GENESIS TECHNOLOGY GROUP INC
Form 10QSB
May 18, 2004

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, 2004
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 incorporation or organization)	(I.R.S. Employer 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 1, 2004 45,784,570 outstanding shares of common stock, $.001 par value per share.

GENESIS TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
FORM 10-QSB
QUARTERLY PERIOD ENDED MARCH 31, 2004
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GENESIS TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
March 31, 2004
(Unaudited)

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	$ 2,475,791
Marketable equity securities	18
Accounts receivable (net of allowance for doubtful accounts of $10,700)	603,397
Inventories	195,535
Prepaid expenses and other	254,185

Total Current Assets	3,528,926
PROPERTY AND EQUIPMENT - Net	108,617
OTHER ASSETS:	
Goodwill	10,540
Marketable equity securities - restricted	34,500
Other assets	49,105
Total Other Assets	94,145
Total Assets	$ 3,731,688

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:	
Loans payable	$ 120,773
Loans payable - related parties	197,318
Accounts payable and accrued expenses	578,756
Deferred revenue	43,333
Due to related party	362,319
Total Current Liabilities	1,302,499
MINORITY INTEREST	35,895
STOCKHOLDERS' EQUITY:	
Convertible preferred stock series A ($.001 Par Value; 218,000 Shares Authorized; 160,000 shares issued and outstanding)	160
Common stock ($.001 Par Value; 200,000,000 Shares Authorized; 42,530,794 shares issued and outstanding)	42,531
Additional paid-in capital	17,369,195
Accumulated deficit	(14,685,111)
Less: Deferred compensation	(118,979)
Less: Subscriptions receivable	(51,267)
Accumulated other comprehensive loss	(163,235)
Total Stockholders' Equity	2,393,294
Total Liabilities and Stockholders' Equity	$ 3,731,688

See notes to unaudited consolidated financial statements

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

	For the Three Months Ended March 31	
	2004	2003
	(Unaudited)	(Unaudited)
NET REVENUES	$ 6,356,179	$ 5,881,487
COST OF SALES	6,135,680	5,673,501
GROSS PROFIT	220,499	207,986
OPERATING EXPENSES:		
Consulting	22,738	138,451
Salaries and non-cash compensation	394,054	113,067
Selling, general and administrative	264,295	259,863
Total Operating Expenses	681,087	511,381
LOSS FROM OPERATIONS	(460,588)	(303,395)
OTHER INCOME (EXPENSE):		
Gain (loss) from sale of marketable securities	(15,257)	763
Settlement income	-	-
Interest expense, net	1,347	(2,380)
Total Other Income (Expense)	(13,910)	(1,617)
LOSS BEFORE DISCONTINUED OPERATIONS AND MINORITY NTEREST	(474,498)	(305,012)
DISCONTINUED OPERATIONS:		
Loss from discontinued operations	-	(336)
Total Loss from Discontinued Operations	-	(336)
LOSS BEFORE MINORITY INTEREST	(474,498)	(305,348)
MINORITY INTEREST IN INCOME OF SUBSIDIARY	129	-

NET LOSS	(474,369)	(305,348)
BENEFICIAL CONVERSION FEATURE - PREFERRED STOCK	(500,000)	-
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ (974,369)	$ (305,348)
LOSS PER COMMON SHARE - BASIC AND DILUTED		
Loss from continuing operations	$ (0.02)	$ (0.01)
Loss from discontinued operations	-	(0.00)
Net loss per common share - basic and diluted	$ (0.02)	$ (0.01)
Weighted Common Shares Outstanding - basic and diluted	40,641,580	31,667,600

See notes to unaudited consolidated financial statements

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

	For the six Months March 31,	
	2004	2003
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loss from continuing operations	$ (613,121)	(723,364)
Adjustments to reconcile loss from continuing operations to net cash used in operating activities:		
Depreciation and amortization	12,762	4,133
(Gain) loss on sale of marketable securities	(13,999)	11,904
Settlement income	(196,650)	-
Stock-based compensation	502,951	329,864
Minority interest	834	-
Loss on disposal of property and equipment	2,984	-
Changes in assets and liabilities:		
Accounts receivable	(336,470)	37,785
Inventories	51,379	155,668
Prepaid and other current assets	(28,005)	(73,733)
Other assets	41,001	(29,334)
Accounts payable and accrued expenses	385,234	197,832
Deferred revenues	(72,500)	(15,000)

NET CASH USED IN CONTINUING OPERATING ACTIVITIES	(263,600)	(104,245)
Income from discontinued operations	-	(320)
Adjustments to reconcile income from discontinued operations to net cash provided by (used in) discontinued operating activities:		
Net decrease in net liabilities from discontinued operations	-	4,772
NET CASH PROVIDED BY (USED IN) DISCONTINUED OPERATING ACTIVITIES	-	4,452
NET CASH USED IN OPERATING ACTIVITIES	(263,600)	(99,793)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of marketable securities	233,551	12,826
Capital expenditures	(6,941)	(1,785)
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	226,610	11,041
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of preferred stock, net	1,902,475	-
Proceeds from notes payable	97,172	-
Due to related party	13,207	5,392
Proceeds from exercise of stock options	315,550	288,089
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	2,328,404	293,481
EFFECT OF EXCHANGE RATE CHANGES IN CASH	(421)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,290,993	204,729
CASH AND CASH EQUIVALENTS - beginning of year	184,798	57,574
CASH AND CASH EQUIVALENTS - end of period	$ 2,475,791	$ 262,303
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Noncash investing and financing activities: Marketable securities exchanged for debt	$ -	$ 51,000

Common stock issued for debt	$ 101,533	$ 140,000
Common stock and stock subscriptions receivable cancelled	$ -	$ 137,317
Common stock issued for subscription receivable	$ -	$ 269,100

See notes to unaudited consolidated financial statements.

GENESIS TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2004
(UNAUDITED)

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

The Company

Genesis Technology Group, Inc. (the "Company" or "Genesis") is a business development firm that specializes in assisting small and mid-sized companies in entering the Chinese market. The Company's strategy includes marketing itself as a resource for these companies in marketing, distribution, manufacturing, forming joint ventures, or establishing a base in China. As a part of that strategy, the Company has become a member of the Shanghai Technology Stock (Property Rights) Exchange, an organization that promotes the influx of technology into China. The Company also has acquired companies in the U.S. and China for the purposes of further developing these companies, with operational, managerial and financial support. The strategy also envisions and promotes opportunities for synergistic business relationships among all of the companies that Genesis works with, both clients and subsidiaries.

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, 2003 and notes thereto contained on Form 10-KSB of the Company as filed with the Securities and Exchange Commission. The results of operations for the six months ended March 31, 2004 are not necessarily indicative of the results for the full fiscal year ending September 30, 2004.

Net income (loss) per share

Basic loss 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.

Inventories

Inventories, consisting of computer equipment and accessories, are stated at the lower of cost or market utilizing the first-in, first-out method, and are located in China.

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GENESIS TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
March 31, 2004
(UNAUDITED)

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

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, 2004. All marketable securities are classified as available for sale at March 31, 2004. 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.

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 the average exchange rate for the period to approximate translation at the exchange rate 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, 2004, the exchange rate for the Chinese Renminbi (RMB) was $1 US for 8.28 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 the average rate 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, 2004 was not material.

GENESIS TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
March 31, 2004
(UNAUDITED)

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

Stock-based compensation

The Company accounts for stock options issued to employees in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. As such, compensation cost is measured on the date of grant as the excess of the current market price of the underlying stock over the exercise price. Such compensation amounts, if any, are amortized over the respective vesting periods of the option grant. The Company adopted the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" and SFAS 148, "Accounting for Stock-Based Compensation -Transition and Disclosure", which permits entities to provide pro forma net income (loss) and pro forma earnings (loss) per share disclosures for employee stock option grants as if the fair-valued based method defined in SFAS No. 123 had been applied. The Company accounts for stock options and stock issued to non-employees for goods or services in accordance with the fair value method of SFAS 123.

Had compensation cost for the stock option plan been determined based on the fair value of the options at the grant dates consistent with the method of SFAS 123, "Accounting for Stock Based Compensation", the Company's net loss and loss per share would have been changed to the pro forma amounts indicated below for the six months ended March 31, 2004 and 2003:

	2004	2003
Net loss as reported	$ (613,121)	$ (723,684)
Less: stock-based employee compensation included in reported net loss	124,650	-
Add: stock-based employee compensation expense determined under fair value based method, net of related tax effect	(82,743)	(149,920)
Pro forma net loss	$ (572,214)	$ (873,604)

Basic loss per share:		
As reported	$ (.12)	$ (.05)
Pro forma	$ (.13)	$ (.06)

The above pro forma disclosures may not be representative of the effects on reported net earnings for future years as options vest over several years and the Company may continue to grant options to employees.

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

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).

NOTE 2 - RELATED PARTY TRANSACTIONS

Due from related party

An officer of the Company advanced funds to the Company for working capital purposes. The advances are non-interest bearing and are payable on demand. At March 31, 2004, the Company did not owe this officer any funds. Additionally, a minority shareholder of the Company's Chorry (Zhaoli) subsidiary, advanced $362,319 to this subsidiary for working capital purposes. These advances are non-interest bearing and are payable on demand.

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, 2004 and 2003, the Company operated in two reportable business segments - (1) sale of computer equipment and accessories and (2) business development 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.

NOTE 3 - SEGMENT INFORMATION (Continued)

Information with respect to these reportable business segments for the six months ended March 31, 2004 and 2003 is as follows: `

	For the Six Months Ended March 31, 2004	For the Six Months Ended March 31,2003
Net revenues:		
Computer Equipment and Accessories	$ 12,567,981	$ 10,989,842
Consulting Services	353,575	168,315
Consolidated Net Revenue	12,921,556	11,158,157
Cost of sales and operating expenses:		
Computer Equipment and Accessories	12,563,462	10,981,422
Consulting Services	1,139,786	875,743
Depreciation:		
Computer Equipment and Accessories	4,323	3,443
Consulting Services	8,439	4,133
Interest (expense) income:		
Computer Equipment and Accessories	3,976	-
Consulting Services	(5,131)	(5,000)
Net Income (Loss):		
Computer Equipment and Accessories	$ 3,338	$ 5,097
Consulting Services	(616,459)	(728,781)
Net Loss	$ (613,121)	$ (723,684)
Total Assets at March 31,2004 and 2003:		
Computer Equipment and Accessories	$ 1,147,668	$ 440,308
Consulting Services	2,584,020	760,750
Consolidated Asset Total	$ 3,731,688	$ 1,201,058

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GENESIS TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
March 31, 2004
(UNAUDITED)

NOTE 3 - SEGMENT INFORMATION (Continued)

For the six months ended March 31, 2004 and 2003, the Company derived approximately 97% and 99% of its revenue from its subsidiaries located in the People's Republic of China, respectively. Sales and identifiable assets by geographic areas for the six months ended March 31, 2004 and 2003, and as of March 31, 2004, respectively, were as follows:

	Revenues For the Six Months Ended March 31, 2004	Revenues For the Six Months Ended March 31, 2003	Identifiable Assets at March 31, 2004
United States	$ 375,044	$ 161,175	$ 2,419,855
China	12,546,512	10,996,982	1,331,833
Total	$ 12,921,556	$ 11,158,157	$ 3,731,688

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.

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

NOTE 4 - 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 was payable on April 1, 2003. In the event of default of the loan agreement, the lender is to receive shares of the Company's common stock at a 25% discount to the average closing price of the previous 20 trading days of the Company's common stock equal to the total amount due to the lender. As of March 31, 2004, this loan remains unpaid. The lender has not provided the Company with a notice of default.

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, 2004, no conversion had occurred. As of March 31, 2004, the loan remains unpaid.

In January 2004, the Company's subsidiary, Yastock, borrowed $97,318 from an officer of the Company. The loan is non-interest bearing, is unsecured, and is payable on June 30, 2004. As of March 31, 2004, the loan remains unpaid.

The Company's Chinese subsidiary, Chorry (Zhaoli), entered into a loan agreement with a Chinese bank to borrow $120,773. The loan bears interest at a rate of 5.85% per annum and is payable prior to March 25, 2005.

NOTE 5 - 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.

In January 2004, the Board of Directors established a Series A 6% Cumulative Convertible Preferred Stock (the "Series A Preferred Stock") authorized to be issued by the Company, with the designations and amounts thereof, together with the voting powers, preferences and relative, participating, optional and other special rights of the shares of each such series, and the qualifications, limitations or restrictions as follows:

NOTE 5 - STOCKHOLDERS' EQUITY (Continued)

Preferred stock (continued)

The number of shares of Series A Preferred Stock shall be 218,000. Each share of Series A Preferred Stock shall have a stated value equal to $10 (as adjusted for any stock dividends, combinations or splits with respect to such shares) (the "Stated Value"), and $.001 par value.

The Holders of outstanding shares of Series A Preferred Stock are entitled to receive preferential dividends in cash out of any funds of the Company legally available at the time for declaration of dividends before any dividend or other distribution will be paid or declared and set apart for payment on any shares of any Common Stock, or other class of stock presently authorized or to be authorized (the Common Stock, and such other stock being hereinafter collectively the "Junior Stock") at the rate of 6% simple interest per annum on the Stated Value per share payable quarterly commencing with the period ending March 31, 2004 when as and if declared. At the Holder's option, however, the dividend payments may be made in additional fully paid and non assessable shares of Series A Preferred Stock at a rate of one share of Series A Preferred Stock for each $10 of such dividend not paid in cash.

Shares of Series A Preferred Stock shall have the following conversion rights and obligations:

(a) Subject to the further provisions in the agreement, each Holder of shares of Series A Preferred Stock shall have the right at any time commencing after the issuance to the Holder of Series A Preferred Stock, to convert such shares into fully paid and non-assessable shares of Common Stock of the Company determined in accordance with the Conversion Price as defined below (the "Conversion Price"). All issued or accrued but unpaid dividends may be converted at the election of the Holder simultaneously with the conversion of principal amount of Stated Value of Series A Preferred Stock being converted.

(b) The number of shares of Common Stock issuable upon conversion of each share of Series A Preferred Stock shall equal (i) the sum of (A) the Stated Value per share and (B) at the Holder's election accrued and unpaid dividends on such share, divided by (ii) the Conversion Price. The Conversion Price shall be, at the election of the Holder, the lesser of: (x) $.36, or (y) 80% of the Closing Bid Price for the trading day immediately preceding the initial purchase of Series A Preferred Stock by the first Holder thereof. The Closing Bid Price shall mean the closing bid price of the Corporation's Common Stock as reported by the Bloomberg L.P. OTC Bulletin Board or the principal exchange or market where traded.

NOTE 5 - STOCKHOLDERS' EQUITY

Preferred stock (continued)

On January 16, 2004, the Company consummated a securities purchase agreement under which the Company agreed to issue $2,000,000 stated value of its newly created Series A Preferred Stock to several institutional investors. On January 16, 2004 the Company closed its initial Series A Preferred Stock and issued 100,000 shares of Series A Preferred Stock ($1,000,000 stated value) for net proceeds of $944,987. The Series A Preferred Stock is convertible at $0.232 per share. In addition, the Company issued warrants to purchase 215,517 shares of its common stock at $0.3045 on the initial closing.

On March 31, 2004, the Company closed on the remaining balance of its Series A Preferred Stock with various institutional investors. As part of this closing phase, the Company issued 100,000 shares of Series A Preferred Stock ($1,000,000 stated value) for net proceeds of $957,488. These shares of Series A Preferred Stock are convertible into common stock at $0.232 per share, and included warrants to purchase 215,517 shares of its common stock exercisable at $0.3045.

On the date of issuance of the Series A Preferred Stock, the effective conversion price was at a discount to the price of the common stock into which it was convertible. The Company recorded a $500,000 preferred stock dividend related to the beneficial conversion feature.

In connection with the preferred stock offering, the Company paid a broker's fee to a financial institution of $90,000 and issued warrants to purchase a total of 300,000 shares of its common stock exercisable at $0.3045.

In March 2004, Series A preferred stockholders' converted 40,000 share of Series A Preferred Stock into 1,740,469 shares on common stock.

Common stock

In March 2004, the Company issued 1,740,469 shares of common stock in connection with the conversion of 40,000 shares of Series A Preferred Stock.

On March 29, 2004, the Company issued an aggregate of 240,000 shares of its common stock to officers for services rendered. The Company valued these shares at $0.245 per share and recorded stock-based compensation expense relating to this issuance of $58,800.

GENESIS TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
March 31, 2004
(UNAUDITED)

NOTE 5 - STOCKHOLDERS' EQUITY (continued)

Stock options and warrants

In connection with the preferred stock funding, the Company granted warrants to purchase 731,034 shares of its common stock at $0.3045. The Warrants shall be exercisable for five years after the issue dates of the Warrants.

A summary of outstanding options and warrants at March 31, 2004 are as follows:

	Number of Options and Warrants	Weighted Average Exercise Price
Stock options and warrants		
Balance at October 1, 2003	10,910,000	$ 0.18
Granted	1,948,535	0.18
Exercised	(3,755,501)	0.14
Forfeited	(500,000)	0.37
Balance at March 31. 2004	8,603,034	$ 0.20

Options exercisable at end of period	8,603,034	$ 0.20
Weighted average fair value of options granted during the period		$ 0.18

The following table summarizes information about employee stock options and consultant warrants outstanding at March 31, 2004:

Options and Warrants Outstanding				Options and Warrants Exercisable	
Range of Exercise Price	Number Outstanding at March 31, 2004	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at March 31, 2004	Weighted Average Exercise Price
$ 0.60-2.25	450,000	1.25 Years	$ 1.52	450,000	$ 1.52
0.23-0.36	1,501,034	4.10 Years	0.24	1,501,034	0.24
0.05-0.15	6,652,000	4.00 Years	0.09	6,652,000	0.09
	8,603,034		$ 0.20	8,603,034	$ 0.20

GENESIS TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
March 31, 2004
(UNAUDITED)

NOTE 6 - SETTLEMENT INCOME

On December 31, 2003, the Company settled its litigation against Hy-Tech Technology Group, Inc. ("HYTT"). The Settlement Agreement resulted in the Company accepting 3,750,000 common shares of restricted Hy-Tech Technology Group, Inc. stock (OTCBB: HYTT). In a related matter, the Company conveyed 300,000 of those shares to Elite Financial Communications Group, which had initially introduced the Company to key principals among the HYTT parties. In connection with the settlement, the Company recorded settlement income of $196,650 based on the fair market value of 3,450,000 net shares that the Company received.

NOTE 7 - SUBSEQUENT EVENTS

In April 2004, Series A preferred stockholders' converted 57,500 share of Series A Preferred Stock into 2,478,732 shares on common stock.

On April 6, 2004, the Company's Board of Directors authorized, approved and adopted the 2004 Stock Option Plan (the "Plan") covering 10,000,000 shares of common stock. As of April 21, 2004, 5,650,250 shares underlying options had been granted under the Plan. The purpose of the Plan is to encourage stock ownership by the Company's officers, directors, key employees and consultants, and to give such persons a greater personal interest in the success of our business and an added incentive to continue to advance and contribute to us.

ITEM 2.MANAGEMENT'S DISCUSSION AND ANALYSIS OR 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, 2003 and notes thereto contained in this Report on Form 10-KSB of Genesis Technology Group, Inc.

This report on Form 10-KSB 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

We are an international company with operations in the United States and the People's Republic of China. Our computer equipment and accessories division represented approximately 97% of our consolidated revenues for the six months ended March 31, 2004 and approximately 96% of our consolidated revenues for the fiscal year ended September 30, 2003. Our consulting services division represented approximately 3% our consolidated revenues for the six months ended March 31, 2004 and approximately 4% of our consolidated revenues for the fiscal year ended September 30, 2003.

We believe that the computer and equipment accessories division of our business will become a less significant phase of our operations in future periods as we expand our consulting services segment. We believe that as we further develop our consulting services segment, more opportunities to expand our operations through acquisitions will also be presented to us. It is critical to our long-term business model to both increase our revenues from the consulting services segment of our existing business, as well as to diversify our revenue base. By virtue of the nature of our consulting services and the professional experience of our management and directors, we interact with a number of both U.S. and Chinese companies. Through this broadening of our relationship base, we believe that we will be able to not only provide better services to our client companies, but we will have certain advantages over other companies our size when it comes to identifying and closing acquisitions.

Our computer equipment and accessories division is an established business which can grow internally without significant additional capital. The fee-based structure of our consulting services division is such that if our client company is successful in its particular venture, we can earn additional fees. These fees could range from a flat cash fee, to a fee which includes a combination of equity in our client and a success fee payable upon the completion of transactions such as acquisitions, formations of joint ventures, or licensing or selling technologies in China, to a solely performance based fee upon the completion of the project. We do not intend to operate as an investment company or become subject to the Investment Company Act of 1940. However, in order to materially grow our business we will need to raise additional working capital. Capital will typically be needed not only for the acquisition of additional companies, but also for the effective integration, operations and expansion of these businesses.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR RESULTS OF OPERATIONS (continued)

There are no assurances we will be able to raise additional capital. If we are unable to secure additional capital as need, this inability will in all likelihood hamper or restrict our ability to acquire and integrate additional companies and to otherwise increase our revenues in future periods.

Our consulting service division is an international business development firm that specializes in leading and assisting companies in penetrating the Chinese market for business development and commerce, as well as assisting Chinese companies in penetrating the US market or listing in the US public market. We have a seat as a member of the Shanghai Technology Stock (Property Rights) Exchange, an organization that promotes the influx of technology into China

In January, the Company signed a collaboration agreement with Global Boardroom Solutions (GBS), a private business development firm that focuses on Latin America. GBS management has a combined history of nearly 30 years in South America running the operations for Xerox, Ryder, Purina and other major multi-nationals. Genesis proposed bridging the economic interests of China and Latin America, and the GBS executives, Dennis Custage and Nolan (Bud) Robyn, accompanied Gary Wolfson and Xun Mei DelSesto from Genesis on a 2-week trip to China in April. As a result, the collaboration agreement is being significantly expanded and should result in the creation of Genesis Latin American Ventures, of which Genesis will own 51% and GBS 49%, with both parties providing pro rata funding. This Latin American initiative could result in increased revenues to Genesis in the next 6-24 months, but numerous details must be completed before actual business activities can commence.

After receiving the $2 million in funding through the private placement, the Company is planning to undertake a merger and acquisition program. No mergers or acquisitions have been completed to date, but several are in advanced negotiations. These include--but are not limited to--such prospects as: a prominent paper packaging company in Ningbo, a 22-year-old computer reseller of China-manufactured hardware in Latin America, a Beijing software company, a telecommunications service company that could complement the Company's current Shanghai license, sourcing product for a US hardware reseller, plus other prospects. While every effort is being expended to complete the best of these transactions, it is speculative to forecast if and when any of these will be consummated.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR RESULTS OF OPERATIONS (continued)

FOREIGN EXCHANGE CONSIDERATIONS

Because revenues from our operations in the PRC accounted for approximately 97% and approximately 98% of our consolidated net revenues for the six months ended March 31, 2004 and the fiscal year ended September 30, 2003, respectively, how we report net revenues from our PRC-based companies is of particular importance to understanding our financial statements. 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 respective balance sheet date. Revenues and expenses 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.

The functional currency of our Chinese subsidiaries, Chorry (Zhaoli) and Yastock, is the Chinese RMB, the local currency. The financial statements of the subsidiaries are translated to U.S. dollars using year-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, 2004 was not material.

RESULTS OF OPERATIONS

SIX MONTHS ENDED MARCH 31, 2004 COMPARED TO SIX MONTHS ENDED MARCH 31, 2003

CONSOLIDATED RESULTS:

The following discussion relates to our consolidated results of operations. Further discussion and analysis of operating results follows and is discussed by segment.

Revenues

For the six months ended March 31, 2004, we had consolidated revenues of $12,921,556 as compared to $11,158,157 for the six months ended March 31, 2003. This increase resulted substantially from increased revenues from our computer hardware and accessories segment as well as increased revenues from our business development and consulting segment and is discussed below.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR RESULTS OF OPERATIONS (continued)

Cost of Sales

For the six months ended March 31, 2004, cost of sales was directly related to our computer equipment and accessories segment and amounted to

$12,317,205 as compared to $10,825,454 for the six months ended March 31, 2003. This increase resulted substantially from increased revenue from our computer segment and is outlined below.

Operating Expenses

For the six months ended March 31, 2004, operating expenses which include consulting fees, rent, salaries and non-cash compensation, depreciation expense and other selling, general and administrative, were $1,398,805 as compared to $1,039,287 for the six months ended March 31, 2003.

Loss from sale/disposal of marketable securities

For the six months ended March 31, 2004, we recorded a loss from the sale of marketable securities of $13,333 as compared to a loss of $11,904 for the six months ended March 31, 2003.

Settlement income

On December 31, 2003, we settled our litigation against Hy-Tech Technology Group, Inc. ("HYTT"). The Settlement Agreement resulted in us accepting 3,750,000 common shares of restricted Hy-Tech Technology Group, Inc. stock (OTCBB: HYTT). In a related matter, we conveyed 300,000 of those shares to Elite Financial Communications Group, which had initially introduced us to key principals among the HYTT parties. In connection with the settlement, we recorded settlement income of $196,650 based on the fair market value of 3,450,000 net shares that we received.

Interest expense, net

Interest expense was $1,150 for the six months ended March 31, 2004 as compared to $4,876 for the six months ended March 31, 2003.

OVERALL

We reported a net loss for the six months ended March 31, 2004 of $(613,121) compared to a net loss for the six months ended March 31, 2003 of $(723,684). During the six months ended March 31, 2004, we recorded a preferred stock dividend of $500,000 related to the beneficial conversion feature of our Series A Preferred Stock. This translates to an overall per-share loss available to shareholders of ($.03) for the six months ended March 31, 2004 compared to per-share loss of ($.02) for the six months ended March 31, 2003.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR RESULTS OF OPERATIONS (continued)

RESULTS OF OPERATIONS BY SEGMENT:

Consulting Services Segment

Revenue for the six months ended March 31, 2004 was $353,575 as compared to $168,315 for the six months ended March 31, 2004. This revenue was generated from business development services. The increase in revenues was attributable to the fact that during fiscal 2003 and in the first and second quarter in fiscal 2004, we entered into business development contracts to assist companies in introducing their products into the Chinese marketplace. We have been aggressively marketing our business development services through round-table meetings and through our referral sources.

For the six months ended March 31, 2004, we incurred operating expenses of $1,148,225 as compared to $879,876 for the six months ended March 31, 2003. For the six months ended March 31, 2004, operating expenses consisted of rent of $34,122, consulting fees of $179,483, salaries and non-cash compensation of $652,718, and other selling, general and administrative expenses of $281,902. For the six months ended March 31, 2003, operating expenses consisted of rent of $45,320, consulting fees of $373,702, salaries and non-cash compensation of $220,837 and other selling, general and administrative expenses of $240,017. The increase in operating expenses was primarily attributable to the following:

(1) During the six months ended March 31, 2003, we incurred rent in an office on Minneapolis, MN which is now closed. Accordingly, our rent expense decreased during the six months ended March 31, 2004 as compared to March 31, 2003.

(2) Our consulting expense decreased to $179,483 for the six months ended March 31, 2004, from $373,702 for the three six months ended March 31, 2003. The decrease was due to decreased non-cash consulting expenses recorded during the six months ended March 31, 2003 in connection with the grant of stock options to consultants for services rendered.

(3) Salaries and non-cash compensation expense increased to $652,718 for the six months ended March 31, 2004 from $220,837 for the six months ended March 31, 2003, an increase of $431,881. In the latter part fiscal 2003, we increased our marketing and administrative staff by two persons. The remaining increase in salaries and non-cash compensation expense was attributable to the recording of non-cash compensation in connection with the granting of stock options to officers, employees, and directors and the issuance of common shares during the six months in March 31, 2004 for bonuses amounting to $135,060.

RESULTS OF OPERATIONS BY SEGMENT (continued):

Consulting Services Segment (continued)

(4) Other selling, general and administrative expenses increased to $273,463 for the six months ended March 31, 2004 from $235,884 for the six months ended March 31, 2003, an increase of $37,579. The increase was attributable to additional travel related expenses related to increased travel to China, and increased administrative and office expenses due to increased operations.

For the six months ended March 31, 2004 and 2003, we incurred interest expense of $5,131 and $4,876, respectively.

Computer Equipment and Accessories Segment

Revenues for the six months ended March 31, 2004 were $12,567,981 as compared to $10,989,842 for the six months ended March 31, 2003 from our subsidiary Chorry (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 required all companies by July 1, 2003 to issue all transaction receipts and invoices by using a printer and a computer in order to smooth its tax collections.

Cost of sales for Chorry (Zhaoli) for the six months ended March 31, 2004 amounted to $12,317,205 or 98% of net sales as compared to $10,825,454 or 98.5% of net sales for the six months ended March 31, 2003. We continue to experience low gross profit margins on our products sales.

For the six months ended March 31, 2004, operating expenses consisted of salaries of $72,537, rent expense of $75,602, and other selling, general and administrative expenses amounted to $101,276 as compared to other selling, general and administrative expenses of $158,063 for the six months ended March 31, 2003. In fiscal 2003, we incurred additional rent due our growing need for warehouse space. Additionally, due to increased net revenues, we increased our workforce.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2004, we had a cash balance of $2,475,791. As of March 31, 2004, our cash position by geographic area is as follows:

United States	$ 2,256,154
China	219,637
Total	$ 2,475,791

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR RESULTS OF OPERATIONS (continued)

On January 16, 2004, we consummated a securities purchase agreement under which we agreed to issue $2,000,000 stated value of its newly created Series A 6% Cumulative Convertible Preferred Stock (the "Series A Preferred Stock") to several institutional investors. The stated value of the Series A Preferred Stock is $10.00 per share. Through March 31, 2004, the Company sold 200,000 Series A Preferred shares for net proceeds of $1,902,475. We intend on using these proceeds for working capital purposes and to seek acquisition candidates.

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 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 revenues for business development services. Such investments often involve a high degree of risk and must be considered extremely speculative.

At March 31, 2004, our Company had stockholders' equity of $2,393,294. 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 $(263,600) for the six months ended March 31, 2004, as compared to net cash used in operations of $(104,245) for the six months ended March 31, 2003. For the six months ended March 31, 2004 we used cash to fund our net loss of $613,121 offset by non-cash items such as stock-based compensation of $502,951, depreciation expense of $12,762 and settlement income of $(196,650) as well as changes in assets and liabilities of $40,639. For the six months ended March 31, 2003 we used cash to fund our net loss of $723,364 offset by non-cash items such as stock-based compensation of $329,864, depreciation expense of $4,133, a loss on the sale of marketable securities of $11,904, as well as changes in assets and liabilities of $273,218.

Net cash provided by investing activities for the six months ended March 31, 2004 was $226,610 as compared to net cash provided by investing activities for the six months ended March 31, 2003 of $11,041. For six months ended March 31, 2004, we received $233,551 from the sale of marketable securities offset by cash used for capital expenditures of $(6,941). For the six months ended March 31, 2003, we received cash from the sale of marketable securities of $12,826 offset by cash used for capital expenditures of $(1,785).

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR RESULTS OF OPERATIONS (continued)

Net cash provided by financing activities were $2,328,404 for six months ended March 31, 2004 as compared to $293,481 for the six months ended March 31, 2003. For the six months ended March 31, 2004, net cash provided by financing activities related primarily to proceeds from the exercise of stock options and related party loans of $315,550 and $13,207, respectively, proceeds from the sale of preferred stock of $1,902,475, and proceeds from notes payable of $97,172. For the six months ended March 31, 2003, net cash provided by financing activities related to proceeds from related party loans of $5,392 and proceeds from the exercise of stock options of $288,089.

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.

CRITICAL ACCOUNTING POLICIES

A summary of significant accounting policies is included in Note 1 to the audited consolidated financial statements included in our filing on Form 10-KSB as filed with the Securities and Exchange Commission for the year ended September 30, 2003. 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 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.

We account for stock options issued to employees in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. As such, compensation cost is measured on the date of grant as the excess of the current market price of the underlying stock over the exercise price. Such compensation amounts, if any, are amortized over the respective vesting periods of the option grant. We adopted the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" and SFAS 148, "Accounting for Stock-Based Compensation -Transition and Disclosure", which permits entities to provide pro forma net income (loss) and pro forma earnings (loss) per share disclosures for employee stock option grants as if the fair-valued based method defined in SFAS No. 123 had been applied. We account for stock options and stock issued to non-employees for goods or services in accordance with the fair value method of SFAS 123.

Our revenues from the sale of products are recorded when the goods are shipped. Consulting income is recognized on a straight-line basis over the period of the service agreement. Deferred revenues relates to consulting revenues that is being recognized over the period of the service agreement.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR RESULTS OF OPERATIONS (continued)

Marketable equity securities consist of investments in equity of publicly traded and non-public domestic companies and are stated at market value based on the most recently traded price of these securities at March 31, 2004. All marketable securities are classified as available for sale at March 31, 2004. 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.

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. As experienced in Spring 2003, diseases such as SARS can significantly impact the PRC economy and affect the company productivity.

(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.

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

(d) Political risk

Currently, the PRC is in a period of growth and is openly promoting business development in order to bring more business into PRC. Additionally, the PRC allows a Chinese corporation to be owned by a 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 effort 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

ITEM 3. CONTROLS AND PROCEDURES

Our Chief Executive Officer and Chief Financial Officer (collectively, the "Certifying Officers") are responsible for establishing and maintaining disclosure controls and procedures for us. Based upon such officers' evaluation of these controls and procedures as of a date within 45 days of the filing of this Quarterly Report, and subject to the limitations noted hereinafter, the Certifying Officers have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in this Quarterly Report is accumulated and communicated to management, including our principal executive officers as appropriate, to allow timely decisions regarding required disclosure.

The Certifying Officers have also indicated that there were no significant changes in our internal controls or other factors that could significantly affect such controls subsequent to the date of their evaluation, and there were no corrective actions with regard to significant deficiencies and material weaknesses.

ITEM 3. CONTROLS AND PROCEDURES (continued)

Our management, including each of the Certifying Officers, does not expect that our disclosure controls or our internal controls will prevent all error and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and their can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of these inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Part II - OTHER INFORMATION

Item 1.Legal Proceedings

None

Item 2. Changes in Securities and Use of Proceeds

Preferred stock

In January 2004, the Board of Directors established a Series A 6% Cumulative Convertible Preferred Stock (the "Series A Preferred Stock") authorized to be issued by the Company, with the designations and amounts thereof, together with the voting powers, preferences and relative, participating, optional and other special rights of the shares of each such series, and the qualifications, limitations or restrictions as follows:

The number of shares of Series A Preferred Stock shall be 200,000 to five institutional investors. Each share of Series A Preferred Stock shall have a stated value equal to $10 (as adjusted for any stock dividends, combinations or splits with respect to such shares) (the "Stated Value"), and $.001 par value.

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Item 2. Changes in Securities and Use of Proceeds (continued)

On January 16, 2004, we consummated a securities purchase agreement under which the Company agreed to issue $2,000,000 stated value of its newly created Series A Preferred Stock to several institutional investors. On January 16, 2004, we closed our initial Series A Preferred Stock and issued 100,000 shares of Series A Preferred Stock ($1,000,000 stated value) for net proceeds of $944,987. The Series A Preferred Stock is convertible at $0.232 per share. In addition, we issued warrants to purchase 215,517 shares of its common stock at $0.3045 on the initial closing

On March 31, 2004, we closed on the remaining balance of its Series A Preferred Stock with various institutional investors. As part of this closing phase, we issued 100,000 shares of Series A Preferred Stock ($1,000,000 stated value) for net proceeds of $957,488. These shares of Series A Preferred Stock are convertible into common stock at $0.232 per share, and included warrants to purchase 215,517 shares of its common stock exercisable at $0.3045.

The issuance of these shares are exampt under Rule 506 of Regulation D of the Securities act of 1933.

Common stock

In March 2004, we issued 1,740,469 shares of common stock in connection with the conversion of 40,000 shares of Series A Preferred Stock.The issuance of these shares are exampt under section (3)(A)(9) of the Securities act of 1933.

On March 29, 2004, we issued an aggregate of 240,000 shares of its common stock to officers for services rendered. The issuance of these shares are exampt under section 4(2) of the Securities act of 1933.

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(1) Exhibits

Exhibit Number	Description
31.1	Certification by Chief Executive Officer Pursuant to Section 302
31.2	Certification by Chief Financial Officer Pursuant to Section 302
32.1	Certification by Chief Executive Officer Pursuant to Section 906
32.2	Certification by Chief Financial Officer Pursuant to Section 906

Item 6. Exhibits and Reports on Form 8-K (continued)

(2) Reports on Form 8-K

On January 16, 2004, we reported that we consummated a securities purchase agreement under which we agreed to issue $2,000,000 stated value of our newly created Series A 6% Cumulative Convertible Preferred Stock (the "Series A Preferred Stock") to several institutional investors.

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 12, 2004.

GENESIS TECHNOLOGY GROUP, INC.

By: /s/ Gary Wolfson

Gary Wolfson
Chief Executive Officer

By: /s/ Adam Wasserman

Adam Wasserman
Chief Financial Officer