loan bears interest at 3% per annum and is unsecured. The note payable balance at September 30, 2004 is $169,992.

NOTE 8

CAPITAL LEASE

During 2004, the Company leased a vehicle under a three year capital lease agreement valued at $34,102. The agreement calls for the Company to make 36 monthly payments of $885 through May 2007.

NOTE 9

EQUITY

(A) Common Stock Issued for Services

During 2004, the Company issued 1,861,337 shares of common stock to consultants for services having a fair value of $1,879,950.

During 2004, the Company issued 20,000 shares of common stock for legal services having a fair value of $60,000.

During 2004, the Company issued 115,000 shares of common stock to consultants for services having a fair value of $345,000. The fair value will be amortized over twelve months, the life of the agreement. The Company recognized consulting expense of $129,375 and recorded deferred stock compensation of $215,625 as of September 30, 2004.

TEDA TRAVEL GROUP, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2004

(UNAUDITED)

During 2004, the Company issued 30,000 shares of common stock to consultants for services having a fair value of $90,000. The fair value will be amortized over twelve months, the life of the agreement. The Company recognized consulting expense of $33,750 and recorded deferred stock compensation of $56,250 as of September 30, 2004.

During 2004, the Company issued 40,000 shares of common stock to consultants for services having a fair value of $120,000. The fair value will be amortized over three months, the life of the agreement. The Company recognized consulting expense of $120,000 as of September 30, 2004.

During 2004, the Company issued 180,000 shares of common stock to consultants for services having a fair value of $540,000. The fair value will be amortized over twelve months, the life of the agreement. The Company recognized consulting expense of $202,500 and recorded deferred stock compensation of $337,500 as of September 30, 2004.

During 2004, the Company issued 50,000 shares of common stock to consultants for services having a fair value of $150,000. The fair value will be amortized over twenty-three months, the life of the agreement. The Company recognized consulting expense of $45,647 and recorded deferred stock compensation of $104,353 as of September 30, 2004.

During 2004, the Company issued 200,000 shares of common stock having a fair value of $600,000 to an individual as a bonus for becoming CEO of a subsidiary.

(B) Common Stock Warrants

During 2004, the Company issued 200,000 common stock warrants at an exercise price of $2.00 to a consultant for services. The warrants expire in 2009. Using the Black-Scholes model, the warrants were valued at $97,375 under the following assumptions; no annual dividend, volatility of 252%, risk-free interest rate of return of .979% and a term of one year.

(C) Stock Issued in Reverse Merger

On March 10, 2004, the Company issued 1,046,008 shares of common stock to the former stockholders of Acola Corp (See Note 2).

NOTE 10

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

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TEDA TRAVEL GROUP, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2004

(UNAUDITED)

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.

	Property Management	Real Estate Investments	Total
2004			
Revenue	$ 386,446	$	$ 386,446
Loss from operations	(3,255,658)	(526,452)	(3,782,110)
Depreciation	11,257		11,257
Assets	464,932	3,135,416	3,600,348
Capital Expenditures	44,034		44,034
2003			
Revenue	$ 271,353	$	$ 271,353
Loss from operations	(145,436)	(805,311)	(950,747)
Depreciation	3,638		3,638
Assets	319,210	2,805,149	3,124,359
Capital Expenditures	8,745		8,745

NOTE 11

SUBSEQUENT EVENTS

(A) Acquisitions

During October 2004, the Company purchased 60% of the outstanding stock of Landmark International Hotel Group Ltd. (Landmark) that provides hotel management services in China for $1,000,000, half of which is payable in cash and half in the restricted common stock of the Company at US$2.50 per share. The cash portion is payable in five installments, the first and second instalment of $33,333 and $133,333 respectively have been paid, the third and fourth installment of $128,205 each are payable over the next three years, with the final one of $76,924, due in 2008. The payment of the cash installment is subject to Landmark meeting certain net income milestones. The stock is payable within 14 days after closing. In addition, upon closing, the selling shareholder shall grant an option to the Company to purchase additional shares of Landmark at the same price and consideration as set forth in the definitive agreement.

The closing of the above transaction occurred on November 8, 2004. Apart from certain property management contracts, Landmark had no assets or liabilities on the date of acquisition.

TEDA TRAVEL GROUP, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2004

(UNAUDITED)

During 2004, the Company entered into a Definitive Agreement 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. The transaction is pending approval of the Chinese Authority and the Company expects to close the transaction during the fourth quarter of 2004. The CEO of the Company is a direct and indirect owner of 15% of the shares to be acquired.

(B) Stock Issued for Services

During October 2004, the Company issued 80,000 shares of common stock to a consultant for services to be performed through April 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 terminolog 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.

***Overvie*w**

The Company is a Delaware corporation incorporated on September 10, 1993. It has since failed in various ventures and was led by numerous different management teams. The most recent operation 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 failed to secure enough capital to obtain the exclusive distribution rights to the drug and has 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.

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The Company primarily earns its revenues through the provision of management services, including training and consulting services, to hotels and resorts in the People s Republic of China through its two wholly-owned operating subsidiaries, Teda BVI, and Teda Hotels Management Limited, a Hong Kong corporation.

The Company is also an investor in real estate development projects in Asia. 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 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 Inc. s Annual Report on Form 10-KSB, as filed with the United States Securities and Exchange Commission on April 14, 2004.*

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 ten-year management contract, commencing from September 2000. As of September 30, 2004, the Company has three management contracts, encompassing an aggregate of 526 rooms located in three hotel and resort properties. All three of the hotel and resort properties are located within the People s Republic of China, of which two are in Tianjin, and one is in Shenzhen.

Under its management contracts with each of the three 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 net operating profits of the property managed.

Management of the Company plans to grow by acquiring peer hotel management companies and may diversify the Company s business through acquiring new properties and 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, Inc. s Annual Report on Form 10-KSB as filed with the United States Securities and Exchange Commission on April 14, 2004.

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 September 30, 2004.

(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

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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 September 30, 2004 and September 30, 2003

Revenues. Revenues for the quarter ended September 30, 2004 were $141,117 as compared to revenues of $127,123 for the same quarter last year, an increase of $13,994, or 11%. The increase in revenue was due primarily to the improved operations especially that of one of the hotels the Group manages, Teda International Club, which records a 35% gain in revenue.

For the quarter ended September 30, 2004 and 2003, the Company received $123,547 and $112,020 which accounted for 88% and 88%, respectively, of the Company s revenues and which amounts were derived from two properties managed by the Company that are owned by the Company s real estate joint venture partner.

Other Selling, G&A expenses. Other selling, G&A expenses for the quarter ended September 30, 2004 were $43,759 as compared to $82,392 for the quarter ended September 30, 2003, a decrease of $38,633 or 47%. The decrease is due to cost containment measures implemented by the Company.

Loss from Operations. The Company recorded a loss of $402,424 from operations for the quarter ended September 30, 2004 as compared to a loss of $11,702. The loss from operations is due largely to stock issued for services at $382,876 which was nil during last year.

Equity in loss of affiliate. The Company recorded an equity loss in affiliate of $225,036 for the quarter ended September 30, 2004 as compared to a loss of $247,528 for the quarter ended September 30, 2003, a decrease of $22,492 or 9%. This is due to improvement of hotel operations of the affiliate and thus a smaller loss is recorded

Income tax. The Company derives its hotel management income in the People s Republic of China and is subject to income tax in the People s Republic of China depending upon the province in which a particular hotel is located as and when the balance is remitted out of the

country. Income tax expenses the Company charged to the consolidated income statement for quarter ended September 30, 2004 were $8,861 as compared to $8,025 for the quarter ended September 30, 2003, an increase of $836 or 10.4%.

Net Loss. The Company recorded a net loss of $636,317 as compared to a net loss of $267,252 for the same quarter last year, an increase of $369,065. The net loss situation is due largely to stock issued for services recorded at $382,876, partially offset by growth in revenues from the property management business.

For nine months ended September 30, 2004 and September 30, 2003

Revenues. Revenues for the nine months ended September 30, 2004 were $386,446 as compared to revenues of $271, 533 for the same period last year, an increase of $114,913, or 42.3%. The increase in revenue was mainly due to the outbreak of the SARS epidemic affecting the first six months of last year. As the SARS epidemic was brought under control, revenues from property management business have recovered since the third quarter of 2003. The biggest jump was by Teda International Club which recorded an increase of 64% in revenue.

For the nine months ended September 30, 2004 and 2003, the Company received $336,671 and $217,898 which amounts accounted for 87% and 80%, respectively, of the Company s revenues and which amounts were derived from two properties managed by the Company that are owned by the Company s real estate joint venture partner.

Other Selling, G&A expenses. Other selling, G&A expenses for the nine months ended September 30, 2004 were $106,473 as compared to $249,375 for the same period last year, a decrease of $142,902, or 57%. The decrease is due to the fact that a new office in Shenzhen, PRC set up in March 2003 for business development and property management in China was closed in late 2003, therefore reducing overall expense outlays.

Loss from Operations. The Company recorded a loss of $3,231,520 for the nine months ended September 30, 2004 as compared to a loss of $145,475. The increase in loss from operations is due largely to the non-recurring cost of stock issued for services that amounted to $2,785,721 principally related to the share exchange transaction which closed on March 12, 2004, which is partially offset by growth in revenues from the property management business and recording of reduced equity loss in affiliate for the nine months ended September 30, 2004.

Equity in loss of affiliate. The Company recorded an equity loss in affiliate of $526,452 for the nine months ended September 30, 2004 as compared to $805,311 for the same period last year, a decrease of $278,859 or 34.6%. This is due to improvement of hotel operations of the affiliate and thus a smaller loss is recorded

Income tax. Income tax expenses the Company charged to the consolidated income statement for the nine months ended September 30, 2004 were $24,178 as compared to $15,933 for the nine months ended September 30, 2003, an increase of $8,245 or 51.7%

Net Loss. The Company recorded a net loss of $3,782,110 for the nine months ended September 30, 2004 as compared to a net loss of $966,680 for the same period last year, an

increase of $2,815,430, or 291%. The increase in net loss from operations is due largely to the non-recurring cost of stock issued for services that amounted to $2,785,721 principally related to the share exchange transaction which closed on March 12, 2004, which is partially offset by growth in revenues from the property management business and recording of reduced equity loss in affiliate for the nine months ended September 30, 2004.

Consolidated Financial Condition

Liquidity and Capital Resources September 30, 2004

Operating. For the period ended September 30, 2004, the Group s operations utilized cash resources of $104,515 as compared to utilizing cash of $252,959 for the same quarter last year, a decrease of $148,444 or 58%. This is mainly attributable to increase in cash generated from property management business.

Investing and financing. For the period ended September 30, 2004, the Group s investing activities utilized cash resources of $12,165, as compared to utilizing cash of $3,395,296 for the period ended September 30, 2003, a decrease of $3,383,131. This is attributable to the investment of $3,386,551 in an affiliate last January.

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 third quarter of fiscal 2004 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. Change in Securities.

- On October 29, 2004, we issued 80,000 shares of our common stock valued at $200,000 to a consultant for services. The common shares were issued pursuant to Regulation S under the Act. There was no underwriter involved in this issuance.

- On November 8, 2004 we issued 200,000 shares of our common stock valued at $500,000 in connection with the acquisition of approximately 60% of the equity securities of another company. The common shares were issued pursuant to Regulation S under the Act. There was no underwriter involved in this issuance.

Item 6. Exhibits.

(a) Exhibit Index

Exhibit No.	Description
31.1	Certification Pursuant to Rule 13a-14(a) and 15d-14(a) (4) of Chief Executive Officer *
31.2	Certification Pursuant to Rule 13a-14(a) and 15d-14(a) (4) of Chief Financial Officer *
32.1	Certification Pursuant to Section 1350 of Title 18 of the United States Code of Chief Executive Officer *
32.2	Certification Pursuant to Section 1350 of Title 18 of the United States Code of Chief Financial Officer *

(b) Reports on Form 8-K:

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On August 25, 2004, the Company filed a Current Report on Form 8-K dated August 20, 2004, for the purpose of annoucing entering into a Definitive Agreement to acquire a 55% equity interest in Teda Resort Alliance Development Co. Limited on August 18, 2004 for $386,200.

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On October 28, 2004, the Company filed a Current Report on Form 8-K dated October 8, 2004, for the purpose of announcing entering into a Definitive Agreement to acquire a 60% equity interest in Landmark International Hotel Group Limited on October 8, 2004 for $1,000,000.

On November 11, 2004, the Company filed a Current Report on Form 8-K dated November 11, 2004, for the purpose of announcing the closing of the acquisition of 60% equity interest in Landmark International Hotel Group Limited on October 8, 2004 for $1,000,000.

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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 INCORPORATED

Date: November 12, 2004	By:	/s/ GODFREY CHIN TONG HUI Godfrey Chin Tong Hui, Chief Executive Officer
Date: November 13, 2004	By:	/s/ HON MING WONG Hon Ming Wong, Chief Financial Officer