

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

- Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended **March 31, 2005**.
- Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number: **0-50546**

**Hendrx Corp.**

(Formerly known as "Starsoft, Inc.")

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

**Nevada**

(State or Other Jurisdiction of  
Incorporation or Organization)

**86-0914052**

(I.R.S. Employer  
Identification No.)

**3665 Ruffian Road, Suite 225, San Diego, California 92123**

(Address of Principal Executive Offices) (Zip Code)

**(800) 774-5072**

(Issuer's Telephone Number, Including Area Code)

**Nevada**

(State or Other Jurisdiction of  
Incorporation or Organization)

**86-0914052**

(I.R.S. Employer  
Identification No.)

**3665 Ruffian Road, Suite 225, San Diego, California 92123**

(Address of Principal Executive Offices) (Zip Code)

**(800) 774-5072**

(Issuer's Telephone Number, Including Area Code)

Check whether the registrant: (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

At May 15, 2005, the number of shares outstanding of the registrant's common stock, \$0.001 par value (the only class of voting stock), was 37,238,067.

## TABLE OF CONTENTS

### PART I

ITEM 1. FINANCIAL STATEMENTS.....	3
Unaudited Interim Consolidated Balance Sheet as of March 31, 2005.....	4
Unaudited Interim Consolidated Statement of Operations for the three months ended March 31, 2005 and 2004 .....	5
Unaudited Interim Consolidated Statement of Cash Flows for the three months ended March 31, 2005 and 2004 .....	6
Unaudited Interim Consolidated Statements of Changes in Stockholders Equity (Deficit) for the period from Inception to March 31, 2005.....	7
Notes to Unaudited Interim Consolidated Financial Statements.....	8
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS.....	27
ITEM 3. CONTROLS AND PROCEDURES.....	33

### PART II

ITEM 2. CHANGES IN SECURITIES.....	33
ITEM 6. EXHIBITS.....	41
SIGNATURES.....	42
INDEX TO EXHIBITS.....	43

## **PART I**

### **ITEM 1. FINANCIAL STATEMENTS**

As used herein, the term “Company” refers to Hendrx, Corp. (formerly known as “Starsoft, Inc.”), a Nevada corporation, unless otherwise indicated. In the opinion of management, the accompanying unaudited interim consolidated financial statements included in this Form 10-QSB reflect all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results of operations for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

**HENDRX CORP.****(Former name Starsoft, Inc.)****Consolidated Balance Sheets****At March 31, 2005****(With Comparative Figures at December 31, 2004)****(Expressed in US Dollars)**

	<b>March 31,</b>		<b>December 31,</b>
	<b>2005</b>		<b>2004</b>
	(Unaudited)		(Audited)
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents (Note 2)	\$ 4,645,142	\$	507,677
Accounts receivable (Note 4)	811,715		412,724
Inventories (Note 5)	1,252,084		978,376
Short term loan (Note 18)	114,922		114,952
Taxes refundable	60,863		-
Prepaid expenses and deposits	-		86,284
<b>Total Current Assets</b>	<b>6,884,726</b>		<b>2,100,013</b>
<b>Fixed assets (Note 7)</b>	<b>5,315,094</b>		<b>5,071,568</b>
<b>Intangible assets (Note 6)</b>	<b>3,026,762</b>		<b>3,069,352</b>
<b>Goodwill (Note 3)</b>	<b>31,854,137</b>		<b>31,854,137</b>
<b>Total assets</b>	<b>\$ 47,080,719</b>	<b>\$</b>	<b>42,095,070</b>
<b>Liabilities and Stockholders' Equity</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities (Note 9)	\$ 1,331,265	\$	401,419
Accrued wage benefits (Note 12)	-		517,440
Short term bank loans (Note 11)	2,802,270		3,481,057
Loan from Kirin Capital Corp. (Note 3)	300,000		300,000
Due on purchase of subsidiary (Note 3)	2,200,000		3,200,000
<b>Total Current Liabilities</b>	<b>6,633,535</b>		<b>7,899,916</b>
<b>Stockholders' Equity</b>			
Capital stock (Note 8)			
Par value	36,271		31,800
Additional paid in capital	41,147,869		34,129,400
Share subscriptions receivable	(751,801)		-
Contributed surplus - stock-based compensation	1,764,000		-
Retained earnings (Deficit)	(1,749,155)		33,954
<b>Total stockholders' equity</b>	<b>40,447,184</b>		<b>34,195,154</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 47,080,719</b>	<b>\$</b>	<b>42,095,070</b>

Commitments: Notes, Going Concern: Note 1, Guarantees: Note 11

**HENDRX CORP.****(Former name Starsoft, Inc.)****Consolidated Statements of Income****For the Three Month Period Ended March 31, 2005****(With Comparative Figures for the Three Month Period Ended March 31, 2004)****(Expressed in US Dollars)****(Unaudited)**

	Three Months Ended March 31,	
	2005	2004
Revenue	\$ 1,480,608	\$ -
Cost of Goods Sold	1,115,471	-
Gross Profit	365,137	-
Gross Profit %	24.66%	-
Selling Expenses	37,125	-
General and administrative expenses	325,771	2,608
Stock-based compensation (Note 8)	1,764,000	-
Total Expenses	2,126,896	2,608
Profit before income taxes	(1,761,759)	(2,608)
Income taxes	21,350	-
Net loss for the period	\$ (1,783,109)	\$ (2,608)

**HENDRX CORP.****(Former name Starsoft, Inc.)****Consolidated Statements of Retained Earnings****(Deficit)****For the Three Month Period Ended March 31, 2005****(With Comparative Figures for the Three Month Period Ended March 31, 2004)****(Expressed in US Dollars)****(Unaudited)**

	2005	2004
Retained earnings (Deficit), Beginning of the year	\$ 33,954	\$ (72,260)
Net loss for the period	(1,783,109)	(2,608)
Retained earnings (Deficit), end of the period	\$ (1,749,155)	\$ (74,868)

**HENDRX CORP.**

(Former name Starsoft, Inc.)

**Consolidated Statements of Cash Flows  
For the Three Month Period Ended March 31, 2005**

(With Comparative Figures for the Three Month Period Ended March 31, 2004)

(Expressed in US Dollars)

(Unaudited)

	Three Months Ended March 31,	
	<u>2005</u>	<u>2004</u>
<b>Cash derived from (used for)</b>		
<b>Operating activities</b>		
Net loss for the period	\$ (1,783,109)	\$ (2,608)
Items not required for cash		
Amortization - tangible assets	41,769	-
Amortization - intangible assets	42,590	-
Stock-based compensation	1,764,000	-
Changes in non-cash working capital items		
Accounts receivable	(398,991)	-
Inventories	(273,708)	-
Taxes refundable	(60,863)	-
Prepaid expenses	86,284	-
Accounts payable and accrued liabilities	929,846	-
<b>Total funds from operating activities</b>	<b>347,818</b>	<b>(2,608)</b>
<b>Financing activities</b>		
Short term bank loans	(678,787)	-
Share capital	5,753,699	-
<b>Total funds from financing activities</b>	<b>5,074,912</b>	<b>-</b>
<b>Investing activities</b>		
Short term loan	30	4,000
Fixed assets	(285,295)	-
Payment on purchase of subsidiary	(1,000,000)	-
<b>Total funds from investing activities</b>	<b>(1,285,265)</b>	<b>4,000</b>
<b>Cash and cash equivalents, increase during the period</b>	<b>4,137,465</b>	<b>(2,608)</b>
<b>Cash and cash equivalents, Beginning of the period</b>	<b>507,677</b>	<b>90</b>
<b>Cash and cash equivalents, End of the period</b>	<b>\$ 4,645,142</b>	<b>\$ (2,518)</b>
<b>Supplementary cash flow information</b>		
Shares issued for accrued wage benefits	\$ 517,440	\$

**HENDRX CORP.****(Former name StarSoft, Inc.)****Consolidated Statement of Changes in Stockholders' Equity****From Date of Inception on May 4, 1998 to March 31, 2005****(Expressed in US Dollars)**

	Common Shares	Par value @ \$0.001 Per Share	Paid-in Capital	Accumulated Deficit	Stockholders' Equity
Balance, May 4, 1998		\$	\$	\$	\$
Stock issued	1,000,000	1,000	9,000		10,000
Net income (loss) - 1998				(10,000)	(10,000)
Balance December 31, 1998	1,000,000	1,000	9,000	(10,000)	-
Stock issued - 504	1,220,000	1,220	59,780		61,000
Net income (loss) - 1999				(61,046)	(61,046)
Balance December 31, 1999	2,220,000	2,220	68,780	(71,046)	(46)
Stock Cancelled October 24, 2000	(100,000)	(100)	100		-
Net income (loss) - 2000				(454)	(454)
Balance December 31, 2000	2,120,000	2,120	68,880	(71,500)	(500)
Net income (loss) - 2001				(167)	(167)
Balance December 31, 2001	2,120,000	2,120	68,880	(71,667)	(667)
Net income (loss) - 2002				(341)	(341)
Balance December 31, 2002	2,120,000	2,120	68,880	(72,008)	(1,008)
Net income (loss) - 2003				(252)	(252)
Balance December 31, 2003	<u>2,120,000</u>	2,120	68,880	(72,260)	(1,260)
2004 Forward stock split and reorganization of stock	19,080,000	16,960	(16,960)		-
	19,080,000	19,080	51,920	(72,260)	(1,260)
Issuance of shares for acquisition of wholly-owned subsidiary	12,720,000	12,720	34,077,480		34,090,200
Net profit for year ended December 31, 2004				106,214	106,214
Balance, December 31, 2004	31,800,000	31,800	34,129,400	33,954	34,195,154
Shares issued for cash	4,337,000	4,337	6,501,163		6,505,500
Shares issued for accrued wage benefits	134,400	134	517,306		517,440
Stock-based compensation					1,764,000
Net loss for three months ended March 31, 2005				(1,783,109)	(1,783,109)
	<u>36,271,400</u>	<u>\$ 36,271</u>	<u>\$ 41,147,869</u>	<u>\$ (1,749,155)</u>	<u>41,198,985</u>
Share subscriptions receivable					(751,801)
<b>Balance, March 31, 2005</b>				<u>\$</u>	<u>40,447,184</u>

**HENDRX CORP.**  
**(Formerly StarSoft, Inc.)**  
**Notes to Consolidated Financial Statements**  
**March 31, 2005**  
**(Expressed in US Dollars)**  
**(Unaudited)**

**Note 1. ORGANIZATION AND NATURE OF BUSINESS**

Organization

HENDRX Corp. (formerly StarSoft Inc.) (“the Company”) was incorporated under the laws of the State of Nevada on May 4, 1998 for the purpose to promote and carry on any lawful business for which a corporation may be incorporated under the laws of the State of Nevada. The Company operated from May 4, 1998 through approximately October 31, 2000 developing and marketing computer software. The Company had also planned to offer consulting services for software developers but that aspect of the Company business never materialized. Since October 31, 2000, the Company ceased operations and was in the development stage until December 16, 2004, when it acquired 100% of the issued shares of Eastway Global Investment Limited, which included the latter company’s wholly-owned operating subsidiary, Fujian Yuxin Electronic Equipment Co., Ltd.

Organization and Nature of Business of the Wholly Owned Operating Subsidiary

Fujian Yuxin Electronic Equipment Co., Ltd. (“YuXin”), was incorporated under the laws of People’s Republic of China on February 18, 1993.

The principal business of YuXin is to manufacture and distribute water dispenser systems, air conditioners and energy-saving bulbs. The main effort of Yuxin is to specialize in the manufacture and distribution of water dispenser systems. Yuxin owns the patents of atmospheric water generators and markets its products internationally. Its head office and plant facilities are located in Ron Qiao Economic Development Zone, Fuqing City, Fujian Province, P.R. China.

Going Concern

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America applicable to a going concern which assume that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company has a working capital surplus of \$251,191 at March 31, 2005, but might not have sufficient work capital for the next twelve months. These factors create doubt as to the ability of the Company to continue as a going concern. Realization values may be substantially different from the carrying values as shown in these financial statements should the Company be unable to continue as a going concern. Management is in the process of identifying sources for additional financing to fund the ongoing development of the Company’s business.

**HENDRX CORP.**  
(Formerly StarSoft, Inc.)  
Notes to Consolidated Financial Statements  
March 31, 2005  
(Expressed in US Dollars)  
(Unaudited)

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of consolidation**

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant inter-company transactions and balances have been eliminated on consolidation.

Basis of presentation

These financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the United States ("US GAAP").

**Development Stage Enterprise**

The Company was a development stage enterprise, as defined in Financial Accounting Standards Board No. 7 until the date of the acquisition in Note 1, above. Its planned principal operations had not commenced prior to that date, and, accordingly, no revenue had been derived during the organizational period. The development stage discontinued when the Company acquired the wholly owned subsidiary on December 16, 2004.

**Accounting Method**

The Company financial statements are prepared using the accrual method of accounting. Fixed assets are stated at cost. Depreciation and amortization uses the straight-line method for financial reporting purposes and accelerated methods for income tax purposes.

Use of estimates

The preparation of financial statements in conformity with USGAAP 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Concentration of credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents that are not collateralized and accounts receivable that are unsecured. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions.

**HENDRX CORP.**  
**(Formerly StarSoft, Inc.)**  
**Notes to Consolidated Financial Statements**  
**March 31, 2005**  
**(Expressed in US Dollars)**  
**(Unaudited)**

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid short-term interest bearing securities with the maturity at the date of purchase of three months or less.

Selling expenses and general and administrative expenses

These expenses are recorded as incurred.

Inventories

Inventories consist of the manufacture of finished goods, raw materials used in production and work-in-process, and are stated at the weighted average method, on a first-in, first-out basis.

Income taxes

Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the financial statement at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled as prescribed in FASB Statement No. 109, Accounting for Income Taxes. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

**Compensated absences**

Employees of the corporation are entitled to paid vacations, sick days and other time off depending on job classification, length of service and other factors. It is impractical to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The corporation's policy is to recognize the costs of compensated absences when paid to employees.

**HENDRX CORP.**  
**(Formerly StarSoft, Inc.)**  
**Notes to Consolidated Financial Statements**  
**March 31, 2005**  
**(Expressed in US Dollars)**  
**(Unaudited)**

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Stock based compensation**

Effective January 1, 2005, the Company adopted revised SFAS No. 123, "Share-Based Payment" which replaces SFAS No. 123 "Accounting for Stock-Based Compensation" and supersedes APB Opinion No.25, "Accounting for Stock Issued to Employees." This statement, which requires the cost of all share-based payment transactions be recognized in the financial statements, establishes fair value as the measurement objective and requires entities to apply a fair-value-based measurement method in accounting for share-based payment transaction. The statement applies to all awards granted, modified repurchased or cancelled after January 1, 2005, and unvested portion of previously issued and outstanding awards. The Company is currently evaluating the impact of adopting this statement. Stock-based compensation newly issued in 2005 is expensed in accordance with the fair value based method of accounting. The fair value of equity instruments issued to employees is measured on the date of grant and recognized as compensation expense over the applicable vesting period. The Company estimates the fair value of stock options using the Black-Scholes option valuation model.

**Earnings per Common Share**

The Company adopted Financial Accounting Standards (SFAS) No. 128. Earnings Per Share which simplifies the computation of earnings per share requiring the restatement of all prior periods.

Basic earnings per share are computed on the basis of the weighted average number of common shares outstanding during each year.

Diluted earnings per share are computed on the basis of the weighted average number of common shares and dilutive securities outstanding. Dilutive securities having an anti-dilutive effect on diluted earnings per share are excluded from the calculation.

**Long-lived assets**

Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset in question may not be recoverable.

## **HENDRX CORP.**

(Formerly StarSoft, Inc.)

Notes to Consolidated Financial Statements

March 31, 2005

(Expressed in US Dollars)

(Unaudited)

### **Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

#### **Capital assets and depreciation**

Capital assets are recorded at cost. Depreciation is provided on the straight line method based on the following estimated useful life, with a 10% residual value:

Buildings	20 years
Manufacturing machinery and equipment	10 years
Transportation equipment	10 years
Electronic equipment	5 years
Office equipment	5 years

#### **Intangible assets and amortization**

##### Land use rights

The subsidiary, Fujian Yuxin Electronic Equipment Co., Ltd., entered into an agreement on May 15, 1995 for land use rights with Fujian Fuqing Land Management Bureau for a 50 year period, and recorded at the appraisal value at the date of acquisition and amortized over 50 years.

##### Patents

The Company owns patents of atmospheric water generation (“AWG”) registered in the People’s Republic of China under number P200304823. The subsidiary utilizes patents under license that are registered in the United States under the numbers 5,106,512, 5,149,466, 5,203,989 and 5,366,705.

The patents are recorded at the appraisal value at the date of acquisition and amortized over 15 years.

#### **Recognition criteria**

Gains are recognized when realized. Expenses and losses are recognized when an expenditure or previously recognized asset does not have future economic benefit. Expenses that are not linked with specific revenues are related to a period on the basis of transactions or events occurring in that period or by allocation to the periods to which they apply. The cost of assets that benefit more than one period is normally allocated over the periods benefited.

**HENDRX CORP.**  
**(Formerly StarSoft, Inc.)**  
**Notes to Consolidated Financial Statements**  
**March 31, 2005**  
**(Expressed in US Dollars)**  
**(Unaudited)**

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Revenue recognition

Hendrx generates revenue through the sale of atmospheric water generation units to wholesale distributors or to individual consumers. Revenues are recognized only when persuasive evidence for a sales arrangement exists i.e., delivery of the product has occurred; the product fee is fixed or determinable; and collection of the fee is reasonably assured. Revenue derived from the sale of services is initially recorded as deferred revenue on the balance sheet. The deferred amount is recognized as income over the term of the contract.

Research and development

Research and development costs, which include the cost of materials and services consumed and salaries and wages of personnel directly engaged in research and development, are expensed as incurred.

Financial instruments

The company's financial instruments consist of cash and cash equivalents, accounts receivable, short term loan receivable, accounts payable and accrued liabilities, short term loans payable and, income taxes payable and other current liabilities. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

**Segmented information**

The Company's identifiable assets are all located in China. Revenue on a geographical basis is disclosed in note 13, below.

Foreign currency translation

The reporting currency of the Company is the United States Dollar. The accounts of other currencies are translated into US Dollars on the following basis:

**HENDRX CORP.**  
**(Formerly StarSoft, Inc.)**  
**Notes to Consolidated Financial Statements**  
**March 31, 2005**  
**(Expressed in US Dollars)**  
**(Unaudited)**

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Monetary assets and liabilities are translated at the current rate of exchange.

The weighted average exchange rate for the period is used to translate revenue, expenses, and gains or losses from the functional currency to the reporting currency.

The gain or loss on the transactions of foreign currency financial transactions is reported as a separate component of stockholders' equity and not recognized in net income. Gains or losses on remeasurement from the recording currency are recognized in current net income.

Gains or losses from foreign currency transactions are recognized in current net income. Fixed assets are measured at historical exchange rates that existed at the time of the transaction. Depreciation is measured at historical exchange rates that existed at the time the underlying related asset was acquired.

The effect of exchange rate changes on cash balances is reported in the statement of cash flows as a separate part of the reconciliation of change in cash and cash equivalents during the period.

**Recent Accounting Pronouncements**

In November 2002, the FASB issued interpretation NO. 45. "Guarantor's Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others" ("Interpretation No. 45"). Interpretation No. 45 elaborates on the existing disclosure requirements for most guarantees including loan guarantees such as standby letters of credit. It also clarifies that at the time a company issues a guarantee, the Company must recognize an initial liability for the fair market value of the obligations it assumes under that guarantee and must disclose that information in its interim and annual financial statements. The initial recognition and measurement provisions of Interpretation No. 45 apply on a prospective basis to guarantees issued or modified after December 31, 2002. Interpretation NO. 45 did not have an effect on the financial statements.

In January 2003, The FASB issued Interpretation No. 46 "Consolidation of Variable Interest Entities" ("Interpretation NO. 46"), that clarifies the application of Accounting Research Bulletin No. 51 "Consolidated Financial Statements" to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. Interpretation NO. 46 is applicable immediately for variable interest entities created after January 31, 2003. For variable interest entities created prior to January 31, 2003, the provisions of Interpretation No. 46 are applicable no later than July 1, 2003. Interpretation NO. 46 did not have an effect on these financial statements.

**HENDRX CORP.**  
**(Formerly StarSoft, Inc.)**  
**Notes to Consolidated Financial Statements**  
**March 31, 2005**  
**(Expressed in US Dollars)**  
**(Unaudited)**

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

In December 2002, the FASB issued SFAS No. 148 "Accounting for Stock-based Compensation – Transition and Disclosure, an amendment of FASB Statement No. 123" ("SFAS 148"). This Statement amends SFAS 123 to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements. Certain of the disclosure modifications are required for fiscal years ending after December 15, 2002 and are included in the notes to these financial statements.

Statement of Financial Accounting Standards SFAS No. 149 "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", SFAS No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" were recently issued. SFAS No. 149 and 150 have no current applicability to the Company or their effect on the financial statements would not have been significant.

**Note 3. ACQUISITION OF EASTWAY GLOBAL INVESTMENTS LIMITED AND ITS WHOLLY-OWNED OPERATING SUBSIDIARY FUJIAN YUXIN ELECTRONIC EQUIPMENT CO., LTD.**

On December 16, 2004, the Company acquired from Mr. Hendrik Tjandra, Eastway Global Investment Limited, a corporation formed under the laws of the British Virgin Islands, a "Holding Company" the latter of which owns a Chinese "Operating company" named FuJian Yuxin Electronic Equipment Co., Ltd.

The Operating Company carries on the business of the design, manufacture and sale of atmospheric water generators from a facility on lands leased by the operating company located in Fuqing, Fujian, China.

The Holding Company was the owner of all of its registered capital of the Operating company, and Mr. Hendrik Tjandra ("Hendrik") was the owner of all the issued and outstanding shares in the capital of the Holding Company.

The completion of the purchase and sale of the shares took place immediately upon delivery and execution of the agreement on December 16, 2004.

David Tjahjadi, the son of Hendrik Tjandra, is also a principal to the agreement as he is an officer and director of the Operating company.

Hendrik Tjandra and David Tjahjadi are named "the Principals" in the agreement.

## **HENDRX CORP.**

**(Formerly StarSoft, Inc.)**

**Notes to Consolidated Financial Statements**

**March 31, 2005**

**(Expressed in US Dollars)**

**(Unaudited)**

### **Note 3. ACQUISITION OF EASTWAY GLOBAL INVESTMENTS LIMITED AND ITS WHOLLY-OWNED OPERATING SUBSIDIARY FUJIAN YUXIN ELECTRONIC EQUIPMENT CO., LTD. (Cont'd)**

Terms and conditions of this agreement are as follows:

- (a) a deposit of \$300,000 deposited with the Solicitors of Kirin Capital pursuant to a letter Agreement dated October 29, 2004 between Kirin Capital Corp., the Principals and the Operating Company.
- (b) The purchase price for the shares is \$3,500,000 cash plus the market value of purchase price shares, in (d); below, and in future earn-out shares as computed in (e), below.
- (c) The cash purchase price in (b), above, shall be paid as follows:
  - (i) \$300,000 by assignment and release of the deposit outlined in (a), above, to Hendrik, and
  - (ii) \$1,000,000 payable to Hendrik on January 31, 2005, and
  - (iii) \$1,000,000 payable to Hendrik on April 30, 2005, and
  - (iv) \$1,200,000 payable to Hendrik on August 31, 2005The payments required in (i) and (ii) above, have been paid to March 31, 2005
- (d) the issuance on closing of 12,720,000 common shares to Hendrik equal to 40% of the issued and outstanding shares of HENDRX Corp.
- (e) an earn-out bonus to the Principals, in equal shares, the number of shares required to bring the principals' aggregate holding of shares in the capital of HENDRX Corp. up to 51% within 30 days after the release and publication of HENDRX Corp.'s audited financial statements for the first fiscal year in which the gross revenue, on a consolidated basis, exceeds \$15,000,000.
- (f) The payment dates in (c)(iii) and (iv), above, shall have an additional "Grace Period" of 60 days to make any such payment. Interest shall accrue during the Grace Period for Hendrik's benefit on any unpaid amount at the rate of 18% per annum, compounded monthly.
- (g) A non-compete agreement whereby the Principals agree not to compete with the Businesses carried on by HENDRX Corp. and /or the Operating company or any affiliates or related companies, anywhere in the world, for a period of 2 years from the closing date.
- (h) Funding commitment by HENDRX Corp. as follows:
  - (i) to raise financing or dedicate existing financing and resources, of \$1,500,000 for further development of the Business, within 30 days after the closing date; and

## **HENDRX CORP.**

(Formerly StarSoft, Inc.)

Notes to Consolidated Financial Statements

March 31, 2005

(Expressed in US Dollars)

(Unaudited)

### **Note 3. ACQUISITION OF EASTWAY GLOBAL INVESTMENTS LIMITED AND ITS WHOLLY-OWNED OPERATING SUBSIDIARY FUJIAN YUXIN ELECTRONIC EQUIPMENT CO., LTD. (Cont'd)**

- (ii) after closing, HENDRX Corp. shall formalize with Hendrik an irrevocable marketing commitment and strategy for marketing the business and for increasing market and investor awareness of the Business, whereby HENDRX Corp. shall use its best commercial efforts to raise financing, or to dedicate existing financing and/or resources, of \$2,000,000 to be allocated therefrom as to (a) \$1,000,000 to market the operating company and promote the Business, market and product strategy, and (b) \$1,000,000 to increase brand and product awareness through video, digital print and electronic media, endorsements, sponsorship and media campaigns.

The market price of 12,720,000 common shares issued for this acquisition was \$2.68 per common share for total stock consideration of \$34,090,200 plus cash payments of \$3,500,000 on the terms, as outlined above, for total consideration of \$37,590,200.

There is goodwill on the acquisition, computed as follows:

Assets Acquired	
Current Assets	\$ 1,973,259
Fixed Assets	5,071,568
Intangible Assets	3,069,352
<hr/>	
TOTAL ASSETS	10,114,179
Liabilities Assumed	
Current Liabilities	4,378,116
<hr/>	
Net Equity	5,736,063
Consideration issued, as above	37,590,200
<hr/>	
Goodwill, on acquisition	\$ 31,854,137

The acquisition agreement was signed on December 16, 2004. Net profit from the operations of the subsidiary of Fujian Yuxin Electronic Equipment Co., Ltd. of \$126,709 is included in these financial statements from the date of acquisition on December 16, 2004 to December 31, 2004.

### **Note 4. ACCOUNTS RECEIVABLE**

Bad debts are determined on a direct write off basis.

**HENDRX CORP.**

(Formerly StarSoft, Inc.)

Notes to Consolidated Financial Statements

March 31, 2005

(Expressed in US Dollars)

(Unaudited)

**Note 5. INVENTORIES**

Inventories are stated at the weighted average method on a first-in first-out basis. Summary of inventories as at March 31, 2005, is as follows:

	<b>March 31, 2005</b>	<b>December 31, 2004</b>
Finished goods	\$ 81,456	\$ 123,797
Raw materials	681,254	542,702
Work-in-process	489,374	311,877
<b>Total</b>	<b>\$ 1,252,084</b>	<b>\$ 978,376</b>

**Note 6. INTANGIBLE ASSETS AND ACCUMULATED AMORTIZATION**

<b><u>March 31, 2005</u></b>		<b>Accumulated</b>	<b>Net Book</b>
	<b>Cost</b>	<b>Amortization</b>	<b>Figures</b>
Land use rights	\$ 1,560,931	\$ 383,827	\$ 1,177,104
Patents	2,067,931	218,273	1,849,658
<b>Total</b>	<b>\$ 3,628,862</b>	<b>\$ 602,100</b>	<b>\$ 3,026,762</b>

<b><u>December 31, 2004</u></b>		<b>Accumulated</b>	<b>Net Book</b>
	<b>Cost</b>	<b>Amortization</b>	<b>Figures</b>
Land use rights	\$ 1,560,931	\$ 375,693	\$ 1,185,238
Patents	2,067,931	183,817	1,884,114
<b>Total</b>	<b>\$ 3,628,862</b>	<b>\$ 559,510</b>	<b>\$ 3,069,352</b>

**HENDRX CORP.**

(Formerly StarSoft, Inc.)

Notes to Consolidated Financial Statements

March 31, 2005

(Expressed in US Dollars)

(Unaudited)

**Note 7. FIXED ASSETS AND ACCUMULATED DEPRECIATION**

	<u>March 31, 2005</u>		Accumulated Depreciation	Net Book Figures
	Cost			
Buildings	\$ 2,298,057	\$ 470,438	\$	1,827,619
Manufacturing machinery and equipment	3,692,300	447,967		3,244,333
Lease	12,920			12,920
Transportation equipment	245,041	73,210		171,831
Electronic equipment	85,693	48,694		36,999
Office equipment	58,606	37,214		21,392
<b>Total</b>	<b>\$ 6,392,617</b>	<b>\$ 1,077,523</b>	<b>\$</b>	<b>5,315,094</b>

	<u>December 31, 2004</u>		Accumulated Depreciation	Net Book Figures
	Cost			
Buildings	\$ 2,298,057	\$ 444,592	\$	1,853,465
Manufacturing machinery and equipment	3,421,748	440,979		2,980,769
Transportation equipment	245,041	69,134		175,907
Electronic equipment	83,870	45,755		38,115
Office equipment	58,606	35,294		23,312
<b>Total</b>	<b>\$ 6,107,322</b>	<b>\$ 1,035,754</b>	<b>\$</b>	<b>5,071,568</b>

**Note 8. COMMON STOCK**Net Loss Per Share

Basic and diluted weighted average number of shares outstanding for the period ended March 31, 2005 are as follows:

	<u>March 31 2005</u>	<u>December 31 2004</u>
Weighted average number of shares (after forward split)		
Basic	35,712,475	31,800,000
Diluted	36,062,475	31,800,000
Net Profit (Loss) per share		
Basic	\$ (0.05)	\$ 0.00
Diluted	\$ (0.05)	\$ 0.00

**HENDRX CORP.**  
(Formerly StarSoft, Inc.)  
Notes to Consolidated Financial Statements  
March 31, 2005  
(Expressed in US Dollars)  
(Unaudited)

**Note 8. COMMON STOCK (Cont'd)**

Stock Options

Stock options outstanding at March 31, 2005:

Options Outstanding			
Number Outstanding at March 31, 2005	Weighted- Average Remaining Contractual Life (years)	Exercise Price	Number Exercisable at March 31, 2005
350,000	5.00	\$1.50	--

The fair value of these options was determined using the Black-Scholes option pricing model, recognizing forfeitures as they occur, using the following assumptions:

Options not yet forfeited	350,000
Stock price	5.8
Risk free interest rate	4.50%
Expected volatility	745%
Expected dividend yield	\$0

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that are fully transferable and have no vesting restrictions. The Company's stock options are not transferable and cannot be traded. The Black-Scholes model also requires an estimate of expected volatility. The Company uses historical volatility rates of the Company to arrive at an estimate of expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore do not necessarily provide a reliable measure of the fair value of the Company's stock options.

**Note 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>March 31, 2005</b>	<b>December 31, 2004</b>
Accounts payable - trade	\$ 492,121	\$ 170,063
Financing costs payable	639,300	-
Wages and benefits payable	29,864	25,274
Other payables	169,980	206,082
<b>Total</b>	<b>\$ 1,331,265</b>	<b>\$ 401,419</b>

**HENDRX CORP.**  
(Formerly StarSoft, Inc.)  
Notes to Consolidated Financial Statements  
March 31, 2005  
(Expressed in US Dollars)  
(Unaudited)

**Note 10. RELATED PARTY TRANSACTIONS**

(a) During the quarter ended March 31, 2005, sales to related parties are as follows:

<b>Related Parties</b>	<b>Quarter Ended March 31, 2004</b>	<b>Year Ended December 31, 2004</b>
<b>Controlled by the Chairman of the Company and related parties</b>		
PT. Galaksi Perkasa	\$ 102,407	\$ 1,024,715

(b) During the quarter ended March 31, 2005, purchases from related parties are as follows:

<b>Related Parties</b>	<b>Quarter Ended March 31, 2005</b>	<b>Year Ended December 31, 2004</b>
Fuqing Huanyu plastic products Co., Ltd. controlled by sister of Mr. Hendrik Tjandra	\$ 4,545	\$ 73,091
Fuqing Yongxia Color Printing Factory controlled by sister of Mr. Hendrik Tjandra		40,265
<b>Total</b>	<b>\$ 4,545</b>	<b>\$ 113,356</b>

(c) There are no balances due to, or from, related parties at March 31, 2005, except for the amount due on purchase of the subsidiary which is payable to Mr. Hendrik Tjandra, President, Chairman and Director of the Company, as to \$1,000,000 due on April 30, 2005 and \$1,200,000 due on August 3, 2005 (as outlined in Note 3)

**HENDRX CORP.**

(Formerly StarSoft, Inc.)

Notes to Consolidated Financial Statements

March 31, 2005

(Expressed in US Dollars)

(Unaudited)

**Note 11. SHORT TERM BANK LOANS/GUARANTEES**

Short term loans are borrowing from banks. The terms of these short term loans are summarized as follows:

	<b>Interest Rate (Per Annum)</b>	<b>March 31, 2005</b>	<b>December 31, 2004</b>
Agricultural Bank of China, Fuqing Branch	6.638%	\$ 2,088,547	\$ 2,089,106
Xiamen International Bank	5.310%		641,736
Huaxing Trust Company	9.864%	229,843	266,205
XingYie Bank, Fuqing Branch	6.903%	483,880	484,010
<b>Total</b>		<b>\$ 2,802,270</b>	<b>\$ 3,481,057</b>

These short term loans are secured by the Company's assets and guaranteed by Fujian Tianyu Steel Products Co., Ltd. owned by the Chairman of Hendrx Corp.

The Company also provides guarantees of bank loans of, Fujina Tianyu Steel, owned by the Chairman of Hendrx Corp, in the amount of \$5,268,544 at December 31, 2004 and remains unchanged to March 31, 2005, as below.

Bank guarantees of loans of Fujian Tianyu Steel, as borrower from the banks are below:

	Bank Loan Payable Balance at March 31, 2005		Maximum Amount of Guarantee at March 31, 2005	
	RMB	US\$ (i)	RMB	US\$
Fuqing Agriculture Bank	18,500,000	\$ 2,238,544	18,500,000	\$ 2,238,544
Fuqing Agriculture Bank	5,000,000	605,000	5,000,000	605,000
Communication Bank	8,200,000	992,200	10,000,000	1,210,000
ChungXing Bank	4,400,000	532,400	5,000,000	605,000
	<u>36,100,000</u>	<u>4,368,144</u>	<u>38,500,000</u>	<u>4,658,544</u>
	Hong Kong Dollars		Hong Kong Dollars	
Xing Chang Bank	5,000,000	610,000	5,000,000	610,000
<b>TOTAL</b>		<b>\$ 4,978,144</b>		<b>\$ 5,268,544</b>

(i) secured by general security on all assets of borrower.

**HENDRX CORP.**  
(Formerly StarSoft, Inc.)  
Notes to Consolidated Financial Statements  
March 31, 2005  
(Expressed in US Dollars)  
(Unaudited)

**Note 11. SHORT TERM BANK LOANS/GUARANTEES (Cont'd)**

	Bank Loan Payable Balance at December 31, 2004		Maximum Amount of Guarantee at December 31, 2004	
	RMB	US\$ (i)	RMB	US\$
Fuqing Agriculture Bank	18,500,000	\$ 2,238,544	18,500,000	\$ 2,238,544
Fuqing Agriculture Bank	5,000,000	605,000	5,000,000	605,000
Communication Bank	8,200,000	992,200	10,000,000	1,210,000
ChungXing Bank	4,400,000	532,400	5,000,000	605,000
	<u>36,100,000</u>	<u>4,368,144</u>	<u>38,500,000</u>	<u>4,658,544</u>
	Hong Kong Dollars		Hong Kong Dollars	
Xing Chang Bank	5,000,000	610,000	5,000,000	610,000
<b>TOTAL</b>		<b>\$ 4,978,144</b>		<b>\$ 5,268,544</b>

(i) secured by general security on all assets of borrower.

**Note 12. PENSION AND EMPLOYMENT LIABILITIES**

The Company does not have any liabilities as at December 31, 2003, for pension, post-employment benefits or post-retirement benefits. The Company does not have a pension plan. The consolidated balance sheet includes past service wage benefits payable by the wholly-owned subsidiary, Fujian Yuxin Electronic Equipment Co., Ltd. at December 31, 2004 of \$517,440. These past service wage benefits were accrued and expensed by the subsidiary prior to the acquisition of control by the Company. The Company on January 26, 2005 authorized the approval and issued by March 31, 2005, 134,400 common shares at a price of \$3.85 to liquidate this debt of the subsidiary by issuance of these shares in varying amounts to the employees of the subsidiary.

**HENDRX CORP.**

(Formerly StarSoft, Inc.)

Notes to Consolidated Financial Statements

March 31, 2005

(Expressed in US Dollars)

(Unaudited)

**Note 13. GEOGRAPHIC INFORMATION**

(a) Revenue from external customers

Countries	Three Months Ended March 31,		Year Ended December 31,			
	2005	%	2004	%	2003	%
Australia	\$		\$ 976,158	10.48%	\$ 20,830	0.24%
Britain			200	0.00%		
Canada			(89,398)	-0.96%	97,346	1.12%
China	1,622	0.11%	176,080	1.89%	359,086	4.11%
Greece			870	0.01%		
Holland			711	0.01%		
Indonesia	102,407	6.92%	1,103,594	11.84%	1,651,411	18.92%
India	55,323	3.74%	255,175	2.74%		
Iran			1,995	0.02%		
Israel	73,307	4.95%	267,259	2.87%	2,003	0.02%
Lebanon	871,021	58.83%	3,247,854	34.85%	3,629,530	41.58%
Malaysia			-	0.00%	23,034	0.26%
Nigeria			-	0.00%	310,761	3.56%
Singapore			949,953	10.19%	1,213,413	13.90%
Spanish			251,235	2.70%		
Taiwan			-	0.00%	401	0.00%
Thailand	103,296	6.98%	898,730	9.64%	151,216	1.73%
United States	273,632	18.47%	1,279,045	13.72%	1,270,284	14.56%
Total	\$	<u>1,480,608</u>	\$	<u>9,319,461</u>	\$	<u>8,729,315</u>
		<u>100.00%</u>		<u>100.00%</u>		<u>100.00%</u>

(b) Assets

All of the assets of the Company as at March 31, 2005 are located in China.

**HENDRX CORP.**  
**(Formerly StarSoft, Inc.)**  
**Notes to Consolidated Financial Statements**  
**March 31, 2005**  
**(Expressed in US Dollars)**  
**(Unaudited)**

**Note 14. PATENTS**

In 2003, Mr. Hendrik Tjandra transferred his patents of atmospheric water generation (“AWG”) to the wholly-owned subsidiary, Fujian Yuxin Electronic Equipment Co., Ltd. These patents are registered in the People’s Republic of China under the number P200304823. The subsidiary utilizes patents under licence that are registered in the United States under the numbers 5,106,512, 5,149,466, 5,203,989 and 5,366,705.

Based on the appraisal report dated May 20, 2003 by Fujian Huayi Assets Appraisal Co., Ltd., these patents are valued at \$2,067,931 (RMB 17,090,000 Yuan) and has been amortized by \$218,273 to March 31, 2005. This amount was recorded by the Company for the patents as intangible assets; \$1,034,755 was credited to the registered capital and \$1,033,176 was credited to additional paid in capital.

**Note 15. TAXES**

The operating subsidiary is subject to taxes applicable in China consisting of value added taxes on domestic sales and income taxes on profits.

United States Income Tax:	<u>2004</u>
Deferred tax assets	\$ 594,713
Valuation allowance	\$ (594,713)
<u>Net deferred tax assets</u>	<u>\$ -</u>

**Note 16. SALES DISTRIBUTORS**

The Company has entered agreements with a number of entities that will act as sales distributors for the Company. These parties are either independent third parties or related parties. Terms and conditions with these sales distributors may vary, but they essentially require the sales distributor to commit to buy finished products from the Company, to sell these products to their customers and to provide technical support to their customers as ongoing follow-up of sales.

**Note 17. DIVIDENDS PAID BY SUBSIDIARY**

In 2004 the subsidiary, Fujian Yuxin Electronic Equipment Co., Ltd. prior to acquisition by the Company paid dividends of \$2,344,393 (RMB19,374,771) to its shareholders as a distribution of profits and the amount is charged as a reduction to retained earnings of the subsidiary in the fiscal year ended December 31, 2004.

## **HENDRX CORP.**

(Formerly StarSoft, Inc.)

Notes to Consolidated Financial Statements

March 31, 2005

(Expressed in US Dollars)

(Unaudited)

### **Note 18. SHORT TERM LOAN**

In August 2002, the subsidiary lent RMB 950,000 (equivalent to US\$114,952 as at December 31, 2004) to Hengxing Trading Company for business development purposes. This amount is unsecured, yields no interest and with no specific terms of repayment. This loan is expected to be returned in 2005 by an agreement between the legal representative, Mr. Linbin of Hengxing Trading Company and the President, Mr. Hendrix Tjandra on behalf of the subsidiary, Fujian Yuxin Electronic Products Co., Ltd.

### **Note 19. SIGNIFICANT EVENTS DURING THE CURRENT QUARTER**

#### (a) Financing by Common Stock

- (i) A total private equity placement is authorized of 5,000,000 common shares at a price of \$1.50 per share for gross proceeds of \$7,500,000 by private equity placement. The Company, to March 2005 issued 4,337,000 common shares at a price of \$1.50 per share for a total of \$6,505,500 less share subscriptions receivable of \$751,801 at March 31, 2005 for net proceeds of \$5,753,699. There is a 10% commission payable on this private equity placement.
- (ii) On January 26, 2005, the Company authorized the issuance of 134,400 shares of restricted common stock, for services rendered at a price of \$3.35 per share to 327 employees, each of whom is an employees of Fujian Yuxin Electronic Equipment Co., Ltd., a wholly-owned subsidiary. These shares were issued on February 2, 2005, at a market price of \$3.85 per share for a total of \$517,440.

#### (b) Amendment of Articles of Association

By written consent resolution of the Board of Director on January 14, 2005, by Articles of Amendment to the Articles of Association of StarSoft, Inc. dated February 18, 2005, the Company

- (i) changed its name to Hendrx Corp.
  - (ii) authorized the total common stock that may be issued by the corporation at 350,000,000 shares of common stock with a par value per share of one-tenth of one cent \$(0.001) and no other class shall be authorized. The change in the corporation's name and the decrease in the number of authorized common shares, is effective on March 28, 2005.
- (c) By resolution of the Board of Directors effective March 12, 2005, the Company adopted a 2005 – 2007 Omnibus Stock Option Plan (“Plan”) for key employees, directors and consultants and reserved 3,500,000 common shares for issuance under this plan out of the Company's authorized but unissued common shares. Out of these shares reserved, the Company granted non-qualified stock options to each of seven directors to acquire 50,000 common stock, for five years, at a price of \$1.50 per share.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the Financial Statements and accompanying notes and the other financial information appearing elsewhere in this report. The Company's first quarter-end is March 31.

The Company's mission is to design, manufacture and distribute water solutions that bring safe, disease free, clean and affordable water to the world.

### **Short Term Business Strategy**

The Company's short term strategy is to realize net cash flow from operations, to expand marketing efforts, to enlarge manufacturing capacity, and to continue research and development, to ensure that the Company is recognized as a global leader in atmospheric water generation.

The Company intends to focus on a comprehensive marketing plan that will increase international sales as well as local sales in mainland China. Management will reevaluate existing distribution agreements, develop new markets and consider alternative methods for distributing its products, such as leasing arrangements or direct marketing channels. The Company also hopes to align itself with major distribution partners. The Company intends to penetrate the North American market by initially targeting the residential/commercial market segment within the next twelve months.

Anticipation of increased sales will cause the Company in the short term to increase manufacturing capacity. A current expansion of the Company's manufacturing facility in Fujian, China will increase the number of AWG units that can be produced from the current level of 50,000 annually. Management believes that the planned increase in manufacturing capacity is sufficient to meet the anticipated demand for AWG products over the next twelve months. The expansion is scheduled for completion in late 2005.

Research and development will remain focused on the Company's AWG units, RO devices and related filtration devices in preparation for the next generation of the "ERIVA" units.

The Company's short term business strategy will be funded by operations and the recent completion of a private equity placement of common stock for cash consideration of \$7,964,200. Proceeds of the private equity placement are also designated for satisfying amounts due to the Company's chairman of the board of directors and chief executive officer, Hendrik Tjandra, in connection with the Company's December 16, 2004 acquisition of Eastway and its subsidiary Yuxin.

### **Long Term Business Strategy**

The Company's longer term strategy is to establish sales in the industrial, military, commercial, disaster relief and humanitarian market segments of the water industry. Management believes that the Company's industrial AWG units are ideally positioned to service this prospective market. The Company will also explore the establishment of a new manufacturing/assembly facility in Mexico to take advantage of the low labor cost and the North America Free Trade Agreement. The acquisition of a new manufacturing facility in Mexico will also enable the Company to obtain a "GSA" number that will permit it to supply AWG units to the United States government.

The Company intends to maintain a position of technological leadership and innovation in AWG technology by adopting an aggressive approach towards product improvement. Management intends to continue to grow its intellectual property portfolio by registering patents and trademarks for new products.

The Company also plans to expand and develop targeted “acquisitive” growth in the water industry that will add technologies, distribution channels, product lines and, ultimately, customers to its existing business.

### **Quantitative and Qualitative Disclosures of Various Risks**

Historically the Company has not been able to generate sufficient cash flow to expand marketing, manufacturing capacity and fund necessary research and development. Accordingly, there can be no assurance that the Company’s short term business strategy will provide sufficient cash flows to accomplish those objectives defined by management for future growth. Should the Company be unable to generate sufficient cash flow from the sale of its products or from the successful completion of the current private equity placement, it will be required to seek financing from alternative sources such as additional sales of its common stock or incurring additional debt in order to accomplish its current marketing, manufacturing and research and development objectives. The Company can provide no assurance that such efforts, if necessary, would be successful.

The Company’s business development strategy is prone to significant risks and uncertainties which can have an immediate impact on efforts to realize net cash flow and deter future prospects of revenue growth. The Company’s financial condition and results of operations depend primarily on revenue generated from the sale of AWG units and its ability to control expenses. The Company has a limited history of generating revenue which should not be viewed as an indication of continued growth and a historical record of incurring losses. Should the Company be unable to consistently generate revenue and reduce or stabilize expenses to the point where it can maintain a net cash flow, such failure will have an immediate impact on its ability to continue business operations.

### **Results of Operations**

The Company’s financial statements are stated in U.S. dollars in accordance with US GAAP and are consolidated with the financial statements of Eastway and Yuxin for the quarter ended March 31, 2005. Note, the consolidated statement of income and the consolidated statement of cash flows reflect revenue, expenses and cash flow, only for the first quarter in 2005. The Company acquired Yuxin on December 16, 2004, prior to which time it was without significant operations.

During the period from January 1, 2003 through March 31, 2005, the Company’s subsidiary Yuxin was engaged in research and development, manufacturing and marketing of AWG units from Fujian, China. The Company expects that over the next twelve months it will embark on a comprehensive marketing plan for the sale of AWG units while expanding manufacturing capacity and focusing on innovation through research and development.

As at March 31, 2005, the Company incurred a net loss from operations of \$1,783,109. The net loss included an extraordinary stock option expense of \$1,764,000 in connection with the grant of stock options to members of the Company’s board of directors. When the extraordinary stock option expense is not considered, the Company incurred a net loss from operations of \$19,109 for the current period.

### **Results of Quarters ended March 31, 2005 and 2004**

#### **Gross Revenue, Cost of Goods Sold and Gross Profit**

Gross revenue for the three month period ended March 31, 2005 was \$1,480,608 from \$0 for the comparable period ended March 31, 2004. Gross revenue in the current period reflects the revenues of Yuxin earned in this period. Prior to the acquisition of Yuxin on December 16, 2004, the Company had no significant operations. The Company expects to increase gross revenue in future periods.

Cost of goods sold for the three month period ended March 31, 2005 was \$1,115,471 from \$0 for the three month period ended March 31, 2004. Cost of goods sold in the current period reflects the cost of goods sold of Yuxin incurred in this period. Prior to the acquisition of Yuxin on December 31, 2004, the Company had no significant operations. The cost of goods sold in the current period included an increase in costs associated with the use of new components for the AWG units designed to improve efficiency and functionality. The Company expects that the cost of goods sold will increase in relation to increases in gross revenue in future periods.

Gross profit for the three month period ended March 31, 2005 was \$365,137 from \$0 for the three month period ended March 31, 2004. Gross profit in the current period reflects the gross profit of Yuxin realized in this period. Prior to the acquisition of Yuxin on December 16, 2004, the Company had no significant operations. The Company expects that gross profit will increase in future periods in relation to increases in gross revenue.

### **Expenses**

Selling expenses for the three month period ended March 31, 2005 were \$37,125 from \$0 for the comparable period ended March 31, 2004. Selling expenses in the current period reflect the selling expenses of Yuxin incurred in this period. Prior to the acquisition of Yuxin on December 31, 2004, the Company had no significant operations. The Company anticipates that selling expenses will increase in future periods as a comprehensive marketing strategy is launched to develop the marketplace for the company's AWG units.

General and administrative expenses for the three month period ended March 31, 2005 increased to \$325,771 from \$2,608 of the comparable period ended March 31, 2004 primarily as the result of the consolidation of the Company and Yuxin in the current period. Yuxin's general and administrative expenses can be attributed to filing fees (\$14,580), professional fees (\$33,257), salaries and wages (\$89,419), office and miscellaneous expenses (\$47,825), interest and bank charges (\$53,463), and depreciation and amortization expenses (\$58,475). The Company anticipates that general and administrative expenses may increase in future periods due to anticipated costs associated with public disclosure requirements, legal and audit fees, R&D, and major marketing campaigns to be launched in mid 2005.

Stock-based compensation cost for the three month period ended March 31, 2005 increased to \$1,764,000 from \$0 of the comparable period ended March 31, 2004. The extraordinary increase in stock-based compensation cost over the comparative periods can be attributed to the application of FASB SFAS 123 regarding the total of 350,000 stock options granted to all board members on March 12, 2005. The stock-based compensation cost was calculated using fair value method by Black-Scholes Option Pricing model, and stock options were exercisable within 5 years at an exercisable price of \$1.50.

### **Net Loss**

Net loss for the three month period ended March 31, 2005 was \$1,783,109 compared to a net loss of \$2,608 for the comparable period ended March 31, 2004. The increase in net losses in the current period can be primarily attributed to an extraordinary stock option expense. Prior to the acquisition of Yuxin on December 16, 2004, the Company had no significant operations. The Company expects to realize net income in future periods with anticipated increases in revenue and overall decreases in expenses.

## **Liquidity and Capital Resources**

Cash flow provided by operations for the three month period ended March 31, 2005 was \$347,818 as compared to cash flow used in operations of \$2,608 for the comparable period ended March 31, 2004. The increase in cash provided by operations can be attributed to the acquisition of Yuxin on December 16, 2004. Increased revenue and a decrease in expenses are expected to generate net income in future periods and therefore the Company expects to increase in cash flow from operations over the next twelve months.

Cash flow used for investing activities for the three month period ended March 31, 2005 was \$1,285,265 as compared to cash flows provided by investing activities of \$4,000 for the quarter ended March 31, 2004. Cash flow used for investing activities in the current period comprised payment (\$1,000,000) against continuing obligations related to the acquisition of Yuxin and investment in machinery and equipment (\$285,000). The Company expects that cash flow used for investing activities will increase over future periods as the company's manufacturing facility and products are improved.

Cash flow provided by financing activities was \$5,074,912 for the quarter ended March 31, 2005 as compared to \$0 produced by financing activities for the quarter ended March 31, 2004. Cash flow provided by financing activities in the current period is attributed to proceeds from a private equity placement of the Company's common stock. The Company expects cash flow provided by financing activities will increase over the next twelve months.

The Company had a working capital surplus of \$251,191 as of March 31, 2005 and has funded its cash needs from revenue and debt and equity financing provided by banks and other unrelated parties. The Company issued 134,400 restricted common shares to pay accrued wages benefits of \$517,440 during the current period and will use the proceeds of equity financing to fund debts incurred from the acquisition of Eastway and Yuxin. The Company anticipates that cash flow from future revenues and equity placements will be sufficient to fund operations in 2005. However, there can be no assurance that the Company will generate sufficient cash flows from revenue or debt or equity placements to fund current operations. Since any earnings, if realized, are anticipated to be reinvested in operations, cash dividends are not expected to be paid in the foreseeable future. Commitments for future capital expenditures may be fully funded by equity financing in future periods.

The Company's bank loans of \$2,802,270 are guaranteed by Fujian Tienyu Steel Products Co., Ltd. ("Tienyu"), a company owned by the chairman of the board of directors and chief executive officer of the Company. In exchange, the Company, through its subsidiary Yuxin, also guarantees Tienyu's bank loans of \$5,268,544. Based on the financial health of Tienyu, the Company's management has confidence in Tienyu's ability to repay its own bank loan obligations. Nonetheless, it is management's intention to reduce mutual guarantees gradually over time.

During the current period the Company initiated a private equity placement to raise \$7,964,200 from the sale of 4,428,667 restricted common shares at \$1.50 per share and 875,000 restricted common shares at \$1.51 per share. The Company had completed \$7,964,200 of the private placement as of April 22, 2005. The proceeds of the offering, subject to a ten percent (10%) financing sales commission, a 0.5% finder's fee, and \$40,000 in escrow fees are to be used to complete the purchase of Eastway from Hendrik Tjandra, the Company's chairman of the board of directors and chief executive officer, improve and expand manufacturing capacity, to expand the Company's marketing efforts on a comprehensive basis and to fund further research and development.

The Company adopted a Stock Option and Compensation Plan (“Plan”) on March 12, 2005. Under the Plan, the Company may issue stock, stock appreciation rights, or grant options to acquire the Company’s common stock to employees of the Company or its subsidiaries. The board of directors, at its own discretion may also issue stock, stock appreciation rights or grant options to other individuals, including consultants or advisors, who render services to the Company or its subsidiaries. The Company had authorized the grant of 350,000 options with an exercise price of \$1.50 for a period of five years to all the members of the board of directors as of March 12, 2005.

The Company, except in respect to the grant of stock options, has no defined benefit plan or contractual commitment with any of its officers or directors.

The Company has no current plans for the purchase or sale of any plant or equipment, outside of normal items to be utilized by manufacturing personnel, unless the holding period is determined to be less than 45 days.

The Company has no current plans to make any significant changes in the number of employees.

### **Income Tax Expense (Benefit)**

The Company recognizes deferred tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The deferred tax liability associated with any net earnings will be offset by deferred tax assets related to the net operating loss carryforwards of the Company. A valuation allowance has been recorded for the remaining amount of net deferred tax asset due to the uncertainty surrounding its ultimate realization.

### **Impact of Inflation**

The Company believes that inflation has had a negligible effect on operations over the past three years. The Company believes that it can offset inflationary increases in maintenance costs by increasing revenue and improving operating efficiencies.

### **Critical Accounting Policies**

In Note 2 to the unaudited consolidated financial statements for the quarters ended March 31, 2005 and 2004 included in this Form 10-QSB, the Company discusses those accounting policies that are considered to be significant in determining the results of operations and its financial position. The Company believes that the accounting principles utilized by it conform to accounting principles generally accepted in the United States of America.

The preparation of financial statements requires management to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. By their nature, these judgments are subject to an inherent degree of uncertainty. On an on-going basis, we evaluate our estimates, including those related to bad debts, inventories, intangible assets, warranty obligations, product liability, revenue, and income taxes. The Company bases its estimates on historical experience and other facts and circumstances that are believed to be reasonable, and the results form the basis for making judgments about the carrying value of assets and liabilities. The actual results may differ from these estimates under different assumptions or conditions. With respect to revenue recognition, we apply the following critical accounting policies in the preparation of its financial statements

## **Revenue Recognition**

The Company generates revenue through the sale of AWG units whether to wholesale distributors or to individual consumers. Revenues are recognized only when persuasive evidence for a sales arrangement exists; delivery of the product has occurred; the product fee is fixed or determinable; and collection of the fee is reasonably assured. Revenue derived from the sale of services is initially recorded as deferred revenue on the balance sheet. The amount is recognized as income over the term of the contract.

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

This Form 10-QSB includes certain statements that may be deemed to be "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements included in this Form 10-QSB, other than statements of historical facts, address matters that the Company reasonably expects, believes or anticipates will or may occur in the future. Such statements are subject to various assumptions, risks and uncertainties, many of which are beyond the control of the Company. These forward looking statements may relate to such matters as anticipated financial performance, future revenue or earnings, business prospects, projected ventures, new products and services, anticipated market performance and similar matters. When used in this report, the words "may," "will," "expect," "anticipate," "continue," "estimate," "project," "intend," and similar expressions are intended to identify forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934 regarding events, conditions, and financial trends that may affect the Company's future plans of operations, business strategy, operating results and financial position. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. To comply with the terms of the safe harbor, the Company caution readers that a variety of factors could cause its actual results to differ materially from the anticipated results or other matters expressed in its forward-looking statements.

These risks and uncertainties, many of which are beyond our control, include (i) the sufficiency of existing capital resources and the Company's ability to raise additional capital to fund cash requirements for future operations; (ii) uncertainties related to the acceptance of the Company's current and future products; (iii) the ability of the Company to achieve and maintain sufficient revenues to fund operations; (iv) volatility of the stock market; and (v) general economic conditions. Although the Company believes the expectations reflected in these forward-looking statements are reasonable, such expectations may prove to be incorrect.

## **Going Concern**

The Company's auditor has expressed concern as to the Company's ability to continue as a going concern as a result of recurring losses, limited revenue-generating activities and a working capital surplus of \$251,191 as of March 31, 2005. The Company's ability to continue as a going concern is subject to the ability of the Company to generate net income and obtain funding from outside sources. Management's plan to address the Company's ability to continue as a going concern, include: (1) obtaining funding from private placement sources; (2) obtaining additional funding from the sale of the Company's securities; (3) generating sufficient revenues to sustain operations; and (4) obtaining loans and grants from various financial institutions, where possible. Although management believes that it will be able to obtain the necessary funding to allow the Company to remain a going concern through the methods discussed above, there can be no assurances that such methods will prove successful.

### **ITEM 3. CONTROLS AND PROCEDURES**

The Company's chief executive officer and the Company's chief financial officer are responsible for establishing and maintaining disclosure controls and procedures for the Company.

#### **(a) Evaluation of Disclosure Controls and Procedures**

Based on their evaluation as of March 31, 2005, the chief executive officer and the chief financial officer have concluded that the Company's disclosure controls and procedures (as defined in Rule 13a-14(c) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) are effective to ensure that information required to be disclosed by the Company in reports that the Company files or submits under the Securities Exchange Act, as amended is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

#### **(b) Changes in Internal Controls**

Based on their evaluation as of March 31, 2005, the chief executive officer and the chief financial officer have concluded that there were no significant changes in the Company's internal controls over financial reporting or in any other areas that could significantly affect the Company's internal controls subsequent to the date of his most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

## **PART II**

### **ITEM 2. CHANGES IN SECURITIES**

On April 8, 2005, the Company authorized the issuance of 100,000 shares of common stock to valued at \$1.51 a share to Jack A. Norqual in exchange for cash consideration of \$151,000, pursuant to exemptions from registration provided by Section 4(2) and Regulation D of the Securities Act of 1933 ("Securities Act"), as amended.

The Company made this offering based on the following factors: (1) the issuance was an isolated private transaction by the Company which did not involve a public offering; (2) there was only one offeree who was issued the Company's stock for cash consideration; (3) the offeree stated an intention not to resell the stock and has continued to hold it since it was acquired; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

On April 15, 2005, the Company authorized the issuance of 200,000 shares of common stock to valued at \$1.51 a share to the Phillips W. Smith Family Trust in exchange for cash consideration of \$302,000, pursuant to exemptions from registration provided by Section 4(2) and Regulation D of the Securities Act of 1933 ("Securities Act"), as amended.

The Company made this offering based on the following factors: (1) the issuance was an isolated private transaction by the Company which did not involve a public offering; (2) there was only one offeree who was issued the Company's stock for cash consideration; (3) the offeree stated an intention not to resell the stock and has continued to hold it since it was acquired; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

During April, 2005, the Company authorized the issuance of 66,667 shares of restricted common stock valued at \$1.50 a share to Saeed Mohamed Rasool/Mohamed Hussain Alkhouri in exchange for cash consideration of \$100,000 pursuant to the exemptions from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933.

The Company made this offering based on the following factors: (1) the issuance was an isolated private transaction by the Company which did not involve a public offering; (2) there was only one offeree who was issued the Company's stock for cash consideration; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

Regulation S provides generally that any offer or sale that occurs outside of the United States is exempt from the registration requirements of the Securities Act, provided that certain conditions are met. Regulation S has two safe harbors. One safe harbor applies to offers and sales by issuers, securities professionals involved in the distribution process pursuant to contract, their respective affiliates, and persons acting on behalf of any of the foregoing (the "issuer safe harbor"), and the other applies to resales by persons other than the issuer, securities professionals involved in the distribution process pursuant to contract, their respective affiliates (except certain officers and directors), and persons acting on behalf of any of the foregoing (the "resale safe harbor"). An offer, sale or resale of securities that satisfied all conditions of the applicable safe harbor is deemed to be outside the United States as required by Regulation S. The distribution compliance period for shares sold in reliance on Regulation S is one year.

The Company complied with the requirements of Regulation S by having no directed selling efforts made in the United States, by selling only to an offeree who was outside the United States at the time the settlement agreement originated, and ensuring that the entity to whom the stock was issued was a non-U.S. person with an address in a foreign country.

During April, 2005, the Company authorized the issuance of 100,000 shares of restricted common stock valued at \$1.50 a share to Ahmed Seddiq Mohamed Hussain Khouri in exchange for cash consideration of \$150,000 pursuant to the exemptions from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933.

The Company made this offering based on the following factors: (1) the issuance was an isolated private transaction by the Company which did not involve a public offering; (2) there was only one offeree who was issued the Company's stock for cash consideration; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having no directed selling efforts made in the United States, by selling only to an offeree who was outside the United States at the time the settlement agreement originated, and ensuring that the entity to whom the stock was issued was a non-U.S. person with an address in a foreign country.

On April 13, 2005, the Company authorized the issuance of 500,000 shares of restricted common stock valued at \$1.50 a share to Affaires Financieres S.A. in exchange for cash consideration of \$750,000 pursuant to the exemptions from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933.

The Company made this offering based on the following factors: (1) the issuance was an isolated private transaction by the Company which did not involve a public offering; (2) there was only one offeree who was issued the Company's stock for cash consideration; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having no directed selling efforts made in the United States, by selling only to an offeree who was outside the United States at the time the settlement agreement originated, and ensuring that the entity to whom the stock was issued was a non-U.S. person with an address in a foreign country.

On March 18, 2005, the Company authorized the issuance of 500,000 shares of common stock to valued at \$1.51 a share to RAB Special Situations LP in exchange for cash consideration of \$755,000, pursuant to exemptions from registration provided by Section 4(2) and Regulation D of the Securities Act of 1933 ("Securities Act"), as amended.

The Company made this offering based on the following factors: (1) the issuance was an isolated private transaction by the Company which did not involve a public offering; (2) there was only one offeree who was issued the Company's stock for cash consideration; (3) the offeree stated an intention not to resell the stock and has continued to hold it since it was acquired; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

On March 25, 2005, the Company authorized the issuance of 75,000 shares of restricted common stock valued at \$1.51 a share to RAB Investment Funds Plc. in exchange for cash consideration of \$113,250 pursuant to the exemptions from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933.

The Company made this offering based on the following factors: (1) the issuance was an isolated private transaction by the Company which did not involve a public offering; (2) there was only one offeree who was issued the Company's stock for cash consideration; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having no directed selling efforts made in the United States, by selling only to an offeree who was outside the United States at the time the settlement agreement originated, and ensuring that the entity to whom the stock was issued was a non-U.S. person with an address in a foreign country.

On March 18, 2005, the Company authorized the issuance of 34,000 shares of restricted common stock valued at \$1.50 a share to Michael Friedrich in exchange for cash consideration of \$51,000 pursuant to the exemptions from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933.

The Company made this offering based on the following factors: (1) the issuance was an isolated private transaction by the Company which did not involve a public offering; (2) there was only one offeree who was issued the Company's stock for cash consideration; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having no directed selling efforts made in the United States, by selling only to an offeree who was outside the United States at the time the settlement agreement originated, and ensuring that the entity to whom the stock was issued was a non-U.S. person with an address in a foreign country.

On March 31, 2005, the Company authorized the issuance of 255,000 shares of restricted common stock valued at \$1.50 a share to Kredietbank (Suisse) S.A. in exchange for cash consideration of \$382,500 pursuant to the exemptions from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933.

The Company made this offering based on the following factors: (1) the issuance was an isolated private transaction by the Company which did not involve a public offering; (2) there was only one offeree who was issued the Company's stock for cash consideration; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having no directed selling efforts made in the United States, by selling only to an offeree who was outside the United States at the time the settlement agreement originated, and ensuring that the entity to whom the stock was issued was a non-U.S. person with an address in a foreign country.

On March 31, 2005, the Company authorized the issuance of 10,000 shares of restricted common stock valued at \$1.50 a share to Salvatore Di Secli in exchange for cash consideration of \$15,000 pursuant to the exemptions from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933.

The Company made this offering based on the following factors: (1) the issuance was an isolated private transaction by the Company which did not involve a public offering; (2) there was only one offeree who was issued the Company's stock for cash consideration; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having no directed selling efforts made in the United States, by selling only to an offeree who was outside the United States at the time the settlement agreement originated, and ensuring that the entity to whom the stock was issued was a non-U.S. person with an address in a foreign country.

On March 18, 2005, the Company authorized the issuance of 100,000 shares of restricted common stock valued at \$1.50 a share to Sal Oppenheim Jr. & Cie (Swiss) Ltd. in exchange for cash consideration of \$150,000 pursuant to the exemptions from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933.

The Company made this offering based on the following factors: (1) the issuance was an isolated private transaction by the Company which did not involve a public offering; (2) there was only one offeree who was issued the Company's stock for cash consideration; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having no directed selling efforts made in the United States, by selling only to an offeree who was outside the United States at the time the settlement agreement originated, and ensuring that the entity to whom the stock was issued was a non-U.S. person with an address in a foreign country.

On March 31, 2005, the Company authorized the issuance of 10,000 shares of restricted common stock valued at \$1.50 a share to LB (Swiss) Privatbank AG in exchange for cash consideration of \$15,000 pursuant to the exemptions from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933.

The Company made this offering based on the following factors: (1) the issuance was an isolated private transaction by the Company which did not involve a public offering; (2) there was only one offeree who was issued the Company's stock for cash consideration; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having no directed selling efforts made in the United States, by selling only to an offeree who was outside the United States at the time the settlement agreement originated, and ensuring that the entity to whom the stock was issued was a non-U.S. person with an address in a foreign country.

On March 18, 2005, the Company authorized the issuance of 15,000 shares of restricted common stock valued at \$1.50 a share to Enrico Cottonaro in exchange for cash consideration of \$22,500 pursuant to the exemptions from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933.

The Company made this offering based on the following factors: (1) the issuance was an isolated private transaction by the Company which did not involve a public offering; (2) there was only one offeree who was issued the Company's stock for cash consideration; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having no directed selling efforts made in the United States, by selling only to an offeree who was outside the United States at the time the settlement agreement originated, and ensuring that the entity to whom the stock was issued was a non-U.S. person with an address in a foreign country.

On March 31, 2005, the Company authorized the issuance of 50,000 shares of restricted common stock valued at \$1.50 a share to Kurt Gschwend in exchange for cash consideration of \$75,000 pursuant to the exemptions from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933.

The Company made this offering based on the following factors: (1) the issuance was an isolated private transaction by the Company which did not involve a public offering; (2) there was only one offeree who was issued the Company's stock for cash consideration; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having no directed selling efforts made in the United States, by selling only to an offeree who was outside the United States at the time the settlement agreement originated, and ensuring that the entity to whom the stock was issued was a non-U.S. person with an address in a foreign country.

On March 31, 2005, the Company authorized the issuance of 24,000 shares of restricted common stock valued at \$1.50 a share to Jivatram Chandiramani & Anju Chandiramani in exchange for cash consideration of \$36,000 pursuant to the exemptions from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933.

The Company made this offering based on the following factors: (1) the issuance was an isolated private transaction by the Company which did not involve a public offering; (2) there was only one offeree who was issued the Company's stock for cash consideration; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having no directed selling efforts made in the United States, by selling only to an offeree who was outside the United States at the time the settlement agreement originated, and ensuring that the entity to whom the stock was issued was a non-U.S. person with an address in a foreign country.

On March 18, 2005, the Company authorized the issuance of 705,000 shares of restricted common stock valued at \$1.50 a share to Banca Del Gottardo in exchange for cash consideration of \$1,057,500 pursuant to the exemptions from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933.

The Company made this offering based on the following factors: (1) the issuance was an isolated private transaction by the Company which did not involve a public offering; (2) there was only one offeree who was issued the Company's stock for cash consideration; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having no directed selling efforts made in the United States, by selling only to an offeree who was outside the United States at the time the settlement agreement originated, and ensuring that the entity to whom the stock was issued was a non-U.S. person with an address in a foreign country.

On March 18, 2005, the Company authorized the issuance of 50,000 shares of restricted common stock valued at \$1.50 a share to Paul A Gauchat in exchange for cash consideration of \$75,000 pursuant to the exemptions from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933.

The Company made this offering based on the following factors: (1) the issuance was an isolated private transaction by the Company which did not involve a public offering; (2) there was only one offeree who was issued the Company's stock for cash consideration; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having no directed selling efforts made in the United States, by selling only to an offeree who was outside the United States at the time the settlement agreement originated, and ensuring that the entity to whom the stock was issued was a non-U.S. person with an address in a foreign country.

On March 18, 2005, the Company authorized the issuance of 5,000 shares of restricted common stock valued at \$1.50 a share to Dominique Voegelin in exchange for cash consideration of \$7,500 pursuant to the exemptions from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933.

The Company made this offering based on the following factors: (1) the issuance was an isolated private transaction by the Company which did not involve a public offering; (2) there was only one offeree who was issued the Company's stock for cash consideration; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having no directed selling efforts made in the United States, by selling only to an offeree who was outside the United States at the time the settlement agreement originated, and ensuring that the entity to whom the stock was issued was a non-U.S. person with an address in a foreign country.

On March 18, 2005, the Company authorized the issuance of 50,000 shares of restricted common stock valued at \$1.50 a share to Peter Rohner in exchange for cash consideration of \$75,000 pursuant to the exemptions from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933.

The Company made this offering based on the following factors: (1) the issuance was an isolated private transaction by the Company which did not involve a public offering; (2) there was only one offeree who was issued the Company's stock for cash consideration; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having no directed selling efforts made in the United States, by selling only to an offeree who was outside the United States at the time the settlement agreement originated, and ensuring that the entity to whom the stock was issued was a non-U.S. person with an address in a foreign country.

On March 18, 2005, the Company authorized the issuance of 100,000 shares of common stock to valued at \$1.50 a share to Steel Panel L.L.C. in exchange for cash consideration of \$150,000, pursuant to exemptions from registration provided by Section 4(2) and Regulation D of the Securities Act of 1933 ("Securities Act"), as amended.

The Company made this offering based on the following factors: (1) the issuance was an isolated private transaction by the Company which did not involve a public offering; (2) there was only one offeree who was issued the Company's stock for cash consideration; (3) the offeree stated an intention not to resell the stock and has continued to hold it since it was acquired; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

On March 18, 2005, the Company authorized the issuance of 27,000 shares of restricted common stock valued at \$1.50 a share to Patricia De Maertelaere in exchange for cash consideration of \$40,500 pursuant to the exemptions from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933.

The Company made this offering based on the following factors: (1) the issuance was an isolated private transaction by the Company which did not involve a public offering; (2) there was only one offeree who was issued the Company's stock for cash consideration; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having no directed selling efforts made in the United States, by selling only to an offeree who was outside the United States at the time the settlement agreement originated, and ensuring that the entity to whom the stock was issued was a non-U.S. person with an address in a foreign country.

On March 31, 2005, the Company authorized the issuance of 60,000 shares of restricted common stock valued at \$1.50 a share to Dharamvir Malhotra & Mandira Malhotra in exchange for cash consideration of \$90,000 pursuant to the exemptions from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933.

The Company made this offering based on the following factors: (1) the issuance was an isolated private transaction by the Company which did not involve a public offering; (2) there was only one offeree who was issued the Company's stock for cash consideration; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having no directed selling efforts made in the United States, by selling only to an offeree who was outside the United States at the time the settlement agreement originated, and ensuring that the entity to whom the stock was issued was a non-U.S. person with an address in a foreign country.

On March 18, 2005, the Company authorized the issuance of 100,000 shares of restricted common stock valued at \$1.50 a share to Mutrah Insofoam Co. in exchange for cash consideration of \$150,000 pursuant to the exemptions from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933.

The Company made this offering based on the following factors: (1) the issuance was an isolated private transaction by the Company which did not involve a public offering; (2) there was only one offeree who was issued the Company's stock for cash consideration; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having no directed selling efforts made in the United States, by selling only to an offeree who was outside the United States at the time the settlement agreement originated, and ensuring that the entity to whom the stock was issued was a non-U.S. person with an address in a foreign country.

On March 18, 2005, the Company authorized the issuance of 67,000 shares of restricted common stock valued at \$1.50 a share to Mahesh J. Whabi in exchange for cash consideration of \$100,500 pursuant to the exemptions from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933.

The Company made this offering based on the following factors: (1) the issuance was an isolated private transaction by the Company which did not involve a public offering; (2) there was only one offeree who was issued the Company's stock for cash consideration; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having no directed selling efforts made in the United States, by selling only to an offeree who was outside the United States at the time the settlement agreement originated, and ensuring that the entity to whom the stock was issued was a non-U.S. person with an address in a foreign country.

On March 18, 2005, the Company authorized the issuance of 100,000 shares of restricted common stock valued at \$1.50 a share to Pictet Private Equity Investors S.A. in exchange for cash consideration of \$150,000 pursuant to the exemptions from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933.

The Company made this offering based on the following factors: (1) the issuance was an isolated private transaction by the Company which did not involve a public offering; (2) there was only one offeree who was issued the Company's stock for cash consideration; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having no directed selling efforts made in the United States, by selling only to an offeree who was outside the United States at the time the settlement agreement originated, and ensuring that the entity to whom the stock was issued was a non-U.S. person with an address in a foreign country.

## **ITEM 6. EXHIBITS**

Exhibits required to be attached by Item 601 of Regulation S-B are listed in the Index to Exhibits on page 43 of this Form 10-QSB, and are incorporated herein by this reference.

## SIGNATURES

In accordance with Section 12 of the Securities Exchange Act of 1934, the registrant caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, this 15<sup>th</sup> day of May, 2005.

Hendrx Corp.

/s/ Hendrik Tjandra

Name: Hendrik Tjandra

Title: Chief Executive Officer

Chairman of the Board of Directors

/s/ James Shao

Name: James Shao

Title: Chief Financial Officer

## INDEX TO EXHIBITS

<b><u>EXHIBIT NO.</u></b>	<b><u>PAGE NO.</u></b>	<b><u>DESCRIPTION</u></b>
3(i)(a)	*	Articles of Incorporation of Hendrx adopted May 4, 1998 (incorporated by reference to the Form 10-SB filed with the Securities and Exchange Commission (“Commision”) on January 12, 2004).
3(i)(b)		Amendment to the Articles of Incorporation dated March 28, 2005 (incorporated by reference to the Form 10-KSB filed with Commision on April 15, 2005).
3(ii)	*	Bylaws of Hendrx adopted May 4, 1998 (incorporated by reference to the Form 10-SB filed with the Commission on January 12, 2004).
10	*	Share Purchase Agreement dated December 16, 2004 (incorporated by reference to the Form 8-K filed with the Commission on December 20, 2005).
31(a)	44	Certification of the Chief Executive Officer pursuant to Rule 13a-14 of the Securities and Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(b)	45	Certification of the Chief Financial Officer pursuant to Rule 13a-14 of the Securities and Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32(a)	46	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(b)	47	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.
99(i)	*	Stock Option Plan adopted March 12, 2005 (incorporated by reference to the Form 10-KSB filed with the Commission on April 15, 2005).

\* Incorporated by reference from previous filings of the Company.

EXHIBIT 31(a)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT  
TO RULE 13a-14 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AS  
ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Hendrik Tjandra, chief executive officer of Hendrx Corp. (“Registrant”) certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB (“Report”) of Registrant;
2. Based on my knowledge, this 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 Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the period presented in this Report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this Report is being prepared;
  - b) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
  - c) Disclosed in this Report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the registrants fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. I have disclosed, based on my 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 and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; 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 over financial reporting.

Date: May 15, 2005

/s/ Hendrik Tjandra  
Hendrik Tjandra  
Chief Executive Officer

EXHIBIT 31(b)

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002

I, James Shao, chief financial officer of Hendrx Corp. (“Registrant”) certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB (“Report”) of Registrant;
2. Based on my knowledge, this 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 Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the period presented in this Report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this Report is being prepared;
  - b) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
  - c) Disclosed in this Report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the registrants fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. I have disclosed, based on my 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 and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; 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 over financial reporting.

Date: May 15, 2005

/s/ James Shao  
James Shao  
Chief Financial Officer

EXHIBIT 32(a)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS  
ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-QSB of Hendrx Corp. (“Registrant”) for the quarterly period ended March 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (“Report”), I, Hendrik Tjandra, chief executive officer, hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) This Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in this Report fairly represents, in all material respects, the financial condition and results of operation of the Registrant.

/s/ Hendrik Tjandra  
Hendrik Tjandra  
Chief Executive Officer  
May 15, 2005

This certification accompanies this Report pursuant to §906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by Registrant for the purposes of §18 of the Securities Exchange Act of 1934, as amended. This certification shall not be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of this Report), irrespective of any general incorporation language contained in such filing.

A signed original of this written statement required by §906 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32(b)

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS  
ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-QSB of Hendrx Corp. (“Registrant”) for the quarterly period ended March 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (“Report”), I, James Shao, chief financial officer, hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) This Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in this Report fairly represents, in all material respects, the financial condition and results of operation of the Registrant.

/s/ James Shao

James Shao  
Chief Financial Officer  
May 15, 2005

This certification accompanies this Report pursuant to §906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by Registrant for the purposes of §18 of the Securities Exchange Act of 1934, as amended. This certification shall not be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of this Report), irrespective of any general incorporation language contained in such filing.

A signed original of this written statement required by §906 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.