

TEDA TRAVEL GROUP INC  
Form 10QSB  
August 16, 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 June 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**  
(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)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(g) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

As of August 13, 2004, the Issuer had outstanding 21,395,923 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 SUBSIDIARY**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
**JUNE 30, 2004**  
**(UNAUDITED)**

**ASSETS**

**CURRENT ASSETS**

Cash	\$	5,716
Accounts receivable, net		172,119
Prepaid expenses and other current assets		39,369
Total Current Assets		217,204

**PROPERTY AND EQUIPMENT NET** 50,425

**INVESTMENT IN AFFILIATE** 3,360,452

**TOTAL ASSETS** \$ 3,628,081

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$	123,976
Due to related parties		3,258,360

<b>TOTAL LIABILITIES</b>	3,382,336
<b>STOCKHOLDERS EQUITY</b>	
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	(1,096,604 )
Accumulated deficit	(2,540,076 )
Total Stockholders Equity	245,745
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$ 3,628,081</b>

See accompanying notes to condensed consolidated financial statements.

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

	<b>For the Three</b>	<b>For the Three</b>	<b>For the Six</b>	<b>For the Six</b>
	<b>Months Ended</b>	<b>Months Ended</b>	<b>Months Ended</b>	<b>Months Ended</b>
	<b>June 30, 2004</b>	<b>June 30, 2003</b>	<b>June 30, 2004</b>	<b>June 30, 2003</b>
<b>REVENUE, NET</b>	\$ 136,046	\$ 50,635	\$ 245,329	\$ 144,229
<b>EXPENSES</b>				
Stock issued for services	808,396		2,785,721	
Professional fees	38,678	48,813	122,863	70,651
Payroll	44,600	47,574	87,742	95,897
Management fees	7,693	7,692	15,385	15,385
Other selling, general and administrative	35,552	67,610	62,714	96,163
Total Expenses	934,919	171,689	3,074,425	278,096
<b>LOSS FROM OPERATIONS</b>	(798,873 )	(121,054 )	(2,829,096 )	(133,867 )
<b>OTHER INCOME (EXPENSE)</b>				
Interest income	36	15	36	130
Equity loss of affiliate	(229,748 )	(253,977 )	(301,416 )	(557,783 )
Total Other Income (Expenses)	(229,712 )	(253,962 )	(301,380 )	(557,653 )
<b>LOSS BEFORE TAXES</b>	(1,028,585 )	(375,016 )	(3,130,476 )	(691,520 )
Income taxes	8,536	3,017	15,317	7,908
<b>NET LOSS</b>	\$ (1,037,121 )	\$ (378,033 )	\$ (3,145,793 )	\$ (699,428 )

Net loss per common share

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basic and diluted	\$	(.05)	\$	(.02)	\$	(.16)	\$	(.04)
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Weighted average number of common

shares outstanding	basic and diluted	20,955,813	17,853,578	19,740,158	17,853,578
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See accompanying notes to condensed consolidated financial statements.

**TEDA TRAVEL GROUP, INC. AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	<b>For the Six</b>	<b>For the Six</b>
	<b>Months Ended</b>	<b>Months Ended</b>
	<b>June 30, 2004</b>	<b>June 30, 2003</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (3,145,793 )	\$ (699,428 )
Adjustments to reconcile net loss to net cash used in		
operating activities:		
Depreciation and amortization	6,275	2,210
Stock and warrants issued for consulting services	2,785,721	
Loss in affiliate	301,416	557,783
Increase (decrease) in:		
Accounts receivable	(83,610 )	(18,107 )
Prepaid expenses	32,716	(27,505 )
Decrease (increase) in:		
Accounts payable and accrued expenses	55,653	(27,474 )
Net Cash Used In Operating Activities	(47,622 )	(212,521 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(43,636 )	(7,417 )
Due from directors	(16,730 )	
Due from stockholders	15,625	(605 )
Net Cash Used In Investing Activities	(44,741 )	(8,022 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from convertible note payable		1,192,308
Decrease in due to affiliate		(1,192,308 )
Net Cash Provided By Financing Activities		

<b>DECREASE IN CASH</b>	(92,363 )	(220,543 )
<b>CASH BEGINNING OF PERIOD</b>	98,079	323,283
<b>CASH END OF PERIOD</b>	\$ 5,716	102,740

See accompanying notes to condensed consolidated financial statements.



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

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF JUNE 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 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.

**TEDA TRAVEL GROUP, INC. AND SUBSIDIARY****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****AS OF JUNE 30, 2004****(UNAUDITED)****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 June 30, 2004 s as follows:

Current assets	\$ 15,573,083
Non-current assets	33,829,604
 Total Assets	 49,402,687
 Current liabilities	 32,897,293
Non-current liabilities	4,837,930
Stockholders' equity	11,667,464
 Total Liabilities and Stockholders' Equity	 49,402,687
 Revenues	 \$ 5,114,693
 Gross Profit	 1,264,286
 Net Loss	 (378,481 )

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%	\$ (132,468)
Less: U.S. GAAP adjustment for depreciation	168,948
Equity in loss of affiliate	\$ (301,416)

**NOTE 5**

**RELATED PARTY TRANSACTIONS**

During the six months ended June 30, 2004 and 2003, the Company received management revenue of \$213,012 and \$105,878, respectively from two properties it manages that are owned by a shareholder.

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

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2004**

**(UNAUDITED)**

During the six months ended June 30, 2004 and 2003, the Company paid \$15,385 to a director for consulting and professional services.

During the six months ended June 30, 2004, the Company paid \$60,550 to a director and stockholder for office space.

**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.

**NOTE 7**

**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 \$43,125 and recorded deferred stock compensation of \$301,875 as of June 30, 2004.

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 \$11,250 and recorded deferred stock compensation of \$78,750 as of June 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 \$20,000 and recorded deferred stock compensation of \$100,000 as of June 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 \$67,500 and recorded deferred stock compensation of \$472,500 as of June 30, 2004.

**TEDA TRAVEL GROUP, INC. AND SUBSIDIARY****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****AS OF JUNE 30, 2004****(UNAUDITED)**

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 \$6,521 and recorded deferred stock compensation of \$143,479 as of June 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 8****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>Property</b>	<b>Real Estate</b>	
<b>2004</b>	<b>Management</b>	<b>Investments</b>	<b>Total</b>
Revenue	\$ 245,329	\$	\$ 245,329
Loss from operations	(2,844,377 )	(301,416 )	(3,145,793 )
Depreciation	6,275		6,275

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Assets	267,629	3,360,452	3,628,081
Capital Expenditures	43,636		43,636

	<b>Property</b>	<b>Real Estate</b>	
<b>2003</b>	<b>Management</b>	<b>Investments</b>	<b>Total</b>
Revenue	\$ 114,229	\$	\$ 114,229
Loss from operations	(141,645 )	(557,783 )	(699,428 )
Depreciation	2,210		2,210
Assets	343,068	3,052,677	3,395,745
Capital Expenditures	7,417		7,417



**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 (the Reform Act). The safe harbor provided to companies for forward looking statements are unavailable to us. However, 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. 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.

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