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TEDA TRAVEL GROUP INC  
Form 10QSB  
November 21, 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 September 30, 2005

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

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

Commission file number 000-29077

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:  
(852) 2833-2186

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

As of September 30, 2005, the Issuer had outstanding 21,866,255 shares of  
the Issuer's common stock, \$.001 par value.

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

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TEDA TRAVEL GROUP, INC.  
AND SUBSIDIARIES

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### TEDA TRAVEL GROUP, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEET SEPTEMBER 30, 2005

-----  
(UNAUDITED)

#### ASSETS

##### CURRENT ASSETS

Cash	\$	37,786
Accounts receivable, net		146,221
Prepaid expenses and other current assets		237,439

Total Current Assets		421,446
----------------------	--	---------

Property and equipment - net

36,512

##### OTHER ASSETS

Intangible license rights, net		487,968
Investment in affiliate		2,420,130

Total Other Assets		2,908,098
--------------------	--	-----------

TOTAL ASSETS

\$ 3,366,056

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LIABILITIES AND STOCKHOLDERS' EQUITY	
-----	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 207,168
Capital lease - current	9,333
Due to a shareholder	554,402
Due to related parties	35,829
	-----
Total Current Liabilities	806,732
	-----
LONG-TERM LIABILITIES	
Capital lease - long-term	5,485
	-----
Total Long-Term Liabilities	5,485
	-----
TOTAL LIABILITIES	812,217
	-----
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, 21,866,255 shares issued and outstanding	21,866
Additional paid-in capital	4,785,499
Deferred stock compensation	(97,651)
Accumulated deficit	(2,155,875)
	-----
Total Stockholders' Equity	2,553,839
	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 3,366,056
	=====

See accompanying notes to condensed consolidated financial statements.

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TEDA TRAVEL GROUP, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

	For the Three Months Ended September 30, 2005	For the Three Months Ended September 30, 2004	For the Nine Months Ended September 30, 2005
	-----	-----	-----
REVENUE, NET	\$ 277,364	\$ 141,117	\$ 600,149
	-----	-----	-----
EXPENSES			
Stock issued for services	26,517	382,876	601,701

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Professional fees	58,999	48,538	169,959
Payroll	104,600	60,676	352,220
Management fees	7,692	7,692	23,077
Other selling, general and administrative	139,600	43,759	489,771
	-----	-----	-----
Total Expenses	337,408	543,541	1,636,728
	-----	-----	-----
LOSS FROM OPERATIONS	(60,044)	(402,424)	(1,036,579)
OTHER INCOME (EXPENSE)			
Interest income	71	4	177
Gain on debt forgiveness	--	--	3,350,000
Other income	10,081	--	10,081
Equity loss of affiliate	(140,047)	(225,036)	(448,923)
	-----	-----	-----
Total Other Income (Expenses)	(129,895)	(225,032)	2,911,335
	-----	-----	-----
INCOME (LOSS) BEFORE TAXES	(189,939)	(627,456)	1,874,756
Income taxes	5,100	8,861	28,312
	-----	-----	-----
NET INCOME (LOSS)	\$ (195,039)	\$ (636,317)	\$ 1,846,444
	=====	=====	=====
Net income (loss) per common share - basic and diluted	\$ (.01)	\$ (.03)	\$ 0.08
	=====	=====	=====
Weighted average number of common shares outstanding - basic and diluted	21,848,755	20,955,813	21,731,810
	=====	=====	=====

See accompanying notes to condensed consolidated financial statements.

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TEDA TRAVEL GROUP, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004  
(UNAUDITED)

	2005	2004
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 1,846,444	(3,782,110)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	192,229	11,257
Stock and warrants issued for consulting services	601,701	3,168,597
Gain on debt forgiveness	(3,350,000)	--
Loss in affiliate	448,923	526,452
Increase (decrease) in:		
Accounts receivable	13,281	(80,473)
Prepaid expenses	(80,379)	(34,816)
Decrease (increase) in:		

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Accounts payable and accrued expenses	68,538	86,578
	-----	-----
Net Cash Used In Operating Activities	(259,263)	(104,515)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(6,670)	(12,165)
	-----	-----
Net Cash Provided By (Used In) Investing Activities	(6,670)	(12,165)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Due to related parties	16,919	16,238
Due to a director	8,634	(21,645)
Due to a shareholder	218,444	--
Payment on note payable - related party	--	(9,066)
Proceeds from note payable - related party	--	179,058
Payments on capital lease	(7,020)	(7,691)
	-----	-----
Net Cash Provided By Financing Activities	236,977	156,894
	-----	-----
INCREASE (DECREASE) IN CASH	(28,956)	40,214
CASH - BEGINNING OF PERIOD	66,742	98,079
	-----	-----
CASH - END OF PERIOD	\$ 37,786	138,293
	=====	=====

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

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During 2004, the Company leased a vehicle under a capital lease for \$24,178.  
 During 2005, the Company issued 19,370 shares of common stock valued at \$48,440 for a deposit on the acquisition of 55% equity interest of Shanghai Bowking Hotel Management Company Limited.  
 During 2005, the Company issued 175,000 shares of common stock valued at 122,500 for media services.

See accompanying notes to condensed consolidated financial statements.

TEDA TRAVEL GROUP, INC. AND SUBSIDIARIES  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 AS OF SEPTEMBER 30, 2005  
 (UNAUDITED)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION

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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.

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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 10-KSB.

### NOTE 2 REVERSE MERGER

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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.

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

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### NOTE 3 PRINCIPLES OF CONSOLIDATION - continued

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

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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

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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, 2005 s as follows:

Current assets	\$ 25,788,640
Non-current assets	42,152,120
	-----
 Total Assets	 67,940,760
	=====
 Current liabilities	 35,151,474
Non-current liabilities	22,980,164
Stockholders' equity	9,809,122
	-----
 Total Liabilities and Stockholders' Equity	 67,940,760
	=====
 Revenues	 \$ 6,392,361
Gross Profit	2,474,139
	-----
 Net loss	 (558,573)
	=====

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%	\$ (195,501)
Less: U.S. GAAP adjustment for depreciation	253,422
	-----
 Equity in loss of affiliate	 \$ (448,923)
	=====

### NOTE 5 RELATED PARTY TRANSACTIONS

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During the nine months ended September 30, 2005 and 2004, the Company received management revenue of \$330,530 and \$336,494, respectively from two properties it manages that are owned by a shareholder.

During the nine months ended September 30, 2005 and 2004, the Company paid \$23,077 to a stockholder for consulting and professional services.

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### NOTE 5 RELATED PARTY TRANSACTIONS - continued

During the nine months ended September 30, 2005 and 2004, the Company paid \$26,530 and \$21,967 to a director and stockholder for office space.

### NOTE 6 STOCKHOLDERS EQUITY

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(A) Stock issued for services

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During May 19, 2005, the Company issued 4,000 shares to two vice presidents for services having a fair value of \$2,000. The Company recognized expense of \$1,328 and recorded deferred stock compensation of \$672 as of September 30, 2005.

During July 20, 2005, the Company issued 175,000 shares to Media Service Provider in the U.S. for services having a fair value of \$122,500. The Company recognized expense of \$25,521 and recorded deferred stock compensation of \$96,979 as of September 30, 2005.

### (B) Stock issued for acquisition

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During May 19, 2005, the Company issued 39,834 shares of common stock for the acquisition of 55% of Teda Resort Alliance Development Co., Limited common stock with a fair value of \$105,328. Issuance of 39,834 shares was cancelled as the transaction of acquisition has been mutually rescinded.

During May 19, 2005, the Company issued 19,370 shares of common stock for the acquisition of 55% equity interest of Shanghai Bowking Hotel Management Company Limited with a fair value of \$48,440 as first payment. The Company has remaining payment of \$193,560 and there is no fixed date of closing of the acquisition.

### 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.

2005	Property Management	Real Estate Investments	Total
	-----	-----	-----
Revenue	\$ 600,149	\$ --	\$ 600,149
Loss from operations	(1,036,579)	--	(1,036,579)
Depreciation and amortization	192,229	--	192,229
Assets	945,926	2,420,130	3,366,056
Capital Expenditures	(6,670)	--	(6,670)

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### NOTE 7 BUSINESS SEGMENTS - continued

2004	Property Management	Real Estate Investments	Total
	-----	-----	-----
Revenue	\$ 386,446	\$ --	\$ 386,446



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Loss from operations	(3,231,520)	--	(3,231,520)
Depreciation	11,257	--	11,257
Assets	464,932	3,135,416	3,600,348
Capital Expenditures	44,034	--	44,034

### NOTE 8 DUE TO RELATED PARTIES

-----

At September 30, 2005, the Company owed \$554,402 to a shareholder, at the rate of 3% per annum and payable on August 31, 2005. The advance is unsecured and currently in default.

At September 30, 2005, a related party is owed \$35,829 for office space leased to the Company.

### NOTE 9 SUBSEQUENT EVENTS

-----

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, the Company issued 19,370 shares of common stock as a deposit on the acquisition. As of October 31, 2005, this acquisition is not completed.

## 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 herewith.

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.

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

### 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 operating Company was

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previously 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.

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

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 September 30, 2005, the Company has 18 management contracts of hotels and club houses located in various locations in the PRC, encompassing more than 3,700 rooms.

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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.

The Company's expansion plans for 2005 have not been successful due to the lack of sufficient funds. For this reason, management has decided to conserve cash and agreed with the owners of Teda Resort Alliance Development Co., Limited ("TRAC") to rescind the Company's acquisition of the TRAC on August 20, 2005. Moreover, the Board of Directors is seriously looking for different ways in which to raising capital for the Company, including but not limited to issuance of new shares and disposal of Company's assets.

To conserve cash, on August 20, 2005, the Company rescinded its acquisition of Teda Resort Alliance Development Co., Limited ("TRAC") by mutual consent.

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.

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

#### (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

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The Company recognizes hotel and resort management service fees in the period

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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, 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.

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Item 2. Management's Discussion and Analysis or Plan of Operation - continued

### (vi) Long-Lived Assets

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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,

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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 three and nine months ended September 30, 2005 compared to the three and nine months ended September 30, 2004

#### Revenues.

Revenues were \$277,364 and \$141,116 for the three months ended September 30, 2005 and 2004, and \$600,149 and \$386,446 for the nine months ended September 30, 2005 and 2004, representing an increase of \$136,248 and \$213,703, or 97% and 55%. We enjoyed a healthy growth this year, especially with the number of hotels under our management that has grown from 3 to 18.

#### Other Selling, G&A expenses.

Other selling, G&A expenses were \$139,600 and \$43,759 for the three months ended September 30, 2005 and 2004, and \$489,771 and \$106,473 for the nine months ended September 30, 2005 and 2004, representing an increase of \$95,841 and \$383,298, or 219% and 360%. The significant increases in Other Selling, G&A expenses 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.

#### Loss from Operations.

The Company incurred a loss from operations of \$60,044 and \$402,424 for the three months ended September 30, 2005 and 2004, and \$1,036,579 and \$3,231,520 for the nine months ended September 30, 2005 and 2004. The loss from operations reflected a decrease in expenses related to stock issued for services and an increase in revenue.

#### Equity loss in associate.

The Company recorded an equity loss in affiliate of \$140,047 and \$225,036 for the three months ended September 30, 2005 and 2004, and \$448,923 and \$526,452 for the nine months ended September 30, 2005 and 2004, representing a decrease of \$84,989 and \$77,529, or 38% and 15%. 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 the three months ended September 30, 2005 and 2004 was \$5,100 and \$8,861, and for the nine months ended September 30, 2005 and 2004 was \$28,312 and \$24,178, representing an increase (decrease) of (\$3,761) and \$4,134, or 42% and 17%.

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

#### Net Income / (Loss).

The Company recorded a net loss of (\$195,039) and (\$636,317) for the three months ended September 30, 2005 and 2004, and a net income of \$1,846,444 and a net loss of (\$3,782,110) for the nine months ended September 30, 2005 and 2004. The significant decrease was mainly due to the non-recurring expense of \$808,396 and \$1,977,325 derived from the stock issued for services in comparison to the three and nine months ended September 30, 2004 and a gain of \$3,350,000 recorded in the current year for the forgiveness of liabilities by its former parent

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corporation upon completion of the spin of by the parent corporation to its stockholders described above, in addition to increase in gross revenue.

### Consolidated Financial Condition

#### Liquidity and Capital Resources - September 30, 2005

##### Operating.

For the period ended September 30, 2005, the Group's operations utilized cash resources of \$259,263, as compared to utilizing cash of \$104,515 for the period ended September 30, 2004, an increase of \$154,748. This is mainly attributable to the increase in the payment of payroll and other operating expenses.

Based on current expectations, we believe that our cash and cash equivalents, and cash generated from operations will not satisfy our working capital needs, and other liquidity requirements associated with our existing operations through at least the next 12 months. There are no transactions, arrangements, and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of our requirements for capital.

The report from our independent registered public accounting firm on our audited financial statements at December 31, 2004 contains an explanatory paragraph regarding doubt as to our ability to continue as a going concern as a result of our significant recurring losses from operations since inception. We do not have sufficient working capital to pay our operating costs for the next 12 months. In view of the above, the Board of Directors is seriously looking for different ways in which to raising capital for the Company, including but not limited to issuance of new shares and disposal of Company's assets.

##### 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 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

None

##### Item 2. Changes in Securities.

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On July 20, 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. The common shares were issued pursuant to Regulation S under the Act. There was no underwriter involved in this issuance.

Item 6. Exhibits.

Exhibit Index

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

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: November 10, 2005

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

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Exhibit 31.

Certification of Chief Executive and 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.

I, Godfrey Chin Tong Hui, certify that:

- 1. I have reviewed this quarterly report on Form 10-QSB of Teda Travel Group Inc.;
- 2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this quarterly report;
- 4. The small business issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as

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defined in Exchange Act Rules 13a-15 and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:

- a) designed such disclosure controls and procedures or cause such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter that has materially affected, or its reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of small business issuer's board of directors (or persons performing the equivalent functions):
- a) all significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal controls over financial reporting.

Date: November 10, 2005

/s/ Godfrey Chin Tong Hui

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Godfrey Chin Tong Hui  
Chief Executive and Financial Officer

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Exhibit 32.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Teda Travel Group Inc. Quarterly Report on Form 10-QSB for the quarter ended September 30, 2005 as filed with the Securities and



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Exchange Commission on the date hereof (the "Report"), I, Godfrey Chin Tong Hui, Chief Executive and Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and
- (2) The information contained in the Report fairly presents in all material respects the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906, another document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Teda Travel Group Inc. and will be retained by Teda Travel Group Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Godfrey Chin Tong Hui

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Godfrey Chin Tong Hui  
Chief Executive and Financial Officer