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CHINA PRINTING, INC.
Form 10QSB
August 23, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-QSB
(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2005
OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from to
Commission File No. 000-27243

WORLDTEQ GROUP INTERNATIONAL, INC.
(Exact name of Registrant as specified in its charter)

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Nevada
(State or other jurisdiction of
incorporation or organization)

03-7392107
(I.R.S. Employer
Identification Number)

30 West Gude Drive, Rockville, Maryland
(Address of principal executive offices)

20850
(Zip/Postal Code)

(888) 263-7776
(Telephone Number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such 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

State the number of shares outstanding of each of the Issuer's classes of common equity, as of the latest practicable date. There were 51,432,190 common stock shares, par value \$0.001, as of August 5, 2005.

Note Regarding FORWARD-LOOKING STATEMENTS

In addition to historical information, this Report contains forward-looking statements. Such forward-looking statements are generally accompanied by words such as "intends," "projects," "strategies," "believes," "anticipates," "plans," and similar terms that convey the uncertainty of future events or outcomes. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in ITEM 2 of this Report, the section entitled "MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION." Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the

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date hereof and are in all cases subject to the Company's ability to cure its current liquidity problems. There is no assurance that the Company will be able to generate sufficient revenues from its current business activities to meet day-to-day operation liabilities or to pursue the business objectives discussed herein.

The forward-looking statements contained in this Report also may be impacted by future economic conditions. Any adverse effect on general economic conditions and consumer confidence may adversely affect the business of the Company.

WorldTeq Group International, Inc. undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof. Factors that could cause actual results or conditions to differ from those anticipated by these and other forward-looking statements include those more fully described in the "Risk Factors" section of the Company's Registration Statement filed with the Securities and Exchange Commission (the "SEC") on April 20, 2004 on Form 10KSB. In addition, readers should carefully review the risk factors described in other documents the Company files from time to time with the Securities and Exchange Commission.

Part I Financial Information

Item 1. Financial Statement

In the opinion of management, the accompanying unaudited financial statements included in this Form 10-QSB reflect all adjustments necessary for a fair presentation of the results of operations for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

ITEM 1. FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

WORLDTEQ GROUP INTERNATIONAL, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEET June 30, 2005 (unaudited) -----

Assets

Current Assets:

Restricted Cash	\$	0
Accounts Receivable		80,085
Other Current Assets		73,694

Total current assets		----- 153,779 -----
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Equipment, net		7,730
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Customer base		32,292
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Total assets	\$	----- 193,801 -----
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Current Liabilities		
Convertible note payable to stockholder	\$	0
Convertible note payable		0
Accounts Payable		280034
Accrued expenses		71,845

Total current liabilities		351,879

Commitments and contingencies		
Stockholders' Deficit		
Convertible preferred stock, \$.001 par value, 5,000,000 shares authorized, 911,553 shares issued and outstanding		911
Common stock, \$.001 par value, 100,000,000 shares authorized, 32,706,190 shares issued and outstanding		3,569
Paid in capital		22,608,000
Retained deficit		(22,770,559)

Total stockholders' deficit		(158,079)

Total liabilities and stockholders' deficit	\$	193,801
		=====

WORLDTEQ GROUP INTERNATIONAL, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	Three Months Ended June 30,		Six Mo J
	2005	2004	2005
Sales	\$ 95,228	\$ 106,398	\$ 147,60
Cost of Sales	25,963	78,689	\$ 37,29
Gross profit	69,265	27,709	110,30
Selling, general and administrative expenses	63,951	188,681	144,36
Income (loss) from operations	5,314	(160,973)	(34,05
Interest Expense	5,800	2,850	5,80
Net income (loss)	\$ (486)	\$ (163,823)	(39,95
	=====	=====	=====

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Basic and diluted income (loss) per share:	\$	(0.00)	\$	(0.00)	\$	(0.00)
	=====		=====		=====	
Weighted Average Shares Outstanding		32,539,523		32,539,523		31,408,04
		=====		=====		=====

WORLDTEQ GROUP INTERNATIONAL, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS CASH FLOWS

(unaudited)

	Six Months Ended June 30,	
	2005	2004
Cash Flows Used in Operating Activities		
Net Income (Loss)	\$ (39,954)	\$ (446,291)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	5,705	15,189
Stock For Services	0	180,000
Stock option expense	0	220,000
Change in:		
Accounts Receivable	(33,973)	(40,635)
Other Current Assets	(88,173)	(4,573)
Accounts Payable	35,163	(27,081)
Accrued Expenses	-	-
Deferred Revenue	-	-
Net Cash Used In Operating Activities	(121,232)	(103,391)
Cash Flows Used In Investing Activities		
Purchases of customer base	(0)	(54,609)
Cash Flows Provided By Financing Activities		
Proceeds from shareholder note payable	-	-
Exercise of stock options	100,000	100,000
Payments on note payable	(2,644)	(2,000)
Stock Issued For Cash		60,000
Net cash from financing activities	97,356	158,000
Net Change in Cash	(23,876)	-
Cash - beginning of year	0	31,807
Cash - End of Quarter	\$ (23,876)	\$ 31,807

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WORLDTEQ GROUP INTERNATIONAL, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2005 (Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The interim financial statements and summarized notes included herein were prepared in accordance with accounting principals generally accepted in the United States of America for interim financial information, pursuant to rules and regulations of the Securities and Exchange Commission. Because certain information and notes normally included in complete financial statements prepared in accordance with accounting principals generally accepted in the United States of America were condensed or omitted pursuant to such rules and regulations, it is suggested that these financial statements be read in conjunction with the Consolidated Financial Statements and the Notes thereto, included in Worldteq's Report 10KSB-A filed May 18, 2004. These interim financial statements and notes hereto reflect all adjustments that are, in the opinion of management, necessary for a fair statement of results for the interim periods presented. Such financial results should not be construed as necessarily indicative of future results.

STOCK BASED COMPENSATION:

The Company accounts for its employee stock-based compensation plans under Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees. Worldteq granted options to purchase 2,350,000 shares of common stock to two employees during the three months ending March 31, 2004. All options begin vesting six months after the date issued, February 25, 2004, and vest 1/36 each month thereafter, have an exercise price of \$.13 per share and expire 10 years from the date of grant.

The following table illustrates the effect on net loss and net loss per share if Worldteq had applied the fair value provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

	Six Months Ended June 30,	
	2005	2004
Net loss available to common	\$ (39,954)	\$ (446,291)
Less: stock based compensation determined under fair value based method	-	-
Pro forma net loss	\$ (39,954)	\$ (446,291)
Basic and diluted net loss per share		
As reported	\$ (0.01)	\$ (0.01)
Pro forma	\$ (0.01)	\$ (0.01)

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the financial statements, related notes, and other detailed information included elsewhere in this Form 10QSB. Certain information contained below and elsewhere in this Form 10QSB, including information regarding our plans and strategy for our business, are forward-looking statements. See "Note Regarding Forward-Looking Statements."

Our business plan for the next twelve months is to demonstrate the efficacy of our product candidate in animal models. It is necessary for us to establish evidence of efficacy of our approach in order to advance to subsequent milestones.

OVERVIEW

The Company is a switch-less and facilities-based provider of Internet protocol and traditional fiber-based communications services, including voice and data, along with toll free and related services. We market our services to groups specializing in specific ethnic demographics, residential communities located in major metropolitan areas, associations, network marketing organizations, and multi-level-marketing organizations (MLM's). Our goal is to become a leading provider of payroll services and communication services, including voice, data and Internet services to our targeted markets, comprised of affinity communities. We provide our services through a flexible network of owned, contracted facilities and resale arrangements. We have an extensive network available to us of IP gateways, international gateways, and domestic switches.

Through our subsidiary WorldTeq Corporation we provide agents, associations, and businesses with opportunities to generate revenues by supplying those associations, individuals, and businesses with Internet technology and communications solutions and services. Our products and services enable the agents and affinity groups to offer their members, customers and others a variety of revenue producing solutions and services without making large investments in technology, infrastructure or staff. The principal products and services which we offer are:

- Long Distance Service
- Toll Free Products
- Billing Services

RECENT DEVELOPMENTS

During the second quarter of 2005, WorldTe concentrated all its efforts on closing The proposed merger with Yin Hai Harbin of China. Unfortunately, as of the writing of this 10Q, Harbin had decided to discontinue the merger based on our inability to get re-listed with the OTC-BB. Since then the company has been re-listed and we are actively looking for another merger candidate at this time.

FINANCIAL CONDITION

We have limited financial resources and currently do such a small amount of business that the company cannot pay its staff on a regular basis. The company is aggressively looking for a merger candidate.

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RESULTS OF OPERATIONS

Total sales for the second quarter 2005 was \$95,228 as compared to \$106,398 for the quarter ended June 30, 2004, an approximately 10% decrease.

The continuing decrease in revenues is primarily due to the loss of long distance customers as they leave to sign on with the competitions unlimited plans.

Our net loss for the quarter ending June 30, 2005 was \$587 or less then \$.01 per share, as compared to \$163,823 for the same period in 2004

Selling, general and administrative expenses for the second quarter of fiscal 2005 were \$63,951 as compared to \$188,681 for the same quarter in fiscal 2004.

Cost of sales for the second quarter of fiscal 2005 was \$25,963 as compared to \$37,295 for the same quarter in fiscal 2004. This decrease of 20% was primarily attributable to efficiencies in our sales organization, but also slightly lower sales.

LIQUIDITY AND CAPITAL RESOURCES

Net cash used in operating activities for the period ended June 30th, 2005 and 2004 was \$0.00 and \$31,807 respectively, this in part due to the committed expenses for the marketing of MundoTeq

The Company, at June 30th, 2005 and Year End of 2004, respectively, had total assets of approximately \$153,779 and \$164,479.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements with any party.

Critical Accounting Estimates

There have been no material changes in our critical accounting policies or critical accounting estimates since 2000 nor have we adopted an accounting policy that has or will have a material impact on our consolidated financial statements. For further discussion of our accounting policies see Footnote 1

"Summary of Significant Accounting Policies" in this Quarterly Report on Form 10-QSB and the Notes to Consolidated Financial Statements in our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2003.

ITEM 3. Controls and Procedures

(a) The Company maintains controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon their evaluation of those controls and procedures performed within 90 days of the filing date of this report, the chief executive officer and the principal financial officer of the Company concluded that the Company's disclosure controls and procedures were adequate.

(b) Changes in internal controls. The Company made no significant changes in its internal controls or in other factors that could significantly affect these

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controls subsequent to the date of the evaluation of those controls by the chief executive officer and principal financial officer.

Part II OTHER INFORMATION

Item 1. Legal Proceedings

Not Applicable

Item 2. Changes in Securities and Small Business Issuer Purchases of Equity Securities

In January 2004, in exchange for services, we issued stock purchase warrants to XCL Partners, Inc. to purchase 1,000,000 shares of common stock at an exercise price of \$0.15 per share, 1,000,000 shares of common stock at an exercise price of \$0.20 per share, and 2,000,000 shares of common stock at an exercise price of \$0.25 per share. In addition, we also issued a stock purchase warrant to Chesapeake Group, Inc. to purchase 1,000,000 shares of common stock at an exercise price of \$.25 per share.

In February 2004, we registered 3,350,000 shares under our 2004 Employee Stock Option Plan on a Form S-8. We granted our CEO, Jeffrey Lieberman an option to purchase 2,000,000 shares at an exercise price of \$0.13 per share. We also granted our VP of Sales, Brian Rosinski an option to purchase 350,000 shares at an exercise price of \$0.13 per share. For both options, 16.667% of the Shares subject to the Option shall vest six months after February 25, 2004, and 1/36 of the Shares subject to the Option shall vest each month thereafter, subject to the Optionee continuing to be a Service Provider on such dates.

Item 3. Defaults Upon Senior Securities

Not Applicable

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

Not Applicable

Item 5. Other Information

Not Applicable

(b) REPORTS ON FORM 8-K

The following reports on Form 8-K were filed by the Company during the fiscal quarter ended June 30, 2003:
None

SIGNATURE

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.

WorldTeq Group International, Inc.

/s/ Jeff Lieberman

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Jeff Lieberman
Chief Executive Officer,
President,
Treasurer, and
Chairman of the Board

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Jeff Lieberman

Jeff Lieberman
Chief Executive Officer,
President,
Treasurer, and
Chairman of the Board

Dated: August 23, 2004