

Edgar Filing: GENESIS TECHNOLOGY GROUP INC - Form 10-Q

GENESIS TECHNOLOGY GROUP INC
Form 10-Q
May 21, 2003

United States
Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-QSB

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

For the fiscal quarter ended: March 31, 2003
Commission file number: 333-86347

GENESIS TECHNOLOGY GROUP, INC.
(Exact name of registrant as specified in its charter)

Florida 65-1130026
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

777 Yamato Road, Suite 130
Boca Raton, Florida 33431
(Address of principal executive offices) (Zip code)

(561) 988-9880
(Registrant's telephone number, including area code)

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 X No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of May 20, 2003: 32,517,353 outstanding shares of common stock, \$.001 par value per share.

GENESIS TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
FORM 10-QSB
QUARTERLY PERIOD ENDED March 31, 2003
INDEX

Edgar Filing: GENESIS TECHNOLOGY GROUP INC - Form 10-Q

Page

PART I - FINANCIAL INFORMATION

Item 1 - Consolidated Financial Statements

Consolidated Balance Sheet
 March 31, 2003 (Unaudited).....3
 Consolidated Statements of Operations (Unaudited)
 For the Three Months Ended March 31, 2003 and 2002.....4
 Consolidated Statements of Cash Flows (Unaudited)
 For the Three Months Ended March 31, 2003 and 2002.....5
 Notes to Consolidated Financial Statements.....6-12
 Item 2 - Management's Discussion and Analysis and Plan of Operation.....13-21
 Item 3 - Controls and Procedures.....22

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings.....22
 Item 2 - Changes in Securities and Use of Proceeds.....22
 Item 3 - Default upon Senior Securities.....23
 Item 4 - Submission of Matters to a Vote of Security Holders.....23
 Item 6 - Exhibits and Reports on Form 8-K.....23-24
 Signatures.....25
 Certifications.....26-27

GENESIS TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEET

| | |
|------------------------------|---|
| | March 31, 2003 ----- (Unaudited) |
| ASSETS | |
| CURRENT ASSETS: | |
| Cash and cash equivalents | \$ 262,303 |
| Marketable equity securities | 279,837 |

Edgar Filing: GENESIS TECHNOLOGY GROUP INC - Form 10-Q

| | |
|---|--------------|
| Accounts receivable | 45,536 |
| Inventories | 31,378 |
| Prepaid expenses and other | 414,440 |
| Total Current Assets | 1,033,494 |
| PROPERTY AND EQUIPMENT - Net | 122,078 |
| OTHER ASSETS: | |
| Goodwill | 10,540 |
| Other assets | 34,946 |
| Total Other Assets | 45,486 |
| Total Assets | \$ 1,201,058 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | |
| CURRENT LIABILITIES: | |
| Loans payable | \$ 220,919 |
| Accounts payable and accrued expenses | 176,000 |
| Due to related party | 32,151 |
| Total Current Liabilities | 429,070 |
| MINORITY INTEREST | 33,079 |
| STOCKHOLDERS' EQUITY: | |
| Preferred stock (\$.001 Par Value; 20,000,000 Shares Authorized; no shares issued and outstanding) | - |
| Common stock (\$.001 Par Value; 200,000,000 Shares Authorized; 32,517,353 shares issued and outstanding) | 32,518 |
| Additional paid-in capital | 13,323,704 |
| Accumulated deficit | (11,206,304) |
| Less: Deferred compensation | (140,224) |
| Less: Subscriptions receivable | (195,850) |
| Accumulated other comprehensive loss | (1,074,935) |
| Total Stockholders' Equity | 738,909 |
| Total Liabilities and Stockholders' Equity | \$ 1,201,058 |

See notes to consolidated financial statements

-3-

GENESIS TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

For the Three Months Ended

Fo

Edgar Filing: GENESIS TECHNOLOGY GROUP INC - Form 10-Q

| | March 31, | |
|---|--------------|--------------|
| | 2003 | 2002 |
| | (Unaudited) | (Unaudited) |
| NET REVENUES | \$ 5,881,487 | \$ 3,140,343 |
| COST OF SALES | 5,673,501 | 2,962,918 |
| GROSS PROFIT | 207,986 | 177,425 |
| OPERATING EXPENSES: | | |
| Consulting | 138,451 | 71,501 |
| Salaries and non-cash compensation | 113,067 | 36,000 |
| Selling, general and administrative | 259,863 | 126,122 |
| Total Operating Expenses | 511,381 | 233,623 |
| (LOSS) INCOME FROM OPERATIONS | (303,395) | (56,198) |
| OTHER INCOME (EXPENSE): | | |
| Loss from sale of marketable securities | 763 | (2,483) |
| Interest (expense) income, net | (2,380) | 62 |
| Total Other Income (Expense) | (1,617) | (2,421) |
| (LOSS) INCOME BEFORE DISCONTINUED OPERATIONS AND MINORITY INTEREST | (305,012) | (58,619) |
| DISCONTINUED OPERATIONS: | | |
| Income (loss) from discontinued operations | (336) | 59,706 |
| Total Income (Loss) from Discontinued Operations | (336) | 59,706 |
| LOSS BEFORE MINORITY INTEREST, | (305,348) | 1,087 |
| MINORITY INTEREST IN INCOME OF SUBSIDIARY | - | 49,525 |
| NET (LOSS) INCOME | \$ (305,348) | \$ 50,612 |
| BASIC AND DILUTED (LOSS) INCOME PER COMMON SHARE: | | |
| Income (loss) from continuing operations | \$ (0.01) | \$ (0.00) |
| Income (loss) from discontinued operations | (0.00) | 0.00 |
| Net (loss) income per common share | \$ (0.01) | \$ 0.00 |
| Weighted Common Shares Outstanding - Basic and Diluted | 31,667,600 | 24,359,486 |

See notes to consolidated financial statements

Edgar Filing: GENESIS TECHNOLOGY GROUP INC - Form 10-Q

GENESIS TECHNOLOGY GROUP, INC AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS

| | For the Six Months Ended March 31, | |
|---|---------------------------------------|-------------|
| | 2003 | 2002 |
| | (Unaudited) | (Unaudited) |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Income (loss) from continuing operations | \$ (723,364) | \$ 168 |
| Adjustments to reconcile income (loss) from continuing operations to net cash used in operating activities: | | |
| Depreciation and amortization | 4,133 | 2 |
| Loss on sale of marketable securities | 11,904 | 43 |
| Grant and exercise of stock options to consultants and employees | 273,864 | 60 |
| Common stock issued for services | 56,000 | 23 |
| Minority interest | - | (30) |
| Changes in assets and liabilities: | | |
| Accounts receivable | 37,785 | 40 |
| Inventories | 155,668 | (2) |
| Prepaid and other current assets | (73,733) | 77 |
| Due from related party | - | 18 |
| Other assets | (29,334) | |
| Accrued payable and accrued expenses | 197,832 | (227) |
| Deferred revenues | (15,000) | (76) |
| NET CASH PROVIDED BY (USED IN) CONTINUING OPERATING ACTIVITIES | (104,245) | 97 |
| Income from discontinued operations | (320) | 109 |
| Adjustments to reconcile income from discontinued operations to net cash used in discontinued operating activities: | | |
| Net increase in net liabilities from discontinued operations | 4,772 | 613 |
| NET CASH PROVIDED BY (USED IN) DISCONTINUED OPERATING ACTIVITIES | 4,452 | 722 |
| NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES | (99,793) | 820 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Cash acquired in acquisition | - | 106 |
| Proceeds from sale of marketable securities | 12,826 | 21 |
| Increase in marketable securities | - | (171) |
| Capital expenditures | (1,785) | (29) |
| NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES | 11,041 | (72) |

Edgar Filing: GENESIS TECHNOLOGY GROUP INC - Form 10-Q

CASH FLOWS FROM FINANCING ACTIVITIES:

| | | |
|---|------------|--------|
| Proceeds from related party | 5,392 | 124 |
| Proceeds from exercise of stock options | 288,089 | 124 |
| | ----- | ----- |
| NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES | 293,481 | 124 |
| | ----- | ----- |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 204,729 | 872 |
| CASH AND CASH EQUIVALENTS - beginning of period | 57,574 | 64 |
| | ----- | ----- |
| CASH AND CASH EQUIVALENTS - end of period | \$ 262,303 | \$ 936 |
| | ===== | ===== |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Noncash investing and financing activities:

| | | |
|---|------------|----------|
| Marketable securities exchanges for debt | \$ 51,000 | |
| | ===== | ===== |
| Common stock issued for debt | \$ 140,000 | |
| | ===== | ===== |
| Common stock and stock subscriptions receivable cancelled | \$ 137,317 | |
| | ===== | ===== |
| Common stock issued for subscriptions receivable | \$ 269,100 | |
| | ===== | ===== |
| Acquisition details: | | |
| Fair value of assets acquired | \$ - | \$ 813 |
| | ===== | ===== |
| Liabilities assumed | \$ - | \$ (544) |
| | ===== | ===== |
| Common stock issued for acquisitions | \$ - | \$ (268) |
| | ===== | ===== |
| Goodwill | \$ - | \$ 10 |
| | ===== | ===== |

See notes to consolidated financial statements.

Edgar Filing: GENESIS TECHNOLOGY GROUP INC - Form 10-Q

GENESIS TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2003
(UNAUDITED)

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES

The Company

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The accompanying consolidated financial statements for the interim periods are unaudited and reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the periods presented. The consolidated financial statements include the accounts of the Company and its wholly and partially owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. These consolidated financial statements should be read in conjunction with the financial statements for the year ended September 30, 2002 and notes thereto contained in the Transition Report on Form 10-KSB of Genesis Technology Group, Inc. (the "Company") as filed with the Securities and Exchange Commission. The results of operations for the six months ended March 31, 2003 are not necessarily indicative of the results for the full fiscal year ending September 30, 2003.

Net income (loss) per share

Basic earnings per share is computed by dividing net loss by weighted average number of shares of common stock outstanding during each period. Diluted loss per share is computed by dividing net loss by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during each period.

Marketable equity securities

Marketable equity securities consist of investments in equity of publicly traded and non-public domestic and foreign companies and are stated at market value based on the most recently traded price of these securities at March 31, 2003. All marketable securities are classified as available for sale at March 31, 2003. Unrealized gains and losses, determined by the difference between historical purchase price and the market value at each balance sheet date, are recorded as a component of Accumulated Other Comprehensive Income in Stockholders' Equity. Realized gains and losses are determined by the difference between historical purchase price and gross proceeds received when the marketable securities are sold. Restricted marketable equity securities are shown as long-term assets.

Edgar Filing: GENESIS TECHNOLOGY GROUP INC - Form 10-Q

March 31, 2003
(UNAUDITED)

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation

Transactions and balances originally denominated in U.S. dollars are presented at their original amounts. Transactions and balances in other currencies are converted into U.S. dollars in accordance with Statement of Financial Accounting Standards (SFAS) No. 52, "Foreign Currency Translation," and are included in determining net income or loss.

For foreign operations with the local currency as the functional currency, assets and liabilities are translated from the local currencies into U.S. dollars at the exchange rate prevailing at the balance sheet date. Revenues, expenses and cash flows are translated at weighted average exchange rates for the period to approximate translation at the exchange rates prevailing at the dates those elements are recognized in the financial statements. Translation adjustments resulting from the process of translating the local currency financial statements into U.S. dollars are included in determining comprehensive loss. As of March 31, 2003, the exchange rate for the Chinese Renminbi (RMB) was \$1 US for 8.27 RMB.

The functional currency of the Company's Chinese subsidiaries is the local currency. The financial statements of the subsidiary are translated to United States dollars using period-end rates of exchange for assets and liabilities, and average rates of exchange for the period for revenues, costs, and expenses. Net gains and losses resulting from foreign exchange transactions are included in the consolidated statements of operations and were not material during the periods presented. The cumulative translation adjustment and effect of exchange rate changes on cash at March 31, 2003 was not material.

Reclassifications

Certain prior periods' balances have been reclassified to conform to the current period's financial statement presentation. These reclassifications had no impact on previously reported results of operations or stockholders' equity (deficit).

-7-

GENESIS TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
March 31, 2003
(UNAUDITED)

NOTE 2 - ACQUISITIONS AND SALE OF SUBSIDIARY

Acquisitions

On November 15, 2001, the Company entered into a Stock Purchase Agreement with Shanghai Zhaoli Technology Development Company, Limited ("Zhaoli") and Zhaoli's shareholder. For the six months ended March 31, 2002, the results of operations of Zhaoli are included in the accompanying financial statements from November 15, 2001 (effective date of acquisition) to March 31, 2002.

Edgar Filing: GENESIS TECHNOLOGY GROUP INC - Form 10-Q

On December 1, 2001, the Company entered into a Stock Purchase Agreement with Yastock Investment Consulting Company, Limited ("Yastock") and the shareholders of Yastock. For the six months ended March 31, 2002, the results of operations of Yastock are included in the accompanying financial statements from December 1, 2001 (effective date of acquisition) to March 31, 2002.

The following unaudited pro forma consolidated results of operations have been prepared as if the acquisitions of Zhaoli and Yastock had occurred as of the beginning of the following periods:

| | Six Months Ended March 31, 2002 |
|---|------------------------------------|
| | ----- |
| Net Revenues | \$ 7,017,000 |
| Net Income from continuing operations | \$ 158,000 |
| Net Income per Share from continuing operations | \$.01 |

Pro forma data does not purport to be indicative of the results that would have been obtained had these events actually occurred at the beginning of the periods presented and is not intended to be a projection of future results.

Sale of Subsidiary

Effective June 30, 2002, the Company sold its 80% interest in its subsidiary Shanghai G-Choice Science and Technology Development Company Ltd. ("G-Choice") for 1,549,791 common shares of the NETdigest.com, Inc. ("NET"). The Company concluded the sale of G-Choice as of June 30, 2002. For the six months ended March 31, 2002, G-Choice is reported separately as a discontinued operation, and prior periods have been restated in the Company's financial statements, related footnotes and the management's discussion and analysis to conform to this presentation.

-8-

GENESIS TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
March 31, 2003
(UNAUDITED)

NOTE 3 - SEGMENT INFORMATION

The following information is presented in accordance with SFAS No. 131, Disclosure about Segments of an Enterprise and Related Information. In the periods ended March 31, 2003 and 2002, the Company operated in two reportable business segments - (1) sale of computer equipment and accessories and (2) consulting services for small public and private companies regarding public relations, corporate financing, mergers and acquisitions, e-commerce, business operations support and marketing. The Company's reportable segments are strategic business units that offer different products. They are managed separately based on the fundamental differences in their operations.

Information with respect to these reportable business segments for the six months ended March 31, 2003 is as follows:

Edgar Filing: GENESIS TECHNOLOGY GROUP INC - Form 10-Q

| | Computer and Equipment Sales | Consulting Services | Consolidated Totals |
|---|---------------------------------|------------------------|------------------------|
| | ----- | ----- | ----- |
| Net Revenues | \$ 10,989,842 | \$ 168,315 | \$ 11,158,157 |
| Gross Profit | \$ 168,315 | \$ 164,388 | \$ 332,703 |
| Segment profit income (Loss) from operations | \$ 5,097 | \$ (728,866) | \$ (723,769) |

For the six months ended March 31, 2003, the Company derived approximately 99% of its revenue from its subsidiaries located in the People's Republic of China. Sales and identifiable assets by geographic areas as of March 31, 2003 and for the six months ended March 31, 2003 were as follows:

| | Sales | Identifiable Assets |
|---------------|---------------|---------------------|
| United States | \$ 161,175 | \$ 447,254 |
| China | 10,996,982 | 748,539 |
| | ----- | ----- |
| Total | \$ 11,158,157 | \$ 1,195,793 |
| | ===== | ===== |

Currently, the Company's revenues are primarily derived from sale of computer equipment and accessories to customers in the Peoples Republic of China (PRC). The Company hopes to expand its operations to countries outside the PRC, however, such expansion has not been commenced and there are no assurances that the Company will be able to achieve such an expansion successfully. Therefore, a downturn or stagnation in the economic environment of the PRC could have a material adverse effect on the Company's financial condition.

-9-

GENESIS TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
March 31, 2003
(UNAUDITED)

NOTE 4 - RELATED PARTY TRANSACTIONS

Due from/to related party

Occasionally, the Company borrows funds from an officer of the Company. The advances are non-interest bearing and are payable on demand. At March 31, 2003, the Company owed an officer of the Company \$32,151.

NOTE 5 - LOANS PAYABLE

On April 1, 2002, the Company borrowed \$80,000 from an individual related to an officer of the Company. The loan bears interest at 10% per annum and is unsecured. All unpaid principal and accrued interest is payable on April 1, 2003. In the event of default of the loan agreement, the Lender is to receive free trading shares of the Company's common stock at a 25% discount to the

Edgar Filing: GENESIS TECHNOLOGY GROUP INC - Form 10-Q

average closing price of the previous 20 trading days equal to the total amount due to the lender. As of March 31, 2003, the loan remains unpaid.

On July 31, 2002, the Company borrowed \$20,000 from an individual related to an officer of the Company. The loan bears interest at 10% per annum and is unsecured. All unpaid principal and accrued interest was payable on January 1, 2003. At the option of the lender, the entire obligation may be repaid with common stock calculated by dividing the amount due by the average closing common stock price for ten days prior to the repayment discounted by 40%, with a maximum price of \$0.13 per share. The beneficial conversion feature present in the issuance of this note payable as determined on the date funds were received under the loan agreement totaled \$12,500 and was recorded as interest expense and additional paid-in capital. As of March 31, 2003, no conversion had occurred. As of March 31, 2003, the loan remains unpaid.

The Company's Chinese subsidiary, Zhaoli, entered into a loan agreement with a Chinese bank to borrow \$120,919. The loan bears interest at a rate of 5.85% per annum and is payable prior to March 31, 2003. As of the date of this report the loan has not been repaid.

NOTE 6 - STOCKHOLDERS' EQUITY

Preferred stock

The Company is authorized to issue 20,000,000 shares of Preferred Stock, par value \$.001, with such designations, rights and preferences as may be determined from time to time by the Board of Directors.

-10-

GENESIS TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
March 31, 2003
(UNAUDITED)

NOTE 6 - STOCKHOLDERS' EQUITY (continued)

Common stock

On January 3, 2003, the Company entered into an agreement with a public relations company. The term of this agreement was for forty-five (45) days; the Company issued such consultant 400,000 restricted shares of its common stock for these services. The Company valued these shares at the fair market value on the date of the agreement or \$0.14 per share and recorded consulting expense of \$56,000.

On January 7, 2003, the Company issued 800,000 shares of its common stock relating to the exercise of options held by certain employees and consultants. The Company received \$50,000 in proceeds from this issuance and offset by \$13,688 in certain debts.

On February 19, 2003, the Company issued 700,000 shares of its common stock relating to the exercise of stock options. The Company received proceeds of \$33,250 and has a subscription receivable of \$45,850.

Edgar Filing: GENESIS TECHNOLOGY GROUP INC - Form 10-Q

Stock options

On December 18, 2002, the Company entered into a consulting agreement with a third party for business development services. In connection with this consulting agreement, the Company granted 750,000 options to purchase shares of common stock for services rendered. The options have an exercise price of \$.15 per share and expire in 45 days. The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions: dividend yield of -0- percent; expected volatility of 96 percent; risk-free interest rate of 4.50 percent and an expected holding period of 0.25 years. The Company valued these options based on the above factors at \$34,500. On December 19, 2002, these options were exercised and the Company issued 750,000 shares of its common stock. In connection with these options, on February 6, 2003, the consultant returned 505,000 shares of the Company's common stock due to the cancellation of this agreement. Through the date of cancellation the Company had expensed \$11,500 as consulting expense. The Company expensed the remaining balance of its deferred expense related to this agreement of \$23,000 to consulting expense. Additionally, the Company wrote off the remaining subscription receivable from this consultant of \$4,848 to consulting expense.

-11-

GENESIS TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
March 31, 2003
(UNAUDITED)

NOTE 6 - STOCKHOLDERS' EQUITY (Continued)

Stock options (Continued)

On January 25, 2002, the Company entered into a one year consulting agreement with a third party for business development and marketing services. In connection with this consulting agreement which commences on February 1, 2002, the Company shall grant 50,000 options per month to purchase shares of common stock for services rendered for an aggregate of 600,000 options. The options have an exercise price of \$.35 per share and expire five years from grant date. For the six months ended March 31, 2003, the Company granted 200,000 additional options under this agreement. As of March 31, 2003, the Company has granted 600,000 options under this agreement. The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions: dividend yield of -0- percent; expected volatility of 77 percent; risk-free interest rate of 4.50 percent and an expected holding period of 5 years. For the six months ended March 31, 2003, in connection with these options, the Company recorded consulting expense amounting to \$14,840.

On January 7, 2003, the Company granted 50,000 options to an employee for services rendered, these options were immediately exercised. The Company recorded \$5,000 in compensation expense relating to this issuance of these options.

On January 7, 2003, the Company granted 250,000 options to a consultant for debt

Edgar Filing: GENESIS TECHNOLOGY GROUP INC - Form 10-Q

and services rendered. The Company recorded compensation of \$21,312 and offset \$13,688 of debt against the exercise price of these options.

On January 23, 2003, the Company entered into a one-year agreement with a consultant. The consultant received 1,000,000 options to purchase shares of the Company's common stock at an exercise price of \$0.11 per share. The Company valued these shares at approximately \$0.09 per share and recorded compensation expense relating to this issuance of options of \$15,312 and deferred consulting expenses of \$76,558. This consultant exercised 700,000 of these options on February 19, 2003 (see Common stock).

A summary of outstanding options and warrants at March 31, 2003 are as follows:

| | Shares Underlying Warrants | Range of Exercise Price | Remaining Contractual Life | Average Exercise Price |
|--------------------------------------|----------------------------------|-------------------------------|----------------------------------|------------------------------|
| | ----- | ----- | ----- | ----- |
| Outstanding at September 30, 2002 | 5,645,000 | \$ 0.25-0.50 | 1 to 5 yrs | 0.33 |
| Granted | 5,420,000 | 0.07-0.35 | .5 to 5 yrs | 0.13 |
| Expired | (0) | 0.00 | | - |
| Exercised | (4,570,000) | 0.07-0.15 | | 0.12 |
| | ----- | ----- | | ----- |
| Outstanding at March 31, 2003 | 6,495,000 | \$ 0.10-2.25 | | 0.31 |
| | ===== | ===== | | ===== |

-12-

ITEM 2.MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following analysis of the results of operations and financial condition of the Company should be read in conjunction with the financial statements of Genesis Technology Group, Inc. for the year ended September 30, 2002 and notes thereto contained in the Report on Form 10-KSB of Genesis Technology Group, Inc. as filed with the Securities and Exchange Commission.

This report on Form 10-QSB contains forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in the forward-looking statements and from historical results of operations. Among the risks and uncertainties which could cause such a difference are those relating to our dependence upon certain key personnel, our ability to manage our growth, our success in implementing the business strategy, our success in arranging financing where required, and the risk of economic and market factors affecting us or our customers. Many of such risk factors are beyond the control of the Company and its management.

OVERVIEW

Genesis Technology Group Inc. ("Genesis" or the "Company") is an international business development firm that specializes in assisting companies in penetrating the Chinese market for business development as well as in assisting Chinese companies in penetrating the US market or listing in the US public market. We are a resource for companies that desire expertise in marketing, distribution, manufacturing, forming joint ventures, or establishing

Edgar Filing: GENESIS TECHNOLOGY GROUP INC - Form 10-Q

a base in China. As a part of that strategy, the company is a member of the Shanghai Technology Stock (Property Rights) Exchange, an organization that promotes the influx of technology into China.

Our key area of focus is the Life and Health Science arena in China. Life and Health Science is comprised of different but related industries such as environmental science, biotechnology, pharmaceuticals and healthcare development. These industries range from water, soil, and air testing and remediation to hospital facility development and management. These are new and robust areas in China that desperately need attention and expertise. Genesis' goal is to assist companies that are active in these areas in entering the Chinese market.

In addition to its consulting services, we have also acquired companies in the U.S. and China for the purposes of further developing these companies, with operational, managerial and financial support. Our strategy envisions and promotes opportunities for synergistic business relationships among all of the companies that Genesis works with, both clients and subsidiaries.

We currently have three active subsidiary companies. We own 80% of one computer hardware and software manufacturer/distributor located in Shanghai China. We own 100% of two consulting companies, one in the U.S. and one in China. We own 85% of an inactive biotechnology-marketing firm that is located in the United States.

By building on the success of already successful businesses, Genesis intends to become an important player in the expanding Cross-Pacific marketplace -increasing its revenues, profitability and market value by accelerating the success of its subsidiaries and partner companies.

-13-

Company management and partners have been responsible for successfully negotiating contracts in China for over 10 years. The Company is able to bring talent in the areas of marketing, finance and business development to its clients and subsidiaries, to help guide those companies to success.

ACQUISITIONS AND DISPOSITIONS

On August 14, 2001, we acquired 100 % of PropaMedia, Inc., a provider of media rich Web hosting and distribution services, located in Los Angeles, CA. Propamedia offers end-to-end streaming and hosting services, including content capture, encoding and production, storage, live and on-demand video and audio streaming, and managed services. On December 16, 2002, the Genesis Board voted to discontinue the operations of PropaMedia as it does not complement the company's continuing focus on the China market. We are in negotiations to sell Propamedia to an unrelated party in the near future.

On November 15, 2001, we acquired 80% of Shanghai Zhaoli Technology Development Company, Limited ("Zhaoli"), an Information Technology enterprise that integrates sales and technology with services. Currently, its sales cover printer, copier, scanner and network products, as well as network integration. In addition to hardware sales and service, the company focuses much of its resources on the development of proprietary software systems, such as its e-learning software for K-12 education in China. Zhaoli has approximately 65 employees at seven branches and exclusive stores in Shanghai and a strong and growing presence throughout eastern areas of China. The increase in sales mainly resulted from increasing demand from the market, as the Chinese government will require all companies to issue all transaction receipts and invoices by using a

Edgar Filing: GENESIS TECHNOLOGY GROUP INC - Form 10-Q

printer and a computer in order to smooth its tax collections by July 1, 2003. Zhaoli expects its sales will be increased significantly in the near future due to this new regulation. Zhaoli is planning to increase its sales, as well as increase its profit margin. Hardware has been low profit margin business historically. Zhaoli is working with its parent company, Genesis, to bring more software development and sales in order to increase its profit margin.

On December 1, 2001, we acquired 80% of Yastock Investment Consulting Company, Limited ("Yastock"), an investment consulting firm located in Shanghai, China that specializes in consulting for Chinese and American companies in a number of areas, including financial, public relations, corporate management, corporate strategic evaluations and human resources. In addition to its ongoing business, Yastock's management oversees all of Genesis' operations in China and is important source of financial and operational support for our Chinese subsidiaries. On January 1, 2002, we acquired the remaining 20% of Yastock, making it a wholly owned subsidiary. Yastock has 15 part and full-time employees.

Yastock is also managing the seat that Genesis Technology Group, Inc. has with the Shanghai Technology Stock Exchange. Shanghai Technology Stock (Property Rights) Exchange (STSE) was founded in December 1999 and is sponsored by the Shanghai Municipal Government with independent corporate qualifications. STSE was established to promote the commercialization of technological innovations, to solve bottleneck problems in combining technological, industrial, and financial capitals, and to actively construct operational and exit mechanisms for venture investments. STSE has both a physical exchange located in Shanghai and data mining techniques that target licensees' interests using its two-way delivery system. In 2000 and 2001, over 2,500 transactions were completed with over \$12 billion in transaction volume through its 363 members that control over \$24 billion in capital. The STSE is a specialized equity capital market to serve all of China. It provides services in property rights and equity financing for companies looking to enter China markets.

-14-

The STSE provides flexible and convenient financing and investment services for various enterprises by means of technology rights and ownership. STSE supports the advancement of technological innovation, and brings optimal allocation of hi-tech and social resources, as well as the combination of talented people and tremendous networks. Genesis is the first member of the exchange in the U.S. As a trust member on the exchange, Genesis can directly introduce technology companies and owners to the exchange and generate earnings via success fees on completed transactions with those companies. Genesis will focus its initial efforts on working with companies in the U.S that want to expand their business via China. In addition, Genesis will enjoy preferential policies issued by the Shanghai and Chinese national governments for introducing new and high technologies into China. Under the landmark agreement, Genesis and STSE are planning to form a joint venture to launch a similar physical property rights exchange in the U.S. This joint venture will be the exclusive authorized representative for STSE in the US. For more information in English about the Shanghai Technology Stock (Property Rights) Exchange, please visit www.saviaq.com/english/index.asp In addition, Yastock serves Chinese companies that wish to enter both the general market and the public market in the United States. In addition, Yastock has developed its own joint ventures and projects in the areas of Internet wireless messaging for lottery information (<http://www.zc8888.com>), gasoline replacement fuel, software development and so on. It is expected that such projects or joint ventures will generate significant cash flow in the near future.

CONSULTING ACTIVITIES

Edgar Filing: GENESIS TECHNOLOGY GROUP INC - Form 10-Q

In addition to overseeing the operation of its subsidiaries, we have been growing our cross-pacific consulting business. Management believes that China's entrance into the WTO offers a unique opportunity for Genesis to secure itself a position as a leader in the growing market for cross-pacific products, technology, capital, and property exchange. To that end, we market our self to other U.S. firms interested in Chinese partnerships for manufacturing and distribution of a variety of products in China, with a strong focus on the Life and Health Science arena

We currently have nine clients under contract. We are assisting these clients in penetrating the Chinese market for the purposes of product and solutions sales, distribution, manufacturing, and/or research and development. To aid in achieving these goals, we signed on as a U.S. representative of the Shanghai Technology Stock (Property Rights) Exchange (STSE). STSE is a technology transfer exchange sponsored by the Shanghai Municipal Government with independent corporate qualifications. STSE is essentially a vehicle for the transfer of technology and property rights into China. As a representative of the STSE, we can directly introduce American companies and individuals who would like to sell or license intellectual property to a Chinese partner, or use technology to form a joint venture in China, to the STSE for purposes of listing their technologies or intellectual properties. Our clients pay a monthly retainer and a success fee based on any completed transactions, a portion of which goes to the STSE. In addition, the standard Genesis contract calls for the company to receive ongoing compensation by clients via a percentage of any licensing fees or an equity position in any joint ventures/partnerships formed with Chinese entities.

-15-

Management has utilized a successful means of developing Western clients for purposes of technology transfer and investment in China. We abide by an "RCD" development formula and an "RSE" fee formula. The former enables the Company to recruit prospective clients (R), close on those that are deemed good candidates for business in China (C), and delivering enforceable, profitable contracts (D). The secondary function, as it rewards Genesis, manifests in client contracts, which require a retainer (R), success fee (S), and often an equity position (E) in any resultant Sino-Western entity.

Among those Genesis contract clients who have benefited from this time-tested business model are: Viragen International, Dynegy Energy, Enviro Voraxial Technology, Inc, Mark Capital Management, Inc., Flowers Chemical Laboratories, Sarlo Power Mowers, Custom Biologicals Inc., Frank Medical Systems, Powerbetter (UK), Agronix, Inc., Kane, Laduzinsky, & Mendoza, LTD., Ayiko (Europe), eProtea (Malaysia), Shanghai Dongda Insurance Brokerage Company, Ltd., and others.

Historically, such contracts should generate an average benefit of \$250,000 to the Company, not including accumulated equity positions in private and public entities in China. The latter holdings are designed to gain a ground-floor position in dozens of companies, some of which could reach substantial value in the Asian and Western stock markets.

RESULTS OF OPERATIONS

SIX MONTHS ENDED MARCH 31, 2003 COMPARED TO SIX MONTHS ENDED MARCH 31, 2002

REVENUES AND COSTS BY SEGMENT:

For the six months ended March 31, 2003, we had consolidated revenues

Edgar Filing: GENESIS TECHNOLOGY GROUP INC - Form 10-Q

of \$11,158,157 as compared to \$5,403,616 for the six months ended March 31, 2002. This increase resulted from the acquisition of our subsidiaries and is outlined below.

Genesis Technology Group, Inc.

Revenue for the six months ended March 31, 2003 was \$145,875 as compared to \$16,250 for the six months ended March 31, 2002. This revenue was generated from consulting services.

For the six months ended March 31, 2003, we incurred consulting fees of \$371,202 as compared to \$72,685 for the six months ended March 31, 2002. For the six months ended March 31, 2003, consulting fees expense was attributable to the granting of stock options and issuance of common shares to consultants for marketing and business development activities. For the six months ended March 31, 2003, we incurred salary expense of \$220,837 as compared to \$15,320 for the six months ended March 31, 2002. The increase in salary expense was attributable to the hiring of key personnel to support our current business plan. For the six months ended March 31, 2003, other selling, general and administrative expenses consisted of rent of \$42,500 and other expenses such as professional fees and office expenses of \$176,524. For the six months ended March 31, 2003, other selling, general and administrative expenses consisted of rent of \$3,297 and other expenses such as professional fees and office expenses of \$65,577.

-16-

Genesis Systems, Inc.

Revenue for the six months year ended March 31, 2003 from Genesis Systems, Inc. was \$19,000 as compared to \$176,500 of revenue for the six months ended March 31, 2002. This revenue was generated from consulting service in which we received stock or cash for services. The decrease was attributable to the fact that we shifted our focus to our parent company, Genesis Technology Group, Inc

For the six months ended March 31, 2003, operating expenses of our Genesis Systems subsidiary consisted of salaries of \$-0-, rent of \$2,820, consulting fees of \$2,500 and other general and administrative expenses amounting to \$19,115. Additionally, we recorded a realized loss from the sale of marketable securities received for consulting services of \$16,222 for the six months ended March 31, 2003. For the six months ended March 31, 2002, other selling, general and administrative expenses of our Genesis Systems subsidiary consisted of salaries of \$56,000, rent of \$12,478, consulting fees of \$10,000 and other general and administrative expenses amounting to \$49,119.

Yastock

Revenue for the six months ended March 31, 2003 from Yastock was \$7,140 as compared to \$326,107 for the six months ended March 31, 2002. This revenue was generated from consulting services and software licensing fees.

Other selling, general and administrative expenses consisting of salaries, commissions, accounting fees and office rent amounted to \$43,945 for the six months ended March 31, 2003 as compared to \$82,170. We have incurred additional marketing costs associated with increased business development efforts.

Zhaoli

Edgar Filing: GENESIS TECHNOLOGY GROUP INC - Form 10-Q

Revenue for the six months ended March 31, 2003 were \$10,989,842 as compared to \$4,894,759 to March 31, 2002 from our subsidiary Zhaoli, a Chinese company. This revenue was generated from sales of printers, copiers, network equipment and software licensing fees. The increase in sales mainly resulted from increasing demand from the market, as the Chinese government will require all companies to issue all transaction receipts and invoices by using a printer and a computer in order to smooth its tax collections by July 1, 2003. Cost of sales for Zhaoli for the six months ended March 31, 2003 amounted to \$10,825,454 or 98.5% of net sales as compared to \$4,809,368 or 98.3% of net sales for the six months ended March 31, 2002.

For the six months ended March 31, 2003, other selling, general and administrative expenses amounted to \$158,063 as compared to \$82,170 for the period from acquisition (November 15, 2001) to March 31, 2003. Other selling, general and administrative expenses consisted of salaries, rent and other expenses.

Discontinued Operations

For the six months ended March 31, 2003, we had a loss from discontinued operations of \$405 related to the discontinuation of our Propamedia and eSpectus subsidiaries as compared to income from discontinued operations of \$109,208 for the six months ended March 31, 2002.

-17-

Overall

We reported a loss from operations for the six months ended March 31, 2003 of \$(706,584) compared to income from operations for the six months ended March 31, 2002 of \$219,736. Additionally, we reported a loss from discontinued operations for the six months ended March 31, 2003 of \$405 as compared to an income from discontinued operations of \$109,208 for the six months ended March 31, 2002.

This translates to an overall per-share loss of (\$.02) for the six months ended March 31, 2003 compared to per share income of \$.01 for the six months ended March 31, 2002.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2003, we had cash and equivalents balance of \$262,303. As of March 31, 2003, our cash position by geographic area is as follows:

| | | |
|---------------|----|---------|
| Cash | | |
| United States | \$ | 52,428 |
| China | | 209,875 |
| | | ----- |
| Total | \$ | 262,303 |
| | | ===== |

Management has invested substantial time evaluating and considering numerous proposals for possible acquisition or combination developed by management or presented by investment professionals, the Company's advisors and others. We continue to consider acquisitions, business combinations, or start up proposals, which could be advantageous to shareholders. No assurance can be

Edgar Filing: GENESIS TECHNOLOGY GROUP INC - Form 10-Q

given that any such project, acquisition or combination will be concluded.

We intend to continue our trading activities and as a consequence the future financial results of the Company may be subject to substantial fluctuations. As part of our investment activities, we may sell a variety of equity or debt securities obtained as revenue for consulting services. Such investments often involve a high degree of risk and must be considered extremely speculative.

At March 31, 2003, our Company had stockholders' equity of \$738,909. Our Company's future operations and growth will likely be dependent on our ability to raise capital for expansion and to implement our strategic plan.

Net cash used in operations was \$(102,245) for the six months ended March 31, 2003 as compared to net cash provided by operations of \$97,306 for the six months ended March 31, 2002. The difference is due to the implementation of our new business model and the acquisition of our subsidiaries between August and December 2001.

Net cash provided by investing activities for the six months ended March 31, 2003 was \$11,041 as compared to net cash used in investing activities for the six months ended March 31, 2003 of \$72,711. For the six months ended March 31, 2003, we received \$16,963 from the sale of marketable securities offset by cash used for capital expenditures of \$(1,785).

-18-

Net cash provided by financing activities were \$293,481 for the six months ended March 31, 2003 as compared to \$124,500 for the six months ended March 31, 2002 and related primarily to proceeds from the exercise of stock options and related party loans of \$288,089 and \$5,392, respectively.

We currently have no material commitments for capital expenditures. Our future growth is dependent on our ability to raise capital for expansion, and to seek additional revenue sources. If we decide to pursue any acquisition opportunities or other expansion opportunities, we may need to raise additional capital, although there can be no assurance such capital-raising activities would be successful.

NEW ACCOUNTING STANDARDS

The Financial Accounting Standards Board has recently issued several new accounting pronouncements:

Statement No. 146, "Accounting for Exit or Disposal Activities" ("SFAS 146") addresses the recognition, measurement, and reporting of cost that are associated with exit and disposal activities that are currently accounted for pursuant to the guidelines set forth in EITF 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to exit an Activity (including Certain Cost Incurred in a Restructuring)," cost related to terminating a contract that is not a capital lease and one-time benefit arrangements received by employees who are involuntarily terminated - nullifying the guidance under EITF 94-3. Under SFAS 146, the cost associated with an exit or disposal activity is recognized in the periods in which it is incurred rather than at the date the Company committed to the exit plan. This statement is effective for exit or disposal activities initiated after December 31, 2002 with earlier application encouraged. The adoption of SFAS 146 did not have a material impact on the Company's financial position, results of operations or liquidity.

Edgar Filing: GENESIS TECHNOLOGY GROUP INC - Form 10-Q

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure. Statement 148 provides alternative methods of transition to Statement 123's fair value method of accounting for stock-based employee compensation. It also amends the disclosure provisions of Statement 123 and APB Opinion No. 28, Interim Financial Reporting, to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. Statement 148's amendment of the transition and annual disclosure requirements of Statement's 123 are effective for fiscal years ending after December 15, 2002. Statement 148's amendment of the disclosure requirements of Opinion 28 is effective for interim periods beginning after December 15, 2002. The adoption of the disclosure provisions of Statement 148 as of December 31, 2002 did not have a material impact on the Company's financial condition or results of operations.

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45). FIN 45 requires that upon issuance of a guarantee, a guarantor must recognize a liability for the fair value of an obligation assumed under a guarantee. FIN 45 also requires additional disclosures by a guarantor in its interim and annual financial statements about the obligations associated with guarantees issued. The recognition provisions of FIN 45 are effective for any guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002. The adoption of this pronouncement does not have a material effect on the earnings or financial position of the Company.

-19-

In January 2003, the FASB issued Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities." FIN 46 requires that if an entity has a controlling financial interest in a variable interest entity, the assets, liabilities and results of activities of the variable interest entity should be included in the consolidated financial statements of the entity. FIN 46 requires that its provisions are effective immediately for all arrangements entered into after January 31, 2003. The Company does not have any variable interest entities created after January 31, 2003. For those arrangements entered into prior to January 31, 2003, the FIN 46 provisions are required to be adopted at the beginning of the first interim or annual period beginning after June 15, 2003. The Company has not identified any variable interest entities to date and will continue to evaluate whether it has variable interest entities that will have a significant impact on its consolidated balance sheet and results of operations.

CRITICAL ACCOUNTING POLICIES

A summary of significant accounting policies is included in Note 1 to the audited consolidated financial statements included in the Company's Annual Report on Form 10-KSB for the year ended September 30, 2002. Management believes that the application of these policies on a consistent basis enables the Company to provide useful and reliable financial information about the company's operating results and financial condition.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and

Edgar Filing: GENESIS TECHNOLOGY GROUP INC - Form 10-Q

disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

OPERATING RISK

(a) Country risk

Currently, the Company's revenues are primarily derived from sale of computer equipment and accessories to customers in the Peoples Republic of China (PRC). The Company hopes to expand its operations to countries outside the PRC, however, such expansion has not been commenced and there are no assurances that the Company will be able to achieve such an expansion successfully. Therefore, a downturn or stagnation in the economic environment of the PRC could have a material adverse effect on the Company's financial condition.

(b) Products risk

In addition to competing with other computer and electronics equipment companies, the Company could have to compete with larger US companies who have greater funds available for expansion, marketing, research and development and the ability to attract more qualified personnel if access is allowed into the PRC market. If US companies do gain access to the PRC markets, it may be able to offer products at a lower price. There can be no assurance that the Company will remain competitive should this occur.

-20-

(c) Exchange risk

The Company generates revenue and incurs expenses and liabilities in Chinese renminbi and U.S. dollars. As a result, the Company is subject to the effects of exchange rate fluctuations with respect to any of these currencies. For example, the value of the renminbi depends to a large extent on PRC's domestic and international economic and political developments, as well as supply and demand in the local market. Since 1994, the official exchange rate for the conversion of renminbi to U.S. dollars has generally been stable and the renminbi has appreciated slightly against the U.S. dollar. However, given recent economic instability and currency fluctuations, the Company can offer no assurance that the renminbi will continue to remain stable against the U.S. dollar or any other foreign currency. The Company's results of operations and financial condition may be affected by changes in the value of renminbi and other currencies in which its earnings and obligations are denominated. The Company has not entered into agreements or purchased instruments to hedge its exchange rate risks, although the Company may do so in the future.

Although Chinese governmental policies were introduced in 1996 to allow the convertibility of renminbi into foreign currency for current account items, conversion of renminbi into foreign exchange for capital items, such as foreign direct investment, loans or security, requires the approval of the State Administration of Foreign Exchange, or SAFE, which is under the authority of the People's Bank of China. These approvals, however, do not guarantee the availability of foreign currency. The Company cannot be sure that the Company will be able to obtain all required conversion approvals for its operations; or that Chinese regulatory authorities will not impose greater restrictions on the convertibility of the renminbi in the future. Because a significant amount of its revenues are in the form of renminbi, its inability to obtain the requisite approvals or any future restrictions on currency exchanges will limit its

Edgar Filing: GENESIS TECHNOLOGY GROUP INC - Form 10-Q

ability to utilize revenue generated in renminbi to fund its business activities outside PRC.

(d) Political risk

Currently, PRC is in a period of growth and is openly promoting business development in order to bring more business into PRC. Additionally PRC allows a Chinese corporation to be owned by the United States corporation. If the laws or regulations are changed by the PRC government, the Company's ability to operate the PRC subsidiaries could be affected.

(e) Our future performance is dependent on its ability to retain key personnel

Our performance is substantially dependent on the performance of our senior management. In particular, the Company's success depends on the continued efforts of our senior management to maintain all contact with our Chinese subsidiaries. The Company's inability to retain senior management could have a material adverse effect on our prospects, businesses, Chinese operations, financial conditions and share price.

(f) The Severe Acute Respiratory Syndrome (SARS)

The recent SARS outbreak in China may have a material impact on the company ongoing business. The current travel safety and health concerns may delay scheduled trips by our clients to China, thereby impeding their planning initiatives in China. As a result, the company business could be impacted negatively.

-21-

ITEM 3. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our chief executive officer and principal financial and accounting officer, conducted an evaluation of our "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 (the "Exchange Act") Rules 13a-14(c)) within 90 days of the filing date of this Quarterly Report on Form 10-QSB (the "Evaluation Date"). Based on their evaluation, our chief executive officer and principal financial and accounting officer have concluded that as of the Evaluation Date, our disclosure controls and procedures are effective to ensure that all material information required to be filed in this Quarterly Report on Form 10-QSB has been made known to them in a timely fashion.

Changes in Internal Controls

There have been no significant changes (including corrective actions with regard to significant deficiencies or material weaknesses) in our internal controls or in other factors that could significantly affect these controls subsequent to the Evaluation Date set forth above.

Part II - OTHER INFORMATION

Item 1. Legal Proceedings

Edgar Filing: GENESIS TECHNOLOGY GROUP INC - Form 10-Q

None

Item 2. Changes in Securities and Use of Proceeds

Common stock

On January 3, 2003, the Company entered into an agreement with a public relations company. The term of this agreement was for forty-five (45) days; the Company issued such consultant 400,000 144 restricted shares of its common stock for these services. The Company valued these shares at the fair market value on the date of the agreement or \$0.14 per share and recorded consulting expense of \$56,000.

On January 7, 2003, the Company issued 800,000 shares of its common stock relating to the exercise of options held by certain employees and consultants. The Company received \$50,000 in proceeds from this issuance and offset \$13,688 in certain debts.

On February 19, 2003, the Company issued 700,000 shares of its common stock relating to the exercise of stock options. The Company received proceeds in the aggregate of \$33,250 and has a subscription receivable of \$45,850.

The issuance of the securities was to consultants and employees that were sophisticated investors with sufficient resource. Such transactions were in compliance with Section 4 of the Securities Act of 1934

-22-

Stock options

On January 25, 2002, the Company entered into a one year consulting agreement with a third party for business development and marketing services. In connection with this consulting agreement which commences on February 1, 2002, the Company shall grant 50,000 options per month to purchase shares of common stock for services rendered for an aggregate of 600,000 options. The options have an exercise price of \$.35 per share and expire five years from grant date. For the six months ended March 31, 2003, the Company granted 200,000 additional options under this agreement. As of March 31, 2003, the Company has granted 600,000 options under this agreement. The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions: dividend yield of -0- percent; expected volatility of 77 percent; risk-free interest rate of 4.50 percent and an expected holding period of 5 years. For the six months ended March 31, 2003, in connection with these options, the Company recorded consulting expense amounting to \$14,840.

On January 7, 2003, the Company granted 50,000 options to an employee for services rendered, these options were immediately exercised. The Company recorded \$5,000 in compensation expense relating to this issuance of these options.

On January 7, 2003, the Company granted 250,000 options to a consultant for debt and services rendered. The Company recorded compensation of \$21,312 and offset \$13,688 of debt against the exercise price of these options.

On January 23, 2003, the Company entered into a one-year agreement with a consultant. The consultant received 1,000,000 options to purchase shares of the Company's common stock at an exercise price of \$0.11 per share. The Company

Edgar Filing: GENESIS TECHNOLOGY GROUP INC - Form 10-Q

valued these shares at approximately \$0.09 per share and recorded compensation expense relating to this issuance of options of \$15,312 and deferred consulting expenses of \$76,558. This consultant exercised 700,000 of these options on February 19, 2003 (see Common stock).

Item 3. Defaults Upon Senior Securities

None

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

The company will hold its annual meeting on May 30, 2003. Proxy votes for 5 members of board of directors, management compensation, and a possible change to business development firm were sent to all shareholders of the common stock.

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(1) Exhibits

-23-

| Exhibit Number | Description |
|-------------------|--|
| 99.1 | Certification by Chief Executive Officer |
| 99.2 | Certification by Chief Financial Officer |

(2) Reports on Form 8-K

None

-24-

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in Boca Raton, Florida on May 20, 2003.

GENESIS TECHNOLOGY GROUP, INC.

By: /s/ Gary Wolfson

Gary Wolfson

Edgar Filing: GENESIS TECHNOLOGY GROUP INC - Form 10-Q

Chief Executive Officer

In accordance with the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant in the capacities and on the dates indicated.

| SIGNATURE ----- | TITLE ----- | DATE ----- |
|---|---|---------------|
| /s/ Gary Wolfson ----- Gary Wolfson | Chief Executive Officer | May 20, 2003 |
| /s/ Adam Wasserman ----- Adam Wasserman | CFO and Principal Financial and Accounting Officer | May 20, 2003 |

-25-

CERTIFICATIONS

I, Gary Wolfson, the Chief Executive Officer of Genesis Technology Group, Inc. certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Genesis Technology 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 registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

Edgar Filing: GENESIS TECHNOLOGY GROUP INC - Form 10-Q

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 20, 2003

/s/ Gary Wolfson

Gary Wolfson, Chief Executive Officer

-26-

CERTIFICATIONS

I, Adam Wasserman, Chief Financials Officer of Genesis Technology Group, Inc. certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Genesis Technology 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 registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of

Edgar Filing: GENESIS TECHNOLOGY GROUP INC - Form 10-Q

the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 20, 2003

/s/ Adam Wasserman

Adam Wasserman, Chief Financial Officer