GREENSMART CORP
Form 10QSB
August 01, 2003

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

FORM 10-QSB

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

For the Quarterly Period Ended June 30, 2003

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

For the transition period from _________ to _________

Commission File Number: 0-25963

GREENSMART CORPORATION
(Exact name of small business issuer as specified in its charter)

Delaware	98-0352588
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

Unit C11, 8th Floor, Wing Hing Industrial Building, 14 Hing Yip Street, Hong Kong
(Address of principal executive offices)

011-852-2519-3933
(Issuer's telephone number)

AGROCAN CORPORATION
Suite 706, Dominion Centre, 43-59 Queen's Road East, Hong Kong
(Former name, former address and former fiscal year, if changed since last report.)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]
As of June 30, 2003, the Company had 44,342,188 shares of common stock issued and outstanding.
Transitional Small Business Disclosure Format: Yes [ ] No [X]
Documents incorporated by reference: None.

GREENSMART CORPORATION

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PART I. FINANCIAL INFORMATION

PART 1. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

GREENSMART CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2003 AND SEPTEMBER 30, 2002
(UNITED STATES DOLLARS)

	(UNAUDITED) JUN 30, 2003	(AUDITED) SEP 30, 2002
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 43,414	$ 128,615
Accounts receivable, less allowance for doubtful accounts of $178,617	838,360	934,600
Other receivables and prepayments	82,598	132,399
Interest receivable	15,490	-
Inventories	4,113,319	284,886
Amount due from related parties, net	422,415	422,415
Deferred consulting fees	28,575	-
TOTAL CURRENT ASSETS	5,544,171	1,902,915
ADVANCES RECEIVABLE, NET	117,952	168,145
PROPERTY, PLANT AND EQUIPMENT - NET	764,145	673,209
TOTAL ASSETS	$ 6,426,268	$ 2,744,269

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES		
Short-term loans-unsecured	$ 296,411	$ 296,411
Short-term bank loan	114,458	120,482
Account payable	42,862	82,624
Other payables and accruals	40,140	139,903
Deposits received	269,145	296,375
Amount due to related parties	76,291	341,196
Income tax payable	73,149	72,263
TOTAL LIABILITIES, ALL CURRENT	912,456	1,349,254
MINORITY INTEREST	66,255	74,644
SHAREHOLDERS' EQUITY		
Preferred stock, par value US$0.0001 per share, authorized 10,000,000 shares; none issued	-	-
Common stock, par value US$0.0001 per share, authorized 100,000,000 shares; issued and outstanding 44,342,188 at June 30, 2003 and 3,673,304 at September 30, 2002	4,434	367
Capital in excess of par value	6,131,872	1,885,251
Retained earnings		
Unappropriated	(810,307)	(686,805)
Appropriated	120,457	120,457
Other comprehensive income	1,101	1,101
TOTAL SHAREHOLDERS' EQUITY	5,447,557	1,320,371
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 6,426,268	$ 2,744,269

See notes to consolidated financial statements

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GREENSMART CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
FOR THE THREE MONTHS ENDED JUNE 30, 2003 AND 2002
(UNITED STATES DOLLARS)

	2003	2002
NET SALES	$ 557,897	$ 622,109
COST OF SALES	493,699	503,874
GROSS PROFIT	64,198	118,235
ADMINISTRATIVE AND GENERAL EXPENSES	102,983	137,136
SELLING EXPENSES	29,939	29,610

LOSS FROM OPERATIONS	(68,724)	(48,511)
OTHER INCOME (EXPENSE)		
Interest income	5,133	5,920
Interest expense	(1,772)	(2,857)
LOSS BEFORE INCOME TAXES	(65,363)	(45,448)
INCOME TAXES	-	6,410
LOSS BEFORE MINORITY INTEREST	(65,363)	(51,858)
MINORITY INTEREST	1,605	3,224
NET LOSS	$ (63,758)	$ (48,634)
WEIGHT AVERAGE SHARES OUTSTANDING		
Basic and diluted	29,116,013	3,061,630
BASIC AND DILUTED LOSS PER SHARES	$ (0.00)	$ (0.02)

See notes to consolidated financial statements

GREENSMART CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
FOR THE NINE MONTHS ENDED JUNE 30, 2003 AND 2002
(UNITED STATES DOLLARS)

	2003	2002
NET SALES	$ 1,044,032	$1,197,145
COST OF SALES	862,998	978,160
GROSS PROFIT	181,034	218,985
ADMINISTRATIVE AND GENERAL EXPENSES	248,013	262,227
SELLING EXPENSES	64,570	46,165
LOSS FROM OPERATIONS	(131,549)	(89,407)
OTHER INCOME (EXPENSE)		
Interest income	15,727	17,888
Interest expense	(5,385)	(6,440)
LOSS BEFORE INCOME TAXES	(121,207)	(77,959)

INCOME TAXES	10,684	10,943
LOSS BEFORE MINORITY INTEREST	(131,891)	(88,902)
MINORITY INTEREST	8,389	4,416
NET LOSS	$ (123,502)	$ (84,486)
WEIGHT AVERAGE SHARES OUTSTANDING		
Basic and diluted	12,874,757	2,906,883
BASIC AND DILUTED LOSS PER SHARES	$ (0.01)	$ (0.03)

See notes to consolidated financial statements

GREENSMART CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED JUNE 30, 2003 AND 2002
(UNITED STATES DOLLARS)

	2003	2002
OPERATING ACTIVITIES		
Net loss	$ (123,502)	$ (84,486)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Common shares issued for directors' remuneration	60,000	90,000
Amortization of deferred consulting fees	9,525	-
Depreciation	69,322	56,176
Minority interest in net loss	(8,389)	(4,416)
Decrease in account receivable	96,240	240,546
Decrease in other receivables, deposit and prepayments	49,801	1,971
(Increase) in interest receivable	(15,490)	-
(Increase) in inventories	(38,526)	(324,683)
(Increase) in amounts due from related parties	-	(47,320)
(Decrease) in accounts payable	(39,762)	(112,207)
(Decrease) increase in tax payable	886	(12,087)
(Decrease) in other payables and accruals	(99,763)	(13,740)
(Decrease) increase in deposits received	(27,230)	290,156
(Decrease) increase in amounts due to related parties	(47,264)	13,263
Net cash provided by (used in) operating activities	(114,152)	93,173
INVESTING ACTIVITIES		
Decrease in advances receivable	50,193	-
Additions to property, plant and equipment	(15,218)	(40,458)

Net cash provided by (used in) investing activites	34,975	(40,458)
FINANCING ACTIVITIES		
Repayment of short term bank loan	(6,024)	(119,639)
Proceeds from short term loans - unsecured	-	36,145
Net cash used in financing activities	(6,024)	(83,494)
Net decrease in cash and cash equivalents	(85,201)	(30,779)
Cash and cash equivalents at beginning of period	128,615	71,309
Cash and cash equivalents at end of period	$ 43,414	$ 40,530
Supplemental schedule of non-cash investing and financing activities:		
Common shares issued for amount due to related parties	$ 277,641	$ 180,071
Common shares issued for consulting fees	$ 38,100	$ -
Common shares issued for assets acquisition	$3,934,947	$ -
Cash paid during the nine months for income taxes	$ 9,798	$ 23,030
Cash paid during the nine months for interest	$ 5,385	$ 6,440

See notes to consolidated financial statements

GREENSMART CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED JUNE 30, 2003 AND 2002
(UNAUDITED)
(EXPRESSED IN UNITED STATES DOLLARS)

1. THE INTERIM FINANCIAL STATEMENTS

The interim financial statements have been prepared by GreenSmart Corporation (formerly known as AgroCan Corporation) and in the opinion of management, reflect all material adjustments which are necessary to a fair statement of results for the interim periods presented, including normal recurring adjustments. Certain information and footnote disclosures made in the most recent annual financial statements included in our Form 10-KSB for the year ended September 30, 2002, have been condensed or omitted for the interim statements. It is our opinion that, when the interim statements are read in conjunction with the September 30, 2002 financial statements, the disclosures are adequate to make the information presented not misleading. The results of operations for the nine months ended June 30, 2003 and 2002 are not necessarily indicative of the operating results for the full fiscal year, as the Company's business fluctuates in accordance with planting seasons resulting in increased revenues in the second and third quarters.

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 amount of revenues and expenses during the reporting periods. Management makes these estimates using the best information available at the time the estimates are made; however, actual results could differ materially from those results.

On May 13, 2003, the Company executed an Asset Acquisition Agreement with Winsmart Development Limited. The basic terms of the agreement are that the Company issued to Winsmart 29,868,737 shares of the Company's common stock and Winsmart sold the Company i) approximately 553,212 young eucalyptus trees planted in a total of 340 leased hectares and ii) a tree seedlings and nursery farm with annual production capacity of 10 million seedlings situated on 3.3 leased hectares. The leased land is subject to a 50 year lease which is currently in its first year. The assets were valued based on an independent apprasial at $3,774,747 and the price of the Company's stock was determined to be $0.126 per share to arrive at the number of shares to issue to Winsmart.

2. INVENTORIES

Inventories at June 30, 2003 and September 30, 2002 are comprised of the following:
(Trees held for sale inventories are currently being marketed and are included in current assets, although a portion of these inventories may not be sold within one year.)

	JUNE 30, 2003 (UNAUDITED)	SEPTEMBER 30, 2002 (AUDITED)
	USD	USD
RAW MATERIALS	$ 139,216	$ 110,030
FINISHED GOODS	184,196	174,856
	$ 323,412	$ 284,886
TREES HELD FOR SALE	$ 3,475,919	--
SEEDLINGS	313,988	--
	$ 3,789,907	--
TOTAL INVENTORIES	$ 4,113,319	$ 284,886

3. SHORT-TERM LOANS

Short-term loans-unsecured represent amounts borrowed from third parties. Loans in the amount of $296,411 are unsecured, non-interest bearing and payable on demand.

As of June 30, 2003, the Company has a bank loan of $114,458. The bank loan bears interest at 6.04% per annum and is due on April 2004. The loan is guaranteed by a customer of the Company.

4. INCOME TAXES

During the nine months ended June 30, 2003, our subsidiaries recorded an income tax of $10,684. We are subject to income taxes on an entity basis on income arising in or derived from the tax jurisdiction in which each entity is domiciled. Our British Virgin Islands subsidiary is not liable for income taxes. Our PRC subsidiaries comprise two wholly owned foreign enterprises and a 70% held Sino-Foreign Equity Joint Venture. PRC Companies are generally subject to income taxes at an effective rate of 33% (30% Chinese national income tax plus 3% Chinese state income tax). Two of our PRC subsidiaries, Fenglin and Linmao, are manufacturing companies operating in special zones, and they are entitled to a reduced national income taxes rate of 24%. All the subsidiaries are exempt from state income tax. Further, pursuant to the approval of the relevant PRC tax authorities, all the subsidiaries have been granted a "tax holidays", whereby the subsidiaries are fully exempted from PRC income taxes for two years starting from the year profits are first made, followed by a 50% exemption for the next three

years. In 1999, the two-year, 100% exemption expired for Fenglin and Linmao, subjecting them to income tax at a rate of 12%. Effective January 1, 2001, the two-year, 100% exemption expired for Jiali and it became subject to income tax at a rate of 15%. Losses incurred by PRC companies may be carried forward for five years. Deferred tax assets and liabilities are not considered material at June 30, 2003 and 2002.

5. EARNINGS PER SHARE

Basic earnings per share is based on the weighted average shares of common stock outstanding. Diluted earnings per share assumes the conversion, exercise or issuance of all potential common stock instruments such as options, warrants and convertible securities, unless the effect is to reduce loss per share or increase earnings per share.

6. CHANGES IN SECURITIES

On May 13, 2003, the Board of Directors and stockholders approved an increase in the number of authorized common share to 100,000,000. During the nine months ended June 30, 2003, the Company issued 40,668,884 shares of common stock. Among those shares, 545,454 shares, with an aggregate value of $60,000, were issued to two of the Company's directors / officers in lieu of cash as remuneration for their services to the Company, 7,254,693 shares were issued to the shareholders in lieu of cash as repayment to the shareholders' loan of $217,641, and 3,000,000 shares (see Note 7.) with an aggregate value of $198,300 were issued to two dividuals in lieu of cash for their consulting services to the Company. In addition, 29,868,737 shares were issued to Winsmart Development Limited for the Assets Acquisition Agreement, with an aggregate value of $3,774,747. As disclosed on May 13, 2003 in a Form 8-K filing with the Securities and Exchange Commission, there was a change in control as a result of the shares issued to Winsmart Development Limited related to the Asset Acquisition Agreement.

7. CONSULTING AGREEMENTS

As disclosed on April 7, 2003 in a Form S-8 filing with the Securities and Exchange Commission, on March 28, 2003, the Company entered into one year consulting agreements with Winnex Enterprises Ltd. and Mr. Wong Wai Hung (the "Consultants"). The services to be rendered include assisting the Company through its relationships with potential sources on a best efforts basis in order to identity sources for the acquisition of the Company's equity securities in connection with up to $5,000,000. The agreement calls for 500,000 shares of freely tradable shares of common stock to be issued to each consultant upon the signing of the agreement. In accordance with SFAS 123 and EITF 96-18, the Company has accounted for the shares based on the fair market value of the Company's stock at the commencement date of the agreement, and the Company has recorded deferred consulting fees and consulting expense of $28,575 and $9,525, respectively as of June 30, 2003. In the event the consultants introduce the Company to any party that leads to merger and / or acquisition transaction with the Company that the Consultants will be compensated at the time of closing of the transaction a fee up to six percent each on the transaction based on the number of shares issued by the Company for the transaction.

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In connection with the assets acquired from Winsmart on May 13, 2003, the Company issued 2,000,000 shares to the Consultants for their service. The Company has capitalized and allocated an aggregate value of $160,200 to the assets acquired, which was based on the fair market value of the Company's stock at the date of acquisition.

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

Cautionary Statement Pursuant to Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995:

This Quarterly Report on Form 10-QSB for the quarterly period ended June 30, 2003 contains "forward-looking" statements within the meaning of the Federal securities laws. These forward-looking statements include, among others, statements concerning our expectations regarding sales trends, gross and net operating margin trends, political and economic matters, the availability of equity capital to fund our capital requirements, and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. The forward-looking statements in this Quarterly Report on Form 10-QSB for the quarterly period ended June 30, 2003 are subject to risks and uncertainties that could cause actual results to differ materially from those results expressed in or implied by the statements contained herein.

Overview:

GreenSmart Corporation (formerly known as AgroCan Corporation) was incorporated on December 8, 1997 in the State of Delaware. Effective December 31, 1997, we issued 1,598,646 shares of common stock, which represented all of the capital stock outstanding at the completion of this transaction, to the shareholders of AgroCan (China) Inc., a corporation incorporated in the British Virgin Islands, in exchange for all of the capital stock of AgroCan (China) Inc.

Prior to the above transaction, we had no material operations. The AgroCan (China) Inc. transaction was accounted for as a recapitalization of AgroCan (China) Inc., as the shareholders of AgroCan (China) Inc. acquired all of the capital stock of the company in a reverse acquisition. Accordingly, the assets and liabilities of AgroCan (China) Inc. were recorded at historical cost, and the shares of common stock issued by the company were reflected in the consolidated financial statements giving retroactive effect as if we had been the parent company from inception.

On May 13, 2003, we executed an Asset Acquisition Agreement with Winsmart Development Limited. The basic terms of the agreement are that we issued to Winsmart 29,868,737 shares of our common stock and Winsmart sold us i) approximately 553,212 young eucalyptus trees planted in a total of 340 leased hectares and ii) a tree seedlings and nursery farm with annual production capacity of 10 million seedlings situated on 3.3 leased hectares. The leased land is subject to a 50 year lease which is currently in its first year. The assets were valued based on an independent appraisal at $3,774,747 and the price of our stock was determined to be $0.126 per share to arrive at the number of shares to issue to Winsmart.

We, through AgroCan (China) Inc., currently own 100% interest in two wholly-owned subsidiaries, Guangxi Linmao Fertilizer Company Limited ("Guangxi Linmao") and Jiangxi Jiali

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Chemical Industry Company Limited ("Jiangxi Jiali"). We, through AgroCan (China) Inc., also own a 70% interest in Jiangxi Fenglin Chemical Industry Company Limited, a Sino-Foreign Equity Joint Venture ("Jiangxi Fenglin"). All of the aforementioned entities are located in the People's Republic of China ("China" or the "PRC").

We account for our interest in Jiangxi Fenglin similar to a majority-owned subsidiary because of our 70% interest, our contractual ability to appoint four out of six directors to the Board of Directors, which is the highest authority for the joint venture, and our right to appoint the Chairman of the Board. Due to the rights asserted by the PRC partner under customary joint venture agreements, joint venture interests in the PRC are generally not consolidated in the financial statements of companies that report under the periodic reporting requirements of the United States Securities and Exchange Commission. However, as a result of the aforementioned factors specific to Jiangxi Fenglin, management believes that it is appropriate to consolidate the joint venture's operations into our consolidated financial statements.

We produce various compound fertilizers. These ingredients used are blended in different proportions and packed into 50 kilogram bags. As of June 30, 2003, we have established an annual production capacity of 125,000 metric tons for compound fertilizers in Guangxi and Jiangxi, two of the largest agricultural provinces in China, and we intend to enter markets in other provinces in China.

The asset acquisition from Winsmart Development Limited represents a significant addition to the assets of GreenSmart. The trees acquired are currently being marketed and are held for sale, and we will also continue to engage in our fertilizer business as we see the asset acquisition as a step in growing the company into a multi-product agricultural company.

The consolidated financial statements of GreenSmart include the accounts of GreenSmart and our wholly-owned and majority-owned subsidiaries. All material intercompany balances and transactions are eliminated at consolidation. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States and have been presented in U.S. Dollars ("$"). The functional currency of our PRC operations is the Chinese Renminbi ("RMB"). The accounts of foreign operations are prepared in their local currency and are translated into RMB using the applicable rate of exchange. The resulting translation adjustments are included in comprehensive income (loss). Transactions denominated in currencies other than the U.S. Dollars are translated into USD using the applicable exchange rates. Monetary assets and liabilities denominated in other currencies are translated into U.S. Dollars at the applicable rate of exchange at the balance sheet date. The resulting exchange gains or losses are credited or charged to the consolidated statements of operations.

Consolidated Results of Operations:

Three Months Ended June 30, 2003 and 2002:

Sales. The sales for the three months ended June 30, 2003 were $557,897 as compared to sales of $622,109 for the three months ended June 30, 2002, a decrease of $64,212 or 10.3%. The decrease was due to lower demands from our major customers. In addition, during the quarter, China, especially in the southern part, was suffering from the outbreak of the SARS virus, which contributed to a decline in overall economic conditions. We have obtained some urban greening contracts subsequent to the period ended June 30, 2003, and management believes that revenue for the year ended September 30, 2003 will be approximately the same as prior year levels however there can be no assurance that this will occur.

Gross Profit. Gross profit for the three months ended June 30, 2003 was $64,198 or 11.5% of revenues, as compared to $118,235 or 19% of revenues for the three months ended June 30, 2002. The gross profit margin decreased in 2003 as compared to 2002 because the slower economic conditions and lower demand of the fertilizer products caused us to lower the selling price for our fertilizer products. Management believes that the lower profit margin is temporary due to the bad economic conditions during this quarter. Management also believes that we will resume a higher profit margin in the coming quarter as the SARS virus has been put under control.

Administrative and General Expenses. Administrative and general expenses for the three months ended June 30, 2003 were $102,983 or 18.5% of revenues, as compared to $137,136 or 22% of revenues for the three months ended June 30, 2002, a decrease of $34,153. The decrease is mainly due to lower legal and professional fee and traveling expenses as compared to last year.

Selling Expenses. Selling expenses for the three months ended June 30, 2003 were $29,939 or 5.4% of revenues, as compared to $29,610 or 4.8% of revenues for the three months ended June 30, 2002.

Loss from Operations. Loss from operations was $68,724 for the three months ended June 30, 2003, as compared to a loss from operations of $48,511 for the three months ended June 30, 2002.

Other Income (Expense). We recorded interest income of $5,133 and $5,920 for the three months ended June 30, 2003 and 2002, respectively.

We recorded interest expense of $1,772 and $2,857 for the three months ended June 30, 2003 and 2002, respectively. As of June 30, 2003, we had a bank loan of $114,458, which bears interest at 6.04% per annum and is due on April 2004.

Income Taxes. During the three months ended June 30, 2003, we did not record any income tax. We recognized income tax of $6,410 for the three months ended June 30, 2002.

Minority Interest. For the three months ended June 30, 2003 and 2002, we recorded a minority interest of $1,605 and $3,224 respectively, to reflect the interest of our 30% joint venture partner in the net income of Jiangxi Fenglin.

Net Loss. Net loss was $63,758 for the three months ended June 30, 2003, as compared to a

net loss of $48,634 for the three months ended June 30, 2002. The reason for recording higher net loss for the three months ended June 30, 2003 than the three months ended June 30, 2002 was primarily the result of the decrease in sales and decrease in profit margin.

Nine Months Ended June 30, 2003 and 2002:

Sales. The sales for the nine months ended June 30, 2003 were $1,044,032 as compared to sales of $1,197,145 for the nine months ended June 30, 2002, a decrease of $153,113 or 12.8%. The decrease was due to lower demands from our major customers. In addition, during the quarter, China, especially in the southern part, was suffering from the outbreak of the SARS virus, which contributed to a decline in overall economic conditions. However, since we obtained some urban greening contracts subsequent to the period ended June 30, 2003, management believes that revenue for the year ended September 30, 2003 will be approximately the same as prior year levels.

Gross Profit. Gross profit for the nine months ended June 30, 2003 was $181,034 or 17.3% of revenues, as compared to $218,985 or 18.3% of revenues for the nine months ended June 30, 2002. The gross profit margin decreased in 2003 as compared to 2002 because the slower economic condition and lower demand of the fertilizer products. We needed to lower the price for selling its products.

Administrative and General Expenses. Administrative and general expenses for the nine months ended June 30, 2003 were $248,013 or 23.8% of revenues, as compared to $262,227 or 21.9% of revenues for the nine months ended June 30, 2002, a decrease of $14,214. The decrease is mainly due to lower legal and professional fee and traveling expenses as compared to last year.

Selling Expenses. Selling expenses for the nine months ended June 30, 2003 were $64,570 or 6.2% of revenues, as compared to $46,165, or 3.9% of revenues for the nine months ended June 30, 2002, an increase of $18,405. Selling expenses increased in 2003 compared to 2002 as a result of higher freight for delivering of our fertilizer products.

Loss from Operations. Loss from operations was $131,549 for the nine months ended June 30, 2003, as compared to a loss from operations of $89,407 for the nine months ended June 30, 2002.

Other Income (Expense). We recorded interest income of $15,727 and $17,888 for the nine months ended June 30, 2003 and 2002, respectively.

We recorded interest expense of $5,385 and $6,440 for the nine months ended June 30, 2003 and 2002, respectively. As of June 30, 2003, we had a bank loan of $114,458, which bears interest at 6.04% per annum and is due on April 2004.

Income Taxes. During the nine months ended June 30, 2003, we recorded income tax of

$10,684. We recognized income tax of $10,943 for the nine months ended June 30, 2002.

Minority Interest. For the nine months ended June 30, 2003 and 2002, we recorded a minority interest of $8,389 and $4,416 respectively, to reflect the interest of our 30% joint venture partner in the net income of Jiangxi Fenglin.

Net Loss. Net loss was $123,502 for the nine months ended June 30, 2003, as compared to a net loss of $84,486 for the nine months ended June 30, 2002. The reason for recording more net loss for the nine months ended June 30, 2003 than the nine months ended June 30, 2002 was primarily the result of the decreasing sales and lower profit margin.

Consolidated Financial Condition:

Liquidity and Capital Resources - June 30, 2003

We reported a 12.8% decrease in sales during the nine months ended June 30, 2003 compared to the nine months ended June 30, 2002. Subsequent to the quarter ended of June 30, 2003, we obtained urban greening contracts for greening and environmental improvement projects of Suzhou Industrial Park, Jiangsu Province in Eastern China. The value of the contracts is $450,000. Management believes that it has adequate funds to support operations for the current fiscal year ending September 30, 2003.

To address its on-going and long-term cash needs, we plan to initiate discussions with investment banks and financial institutions and attempt to raise funds to support current and future operations. This includes attempting to raise additional working capital through the sale of additional capital stock or through additional bank or third party borrowings. We cannot provide any assurance that it will be able to raise any such funds.

Operating. For the nine months ended June 30, 2003, our operations utilized cash resources of $114,152 as compared to generating $93,173 for the nine months ended June 30, 2002. Our operations utilized more cash resources in 2003 as compared to 2002 primarily as a result of the settlement of other payables, less collection from accounts receivable and less in deposits received. At June 30, 2003, cash and cash equivalents decreased by $85,201 to $43,414, as compared to $128,615 at September 30, 2002. We had working capital of $4,631,715, at June 30, 2003, as compared to $553,661 at September 30, 2002, resulting in current ratios of 6.1:1 and 1.41:1 at June 30, 2003 and September 30, 2002, respectively.

Accounts receivable. Accounts receivable decreased by $96,240, to $838,360 at June 30, 2003, from $934,600 at September 30, 2002. Accounts receivable decreased during the nine months ended June 30, 2003 as a result of settlement of part of the accounts receivable from customers.

Inventories. Inventories increased by $3,828,433, to $4,113,319 at June 30, 2003, from

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$284,886 at September 30, 2002. The significant increase in inventories is due to the asset acquisition during May 2003.

Investing. During the nine months ended June 30, 2003 and 2002, additions to property, plant and equipment aggregated $160,258 and $40,458, respectively. The majority of the additions is due to the asset acquisition during May 2003.

During the nine months ended June 30, 2003, there were payments on the advance receivables of $50,193.

Financing. During the nine months ended June 30, 2003 and 2002, one of our subsidiaries paid $6,024 and $119,639, respectively, on the short-term bank loans and received proceeds of $0 and $36,145, respectively, from the unsecured short-term loan.

Inflation and Currency Matters:

In recent years, the Chinese economy has experienced periods of rapid economic growth as well as relatively high rates of inflation, which in turn has resulted in the periodic adoption by the Chinese government of various corrective measures designed to regulate growth and contain inflation. Since 1993, the Chinese government has implemented an economic program designed to control inflation, which has resulted in the tightening of working capital available to Chinese business enterprises. Our success depends in substantial part on the continued growth and development of the Chinese economy. During the fiscal quarters ended June 30, 2003 and 2002, inflation and changing prices have had a minor impact on our operations and financial position. The actual rate of inflation in the agricultural sector has been nominal, and the price level of fertilizer products has been stable.

Foreign operations are subject to certain risks inherent in conducting business abroad, including price and currency exchange controls, and fluctuations in the relative value of currencies. Changes in the relative value of currencies occur periodically and may, in certain instances, materially affect our results of operations. In addition, the Renminbi is not freely convertible into foreign currencies, and the ability to convert the Renminbi is subject to the availability of foreign currencies. Effective December 1, 1998, all foreign exchange transactions involving the Renminbi must take place through authorized banks in China at the prevailing exchange rates quoted by the People's Bank of China. We expect that a portion of its revenues will need to be converted into other currencies to meet foreign exchange currency obligations, including the payment of any dividends declared.

Although the central government of China has repeatedly indicated that it does not intend to devalue its currency in the near future, recent announcements by the central government of China indicate that devaluation is an increasing possibility. Should the central government of China decide to devalue the Renminbi, we do not believe that such an action would have a detrimental effect on our operations, since we conduct virtually all of its business in China, and the sale of

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our products is settled in Renminbi. However, devaluation of the Renminbi against the United States dollar would adversely affect our financial performance when measured in United States dollars.

New Accounting Pronouncements:

In July 2001, the FASB issued Statement No.142 "Goodwill and Other Intangible Assets". Statement No.142 requires the use of a nonamortization approach to account for purchased goodwill and indefinite lived intangibles. Under a nonamortization approach, goodwill and indefinite lived intangibles will not be amortized into results of operations, but instead would be reviewed for impairment and written down and charged to results of operations only in the periods in which the recorded value of goodwill and indefinite lived intangibles is more than its fair value. The provisions of Statement No.142 will be effective for us in fiscal 2003. We do not expect this standard, when implemented, to have a material effect on its future results of operations or financial position.

In August 2001, the FASB issued SFAS No.144, "Accounting for Impairment or Disposal of Long-Lived Assets". This statement supersedes Statement No.121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposal of", and the accounting and reporting provisions of APB Opinion 30, "Reporting the Results of Operation - Reporting the Effects of Disposal of a Segment of a Business, and the disposal of a segment of a business. This statement is effective for us in fiscal 2003. We do not expect the adoption of Statement No.144 to have a material impact on our future results of operations or financial position.

In April 2002, the FASB issued Statement No.145 "Rescission of FASB Statements No.4, 44 and 64. Amendment of FASB Statement No.13, and Technical Corrections".

The Statement addresses the accounting for extinguishment of debt, sale-leaseback transactions and certain lease modifications. The statement is effective for us in fiscal 2003. We do not expect the adoption of Statement No.145 to have a material impact on our future results of operations or financial position.

In July 2002, the FASB issued Statement No.146, "Accounting for Cost Associated with Exit or Disposal Activities". The statement addresses financial accounting and reporting for costs associated with exit or disposal activities and supercedes Emerging Issues Task Force Issue No.94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructing)." The provisions of Statement No.146 are effective for exit or disposal activities that are initiated after December 31, 2002. We do not expect the adoption of Statement No.146 to have a material impact on our future results of operations or financial position.

In October 2002, the FASB issued SFAS No. 147, "Acquisition of Certain Financial acquisitions of financial institutions, except transactions between two or more mutual enterprises. We do not

expect that this standard will have any effect on its financial statements.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure". SFAS No. 148 amends SFAS No. 123 "Accounting and Stock Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used in reported results. SFAS No. 148 is effective for fiscal years beginning after December 15, 2002. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. We do not expect the adoption of SFAS No. 148 to have a material effect on out financial position, results of operations, or cash flows.

PART II. OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

During the nine months ended June 30, 2003, we issued 40,668,884 shares of common stock. Among those shares, 545,454 shares were issued to two of our directors / officers, Mr. Danny Wu and Mr. Lawrence Hon, in lieu of cash as remuneration for their services to the Company. 7,254,693 shares were issued to the shareholders, Texon Investments Holdings Ltd., Intermax Ltd. and Masterpiece Development Ltd., in lieu of cash as repayment to the shareholders' loan. 3,000,000 shares were issued to two individuals in lieu of cash for their consulting services to the Company. 29,868,737 shares were issued to Winsmart Development Limited in lieu of cash for the assets acquisition.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

99.1 Certification by Chief Executive Officer

99.2 Certification by Chief Financial Officer

(b) Reports on Form 8-K:

During the nine months ended June 30, 2003, the Company filed the Following reports on the Form 8-K:

Form	Filing Date	Event Reported
8-K	Oct 4, 2002	A report on Form 8-K (item 4), which announced changing in the Company's certifying accountant.
8-K/A	Oct 23, 2002	A report on Form 8-K/A (item 4), which announced changing in the Company's certifying accountant.
8-K	March 21, 2003	A report on Form 8-K (item 5), which announced issuing 7,254,693 shares of the Company's common stock to repay the shareholders' loan.
8-K	May 13, 2003	A report on Form 8-K (item 1, 2 & 5), which announced issuing 29,868,737 shares to Winsmart Development Limited for the assets acquisition and Winsmart will become the major shareholder of the Company. Also, it announced the Company's principal executive office was relocated.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GREENSMART CORPORATION
(Registrant)

Date: July 31, 2003 By: /s/ LAWRENCE HON

Lawrence Hon
President and Chief
Executive Officer
(Duly Authorized
Officer)

Date: July 31, 2003 By: /s/ SIMON POON

Simon Poon
Director and Executive
Vice President

Date: July 31, 2003 By: /s/ CARL YUEN

Carl Yuen
Chief Financial Officer
(Principal Financial
and Accounting Officer)

CERTIFICATIONS

I, Lawrence Hon, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of GreenSmart Corporation a Delaware Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: July 31, 2003

/s/ Lawrence Hon, Chief Executive Officer

Principal Executive Officer

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I, Carl Yuen, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of GreenSmart Corporation a Delaware Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such

statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: July 31, 2003
/s/ Carl Yuen, Chief Financial Officer

Principal Financial Officer