GENESIS TECHNOLOGY GROUP INC
Form 10QSB
May 24, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarter ended March 31, 2005

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

For the transition period from ________ to __________

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.)

7900 GLADES ROAD, SUITE 420
BOCA RATON, FLORIDA 33434
(Address of principal executive offices) (Zip Code)

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

777 YAMATO ROAD, SUITE 130
BOCA RATON, FLORIDA 33431 (Former
name or former address, if changed since last report)

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 April 30, 2005: 60,032,654 outstanding shares of common stock, $.001 par value per share.

GENESIS TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
FORM 10-QSB
QUARTERLY PERIOD ENDED MARCH 31, 2005
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GENESIS TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
March 31, 2005
(Unaudited)

ASSETS

CURRENT ASSETS:

Cash and cash equivalents ...
Marketable equity securities ...
Accounts receivable (net of allowance for doubtful accounts of $12,850) ...
Inventories ...
Prepaid expenses and other ...

Total Current Assets ....

PROPERTY AND EQUIPMENT - Net ....

OTHER ASSETS:
Goodwill ....
Marketable equity securities - restricted ....
Other assets ....

Total Other Assets ....

Total Assets ....

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:
Loan payable ....
Accounts payable and accrued expenses ....
Deferred revenue ....
Net liabilities of discontinued operation ....
Due to related party ....

Total Current Liabilities ....

MINORITY INTEREST ....

SHAREHOLDERS' EQUITY:
Preferred stock ($.001 Par Value; 20,000,000 Shares Authorized) ....
Convertible preferred stock Series A ($.001 Par Value; 218,000 Shares Authorized;
97,500 shares issued and outstanding) ....
Common stock ($.001 Par Value; 200,000,000 Shares Authorized;
60,032,654 shares issued and outstanding) ....
Additional paid-in capital ....
Accumulated deficit ....
Less: Deferred compensation ....
Accumulated other comprehensive loss ....

Total Shareholders' Equity ....

Total Liabilities and Shareholders' Equity ....

See notes to consolidated financial statements

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

	For the Three Months Ended March 31,		For th
	2005	2004	200
	(Unaudited)	(Unaudited)	(Unaud
NET REVENUES	$ 6,200,514	$ 6,356,179	$ 12,37
COST OF SALES	6,035,034	6,135,680	11,94
GROSS PROFIT	165,480	220,499	42
OPERATING EXPENSES:			
Consulting	34,984	22,738	7
Salaries and non-cash compensation	487,788	394,054	1,02
Severance expense	-	-	33
Selling, general and administrative	238,751	264,295	63
Total Operating Expenses	761,523	681,087	2,06
LOSS FROM OPERATIONS	(596,043)	(460,588)	(1,64
OTHER INCOME (EXPENSE):			
Gain (loss) from sale of marketable securities	-	(15,257)	
Settlement income	-	-	
Interest income (expense), net	(1,460)	1,347	
Total Other Income (Expense)	(1,460)	(13,910)	
LOSS BEFORE DISCONTINUED OPERATIONS AND MINORITY NTEREST	(597,503)	(474,498)	(1,64
DISCONTINUED OPERATIONS:			
Loss from disposal of discontinued operations	(441,328)	-	(44
Loss from discontinued operations	(211,905)	-	(31
Total Loss from Discontinued Operations	(653,233)	-	(75
LOSS BEFORE MINORITY INTEREST, ...	(1,250,736)	(474,498)	(2,39
MINORITY INTEREST IN (LOSS) INCOME OF SUBSIDIARY	(138)	129	
NET LOSS	(1,250,874)	(474,369)	(2,39
BENIFICIAL CONVERSION FEATURE-PREFERRED STOCK	-	(500,000)	
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ (1,250,874)	$ (974,369)	$ (2,39

BASIC AND DILUTED LOSS PER COMMON SHARE:			
Loss from continuing operations	$ (0.01)	$ (0.02)	$
Loss from discontinued operations	(0.01)	-	
Net loss per common share	$ (0.02)	$ (0.02)	$
Weighted Common Shares Outstanding - Basic and Diluted	59,690,756	40,641,580	58,05

See notes to consolidated financial statements

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

	For the
	2005
	(Unaudite
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss from continuing operations	$(1,641,1
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	7,8
Gain on sale of marketable securities	
Common stock issued and forgiveness of subscription for severance	88,1
Settlement income	
Severance expense	121,6
Stock-based compensation	674,8
Loss on disposal of property and equipment	
Minority interest	(8
Marketable securities received for services	(114,0
Marketable securities distributed for settlement	22,8
Changes in assets and liabilities:	
Accounts receivable	(233,6
Inventories	63,6
Prepaid and other current assets	(38,6
Other assets	8,3
Accounts payable and accrued expenses	311,6
Deferred revenue	(25,0
Net cash used in continuing operations activities	(754,5
Loss from discontinued operations	(754,4
Adjustments to reconcile loss from discontinued operations to net cash used in discontinued operating activities:	
Impairment of assets	441,3

Net increase in net liabilities of discontinued operations	108,3
Net cash used in discontinued operations	(204,7
NET CASH USED IN OPERATING ACTIVITIES	(959,2
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sale of marketable securities	
Capital expenditures	(2,7
NET CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	(2,7
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from sale of preferred stock,net	
Proceeds from notes payable	
Due to related parties	(172,8
Proceeds from exercise of stock options	25,9
NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES	(146,8
EFFECT OF EXCHANGE RATE CHANGES IN CASH	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,108,9
CASH AND CASH EQUIVALENTS - beginning of year	1,678,7
CASH AND CASH EQUIVALENTS - end of period	$ 569,7
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid for:	
Interest	$
Income taxes	$
Noncash investing and financing activities:	
Common stock issued for accrued salary and debt	$
Common stock issued for deferred compensation	$ 888,7

See notes to consolidated financial statements.

GENESIS TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005
(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 currently owns 80% of a Company in China (Shanghai Chorry Technology Development Company, Ltd. "Chorry") and 60% of a Florida company (Extrema, LLC), both of which sell computer hardware and peripherals, and derives approximately 99% of its revenues from the sale of computer hardware and peripherals. The Company's strategy includes marketing itself as a resource for small and mid-sized companies in marketing, distribution, manufacturing, forming joint ventures, or establishing a base in China. The strategy envisions and promotes opportunities for synergistic business relationships among all of the companies that Genesis works with, both clients and subsidiaries.

Recently, the Company incorporated a new subsidiary, Genesis (Hong Kong) OEM Direct, Ltd. (`GHK'). GHK's purpose is to consolidate certain sales channels and related trading activities of the Company. GHK leverages its position as first-tier distributor and its access to superior technology to develop and market LCD,s and LCD products. GHK is engaged in the IT products business and specializes in sale and export LCD products such as Panel PC's and LCD Monitors. The business relies on its close cooperation with numerous OEMs to offer high quality LCD products at the lowest cost. GHK has the advantage of a direct sales network, which bypasses several layers of middlemen and trading companies, to deliver the best products at the best prices. GHK can also accommodate Genesis clients in consummating transactions with the assistance of its banking relationship with Standard & Chartered Bank.

On May 1, 2005, the shareholders of Extrema unanimously agreed to discontinue the operations of Extrema because of (a) the disappointing performance of Extrema including continuing operating losses; (b) the Company's lack of ability to obtain working capital loans to finance the purchase of inventory and to finance accounts receivable (See Note 4); and (c) the Company's decision to consolidate all trading and sourcing activities into its new subsidiary , GHK, located in Hong Kong.

The accompanying unaudited consolidated financial statements have been prepared 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, 2004 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, 2005 are not necessarily indicative of the results for the full fiscal year ending September 30, 2005.

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GENESIS TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
March 31, 2005
(UNAUDITED)

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

NET 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. Diluted loss per common share is not presented because it is anti-dilutive. At March 31, 2005, there were options and warrants to purchase 10,140,406 shares of common stock, which could potentially dilute future earnings per share.

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 substantially in China.

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, 2005, 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, 2005 were not material.

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-value 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, 2005 and 2004:

	2005	2004
Net loss as reported	$(2,395,590)	$(613,121)
Less: stock-based employee compensation included in reported net loss	32,452	124,650
Add: stock-based employee compensation expense determined under fair-value based method, net of related tax effect	(57,655)	(82,743)
Pro forma net loss	$(2,420,793)	$(572,214)
Basic loss per share:		
As reported	$ (.04)	$ (.03)
Pro forma	$ (.04)	$ (.03)

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.

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GENESIS TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
MARCH 31, 2005
(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, 2005. All marketable securities are classified as available for sale at March 31, 2005. 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. For the purpose of computing realized gains and losses, cost is identified on a specific identification basis. For marketable securities for which there is an other-than-temporary impairment, an impairment loss is recognized as a realized loss.

NOTE 2 - RELATED PARTY TRANSACTIONS

Due to related party

A minority shareholder of the Company's Chorry subsidiary, advanced $362,319 to this subsidiary for working capital purposes. These advances are non-interest bearing and are payable on demand.

NOTE 3 - SEPARATION AND SEVERANCE AGREEMENT

On December 13, 2004, the Company entered into a Separation and Severance Agreement (the "Agreement") with its former Chairman/President, Dr. James Wang ("Dr.Wang"), Yastock Investment Consulting Company, Limited ("Yastock"), and Shanghai Yastand Information Technology Company, Limited ("Yastand"). The Agreement provides, effective December 13, 2004, the resignation of Dr. Wang as President, Chairman of the Board and as a director of the Company, and the termination of his Employment Agreement dated August 1, 2004, including all rights, benefits and obligations pursuant thereto. The Agreement provided for the following severance provisions:

(a) The Company transferred its ownership interest in Yastock and Yastand, free and clear of all liens, pledges, hypothecation, option, contract and other encumbrance, to the previous owners. In connection with this transfer, the Company incurred severance expense of $121,608.

(b) Yastock/Yastand shall transfer all rights and privileges of certain agreements to the Company.

(c) The Company issued Dr. Wang 562,500 shares of the Company's common stock ("Shares") pursuant to the Company's 2004 Stock Option Plan, which Shares are registered under an effective registration statement on Form S-8. In connection with issuance of these shares, the Company recorded severance expense of $61,875.

NOTE 3 - SEPARATION AND SEVERANCE AGREEMENT (CONTINUED)

(d) In December 2004, the Company paid Dr. Wang cash of $100,000 which was released from escrow after the Company filed its annual report on Form 10-KSB for the year ended September 30, 2004 with the Securities and Exchange Commission ("SEC") and the Annual Report was accepted by the SEC Edgar filing system. In connection with this cash payment, the Company recorded severance expense of $100,000.

(e) Dr. Wang will assist the Company in maintaining a positive relationship between the Company and its subsidiary, Chorry Technologies, Ltd.

(f) Dr. Wang's options ("Options") to purchase 1,500,000 shares ("Option Shares") of the Company's common stock at an exercise price of .06 cents per share received pursuant to the Employment Agreement and the Company's Non-Qualified Stock Option Plan shall terminate on December 31, 2005, unless exercised prior thereto.

(g) For a period of three (3) years, Wang, Yastock and Yastand shall not (i) without first obtaining the written consent of the Company, directly or indirectly, do business with any of the past or current customers of the Company, or (ii) directly or indirectly, solicit or proposition, or otherwise attempt to induce any of the customers of the Company to terminate their relationships with the Company.

(h) The Company transferred to Yastock 95,000 shares of Dragon International Group Corp. restricted common stock. In connection with the transfer of these shares, the Company recorded severance expense of $22,800.

NOTE 4 - DISCONTINUED OPERATIONS

Effective September 8, 2004, the Company acquired 60% of the common stock of Extrema LLC ("Extrema"), a Miami-based computer hardware wholesaler. On May 1, 2005, the shareholders of Extrema unanimously agreed to discontinue the operations of Extrema because of (a) the disappointing performance of Extrema including continuing operating losses; (b) the Company's lack of ability to obtain working capital loans to finance the purchase of inventory and to finance accounts receivable; and (c) the Company's decision to consolidate all trading and sourcing activities into its new subsidiary located in Hong Kong, GHK. Extrema is reported as a discontinued operation, and prior periods have been restated in the Company's financial statements and related footnotes to conform to this presentation.

NOTE 4 - DISCONTINUED OPERATIONS (CONTINUED)

The assets and liabilities of Extrema are presented in the balance sheet under the captions "Net liabilities of discontinued operation". The carrying amounts of the major classes of these assets and liabilities as of March 31, 2005 are summarized as follows:

Accounts receivable, net	$ 30,604
Accounts payable and accrued expenses	(239,576)
Net liabilities of discontinued operation	$(208,972)

The following table sets forth, for the periods indicated, selected financial data of the Company's discontinued operation.

	Six Months Ended March 31,	
	2005	2004

Revenue	$ 1,875,380	$ -
Cost of Sales	1,886,524	-
Gross Profit (loss)	(11,144)	-
Expenses	301,981	-
Loss from discontinued operations	(313,125)	-
Loss from disposal of discontinued operations	(441,328)	-
Total loss from discontinued operations	$ (754,453)	$ -

GENESIS TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
March 31, 2005
(UNAUDITED)

NOTE 5 - 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, 2005 and 2004, 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. Information with respect to these reportable business segments for the six months ended March 31, 2005 and 2004 is as follows:

	FOR THE SIX MONTHS ENDED MARCH 31, 2005	FOR THE SIX MONTHS ENDED MARCH 31, 2004
	(UNAUDITED)	(UNAUDITED)
NET REVENUES:		
Computer Equipment and Accessories	$ 12,231,661	$ 12,567,981
Consulting Services	139,087	353,575
Consolidated Net Revenue	12,370,748	12,921,556
COST OF SALES AND OPERATING EXPENSES:		
Computer Equipment and Accessories	12,227,982	12,563,462
Consulting Services	1,777,225	1,139,786
DEPRECIATION:		
Computer Equipment and Accessories	4,584	4,323
Consulting Services	3,280	8,439
INTEREST (EXPENSE) INCOME:		
Computer Equipment and Accessories	(2,381)	3,976
Consulting Services	2,910	(5,131)
DISCONTINUED OPERATIONS:		
Computer Equipment and Accessories	(754,453)	-
NET INCOME (LOSS):		

Computer Equipment and Accessories	$ (757,082)	$ 3,338
Consulting Services	(1,638,508)	(616,459)
NET LOSS	$ (2,395,590)	$ (613,121)
TOTAL ASSETS AT MARCH 31, 2005 AND 2004:		
Computer Equipment and Accessories	$ 1,301,341	$ 1,147,668
Consulting Services	898,660	2,584,020
Consolidated Asset Total	$ 2,200,001	$ 3,731,688

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GENESIS TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
March 31, 2005
(UNAUDITED)

NOTE 5 - SEGMENT INFORMATION (CONTINUED)

For the six months ended March 31, 2005 and 2004, the Company derived approximately 99% and 97% 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, 2005 and 2004 and as of March 31, 2005, respectively, were as follows:

	Revenues For the Six Months Ended March 31,		Identifiable Assets at March 31,
	2005	2004	2005
United States	$ 139,087	$ 375,044	$ 898,660
China	12,231,661	12,546,512	1,301,341
Total	$12,370,748	$12,921,556	$ 2,200,001

Currently, the Company's revenues are primarily derived from sale of computer equipment and accessories to customers in the People's 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.

NOTE 6 - LOAN PAYABLE

The Company's Chinese subsidiary, Chorry, 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, 2006.

NOTE 7 - STOCKHOLDERS' EQUITY

COMMON STOCK

On October 1, 2004, in connection with an employment agreement, the Company issued 1,000,000 shares of common stock to an executive. The Company valued these common shares at the fair market value on the dates of grant of $.175 per share or $170,000 based on the trading price of common shares. Accordingly, the Company recorded stock based compensation of $85,000 and deferred compensation of $85,000 which will be amortized over the remaining service period.

For the three months ended December 31, 2004, in connection with the exercise of stock options, the Company issued 463,889 shares of common stock to employees for net proceeds of $25,983 and the reduction of a subscription payable of $850.

NOTE 7 - STOCKHOLDERS' EQUITY (CONTINUED)

COMMON STOCK (CONTINUED)

On November 1, 2004, in connection with two employment agreements, the Company issued 6,250,000 shares of restricted common stock to executives. The Company valued these common shares at the fair market value on the dates of grant of $.115 per share or $718,750 based on the trading price of common shares. Accordingly, the Company recorded stock-based compensation expense of $299,479 and deferred compensation of $419,271 which will be amortized over the remaining service period.

On December 13, 2004, in connection with a severance and separation agreement, the Company issued 562,500 shares of the Company's common stock pursuant to the Company's 2004 Stock Option Plan. The Company valued these common shares at the fair market value on the dates of grant of $.11 per share or $61,875 based on the trading price of common shares and recorded settlement expense of $61,875.

On February 3, 2005, the Company issued 343,706 shares of common stock to two executives. The Company valued these common shares at the fair market value on the dates of grant of $.085 per share or $29,215 based on the trading price of common shares. Accordingly, for the six months ended March 31, 2005, the Company recorded stock-based compensation expense of $29,215.

On March 2, 2005, the Company issued 312,866 shares of common stock to two executives. The Company valued these common shares at the fair market value on the dates of grant of $.09 per share or $28,158 based on the trading price of common shares. Accordingly, for the six months ended March 31, 2005, the Company recorded stock-based compensation expense of $28,157.

STOCK OPTIONS AND WARRANTS

During the three months ended December 31, 2004 , 604,319 options were granted to an employee of the Company with an exercise price of $.06 per share. 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. In connection with these options, the Company recorded stock-based compensation of $32,452 during the three months ended December 31, 2004 under the intrinsic value method of APB 25.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
March 31, 2005
(UNAUDITED)

NOTE 7 - STOCKHOLDERS' EQUITY (CONTINUED)

A summary of outstanding options and warrants at March 31, 2005 are as follows:

Stock options and warrants	Number of Options and Warrants	Weighted Average Exercise Price
Balance at October 1, 2004	10,699,976	$ 0.180
Granted	604,319	0.060
Exercised	(463,889)	0.058
Forfeited	(700,000)	-
Balance at March 31, 2005	10,140,406	$ 0.126
Options exercisable at end of period	10,140,406	$ 0.126
Weighted average fair value of options granted during the period		$ 0.060

The following table summarizes information about employee stock options and consultant warrants outstanding at March 31, 2005:

Options and Warrants Outstanding				Options and Warrants Exercisable	
Range of Exercise Price	Number Outstanding at March 31, 2005	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at March 31, 2005	Weighted Average Exercise Price
$ 2.25	150,000	0.75 Years	$ 2.25	150,000	$ 2.25
0.23-0.34	861,034	2.50 Years	0.30	861,034	0.30
0.12-0.15	540,000	3.10 Years	0.14	540,000	0.14
0.05-0.10	8,589,372	3.50 Years	0.07	8,589,372	0.07
	10,140,406		$ 0.126	10,140,406	$ 0.126

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GENESIS TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
March 31, 2005
(UNAUDITED)

NOTE 8 - GOING CONCERN

The accompanying financial statements are prepared assuming the Company will continue as a going concern. During the six months ended year ended March 31, 2005, the Company incurred net losses of $2,395,590 and had negative cash flows from operations in the amount of $959,282. While the Company is attempting to increase sales and to reduce expenses, the growth of revenues and the reduction of expenses has not been significant enough to support the Company's daily operations. Management intends to attempt to raise additional funds by way of a public or private offering. While the Company believes in the viability of its strategy to increase sales volume, to decrease expenses and in its ability to raise additional funds, there can be no assurances to that effect.

NOTE 9 - SUBSEQUENT EVENT

In April 2005, the Company entered into an operating lease for its new corporate headquarters in Boca Raton, Florida that expires is May 2008. Monthly rent under this operating is approximately $3,500 per month plus common expenses and is subject to certain escalation clauses.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

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, 2004 and notes thereto contained in this Report on Form 10-KSB of Genesis Technology Group, Inc.

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

We are a business development firm that specializes in assisting small and mid-sized companies in entering the Chinese market. We currently own 80% of a Company in China (Shanghai Chorry Technology Development Company, Ltd. "Chorry") and 60% of a Florida company (Extrema LLC), both of which sell computer hardware and peripherals, and derives approximately 99% of its revenues from the sale of computer hardware and peripherals. The Company's strategy includes marketing itself as a resource for small and mid-sized companies in marketing, distribution, manufacturing, forming joint ventures, or establishing a base in China. The strategy envisions and promotes opportunities for synergistic business relationships among all of the companies that Genesis works with, both clients and subsidiaries.

Recently, the Company incorporated a new subsidiary, Genesis (Hong Kong) OEM Direct, Ltd. (`GHK'). GHK purpose is to consolidate certain sales channels and related trading activities. GHK leverages its position as first-tier distributor and its access to superior technology to develop and market LCD monitors and LCD products. GHK is engaged in the IT products business and specializes in sale and export LCD products such as Panel PC's and LCD Monitors. The business relies on its close cooperation with numerous OEMs to offer high quality LCD products at the lowest cost. GHK has the advantage of a direct sales network, which bypasses several layers of middlemen and trading companies, to deliver the best products at the best prices. Currently, GHK has no revenues.

The electronics market appears to be quite stable. However, profitability is difficult to achieve due to low margins, which are prevalent in this industry. Our revenues have remained constant. However, the cost of business is of increasing concern. If we cannot generate better margins and profits, we will act judiciously and consider selling our ownership in Chorry. Globally, electronics are increasingly competitive. We feel the best opportunities for

Genesis and our shareholders may lay in other compelling industries.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION (CONTINUED)

On May 1, 2005, the shareholders of Extrema unanimously agreed to discontinue the operations of Extrema because of (a) the disappointing performance of Extrema including continuing operating losses; (b) the Company's lack of ability to obtain working capital loans to finance the purchase of inventory and to finance accounts receivable; and (c) the Company's decision to consolidate all trading and sourcing activities into its new subsidiary located in Hong Kong, GHK.

We are currently evaluating our Chorry subsidiary and we may decide to sell this subsidiary in the near future. Our decision will be based on factors such as:

- Ability of Chorry to increase gross profit margins.
- Ability of Chorry to increase revenues enough to be become more profitable.
- Cost/benefit relationship of maintaining Chorry as a subsidiary. Currently, we incur professional fees related to Chorry associated with our SEC filings and we incur additional administrative expenses to maintain this subsidiary.
- Interest in purchasing Chorry from qualified parties.

Our 60% owned subsidiary, Extrema LLC, ceased U.S. operations which will contribute to the costs savings. For the six months ended March 31, 2005, Extrema is reported as a discontinued operation, and prior periods have been restated in the Company's financial statements and related footnotes to conform to this presentation. In connection with the closing of Extrema, we recorded a loss from discontinued operations of $754,453, including an operating loss attributable to Extrema of $313,125.

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.

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, operation and expansion of these businesses. 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.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION (CONTINUED)

We are engaged in a series of discussions for the purpose of entering into technology and sales alliances or possible acquisitions. Such discussions are ongoing and the Company anticipates that these negotiations will lead to the consummation of several critical contracts, agreements and/or alliances in the foreseeable future that will provide the Company with the ability to increase revenues and attain profitability through fiscal year 2005 and thereafter. While the Company has not signed any definitive agreements, the Company is actively seeking acquisitions or business opportunities to, among other things, increase revenues and improve stockholder value, which businesses or lines of business may or may not relate to the current core business of the Company.

We intend to continue to pursue acquisitions that we believe could complement or expand our business, or augment our market coverage. We seek companies or product lines that we believe have consistent historical cash flow and brand growth potential and can be purchased at a reasonable price. We also may acquire businesses that we feel could provide us with important relationships or otherwise offer us growth opportunities. We plan to fund our future acquisitions through bank financing, seller debt or equity financing and public or private equity financing. Although we are actively seeking acquisitions that will expand our existing products or add new lines of business, as of the date of this we have no agreements with respect to any such acquisitions, and there can be no assurance that we will be able to identify and acquire such businesses or obtain necessary financing on favorable terms. While we are seeking acquisitions that we believe would improve our financial results, a completed acquisition may not provide the anticipated financial results, thus leading to continuing net losses. Even if we achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis.

FOREIGN EXCHANGE CONSIDERATIONS

Because revenues from our operations in the PRC accounted for approximately 98% and 96% of our consolidated net revenues for the six months ended March 31, 2005 and for the fiscal year ended September 30, 2004, 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 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 each of March 31, 2005 and 2004 was not material.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION (CONTINUED)

RESULTS OF OPERATIONS

SIX MONTHS ENDED MARCH 31, 2005 COMPARED TO SIX MONTHS ENDED MARCH 31, 2004

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, 2005, we had consolidated revenues of $12,370,748 as compared to $12,921,556 for the six months ended March 31, 2004, a decrease of $550,808 or 4.3%. This decrease resulted from a decrease in revenues from our computer hardware and accessories and a decrease in our business development segment as discussed below.

Cost of Sales

For the six months ended March 31, 2005, cost of sales was directly related to our computer equipment and accessories segment and amounted to $11,946,293 as compared to $12,317,205 for the six months ended March 31, 2004. This decrease resulted substantially from decreased revenues from our computer segment and is outlined below.

Operating Expenses

For the six months ended March 31, 2005, operating expenses which include consulting fees, rent, salaries and non-cash compensation, depreciation expense and other selling, general and administrative, were $2,066,778 compared to $1,398,805 for the six months ended March 31, 2004, an increase of $667,973 or 47.8%. As discussed below, increases in operating expenses were attributable to the recording of non-cash compensation in connection with the granting of stock and stock options to officers and employees and the amortization of deferred compensation, and the recording of severance expense related to a severance and separation agreement that we signed with a former officer/director of the Company. During the six months ended March 31, 2005, travel related expenses increased due to increased travel to China as well as increased marketing costs associated with our Chinese round table events, and increased administrative and office expenses due to increased operations. Additionally, professional fee expenses increased attributable to legal and accounting expenses incurred in connection with our audits of our annual financial statements. Non-cash compensation increased due to the issuance of 7,250,000 restricted common shares to executives in October and November 2004, which have been valued at the fair market value on the dates of grant of $.115 to $.17 per share or $888,750 based on the trading price of common shares and which will be amortized over the service period. Additionally, at March 31, 2005, we had deferred compensation of $577,188, which will be amortized into expense during fiscal 2005.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION (CONTINUED)

Loss from sale/disposal of marketable securities

For the six months ended March 31, 2005, we recorded no gain or loss from the sale of marketable securities as compared to $(13,333) loss for the six months ended March 31, 2004.

Settlement income

On December 31, 2003, we settled our litigation against Innova Holdings, Inc. (formerly Hy-Tech Technology Group, Inc.) ("Innova"). The Settlement Agreement resulted in us accepting 3,750,000 common shares of restricted Innova stock (OTCBB: IVHG). 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 IVHG parties. As of March 31, 2005, Genesis still owned the entire 3,450,000 of IVHG, which is now free trading. 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 income (expenses) net was $529 for the six months ended March 31, 2005 as compared to interest expense, net of $(1,150) for the six months ended March 31, 2004.

Loss from discontinued operations

For the six months ended March 31, 2005, we recorded a loss from discontinued operations of $754,453 associated with the closure of our Extrema subsidiary. On May 1, 2005, the shareholders of Extrema unanimously agreed to discontinue the operations of Extrema because of (a) the disappointing performance of Extrema including continuing operating losses; (b) the Company's lack of ability to obtain working capital loans to finance the purchase of inventory and to finance accounts receivable; (c) and we moved and consolidated all trading and sourcing activities into our new Genesis Hong Kong OEM Direct branch.. In connection with the closure of Extrema LLC, we wrote off intangible assets and property equipment amounting to $441,328 that were impaired due to the closure. Additionally, we incurred operating losses of $313,125 related to this discontinued operation.

OVERALL

We reported a net loss for the six months ended March 31, 2005 of $2,395,590 compared to a net loss for the six months ended March 31, 2004 of $613,121. This translates to an overall per-share loss available to shareholders of $.04 for the six months ended March 31, 2005 compared to per-share loss of $.03 for three months ended March 31, 2004.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION (CONTINUED)

RESULTS OF OPERATIONS BY SEGMENT:

Computer Equipment and Accessories Segment

Revenues for the six months ended March 31, 2005 were $12,231,661 as compared to $12,567,981 for the six months ended March 31, 2004, a decrease of $336,320 or 2.7%. This decrease in sales mainly resulted from a decrease in demand from the China markets.

Cost of sales for Chorry for the six months ended March 31, 2005 amounted to $11,946,293 or 97.7% of net sales as compared to $12,317,205 or 98% of net sales for the six months ended March 31, 2004, a decrease of $370,912 or 3%. This translates in a gross profit margin of 2.3% and 2% for the six months ended March 31, 2005 and 2004, respectively. We expect to continue to experience low gross profit margins on our products sales.

For the six months ended March 31, 2005, we incurred operating expenses of $286,273 compared to $249,415 for the six months ended March 31, 2004, an increase of $36,858 or 14.8% and consisted of the following:

	2005	2004
Salaries	$ 82,866	$ 72,537
Rent	84,927	75,602
Other selling, general and administrative	118,480	101,276
Total operating expenses	$ 286,273	$ 249,415

During the six months ended March 31, 2005, we incurred additional rent of $9,325 due to our growing need for warehouse space. Additionally, during the six months ended March 31, 2005, we incurred increased salary expenses of $10,329 due to increases in our workforce. Other selling, general and administrative expenses incurred by Chorry increased by $17,204 due to an increase in freight charges, technology expenses and general administrative expenses.

Consulting Services Segment

Revenue for the six months ended March 31, 2005 was $139,087 as compared to $353,575 for the six months ended March 31, 2004, a decrease of $214,488 or 61%. During the six months ended March 31, 2005, we spent a substantial amount of time on administrative tasks related to a severance and separation agreement that was executed in December 2004 as well as issues related to our discontinued Extrema subsidiary. This diversion of time had a negative effect on our consulting revenues. We expect our revenues to increase during fiscal 2005 as we refocus our attention.

For the six months ended March 31, 2005, we incurred operating expenses of $1,780,505 as compared to $1,148,225 for the six months ended March 31, 2004, an increase of $632,280 or 55%. For the six months ended March 31, 2005, operating expenses consisted of rent of $42,726, consulting fees of $70,514, salaries and non-cash compensation of $943,579, severance expense of $329,343, and other selling, general and administrative expenses of $394,343. 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, other selling, general and administrative expenses of $281,902.

The increase in operating expenses was primarily attributable to the following:

* Our consulting expense decreased to $70,514 for the six months ended March 31, 2005 from $179,483 for the six months ended March 31, 2004. The

decrease was due to decreased non-cash consulting expenses recorded during the six months ended March 31, 2005 in connection with the grant of stock options to consultants for services rendered. For the six months ended March 31, 2005, non-cash consulting expense amounted to $0 as compared to $38,000 in the 2004 period. Additionally, during the six months ended March 31, 2004, we transferred to consultants 165,000 common shares received by a client for work performed and accordingly recorded consulting expense of $107,750 related to the transfer of these shares.

* Salaries and non-cash compensation expense increased to $943,579 for the six months ended March 31, 2005 from $652,718 for six months ended March 31, 2004, an increase of $290,861 or 44.6%. The increase in salaries and non-cash compensation expense was attributable to the recording of non-cash compensation in connection with the granting of stock and stock options to officers and employees and the amortization of deferred compensation which accounted for approximately $210,000 of the increase. The remaining increase was attributable to an increase in staff and an increase in executive salaries.

* During the six months ended March 31, 2005, we recorded severance expense of $332,533 related to a severance and separation agreement we signed with a former officer/director of the Company. In connection with this agreement, we paid cash of $100,000, issued common shares with a value of $61,875, reduced a subscription receivable of $26,250, distributed marketable securities with a value of $22,800, and incurred severance expense of $121,608 related to the distribution of the net assets of Yastock.

* Other selling, general and administrative expenses increased to $394,343 for the six months ended March 31, 2005 from $281,902 for the six months ended March 31, 2004, an increase of $112,441 or 39.9%. Travel related expenses increased by $2,535 or 6% to $44,652 for the six months ended March 31, 2005 as compared to $42,118 and related to increased travel to China. We incurred increased marketing costs associated with our Chinese round table events, and increased administrative and office expenses due to increased operations.

For the six months ended March 31, 2005, we incurred interest income, net of $2,910 as compared to interest expense of $(5,126) for the six months ended March 31, 2004.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS (CONTINUED)

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2005, we had a cash balance of $569,789. As of March 31, 2005, our cash position by geographic area is as follows:

United States	$ 365,771
China	204,018
Total	$ 569,789

On January 16, 2004, 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 to several institutional investors. The stated value of the Series A 6% Cumulative Convertible Preferred Stock is $10.00 per share. We had sold 200,000 Series A 6% Cumulative Preferred shares for net proceeds of $1,902,475. We are using these proceeds for working capital purposes and to seek acquisition candidates. We do not intend to sell any more Series A shares.

Net cash used in operations was $(959,282) for the six months ended March 31, 2005 as compared to net cash used in operations of $(263,600) for the six months ended March 31, 2004. For the six months ended March 31, 2005, we used cash to fund our net loss of $2,395,590 ($1,641,137 from continuing operations and $754,453 from discontinued operations) and recorded income from the receipt of marketable securities for services of $114,000 offset by non-cash items such as stock-based compensation of $674,824, depreciation and amortization expense of $7,864, and settlement expense of $232,533, impairment losses related to our discontinued operations of $441,328, as well as changes in assets and liabilities of $194,621. 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 expenses of $12,762 and settlement income of $(196,650) as well as changes in assets and liabilities of $40,639.

Net cash used in investing activities for the six months ended March 31, 2005 was $2,778 as compared to net cash provided by investing activities for the six months ended March 31, 2004 of $226,610. For the six months ended March 31, 2005, we used cash for capital expenditures of $2,778. For the six months ended March 31, 2004, we received cash from the sale of marketable securities of $233,551 offset by cash used for capital expenditures of $(6,941).

Net cash used in financing activities was $146,890 for the six months ended March 31, 2005 as compared to net cash provided by financing activities of $ 2,328,404 for the six months ended March 31, 2004. For the six months ended March 31, 2005, net cash used in financing activities related primarily to the repayment of related party advances of $172,873 offset by proceeds received from the exercise of stock options of $25,983. 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.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS (CONTINUED)

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, 2004. 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 are being recognized over the period of the service agreement.

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, 2005. All marketable securities are classified as available for sale at March 31, 2005. 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.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS

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

In December 2004, the FASB issued FASB Statement No. 123R, "Share-Based Payment, an Amendment of FASB Statement No. 123" ("FAS No. 123R"). FAS No. 123R requires companies to recognize in the statement of operations the grant- date fair value of stock options and other equity-based compensation issued to employees. FAS No. 123R is effective beginning in the Company's second quarter of fiscal 2006. We are in process of evaluating the impact of this pronouncement on our financial position.

In December 2004, the FASB issued SFAS Statement No. 153, "Exchanges of Non-monetary Assets." The Statement is an amendment of APB Opinion No. 29 to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. We believe that the adoption of this standard will have no material impact on our financial statements.

OPERATING RISK

(a) Country risk

Currently, the Company's revenues are primarily derived from the sale of computer equipment and accessories to customers in the People's Republic of China (PRC) and to customers in Brazil. The Company hopes to expand its operations to countries outside the PRC and Brazil, 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 and Brazil 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 competes with larger US companies who have greater funds available for expansion, marketing, research and development and the ability to attract more qualified personnel. These companies may be able to offer products at a lower price. There can be no assurance that the Company will remain competitive should this occur.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS (CONTINUED)

(c) Political risk

Currently, the PRC is in a period of growth and is openly promoting business development in order to bring more business into the 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.

(d) 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 and financial condition.

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 as of the end of the period covered by 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.

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 there 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. Unregistered Sales of Equity Securities and Use of Proceeds.

None

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

Effective September 8, 2004, the Company acquired 60% of the common stock of Extrema LLC ("Extrema"), a Miami-based computer hardware wholesaler. On May 1, 2005, the shareholders of Extrema unanimously agreed to discontinue the operations of Extrema because of (a) the disappointing performance of Extrema including continuing operating losses; (b) the Company's lack of ability to obtain working capital loans to finance the purchase of inventory and to finance accounts receivable; and (c) the Company's decision to consolidate all trading and sourcing activities into its new subsidiary located in Hong Kong, GHK.

Extrema is reported as a discontinued operation, and prior periods have been restated in the Company's financial statements and related footnotes to conform to this presentation. For the six months ended March 31, 2005, we recorded a loss from discontinued operations of $754,453 associated with the closure of our Extrema subsidiary. In connection with this closure, we wrote off intangible assets and property equipment amounting to $441,328 that were impaired due to the closure. Additionally, we incurred operating losses of $313,125 related to this discontinued operation.

Item 6. Exhibits

Exhibit Number	Description
31.1	Rule 13a - 14(a)/15d-14(a) Certification of the Chief Executive Officer *
31.2	Rule 13a - 14(a)/15d-14(a) Certification of the Chief Financial Officer *
32.1	Certification of Chief Executive Officer Certification under Section 906 *
32.2	Certification of Principal Financial and Accounting Officer Certification under Section 906 *

* Filed herein

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 23, 2005.

GENESIS TECHNOLOGY GROUP, INC.

By: /s/ Gary Wolfson

Gary Wolfson
Chief Executive Officer

By: /s/ Adam Wasserman

Adam Wasserman
Chief Financial Officer