Genex Pharmaceutical, Inc.
Form 10KSB/A
September 19, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-KSB/A

(Amendment No.1)

(Mark one)

[X] Annual Report Under Section 13 or 15(d) of The Securities Exchange Act of 1934
for the fiscal year ended December 31, 2004

[ ] Transition Report Under Section 13 or 15(d) of The Securities Exchange Act of 1934

For the transition period from ____________ to _____________

Commission file number: 333-102118

GENEX PHARMACEUTICAL, INC.

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

Delaware (State or Other Jurisdiction incorporation or organization)	98-0383571 (I.R.S. Employer I.D. No.)

1801 Guangyin Building, Youyibeilu, Hexi District,

Tianjin City, China	300074
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number	(86) 22-23370440

KS E-MEDIA HOLDINGS, INC.
(Former name, former address and former fiscal year, if changed since last report)

Securities registered under Section 12 (b) of the Exchange Act:

Title of each class	Name of each exchange on which registered
None	None

Securities registered under Section 12(g) of the Exchange Act:

$0.0001 Par Value Common Stock
(Title of Class)

Check whether the issuer has (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 the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of Company's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Securities Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

The registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes No

The issuer’s revenue for the six month period ended June 30, 2006 was $1,138,834.

As of September 8, 2006, the registrant had 3,212,232 shares of Common Stock held by non-affiliates, and the aggregate market value of the common shares held by non-affiliates was approximately $449,712. This calculation is based upon the closing sale price of $0.14 per share on September 8, 2006.

As of September 8, 2006, there were 17,845,732 shares of Common Stock issued and outstanding.

DOCUMENT INCORPORATED BY REFERENCE

None.

Transitional Small Business Disclosure Format (check one): Yes No

EXPLANATORY NOTE

Genex Pharmaceutical, Inc. ("Genex") hereby amends its Annual Report on Form 10-KSB for the fiscal year ended December 31, 2004 (the "Original Form 10-KSB") (filed on May 13, 2005) as set forth in this Annual Report on Form 10-KSB/A (Amendment No. 1) (this Form 10-KSB/A).

This Form 10-KSB/A is being filed to include a paragraph in Note 1b): Ownership of a PRC Subsidiary which states that the Company has not received regulatory approval from the relevant authorization for the acquisition of its wholly subsidiary Tiajin Zhongjin Biology Development Co. Ltd. (TZBD). The Company has, however, entered into a trusteeship agreement with the legal owners of TZBD and a management agreement with TZBD whereby the shares of TZBD are being held for the benefits of the Company.

We have obtained a revised Report of Independent Registered Public Accounting Firm to clarify periods covered by its opinion. The above amendments have been updated in the Form 10-KSB for the year ended December 31, 2005 and the Forms 10-QSB for the 3-month periods ended March 31, 2006 and June 30, 2006, respectively. No other changes are being made to the Original Form 10-KSB by means of this Form 10-KSB/A.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

All other schedules are omitted because the required information either is not applicable or is not presented in amounts sufficient to require submission of the schedule or because the information required is included in the Consolidated Financial Statements and Notes thereto.

REPORT OF INDEPENDENT REGISTERED PUBIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Genex Pharmaceutical, Inc.

We have audited the accompanying consolidated balance sheet of Genex Pharmaceutical, Inc. and its subsidiary as of December 31, 2004 and the related consolidated statements of operations, changes in stockholders equity, and cash flows for the two years then ended. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Genex Pharmaceutical, Inc. and its subsidiary as of December 31, 2004 and the consolidated results of their operations and their cash flows for the two years then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1(b), the Company has not received regulatory approval from the relevant authorities for the acquisition of its wholly owned subsidiary Tianjin Zhongjin Biology Development Co., Ltd. ("TZBD"). The Company has, however, entered into a trusteeship agreement with the legal owners of TZBD and a management agreement with TZBD as detailed in Note 1(b), whereby the shares of TZBD are being held for the benefits of the Company.

Kabani & Company, Inc.

Huntington Beach, California

May 13, 2005, except for note 1 (b) as to which the date is June 30, 2006

GENEX PHARMACEUTICAL, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET

		December 31, 2004
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	325,995
Accounts receivables, net		688,787
Inventories		522,753
Due from related parties		1,170,700
Total current assets		2,708,235
Property, plant and equipment, net		231,226
Total assets	$	2,939,461
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$	200,001
Advances from customers		76,149
Due to shareholder		27,264
Due to related parties		23,071
Total current liabilities		326,485
SHAREHOLDERS' EQUITY		
Preferred Stock, $0.0001 par value, 5,000,000 shares authorized, none issued and outstanding		-
Common Stock, $.00001 par value; 30,000,000 shares authorized, 17,845,732 shares issued and outstanding		1,785
Additional paid-in capital		1,146,945
Statutory reserves		219,637
Retained earnings		1,244,609
Total shareholders' equity		2,612,976
	$	2,939,461

The accompanying notes are an integral part of these consolidated financial statements.

GENEX PHARMACEUTICAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

		2004		2003
NET REVENUE	$	2,350,050	$	1,221,903
COST OF REVENUE		(282,646)		(212,629)
GROSS PROFIT		2,067,404		1,009,274
OPERATING EXPENSES				
Selling expenses		(528,427)		(280,160)
General and administrative expenses		(546,859)		(285,362)
Total operating expenses		(1,075,286)		(565,522)
INCOME FROM OPERATIONS		992,118		443,752
OTHER INCOME (EXPENSES)				
Interest income, net		22,646		7,233
Other income (expenses), net		(1,503)		-
Total other income		21,143		7,233
NET INCOME	$	1,013,261	$	450,985
Net income per share - basic and diluted	$	(0.06)	$	(0.03)
Weighted average number of shares outstanding - basic and diluted		17,845,732		14,633,500

The accompanying notes are an integral part of these consolidated financial statements.

GENEX PHARMACEUTICAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	Number of shares	Amount	Additional paid-in capital	Statutory reserves	Retained earnings	Total stockholders' equity
Balance at January 1, 2003	-	$ -	$ -	$ -	$ -	$ -
Issuance of stock for cash	14,633,500	1,464	1,147,266	-	-	1,148,730
Recapitalization on reverse acquisition	3,212,232	321	(321)	-	-	-
Net income for the period ended December 31, 2003	-	-	-	-	450,985	450,985
Allocation to statutory reserves	-	-	-	67,648	(67,648)	-
Balance, December 31, 2003	17,845,732	1,785	1,146,945	67,648	383,337	1,599,715
Net income for the year ended December 31, 2004	-	-	-	-	1,013,261	1,013,261
Allocation to statutory reserves	-	-	-	151,989	(151,989)	-
Balance, December 31, 2004	17,845,732	$ 1,785	$ 1,146,945	$ 219,637	$ 1,244,609	$ 2,612,976

The accompanying notes are an integral part of these consolidated financial statements.

GENEX PHARMACEUTICAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

		2004		2003
Cash flows from operating activities:				
Net income	$	1,013,261	$	450,985
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization		58,593		21,647
Changes in operating assets and liabilities:				
Increase in accounts and other receivable		(280,582)		(408,204)
Decrease in inventories		44,980		(567,733)
Decrease in amount due from related parties		(790,987)		(379,713)
Increase in accounts payable and accrued liabilities		158,023		41,978
(Decrease) Increase in customer deposit		(102,956)		179,105
(Decrease) Increase in amount due to shareholder		(5,725)		32,989
(Decrease) Increase in amount due to related parties		(4,561)		27,632
Net cash provided by (used in) operating activities		90,046		(601,314)
Cash flows from investing activities:				
Purchase of property, plant and equipment		(6,110)		(305,357)
Cash flows from financing activities:				
Cash received from the issuance of stock		-		1,148,730
Net increase in cash and cash equivalents		83,936		242,059
Cash and cash equivalents at beginning of year		242,059		-
Cash and cash equivalents at end of year	$	325,995	$	242,059

The accompanying notes are an integral part of these consolidated financial statements.

GENEX PHARMACEUTICAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 1a) DESCRIPTION OF BUSINESS AND BUSINESS COMBINATION

Tianjin Zhongjin Biology Development Co., Ltd. (TZBD) was founded in the People's Republic of China on February 10, 2003. TZBD is located in the Tianjin Economic and Technological Development Zone in the People's Republic of China. The business license of TZBD was issued by Tianjin Industrial and Commercial Administration on February 10, 2004. The operating period of the business license is from February 10, 2003 to February 9, 2053. TZBD is primarily engaged in production and sales of Reconstituted Bone Xenograft (RBX) in the People's Republic of China. All of the customers are hospitals in People's Republic of China. Marketing is either through distributors or through TZBD's sales offices in various cities in China.

On June 17, 2004, TZBD consummated a share purchase agreement with KS E-Media Holdings, Inc. ("KSE"), a Delaware corporation, under which TZBD shareholders sold 100% undivided interest in TZBD to KSE, in exchange for 3,658,375 shares of KSE. As a part of the agreement, KSE cancelled 2,212,500 shares of its issued and outstanding stock owned by its former president. Within ten (10) days from the Closing Date, KS E-Media effectuated a four-for-one forward split of the KS E-Media Common Shares by way of stock dividend. On June 17, 2004, the KSE was renamed Genex Pharmaceutical, Inc.

KSE was incorporated in the State of Delaware on February 28, 2002. Through June 17, 2004, KSE was considered a development stage company as defined by Statement of Financial Accounting Standard ("SFAS") No. 7, "Accounting and Reporting by Development Stage Enterprises". KSE was a start-up stage Internet based fulfillment Company based in Vancouver, BC, Canada. KSE filed a SB-2 Registration Statement with the United States Securities and Exchange Commission ("SEC") on December 23, 2002 that was declared effective May 7, 2003.

According to the terms of the share exchange agreement, control of the combined companies (the "Company") passed to the former shareholders of TZBD. This type of share exchange has been treated as a capital transaction accompanied by recapitalization of TZBD in substance, rather than a business combination, and is deemed a "reverse acquisition" for accounting purposes. No pro forma financial statements are being presented as the legal acquirer had no significant asset or operations prior to the acquisition.

NOTE 1b) OWNERSHIP OF A PRC SUBSIDIARY

According to the prevailing relevant PRC laws and regulations, a foreign ownership in TZBD is prohibited unless government approvals from the Tianjin offices of the State Administration of Foreign Exchange, the Ministry of Commerce, and the State Administration for Industry and Commerce are obtained. Genex has entered into agreements with the original stockholders of TZBD in respect of the transfer of legal title of the equity interest in TZBD to Genex. However, Genex has not submitted an application for the change of the equity interest of TZBD since the agreements were entered.

Management believes that there should be no legal barriers for the Company to obtain the legal ownership of TZBD. However, in the event that the Company fails to obtain necessary approvals from those offices, there is the risk that the Company may not have equity interest of TZBD and may not enjoy the rights and benefits of being the legal owner of TZBD including repatriation of capital, distribution of profits, etc.

Nevertheless, on May 19, 2006, the Company entered into a trusteeship agreement with Mr. Fuzhi Song and Mr. Deshun Song (the Consigners), the legal shareholders of TZBD. The trusteeship agreement took effect from June 17, 2004 and stipulates that the Consigners are holding all the equity shares in TZBD in trust for the Company and that the Company shall have the exclusive power and authority to exercise any and all shareholder rights with respect to all the equity shares in TZBD as if the Company was the legal, registered owner of such shares in TZBD.

On the same date, the Company entered into a contract for management service with TZBD. The contract for management service took effect from June 17, 2004 and stipulates that the Company shall provide management, administrative and related services to TZBD, and in return, TZBD shall pay to the Company a base annual fee of RMB1,000 and a floating fee equal to TZBD s gross revenues less its gross expenses for each payment period.

NOTE 1c) CHANGE IN REGISTRATION LOCATION:

The Company changed its registration location from Tianjin economic and technological development district to Tianjin Xiqing economic development district. The change in registration took place on March 5, 2004.

NOTE 2. BASIS OF PRESENTATION

The accompanying consolidated financial statements at and for the year ended December 31, 2004 include the accounts of TZBD and its parent company, KSE (legal acquirer) from the date of acquisition. The historical results for the year ended December 31, 2003 include the accounts of TZBD only. All significant inter-company accounts and transactions have been eliminated in consolidation.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand and time deposits with banks and liquid investments with an original maturity of three months or less.

Inventories

Inventories are valued at the lower of cost (determined on a weighted average basis) or market. Management compares the cost of inventories with the market value and an allowance is made to write down the inventories to the market value, if market is lower than cost.

Accounts receivable and allowance for doubtful accounts

The Company uses the allowance method to account for uncollectible accounts receivable. The Company periodically adjusts the allowance for doubtful accounts based on management's continuing review of accounts receivable. This analysis by management is based on the composition of accounts receivable, analysis of historical bad debts, customer concentrations, customer credit worthiness, an analysis of current economic and business trends as well as changes in customer payment patterns. Terms of the sales vary from COD through a credit term up to 6 to 9 months.

The Company records a full allowance for accounts receivable that have been determined legally to be uncollectible. For accounts receivable that have been outstanding for over 270 days, the Company determines an appropriate allowance based on individual circumstances.

During the year ended December 2004 and 2003, the Company recorded $22,135 and $19,000 as general allowance for doubtful and long overdue accounts.

Advances from customers

The customers advance payments to the Company for purchases. The advances are interest free and unsecured. The advances from customers amounted to $76,149 at December 31, 2004.

Property and equipment

Property and equipment are stated at cost. Expenditures for maintenance and repairs are charged to earnings as incurred; additions, renewals and betterments are capitalized. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations. Depreciation of property and equipment is provided using the straight-line method for substantially all assets with estimated lives ranging from 3 to 7 years.

Impairment of long-lived assets

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations for a Disposal of a Segment of a Business." The Company periodically evaluates the carrying value of long-lived assets to be held and used in accordance with SFAS 144. SFAS 144 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair market value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair market values are reduced for the cost of disposal. Based on its review, the Company believes that, as of December 31, 2004, there were no significant impairments of its long-lived assets.

Revenue recognition

The Company's revenue recognition policies are in compliance with Staff accounting bulletin (SAB) 104. Sales revenue is recognized at the date of shipment to customers when a formal arrangement exists, the price is fixed or determinable, the delivery is completed, no other significant obligations of the Company exist and collectibility is reasonably assured. Payments received before all of the relevant criteria for revenue recognition are recorded as unearned revenue.

Advertising costs

The Company expenses the costs of advertising as incurred or, as appropriate, the first time the advertising takes place. Advertising costs for the years ended December 31, 2004 and 2003 were insignificant.

Research and development costs

Research and development costs are expensed as incurred.

Income taxes

The Company accounts for income tax using Statements of Financial Accounting Standards ("SFAS") No. 109 "Accounting for Income Taxes". SFAS No. 109 requires an asset and liability approach for financial accounting and reporting for income taxes and allows recognition and measurement of deferred tax assets based upon the likelihood of realization of tax benefits in future years. Under the asset and liability approach, deferred taxes are provided for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A valuation allowance is provided for deferred tax assets if it is more likely than not that these items will either expire before the Company is able to realize their benefits, or that future deductibility is uncertain. No provision for deferred taxation has been made, as there are no temporary differences at the balance sheet date.

According to the Provisional Regulations of the People's Republic of China on Income Tax, the document of Reductions and Exemptions of Income Tax for the Company has been approved by the local tax bureau and the Management Regulation of Tianjin Economic and Technological Development Zone. The Company is exempted from income tax in its first two years of operations.

Stock based compensation

The Company has adopted Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation", which defines a fair-value-based method of accounting for stock based employee compensation and transactions in which an entity issues its equity instruments to acquire goods and services from non-employees. Stock compensation for stock granted to non-employees has been determined in accordance with SFAS No.123 and the Emerging Issues Task Force consensus in Issue No. 96-18, "Accounting for Equity Instruments that are issued to Other than Employees for Acquiring, or in Conjunction with Selling Goods or Services" ("EITF 96-18"), as the fair value of the consideration received or the fair value of equity instruments issued, whichever is more reliably measured.

The Company continues to follow Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees", in accounting for stock options issued to employees (see Note 11) and non-employee directors, and pro forma disclosures of the effect on net income (loss) and net income (loss) per share as if the Company had accounted for such stock options under the fair value method prescribed by SFAS No. 123. The Company did not grant any stock options to its officers and management during the fiscal years ended December 31, 2004 and 2003.

Earning per share

Net income per share is calculated in accordance with the Statement of financial accounting standards No. 128 (SFAS No. 128), "Earnings per share". SFAS No. 128 superseded Accounting Principles Board Opinion No.15 (APB 15). Net income per share for all periods presented has been restated to reflect the adoption of SFAS No. 128. Basic net income per share is based upon the weighted average number of common shares outstanding. Diluted net income per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period.

Reserve funds

In accordance with the PRC Companies Law, the Company's PRC subsidiary is required to transfer a percentage of its profit after taxation, as determined in accordance with PRC accounting standards and regulations, to the surplus reserve funds upon dividend distribution. The surplus reserve funds are comprised of the statutory surplus reserve fund and the welfare reserve fund. Subject to certain restrictions set out in the PRC Companies Law, the statutory surplus reserve fund may be distributed to stockholders in the form of share bonus and/or cash dividends. The welfare fund is non-distributable and must be used for the benefits of all the staff of the enterprise. During the years ended December 31, 2004 and 2003, no dividend had been declared by Zhongjin, and therefore, no reserve funds were transferred.

Foreign currency translation

Assets and liabilities in foreign currency at the balance sheet date are translated at the exchange rate prevailing at that date. Revenue and expenses are translated at the average exchange rate, which approximate the actual rate prevailing on the date of the transaction. Transaction gains and losses are reflected in the income statement. Gains and losses arising from translation of foreign currency financial statements are reflected as a component of the equity section of the balance sheet. Such items, along with net income, are components of comprehensive income. The functional currency of the Company is the Chinese Renminbi. The unit of Renminbi is in Yuan. Translation gains and losses were insignificant for the year ended December 31, 2004.

This quotation of the exchange rates does not imply free convertibility of RMB to other foreign currencies. All foreign exchange transactions continue to take place either through the Bank of China or other banks authorized to buy and sell foreign currencies at the exchange rate quoted by the People's Bank of China. Approval of foreign currency payments by the Bank of China or other institutions require submitting a payment application form together with invoices, shipping documents and signed contracts.

Fair values of financial instruments

The Company values its financial instruments as required by SFAS No. 107, "Disclosures about Fair Value of Financial Instruments". The Company's financial instruments primarily consist of cash and cash equivalents, accounts receivable, other receivables, prepayments, accounts payable and accruals, short-term loans and amount due to and due from related parties. The carrying values of financial instruments approximate the fair values because of their short-term maturities.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated 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.

Statement of cash flows

In accordance with Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows," cash flows from the Company's operations is calculated based upon the local currencies. As a result, amounts related to assets and liabilities reported on the statement of cash flows will not necessarily agree with changes in the corresponding balances on the balance sheet.

Segment reporting

Statement of Financial Accounting Standards No. 131 ("SFAS 131"), "Disclosure About Segments of an Enterprise and Related Information" requires use of the "management approach" model for segment reporting. The management approach model is based on the way a company's management organizes segments within the company for making operating decisions and assessing performance. Reportable segments are based on products and services, geography, legal structure, management structure, or any other manner in which management disaggregates a company. SFAS 131 has no effect on the Company's consolidated financial statements as the Company consists of one reportable business segment. All revenue is from customers in People's Republic of China. All of the Company's assets are located in People's Republic of China.

Recent 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. The Company is in process of evaluating the impact of this pronouncement on its 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. The Company believes that the adoption of this standard will have no material impact on its financial statements.

In March 2004, the Emerging Issues Task Force ("EITF") reached a consensus on Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments." The EITF reached a consensus about the criteria that should be used to determine when an investment is considered impaired, whether that impairment is other-than-temporary, and the measurement of an impairment loss and how that criteria should be applied to investments accounted for under SFAS No. 115 "Accounting in certain investments in debt and equity securities". EITF 03-01 also included accounting considerations subsequent to the recognition of other-than-temporary impairment and requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. Additionally, EITF 03-01 includes new disclosure requirements for investments that are deemed to be temporarily impaired. In September 2004, the Financial Accounting Standards Board (FASB) delayed the accounting provisions of EITF 03-01; however the disclosure requirements remain effective for annual reports ending after June 15, 2004. The Company will evaluate the impact of EITF 03-01 once final guidance is issued.

Reclassifications - Certain prior year amounts in the accompanying financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on the results of operations or financial position for any year presented.

NOTE 4. INVENTORIES

		December 31, 2004
Raw and packing materials	$	27,876
Work-in-progress		318,107
Finished goods		176,770
	$	522,753

NOTE 5. DUE FROM / TO RELATED PARTIES

The Company advanced cash to parties related through common shareholders during 2004. Out of total of $1,170,700, $169,286 is interest-free, unsecured and due on demand. The remaining $1,001,414 bears an interest rate of 6% per annum and is also unsecured. Of the $1,001,414, $244,263 and $197,523 are six-month term loans due for repayment on April 30, 2005 and May 31, 2005, respectively, whereas the remaining $559,628 is due on demand. As regards to the term loan of $244,263 already due for repayment on April 30, 2005, the Company has extended the term for 1 year from May 1, 2005 to April 30, 2006 at an interest rate of 6% per annum. Total interest income on the loans for the years ended December 31, 2004 and 2003 amounted to $21,894 and $4,380, respectively.

During the year ended December 31, 2004, the Company borrowed cash from a shareholder and certain parties related to shareholders, amounting to $27,264 and $23,071 respectively. The amounts are interest free, due on demand and unsecured.

NOTE 6. PROPERTY AND EQUIPMENT

		December 31, 2004
Machinery and equipment	$	291,407
Computer equipment		19,356
		310,763
Less: Accumulated depreciation		(79,537)
	$	231,226

Depreciation expense was $58,593 and $21,647 for the years ended December 31, 2004 and 2003, respectively.

NOTE 7. INCOME TAXES

Companies within the Group are subject to income taxes on an entity basis on income arising or derived from the tax jurisdiction in which each entity is domiciled. The Company is a Delaware corporation and is subject to the corporation income taxes of the United State of America at a maximum rate of 34%. For the year ended December 31, 2004 and 2003, there are no income tax (benefit) expenses.

The Company's PRC subsidiary is subject to Enterprise Income Tax in the PRC at a rate of 33% on net profits. However, based on the local tax rules, Zhongjin is entitled to a tax holiday for the first two years of its operations (from June 2003 to May 2005) due to its high technology content of businesses. No provision for taxes on earnings of the PRC subsidiary, calculated based on the prevailing accounting standards in PRC, for the years ended December 31, 2004 and 2003 were made accordingly. No other significant deferred tax assets or liabilities existed at December 31, 2004 and 2003.

The following is a reconciliation of the provision for income taxes at the U.S. federal income tax rate to the income taxes reflected in the Statement of Operations.

	December 31, 2004	December 31, 2003
Tax expense at statutory rate-federal	34%	34%
Foreign tax rate differential	(34)	(34)
Tax expense at actual rate	-	-

NOTE 8. EQUITY-BASED TRANSACTIONS

On June 8, 2004, the Company entered into a Share Purchase Agreement with Tianjin Zhongjin Biology Development Co., Ltd. ("Zhongjin"), a company formed under the laws of the People's Republic of China and the shareholders of Zhongjin. Under the terms of the agreement, the Company acquired 100 percent of Zhongjin's shares in exchange for 3,658,375 restricted shares of the Company's common stock which were issued to the Zhongjin shareholders. On June 17, 2004, the stock purchase made pursuant to the Share Purchase Agreement was consummated. On June 27, 2004, the Company effectuated a four-for-one stock dividend of the Company's common stock.

NOTE 9. DIRECTORS' COMPENSATION IN SHARES AND WARRANTS

The Company currently does not have option, retirement, pension or profit sharing programs for the benefit of the directors, officers or other employees, but the board of directors may recommend adoption of one or more such programs in the future.

During the years ended December 31, 2004 and 2003, there was no warrants granted.

No warrants granted to consultants were exercised during the year ended December 31, 2004.

NOTE 10. EARNINGS (LOSS) PER COMMON SHARE

Basic EPS amounts are determined based on the weighted average number of shares of common stock outstanding. Diluted EPS 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 a loss or increase earnings per share.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Operating leases

The following are the approximate minimum lease payments that will have to be made in the years as indicated below based on the operating leases in effect as of December 31, 2004:

		Total
2005	$	7,227
2006 - 2009 (4 years)		-
2010 - 2018 (7.25 years)		-
Minimum lease payments	$	7,227

The total rental expense incurred for the years ended December 31, 2004 and 2003 were $17,346 and $32,989, respectively.

Litigation

The Company is not a party to any pending or any threatened legal proceedings. None of the Company's directors, officers or affiliates, or owner of record of more than five percent (5%) of the Company's securities, or any associate of any such director, officer or security holder is a party adverse to the Company or has a material interest adverse to the Company in reference to pending litigation.

NOTE 12. MAJOR CUSTOMERS AND CONCENTRATIONS OF CREDIT RISK

The Company's two main customers are medical device resellers: the Shanghai Yicheng Medical Device Company is Zhongjin's largest customer, representing 15% of total sales in 2004, and the Anhui Hefei Jialian Medical Appliance Company representing 10% of total sales. The aforementioned customers have each signed a three-year letter of intent for RBX deliveries from 2004 through to 2006, amounting to $1,425,000 in sales, although these agreements are not binding. The Company recognizes the importance of the medical device resellers for increasing sales and continues to establish new links with medical device companies throughout China. The Company's medical device customers represent 56% of all sales, and direct sales to hospitals and doctors account for 44% of sales, in 2004.

The Company's financial instruments that are exposed to concentration of credit risk consist primarily of cash and cash equivalents, and accounts receivable from customers. Cash and cash equivalents are mainly maintained with major banks in the PRC. The Company periodically performs credit analysis and monitors that financial condition of its customers at the subsidiary level in order to ensure collections and minimize credit risk.

NOTE 13. CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Company's primary operations are conducted in the PRC. Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environments in the PRC, and by the general state of the PRC's economy.

The Company's operations in the PRC are subject to special considerations and significant risks not typically associated with companies in North America and Western Europe. These include risks associated with, among others, the political, economic and legal environments and foreign currency exchange. The Company's results may be adversely affected by changes in the political, economic and social conditions in the PRC, and by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

The Company's operating assets and primary sources of income and cash flows are its interest in subsidiaries and associated company in the PRC. The PRC economy has, for many years, been a centrally-planned economy, operating on the basis of annual, five-year and ten-year state plans adopted by central PRC governmental authorities, which set out national production and development targets. The PRC government has been pursuing economic reforms since it first adopted its "open-door" policy in 1978. There is no assurance that the PRC government will continue to pursue economic reforms or that there will not be any significant change in its economic or other policies, particularly in the event of any change in the political leadership of, or the political, economic or social conditions in, the PRC. There is also no assurance that the Company will not be adversely affected by any such change in governmental policies or any unfavorable change in the political, economic or social conditions, the laws or regulations, or the rate or method of taxation in the PRC.

As many of the economic reforms which have been or are being implemented by the PRC government are unprecedented or experimental, they may be subject to adjustment or refinement, which may have adverse effects on the Company. Further, through state plans and other economic and fiscal measures, it remains possible for the PRC government to exert significant influence on the PRC economy.

NOTE 14. STATUTORY COMMON WELFARE FUND

As stipulated by the Company Law of the People's Republic of China (PRC), net income after taxation can only be distributed as dividends after appropriation has been made for the following:

(i) Making up cumulative prior years' losses, if any;

(ii) Allocations to the "Statutory surplus reserve" of at least 10% of income after tax, as determined under PRC accounting rules and regulations, until the fund amounts to 50% of the Company's registered capital;

(iii) Allocations of 5-10% of income after tax, as determined under PRC accounting rules and regulations, to the Company's "Statutory common welfare fund", which is established for the purpose of providing employee facilities and other collective benefits to the Company's employees; and

(iv) Allocations to the discretionary surplus reserve, if approved in the shareholders' general meeting.

The Company established a reserve for the annual contribution of 5% of net income to the welfare fund. The amount allocated to the statutory reserve for the years ended December 31, 2004 and 2003 amounted to $50,663 and $22,549, respectively.

NOTE 15. STATUTORY RESERVE

In accordance with the *Chinese Company Law* (note 10), the company has allocated 10% of its annual net income, amounting $101,326 and $45,096 , as statutory reserve on December 31, 2004 and 2003, respectively.

NOTE 16. GMP CERTIFICATION

The management believes that product and the Company are not subject to Good Manufacturing Practices (GMP) certification, as RBX is currently considered to be a part of a treatment with medical equipment. GMP is granted by the State Drug Administration (SDA) of China (China's equivalent to the FDA in the United States of America). GMP guidelines define standards for the pharmaceutical manufacturing process to reduce the possibility of contamination errors and it conforms to the WTO's fundamental principles concerning the medicine production administration. Management believes that the requirement of the GMP certification and license for the Company and RBX will begin by 2005.

EXHIBITS AND REPORTS ON FORM 8-K

(a)

Exhibits.

Exhibit Number	Description of Exhibit
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b)

Reports on Form 8-K.

On February 9, 2006, the Company filed a Form 8-K/A to correct certain omissions and misstatements that were contained in its November 16, 2005 Form 8-K regarding the change in the Company s certifying accountant from Kabani & Company, Inc to GC Alliance Limited, Certified Public Accountants. On February 14, 2006, the Company filed another Form 8-K/A which included the letter from Kabani & Company that had not been included as an exhibit to its November 16, 2005 Form 8-K. On March 29, 2006, a Form 8-K was filed to disclose the change in the Company s certifying accountant from GC Alliance Limited, Certified Public Accountants, to Schwartz Levitsky Feldman LLP, Chartered Accountants.

SIGNATURES

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

Genex Pharmaceutical, Inc.

Dated: September 19, 2006

By: /s/ Fuzhi Song

Fuzhi Song,
Chief Executive Officer, President and Director

Dated: September 19, 2006

By: /s/ Shuli Zhang
Shuli Zhang
Chief Financial Officer