

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 **June 30, 2006**.
- ☐ Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number: **000-50546**

**Hendrx Corp.**

(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.)

**2610-1066 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3X2**

(Address of Principal Executive Offices) (Zip Code)

**(604) 682-4379**

(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 \_\_\_\_

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes \_\_\_\_

No X

At August 3, 2006, 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.

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## **PART I**

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

As used herein the terms “Hendrx,” “we,” “our,” and “us” refer to Hendrx Corp., 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.**  
**Consolidated Balance Sheets**  
**(Expressed in US Dollars)**

	June 30 2006 (Unaudited – Prepared by management)	December 31 2005 (Audited)
<b>Assets</b>		
<b>Current Assets</b>		
Cash (Note 2)	\$ 538,899	\$ 1,733,580
Accounts receivable	675,401	344,877
Value Added Tax Refundable	106,437	131,692
Inventories (Note 3)	1,835,264	1,828,845
Due from related parties (Note 8)	23,210	20,784
Prepaid expenses	10,000	2,500
<b>Total Current Assets</b>	<b>3,189,211</b>	<b>4,062,278</b>
<b>Long term loan (Note 13)</b>	<b>106,346</b>	<b>105,284</b>
<b>Property, Plant and Equipment-Net (Note 5)</b>	<b>5,718,519</b>	<b>5,885,734</b>
<b>Intangible assets-Net (Note 4)</b>	<b>3,135,265</b>	<b>2,898,744</b>
<b>Goodwill</b>	<b>31,854,137</b>	<b>31,854,137</b>
<b>Total assets</b>	<b>\$ 44,003,478</b>	<b>\$ 44,806,177</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable (Note 7)	\$ 889,105	\$ 872,209
Short term bank loans (Note 9)	2,642,378	2,593,734
Due to related parties (Note 8)	719,528	680,111
<b>Total Current Liabilities</b>	<b>4,251,011</b>	<b>4,146,054</b>
<b>Stockholders' Equity</b>		
Capital stock (Authorized: 350,000,000) (Issued and outstanding 37,238,067: (December 31, 2005: 37,238,067))		
Par value	37,238	37,238
Additional paid in capital	43,196,066	43,196,066
Other Comprehensive Income	335,909	343,420
Retained Earnings (Deficit)	(3,816,746)	(2,916,601)
<b>Total stockholders' equity</b>	<b>39,752,467</b>	<b>40,660,123</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 44,003,478</b>	<b>\$ 44,806,177</b>

Commitment: Note 3, 9, Going Concern: Note 1, Guarantees: Note 9

The Accompanying Notes are an Integral Part of the Consolidated Financial Statements.

**HENDRX CORP.****Consolidated Statements of Operations and Comprehensive Income (Loss)****(Expressed in US Dollars)****(Unaudited – prepared by management)**

	Three Months Ended June 30		Six Months Ended June 30	
	(Unaudited –Prepared by management)		(Unaudited –Prepared by management)	
	2006	2005	2006	2005
<b>Revenue</b>	\$ 883,053	\$ 1,280,454	\$ 1,208,008	\$ 2,761,062
<b>Cost of Goods Sold</b>	779,782	995,728	1,114,101	2,111,199
<b>Gross Profit</b>	103,271	284,726	93,907	649,863
<b>Selling Expenses</b>	105,800	100,892	176,109	138,017
<b>General and administrative expenses</b>	457,302	436,791	816,571	762,562
<b>Stock Based Compensation</b>	-	-	-	1,764,000
<b>Total Expenses</b>	563,102	537,683	992,680	2,664,579
<b>Loss before other income</b>	(459,831)	(252,957)	(898,773)	(2,014,716)
<b>Other expenses</b>	(3,722)	-	(1,372)	-
<b>Loss before Income taxes</b>	(463,553)	(252,957)	(900,145)	(2,014,716)
<b>Income (recovery) taxes</b>	(447)	8,585	-	29,935
<b>Net loss for the period</b>	\$ (464,000)	\$ (261,542)	\$ (900,145)	\$ (2,044,651)
<b>Comprehensive Loss</b>	\$ (464,000)	\$ (261,542)	\$ (900,145)	\$ (2,044,651)

The Accompanying Notes are an Integral Part of the Consolidated Financial Statements.

**HENDRX CORP.****Consolidated Statement of Stockholders' Equity****From Date of Inception on May 4, 1998 to June 30, 2006****(Expressed in US Dollars)****(Unaudited - Prepared by Management)**

	Common Shares	Par Value @ \$0.001 Per Share	Additional Paid-in Capital	Retained Earnings (Deficit)	Other Comprehensive Income	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	2,120,000	\$ 2,120	\$ 68,880	\$ (72,260)	\$	\$ (1,260)

The Accompanying Notes are an Integral Part of the Consolidated Financial Statements

**HENDRX CORP.****Consolidated Statement of Stockholders' Equity****From Date of Inception on May 4, 1998 to March 31, 2006****(Expressed in US Dollars)****(Unaudited - Prepared by Management)**

	Common Shares	Par Value @ \$0.001 Per Share	Additional Paid-in Capital	Retained Earnings (Deficit)	Other Comprehensive Income	Stockholders' Equity
Balance forwarded December 31, 2003	2,120,000	\$ 2,120	\$ 68,880	\$ (72,260)	\$	\$ (1,260)
2004 Forward stock split and reorganization of stock	16,960,000	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	5,303,667	5,304	7,958,946			7,964,250
Shares issued for employees for past service wage costs	134,400	134	517,306			517,440
Stock issue cost			(1,173,586)			(1,173,586)
Foreign currency translation adjustment					343,420	343,420
Stock-based compensation			1,764,000			1,764,000
Net loss for year ended December 31, 2005				(2,950,555)		(2,950,555)
Balance, December 31, 2005	37,238,067	37,238	43,196,066	(2,916,601)	343,420	40,660,123
Foreign currency translation adjustment					(7,511)	(7,511)
Net loss for the period ended June 30, 2006				(900,145)		(900,145)
<b>Balance, June 30, 2006</b>	<b>37,238,067</b>	<b>\$ 37,238</b>	<b>\$ 43,196,066</b>	<b>\$ (3,816,746)</b>	<b>\$ 335,909</b>	<b>\$ 39,752,467</b>

The Accompanying Notes are an Integral Part of the Consolidated Financial Statements

**HENDRX CORP.**  
**Consolidated Statements of Cash Flows**  
**(Expressed in US Dollars)**  
**(Unaudited – Prepared by management)**

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
<b>Operating activities</b>				
Adjustments to reconcile net loss to net cash	\$ (464,000)	\$ (261,542)	\$ (900,145)	\$ (2,044,651)
Amortization - tangible assets	144,603	160,959	268,432	202,728
Amortization - intangible assets	44,702	41,671	86,479	84,261
Stock-based compensation	-	-	-	1,764,000
Changes in operating assets and liabilities of				
Accounts receivable	(314,023)	(196,198)	(330,524)	(595,189)
VAT Refundable	(11,055)	(2,985)	25,255	(63,848)
Inventories	29,161	9,316	(6,419)	(264,392)
Prepaid expenses	21,000	(23,613)	(7,500)	62,671
Accounts payable and accrued liabilities	102,585	(830,355)	16,896	99,491
Total funds from(used in) operating activities	(447,027)	(1,102,747)	(847,526)	(754,929)
<b>Financing activities</b>				
Short term bank loans	(118,925)	(53,539)	48,644	(732,296)
Advances from related parties	(63,296)	(300,000)	36,991	(300,000)
Long term loan	(1,062)	-	(1,062)	-
Share capital issued for cash	-	1,168,098	-	6,921,797
Total funds from(used in) financing activities	(183,283)	814,559	84,573	5,889,501
<b>Investing activities</b>				
Property, plant and equipment	(88,649)	(336,336)	(101,219)	(621,631)
Intangible assets	(322,998)	-	(322,998)	-
Payment on purchase of subsidiary	-	(1,000,000)	-	(2,000,000)
Total funds used in investing activities	(411,647)	(1,336,336)	(424,217)	(2,621,631)
<b>Effect of exchange rate</b>	(5,916)	-	(7,511)	-
<b>Cash, decrease during the period</b>	(1,047,873)	(1,624,524)	(1,194,681)	2,512,941
<b>Cash, beginning of the period</b>	1,733,580	4,645,142	1,733,580	507,677
<b>Cash, end of the period</b>	\$ 685,707	\$ 3,020,618	\$ 538,899	\$ 3,020,618
<b>Supplementary cash flow information</b>				-
Non cash items				
Shares issued for accrued wage benefits	\$ -	\$ 517,440	\$ -	\$ 517,440
Stock Based Compensation	\$ -	\$ -	\$ -	\$ 1,764,000
Other Comprehensive Income	\$ (5,916)	\$ -	\$ (7,511)	\$ -
Income taxes (refunded) paid	\$ (447)	\$ -	\$ -	\$ -
Interest paid	\$ 53,219	\$ -	\$ 93,838	\$ -

The Accompanying Notes are an Integral Part of the Consolidated Financial Statements



# **HENDRX CORP.**

## **Notes to Consolidated Financial Statements**

**June 30, 2006**

**(Expressed in US Dollars)**

**(Unaudited – Prepared by Management)**

### **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 of promoting and carrying 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 the aforementioned 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 patents of atmospheric water generation in China and utilizes patents under license that are registered in the United States. 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 working deficiency of \$1,061,800 at June 30, 2006, and had a net loss of \$900,145 for the six months ended June 30, 2006 and 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.**

## **Notes to Consolidated Financial Statements**

**June 30, 2006**

**(Expressed in US Dollars)**

**(Unaudited – Prepared by Management)**

### **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 (“USGAAP”).

#### **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.

#### **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.

# **HENDRX CORP.**

## **Notes to Consolidated Financial Statements**

**June 30, 2006**

**(Expressed in US Dollars)**

**(Unaudited – Prepared by Management)**

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

#### **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 (“FIFO”) 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.

#### **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. 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.

# **HENDRX CORP.**

## **Notes to Consolidated Financial Statements**

**June 30, 2006**

**(Expressed in US Dollars)**

**(Unaudited – Prepared by Management)**

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

#### **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.

#### **Property, Plant and Equipment, and depreciation**

Property, Plant and Equipment 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.

# **HENDRX CORP.**

## **Notes to Consolidated Financial Statements**

**June 30, 2006**

**(Expressed in US Dollars)**

**(Unaudited – Prepared by Management)**

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

#### **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.

#### **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 sale is reasonably assured.

#### **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, accounts payable and accrued liabilities, short term loans 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.

#### **Segmented information**

The Company's identifiable assets are all located in China except cash of \$42,159 in Canada and cash of \$128,457 in Switzerland. Revenue on a geographical basis is disclosed in note 13, below.

# **HENDRX CORP.**

## **Notes to Consolidated Financial Statements**

**June 30, 2006**

**(Expressed in US Dollars)**

**(Unaudited – Prepared by Management)**

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

#### **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:

- 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.
- 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.

#### **Impairment of Goodwill**

The Company periodically reviews the carrying value of intangible assets not subject to amortization, including goodwill, to determine whether impairment may exist. FAS-142, *Goodwill and Other Intangible Assets*, requires that goodwill and certain intangible assets be assessed annually for impairment using fair value measurement techniques.

Specifically, goodwill impairment is determined using a two-step process. The first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of Fujian Yuxin Electronic Equipment Co. Ltd. ("Yuxin") with its carrying amount, including goodwill. The estimates of fair value of Yuxin, are determined using various valuation techniques with the primary technique being a discounted cash flow analysis. A discounted cash flow analysis requires one to make various judgmental assumptions including assumptions about future cash flows, growth rates and discount rates. The assumptions about future cash flows and growth rates are based on the Company's budget and long-term plans. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. Discount rate assumptions are based on an assessment of the risk inherent in the Company. If the carrying amount of Yuxin exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any.

The second step of the goodwill impairment test compares the implied fair value of Yuxin's goodwill with the carrying amount of that goodwill. If the carrying amount of Yuxin's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination.

Since 2005 is the first year of operation since Yuxin became a wholly owned subsidiary of the Company, the Board of Directors of the Company considers the implied fair value of Yuxin to be in excess of its carrying amount, the goodwill associated with Yuxin is considered not impaired and the second step of the impairment test is unnecessary.

# **HENDRX CORP.**

## **Notes to Consolidated Financial Statements**

**June 30, 2006**

**(Expressed in US Dollars)**

**(Unaudited – Prepared by Management)**

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

#### **Recent Accounting Pronouncements**

In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments-an amendment of FASB Statements No. 133 and 140, to simplify and make more consistent the accounting for certain financial instruments. SFAS No. 155 amends SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, to permit fair value remeasurement for any hybrid financial instrument with an embedded derivative that otherwise would require bifurcation, provided that the whole instrument is accounted for on a fair value basis. SFAS No. 155 amends SFAS No. 140, Accounting for the Impairment or Disposal of Long-Lived Assets, to allow a qualifying special-purpose entity to hold a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS No. 155 applies to all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006, with earlier application allowed. This standard is not expected to have a significant effect on the Company's future reported financial position or results of operations.

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". This statement requires all separately recognized servicing assets and servicing liabilities be initially measured at fair value, if practicable, and permits for subsequent measurement using either fair value measurement with changes in fair value reflected in earnings or the amortization and impairment requirements of Statement No. 140. The subsequent measurement of separately recognized servicing assets and servicing liabilities at fair value eliminates the necessity for entities that manage the risks inherent in servicing assets and servicing liabilities with derivatives to qualify for hedge accounting treatment and eliminates the characterization of declines in fair value as impairments or direct write-downs. SFAS No. 156 is effective for an entity's first fiscal year beginning after September 15, 2006. This adoption of this statement is not expected to have a significant effect on the Company's future reported financial position or results of operations.

### **Note 3. INVENTORIES**

	<b>June 30,</b>	<b>December</b>
	<b>2006</b>	<b>31,</b>
		<b>2005</b>
Finished goods	\$ 353,372	\$ 419,439
Raw materials	1,048,543	1,196,968
Work-in-process	433,349	212,438
Total	\$ 1,835,264	\$ 1,828,845

**HENDRX CORP.****Notes to Consolidated Financial Statements****June 30, 2006****(Expressed in US Dollars)****(Unaudited – Prepared by Management)****Note 4. INTANGIBLE ASSETS AND ACCUMULATED AMORTIZATION**

<b><u>June 30, 2006</u></b>		<b>Accumulated</b>		<b>Net Book</b>
	<b>Cost</b>	<b>Amortization</b>	<b>Figures</b>	
Land use rights	\$ 1,785,888	\$ 322,643	\$	1,463,245
Patents	2,071,590	399,570		1,672,020
Total	\$ 3,857,478	\$ 722,213	\$	3,135,265
<b><u>December 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	\$ 405,642	\$	1,155,289
Patents	2,068,390	324,935		1,743,455
Total	\$ 3,629,321	\$ 730,577	\$	2,898,744

**Note 5. PROPERTY, PLANT AND EQUIPMENT**

<b><u>June 30, 2006</u></b>		<b>Accumulated</b>		<b>Net Book</b>
	<b>Cost</b>	<b>Depreciation</b>	<b>Figures</b>	
Buildings	\$ 2,673,188	\$ 641,768	\$	2,031,420
Manufacturing machinery and equipment	4,352,950	1,040,535		3,312,415
Transportation equipment	302,267	103,186		199,081
Electronic equipment	90,401	67,350		23,051
Leasehold improvement	18,376	1,902		16,474
Office equipment	134,933	53,578		81,355
Construction in progress	54,723	-		54,723
Total	\$ 7,626,838	\$ 1,908,319	\$	5,718,519
<b><u>December 31, 2005</u></b>		<b>Accumulated</b>		<b>Net Book</b>
	<b>Cost</b>	<b>Depreciation</b>	<b>Figures</b>	
Buildings	\$ 2,519,270	\$ 550,431	\$	1,968,839
Manufacturing machinery and equipment	4,403,477	767,862		3,635,615
Transportation equipment	284,973	87,709		197,264
Electronic equipment	85,559	57,835		27,724
Leasehold improvement	17,436	1,046		16,390
Office equipment	64,653	43,875		20,778
Construction in progress	19,124	-		19,124
Total	\$ 7,394,492	\$ 1,508,758	\$	5,885,734

**Note 6. COMMON STOCK**



**HENDRX CORP.****Notes to Consolidated Financial Statements****June 30, 2006****(Expressed in US Dollars)****(Unaudited – Prepared by Management)**Net Loss Per Share

Basic and diluted weighted average number of shares outstanding for the period ended June 30, 2006 are as follows:

	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>		<b>Year Ended December 31</b>
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2005</b>
Weighted average number of shares (after forward split)					
Basic	37,238,067	35,712,475	37,238,067	35,712,475	36,146,857
Diluted	37,238,067	35,712,475	37,238,067	35,712,475	36,146,857
Net Loss per share					
Basic	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.06)	\$ (0.08)
Diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.06)	\$ (0.08)

Stock Options / Stock Based Compensation

Stock options outstanding at June 30, 2006:

<b>Options Outstanding</b>			
Number Outstanding at June 30 2006	Weighted-Average Remaining Contractual Life (years)	Exercise Price	Number Exercisable at June 30 2006
350,000	4.50	\$1.50	--

**Note 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>June 30 2006</b>	<b>December 31, 2005</b>
Accounts payable - trade	\$ 853,717	\$ 836,863
Wages and benefits payable	35,388	31,109
Other payables	-	4,237
Total	\$ 889,105	\$ 872,209

**Note 8. RELATED PARTY TRANSACTIONS**

**HENDRX CORP.****Notes to Consolidated Financial Statements****June 30, 2006****(Expressed in US Dollars)****(Unaudited – Prepared by Management)**

- (a) During the period ended June 30, 2006, purchases from related parties are as follows:

	<b>Six Months Ended June 30, 2006</b>	<b>Year Ended December 31, 2005</b>
<b>Related Parties</b>		
Fuqing Huanyu plastic products Co., Ltd. controlled by sister of Mr. Hendrik Tjandra	\$ -	\$ 16,485
Mr. Hendrik Tjandra	4,249	-
<b>Total</b>	<b>\$ 4,249</b>	<b>\$ 16,485</b>

- (b) During the period ended June 30, 2006, the Company paid total consulting services of \$43,200 to officer and director, and \$56,655 to former officers.

- (c) Balance due from related parties, are as follow:

	<b>Six Months Ended June 30, 2006</b>	<b>Year Ended December 31, 2005</b>
<b>Related Parties</b>		
Indonesia PT. Galakst Perkasa	\$ 2,484	\$ 10,149
Hendrik Tjandra	4,336	6,343
Fuzhou sales Department	-	4,292
Tian Zheng Enterprise	16,390	-
<b>Total</b>	<b>\$ 23,210</b>	<b>\$ 20,784</b>

- (d) Balance due to related parties, are as follow:

	<b>Six Months Ended June 30, 2006</b>	<b>Year Ended December 31, 2005</b>
<b>Related Parties</b>		
Fujian Tienyu Steel Products Co. Ltd	\$ 675,587	\$ 666,215
Fuzing Yuongxian Printing Co, Ltd	7,378	12,417
Fuqing Huanyu Plastic Products Co. Ltd.	3,441	1,479
Hendrik Tjandra	1,844	-
Tian Zheng Enterprise	-	-
Fujian Tianzheng Agriculture Stock Holding Co.	31,278	-
<b>Total</b>	<b>\$ 719,528</b>	<b>\$ 680,111</b>

# HENDRX CORP.

## Notes to Consolidated Financial Statements

June 30, 2006

(Expressed in US Dollars)

(Unaudited – Prepared by Management)

### Note 9. SHORT TERM BANK LOANS/GUARANTEES

- (a) Short term loan: short term loans are borrowing from banks. The terms of these short term loans are summarized as follows:

	Interest Rate (Per Annum)	June 30, 2006	December 31, 2005
Agricultural Bank of China, Fuqing Branch	6.96% to 7.02%	\$ 1,689,020	\$ 2,098,279
XingYie Bank, Fuqing Branch	6.79% to 7.61%	578,020	495,455
Others	18%	375,338	-
Total		\$ 2,642,378	\$ 2,593,734

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.

- (b) Bank guarantees: The Company also provides guarantees of bank loans of, Fujian Tianyu Steel Products Co., Ltd., owned by the Chairman of Hendrx Corp, in the amount of \$4,191,185 (\$4,790,465 at December 31, 2005).

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

	Bank Loan Payable Balance at June 30, 2006		Maximum Amount of Guarantee at June 30, 2006	
	RMB	US\$	RMB	US\$
Fuqing Agriculture Bank	23,500,000	\$ 2,940,085	23,500,000	\$ 2,940,085
Communication Bank	10,000,000	1,251,100	10,000,000	1,251,100
TOTAL	33,500,000	\$ 4,191,185	33,500,000	\$ 4,191,185

These loans are secured by general security on all of the assets of Fujian Tianyu Steel Products Co., Ltd.

# HENDRX CORP.

## Notes to Consolidated Financial Statements

June 30, 2006

(Expressed in US Dollars)

(Unaudited – Prepared by Management)

### Note 9. SHORT TERM BANK LOANS/GUARANTEES (Cont'd)

	Bank Loan Payable Balance at December 31, 2005		Maximum Amount of Guarantee at December 31, 2005	
	RMB	US\$	RMB	US\$
Fuqing Agriculture Bank	33,500,000	\$ 4,149,439	33,500,000	\$ 4,149,439
	33,500,000		33,500,000	
	Hong Kong Dollars		Hong Kong Dollars	
Xing Chang Bank	5,000,000	641,026	5,000,000	641,026
TOTAL		\$ 4,790,465		\$ 4,790,465

These loans are secured by general security on all of the assets of Fujian Tianyu Steel Products Co., Ltd.

### Note 10. GEOGRAPHIC INFORMATION

Countries	Three Months Ended				Six Months Ended			
	June 30		June 30		June 30		June 30	
	2006		2005		2006		2005	
	\$	%	\$	%	\$	%	\$	%
China	37,660	4.26%	1,734	0.14%	54,434	4.51%	3,356	0.12%
Canada	-	0.00%	3,300	0.26%	-	0.00%	3,300	0.12%
Indonesia	-	0.00%	285,637	22.31%	-	0.00%	388,044	14.05%
India	-	0.00%	(68)	-0.01%	-	0.00%	55,255	2.00%
Israel	215,175	24.37%	261,915	20.45%	191,732	15.87%	335,222	12.14%
Lebanon	424,445	48.07%	710,266	55.47%	606,728	50.23%	1,581,287	57.27%
Malaysia	-	0.00%	56,263	4.39%	-	0.00%	56,263	2.04%
Others	21,773	2.47%	-	0.00%	37,390	3.10%	-	0.00%
Saudi Arabia	70,865	8.03%	-	0.00%	126,037	10.43%	-	0.00%
Thailand	-	0.00%	67,810	5.30%	-	0.00%	171,106	6.20%
United Arab	112,774	12.77%	-	0.00%	112,774	9.34%	-	0.00%
United States	361	0.04%	(106,403)	-8.31%	78,913	6.53%	167,229	6.06%
Total	883,053	100.00%	1,280,454	100.00%	\$ 1,208,008	100.00%	2,761,062	100.00%

### Note 11. TAXES

The Company has incurred operating losses up to June 30, 2006 that may be available to offset future taxable income. The Company has adopted FASB No. 109 for reporting purposes. The potential tax benefit of these losses has not been recorded and a fully deferred tax asset valuation allowance has been provided due to the uncertainty regarding the realization of these losses.

# **HENDRX CORP.**

## **Notes to Consolidated Financial Statements**

**June 30, 2006**

**(Expressed in US Dollars)**

**(Unaudited – Prepared by Management)**

### **Note 12. SALES DISTRIBUTORS**

The Company has entered into 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 13. LONG TERM LOAN RECEIVABLE**

This amount is unsecured, yield no interest with no specific terms of repayment. Management expects this loan to be paid in full and accordingly, no allowance for doubtful accounts has been recorded.

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

This Management's Discussion and Analysis and other parts of this report contain forward-looking statements that involve risks and uncertainties. Forward-looking statements can also be identified by words such as "anticipates," "expects," "believes," "plans," "predicts," and similar terms. Forward-looking statements are not guarantees of future performance and our actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in the subsections entitled "Forward-Looking Statements and Factors That May Affect Future Results and Financial Condition" and "Risk Factors" below. The following discussion should be read in conjunction with our consolidated financial statements and notes thereto included in this report. Our fiscal year end is December 31.

### **Description of Business**

Hendrx is engaged in the research and development, manufacture, marketing and distribution of water generation, filtration, ionization, desalinization, and purification devices. Our main product lines include Atmospheric Water Generation ("AWG") units, Alkaline Calcium Ionic Water Dispensers, and Reverse Osmosis ("RO") systems.

### **Mission Statement**

Our mission is to design and manufacture highly reliable atmospheric water generators and water-purification appliances at affordable prices, allowing consumers to obtain high-quality, yet economical, purified drinking water, regardless of their geographical location or economic conditions.

### **Vision Statement**

Our vision is for Hendrx to become the premier worldwide supplier of high-quality, purified drinking water through the use of unique, revolutionary and innovative technologies, and provide a complete solution to the world's drinking water needs.

### **Goals and Objectives**

Our goals and objectives are as follows:

***A. Increase overall market share, remain a "Market Leader" in the atmospheric water industry, and attain business plan targets.***

Hendrx will implement the following strategies pursuant to this goal:

- Increase revenues through sales;
- Focus on operating efficiencies to increase product profit margins;
- Identify companies for acquisition with existing distribution networks and healthy revenue streams;
- Expand Hendrx horizontally through joint ventures or the acquisition of companies with unique and/or revolutionary technologies or products; and
- Implement an aggressive marketing campaign to create brand and product awareness.

***B. Manufacture defect and trouble free equipment.***

An important reason for the failure of many AWG companies is the presence of product defects that have continued to plague the industry. The concept of producing water from the air is not new; however, using that water for drinking is new. Typical air conditioning or dehumidification companies have the ability to manufacture appliances that produce water from the air but they do not have the expertise and “know-how” to purify the water and maintain the purity of the water. On the other hand, some water filtration and purifier appliance manufacturers have the knowledge to purify and/or filter water, but they do not have the capability to ensure the trouble-free operations of water machines. Hendrx is committed to the manufacture of trouble-free water machines. A truly “plug and play” machine without the hassle of service calls and technical problems is crucial to the development of our business.

***C. Become financially stable.***

Numerous atmospheric water companies have failed because they ran out of funds, either before they could successfully produce machines or before they could enter the market. Hendrx is not financially independent, so we continue to devote time and resources to ensuring that we have sufficient funds to move forward our business objectives.

***D. Be highly profitable to our shareholders.***

We aim to create value for our shareholders with the development of new, innovative, safe and effective products that help people around the world live healthier, happier and longer lives.

***E. Help establish a professional industry image.***

One problem which has continuously plagued the infant atmospheric water industry is the lack of professionalism by the players, most of which have been small operations attempting to enter into a multi billion water industry. Often, small companies represented products that were manufactured by factories with little or no knowledge in building atmospheric water generators. As a result, many consumers ended up with products that did not work well if at all. Our intent is to erase the “garage industry” mentality from the atmospheric water industry and build a professional industry image in which the players value quality, reliability, and place a high emphasis on fostering a professional relationship with their network of distributors, agents and dealers by ensuring protection and support necessary to build a lasting and mutually profitable business.

**Reaching Our Goals and Objectives**

To reach the above goals and objectives, Hendrx has fully formulated and has begun implementation of a series of strategies which we refer to as our “10-Step” plan, as follows:

1. Restructure Corporation and Management
2. Improve and Rectify Manufacturing Processes
3. Establish Additional Assembly Facility (United States)
4. Establish Research and Development Facility
5. Develop and Launch New Products
6. Establish Regional Offices
7. Increase Number of Distributors
8. Develop and Implement Support Systems for Distributors
9. Restructure Finances and Debt
10. Consolidate the Industry

Additionally, our marketing strategy, not fully in place at this time, will focus on the following:

- Determine ideal geographical markets;
- Identify and obtain as many distributors as possible in the selected geographical targets;
- Build a sound marketing plan;
- Expand Hendrx's brand and product awareness;
- Saturate the market;
- Increase revenues through sale and acquisitions; and
- Develop a retail market campaign.

Further, we have begun national and international sales campaigns as well as taken steps to improve customer satisfaction with after sales service.

### **Results Of Operations**

Hendrx'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 periods ended June 30, 2006 and 2005.

During the six month period ended June 30, 2006, Hendrx was engaged in the research and development, manufacturing and marketing of AWG units from Fujian, China. Hendrx expects that during 2006 we will embark on a comprehensive marketing plan for the sale of AWG units while focusing on innovation through research and development.

During the six month period ended June 30, 2006, Hendrx realized a net loss of \$900,145 from operations.

#### ***Three and six month periods ended June 30, 2006 and 2005***

##### ***Revenue***

Revenue for the three month period ended June 30, 2006 was \$883,053 as compared to \$1,280,454 for the three month period ended June 30, 2005, a decrease of 31%. Revenue for the six month period ended June 30, 2006 was \$1,208,008 as compared to \$2,761,062 for the six month period ended June 30, 2005, a decrease of 56%. Revenue in the three and six month periods is based almost entirely on the sale of AWG units, which sales have dropped off significantly due to product complaints and the return of shipped product. Product modifications have been, and are continually being tested to address these complaints. Hendrx expects to increase gross revenue over the next twelve months as we manufacture an improved product and focus on the implementation of our marketing plan.

##### ***Cost of Goods Sold***

Cost of goods sold for the three months period ended June 30, 2006 was \$779,782 as compared to \$995,728 for the three month period ended June 30, 2005, a decrease of 22%. Cost of goods sold for the six months period ended June 30, 2006 was \$1,114,101 as compared to \$2,111,199 for the six month period ended June 30, 2005, a decrease of 47%. Cost of goods sold can be attributed primarily to the purchase of components used in the AWG units. The decrease in cost of goods sold reflects the corresponding decrease in revenue over the periods. However, the cost of goods sold remains high as we have not realized maximum production capacity from our manufacturing facility which negatively impacts our cost for each unit produced. Hendrx expects that the cost of goods sold will continue to fluctuate as a percentage of revenue decreasing on a per unit basis relative to production increases.



## ***Expenses***

Selling expenses for the three month period ended June 30, 2006 were \$105,800 as compared to \$100,892 for the three month period ended June 30, 2005, an increase of 5%. Selling expenses for the six month period ended June 30, 2006 were \$176,109 as compared to \$138,017 for the six month period ended June 30, 2005, an increase of 28%. Hendrx anticipates that selling expenses will increase over the next twelve months as a marketing strategy is launched to increase sales of our improved AWG units.

General and administrative expenses for the three month period ended June 30, 2006 were \$457,302 as compared to \$436,791 for the three month period ended June 30, 2005, an increase of 5%. General and administrative expenses for the six month period ended June 30, 2006 were \$816,571 as compared to \$762,562 for the six month period ended June 30, 2005, an increase of 7%. General and administrative expenses include personnel costs, consulting fees, professional advice, accounting expenses, auditing fees, public reporting and travel. Hendrx anticipates that general and administrative may increase in future periods.

Stock-based compensation was \$0 for the three month periods ended June 30, 2006 and 2005. Stock-based compensation was \$0 for the six month period ended June 30, 2006 as compared to 1,764,000 for the six month period ended June 30, 2005.

## ***Net Losses***

Net losses for the three month period ended June 30, 2006 increased to \$464,000 from \$261,542 for the comparable three month period ended June 30, 2005, a increase of 77%. Net losses for the six month period ended June 30, 2006 decreased to \$900,145 from \$2,044,651 for the comparable six month period ended June 30, 2005, a decrease of 56%. The increase in net losses over the comparative three month periods can be primarily attributed to a decrease in revenues. The decrease in net losses over the comparative six month periods is attributable to stock based compensation realized in the prior six month period. Hendrx expects that net losses will decrease in future periods in relation to anticipated increases in revenue.

## ***Liquidity and Capital Resources***

Cash flow used for operations in the three month period ended June 30, 2006 was \$447,027 as compared to cash flow used for operations of \$1,102,747 for the three month period ended June 30, 2005. Cash flow used for operations in the six month period ended June 30, 2006 was \$847,526 as compared to cash flow used for operations of \$754,929 for the six month period ended June 30, 2005. Cash flow used for operations for the current three and six month periods can be primarily attributed to net losses. Hendrx expects that a decrease in net losses in future periods will produce cash flow from operations.

Cash flow used for financing activities for the three month period ended June 30, 2006 was \$183,283, as compared to cash flow provided by financing activities of \$814,559 for the three month period ended June 30, 2005. Cash flow provided by financing activities for the six month period ended June 30, 2006 was \$84,573, as compared to cash flow provided by financing activities of \$5,889,501 for the six month period ended June 30, 2005. Cash flow used for financing activities in the current three month period can be attributed to partial repayments of short term bank loans and advances from related parties. Cash flow provided by financing activities in the current six month period can be attributed to short term bank loans and advances from related parties. Hendrx expects to produce additional cash flow from financing activities during 2006.

Cash flow used in investing activities for the three month period ended June 30, 2006 was \$411,674 as compared to \$1,336,336 for the three month period ended June 30, 2005. Cash flow used in investing activities for the six month period ended June 30, 2006 was \$424,217 as compared to \$2,621,631 for the six month period ended June 30, 2005. Cash flow used in investing activities in the current three and six month periods can be primarily attributed to the purchase of equipment and software.

### **Capital Deficit**

Hendrx had a working capital deficit of \$1,061,800 as of June 30, 2006 and has funded its cash needs since inception from revenue in combination with debt and equity financing provided by banks and other related and unrelated parties. Hendrx anticipates that cash flow from revenues and debt or equity placements will be sufficient to fund operations in 2006. However, there can be no assurance that Hendrx will generate sufficient cash flows from revenue, 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. Any commitments for future capital expenditures will be primarily funded by future equity financings.

### **Loans**

Hendrx's bank loans of \$2,642,378 are all guaranteed by Fujian Tienyu Steel Products Co., Ltd., ("Tienyu") a company owned by the chairman of the board of directors of Hendrx. In return, Fujian Yuxin Electronic Equipment Co. Ltd., a wholly owned subsidiary of Hendrx, has guaranteed Tienyu's bank loans. Based on the financial results of Tienyu, Hendrx believes that Tienyu will be able repay its loans on a consistent basis. Nonetheless, Hendrx intends to reduce these mutual guarantees gradually over time.

### **Compensation Plan**

Hendrx adopted a Stock Option and Compensation Plan ("Plan") on March 12, 2005. Under the Plan, Hendrx may issue stock, stock appreciation rights, or grant options to acquire Hendrx's common stock to employees of Hendrx 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 Hendrx or its subsidiaries. Hendrx granted 350,000 options with an exercise price of \$1.50 for a period of five years to all members of the board of directors as of March 12, 2005. As of June 30, 2006, none of the options had been exercised.

Hendrx, except for the Plan, has no other defined benefit plan or contractual commitment with any of its officers or directors.

### **Equipment and Employees**

Hendrx has no current plans to make any significant purchases of equipment or changes in the number of employees.

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

Hendrx 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 our net operating loss carryforwards. 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**

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

### **Critical Accounting Policies**

In Note 2 to the unaudited consolidated financial statements for the period ended June 30, 2006 and 2005 included in this Form 10-QSB, Hendrx discusses those accounting policies that are considered to be significant in determining the results of operations and its financial position. Hendrx 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, management evaluates these estimates, including those related to bad debts, inventories, intangible assets, warranty obligations, product liability, revenue, and income taxes. Hendrx 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.

### ***Revenue Recognition***

Hendrx generates revenue through the sale of AWG, reverse osmosis, and ionic units whether to wholesale distributors or to individual consumers. Revenues are recognized only when (a) persuasive evidence for a sales arrangement exists, (b) delivery of the product has occurred, (c) the product fee is fixed or determinable, and (d) 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.

### **Forward Looking Statements and Factors That May Affect Future Results and Financial Condition**

The statements contained in sections titled “Management’s Discussion and Analysis”, with the exception of historical facts, are forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which reflect our current expectations and beliefs regarding our future results of operations, performance, and achievements. These statements are subject to risks and uncertainties and are based upon assumptions and beliefs that may or may not materialize. These forward looking statements include, but are not limited to, statements concerning:

- our anticipated financial performance and business plan;
- the sufficiency of existing capital resources;
- our ability to raise additional capital to fund cash requirements for future operations;
- uncertainties related to the acceptance of Hendrx’s current and future products;
- the ability of Hendrx to achieve and maintain sufficient revenues to fund operations;
- the volatility of the stock market and;
- general economic conditions.

We wish to caution readers that our operating results are subject to various risks and uncertainties that could cause our actual results to differ materially from those discussed or anticipated, including the factors set forth in the section entitled “Risk Factors” below. We also wish to advise readers not to place any undue reliance on the forward looking statements contained in this report, which reflect our beliefs and expectations only as of the date of this report. We assume no obligation to update or revise these forward looking statements to reflect new events or circumstances or any changes in our beliefs or expectations, other than that is required by law.

### **Risk Factors**

Our future operating results are highly uncertain. Before deciding to invest in us or to maintain or increase your investment, you should carefully consider the risks described below, in addition to the other information contained in this annual report. If any of these risks actually occur, our business, financial condition or results of operations could be seriously harmed. In that event, the market price for our common stock could decline and you may lose all or part of your investment.

#### ***We have a history of significant operating losses and such losses may continue in the future.***

Since our inception in 1998, our expenses have significantly exceeded our revenue resulting in continuing losses. During the six month period ended June 30, 2006, we recorded a net loss of \$900,145. We believe that we may continue to incur operating losses until such time as we realize the benefits of our recently revamped marketing and sales plans.

#### ***We have been unable to generate sufficient cash flow to carry out our business plan.***

Historically Hendrx 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 our business strategy will provide sufficient cash flows to accomplish those objectives defined by management for future growth. Should we be unable to generate sufficient cash flow from the sale of our products, we will be required to seek financing from alternative sources such as additional sales of our common stock or incurring additional debt in order to accomplish our current marketing, manufacturing and research and development objectives. Hendrx can provide no assurance that such efforts, if necessary, would be successful.

#### ***Our business plan is prone to significant risks.***

Hendrx’s business development strategy is prone to significant risks and uncertainties which can have an immediate impact on efforts to increase net cash flow and deter future prospects of revenue growth. Our financial condition and results of operations depend primarily on revenue generated from the sale of AWG units and our ability to control expenses. Hendrx 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 we be unable to consistently generate revenue and reduce or stabilize expenses to the point where we can maintain net cash flow, such failure will have an immediate impact on our ability to continue our business operations.

#### ***Hendrx competes against companies with larger and better-financed corporations.***

Hendrx operates in a highly competitive market with financial rewards pending on market performance. Some of our competitors are multi-million enterprises with more resources for research and development as well as marketing. If any of these competitors focused upon the AWG market, we would be at a significant disadvantage in reaping our markets’ financial rewards.

***Hendrx may fail to adequately manage growth.***

The strategic plan being implemented by Hendrx is expected to yield significant growth. This growth requires infrastructure and personnel, as well as expanded operations, and needs to be properly managed. Should we fail to adequately manage our growth potential, our operations could be significantly impaired.

***We are dependent upon key personnel who would be difficult to replace.***

Our continued operation will be largely dependent upon the efforts, knowledge and abilities of our management team. A loss of management's strategic vision and the core of the team would be a hindrance to our prospects and success. Our future success also will depend in large part upon Hendrx's ability to identify, attract and retain other highly qualified managerial, technical and sales and marketing personnel. Competition for these individuals is intense. The inability to identify, attract or retain qualified personnel in the future or delays in hiring qualified personnel, could make it more difficult for us to maintain our operations and meet key objectives.

***We have an integral dependence on marketing.***

Hendrx has an ambitious vision and has developed a well conceived plan to reach its objectives. The scope of the plan will require high profile marketing, including the possibility of joint marketing campaigns with compatible companies. Failure to initiate and successfully implement excellent marketing efforts could adversely affect our capacity to execute our plan.

***Our business is largely dependent on a limited number of customers.***

One customer, Librex Group S.A.L. ("Librex"), accounts for a significant portion of our net sales. We have a contract with Librex, though all of sales to them are made through purchase orders for OEM product. The loss of this customer, including through an acquisition, other business combination or their loss of business from their customers could have a substantial and adverse effect on our business. We have in the past, and may in the future, lose our major customers or a substantial portion of our business with one or more major customers. If we do not sell products to customers in the quantities anticipated, or if a major customers reduces or terminates its relationship with us, market perception of our products and technology, growth prospects, and financial condition and results of operations could be harmed. Any termination of our relationship with, or significant reduction or modification of the products we manufacture for Librex would materially reduce our revenue.

***The market for our stock is limited and our stock price may be volatile.***

The market for our common stock has been limited due to low trading volume and the small number of brokerage firms acting as market makers. Because of the limitations of our market and volatility of the market price of our stock, investors may face difficulties in selling shares at attractive prices when they want to. The average daily trading volume for our stock has varied significantly from week to week and from month to month, and the trading volume often varies widely from day to day.

***We may incur significant expenses as a result of being quoted on the Over the Counter Bulletin Board, which may negatively impact our financial performance.***

We incur significant legal, accounting and other expenses as a result of being listed on the Over the Counter Bulletin Board. The Sarbanes-Oxley Act of 2002, as well as related rules implemented by the Commission has required changes in corporate governance practices of public companies. We expect that compliance with these laws, rules and regulations, including compliance with Section 404 of the Sarbanes-Oxley Act of 2002 as discussed in the following risk factor, may substantially increase our expenses, including our legal and accounting costs, and make some activities more time-consuming and costly. As a result, there may be a substantial increase in legal, accounting and certain other expenses in the future, which would negatively impact our financial performance and could have a material adverse effect on our results of operations and financial condition.

***Our internal controls over financial reporting may not be considered effective, which could result in a loss of investor confidence in our financial reports and in turn have an adverse effect on our stock price.***

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, beginning with our annual report for the year ending December 31, 2007, we may be required to furnish a report by our management on our internal controls over financial reporting. Such report will contain, among other matters, an assessment of the effectiveness of our internal controls over financial reporting as of the end of the year, including a statement as to whether or not our internal controls over financial reporting are effective. This assessment must include disclosure of any material weaknesses in our internal controls over financial reporting identified by management. The report will also contain a statement that our independent registered public accounting firm has issued an attestation report on management's assessment of internal controls. If we are unable to assert that our internal controls are effective as of December 31, 2007, or if our independent registered public accounting firm is unable to attest that our management's report is fairly stated or they are unable to express an opinion on our management's evaluation or on the effectiveness of our internal controls, investors could lose confidence in the accuracy and completeness of our financial reports, which in turn could cause our stock price to decline.

### **Going Concern**

Hendrx's auditor expressed concern as to Hendrx's ability to continue as a going concern as a result of recurring losses, limited revenue-generating activities and working capital deficiency of \$1,061,800 as of June 30, 2006, and may not have sufficient working capital for the next twelve months. Hendrx's ability to continue as a going concern is subject to the ability of Hendrx to realize net income and obtain funding from outside sources. Management's plan to address Hendrx's ability to continue as a going concern, include: (1) obtaining funding from private placement sources; (2) obtaining additional funding from the sale of Hendrx'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 Hendrx 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**

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

(a) Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of June 30, 2006. Based on this evaluation, our chief executive officer and chief financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective and adequately designed to ensure that the information required to be disclosed by us in the reports we submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms and that such information was accumulated and communicated to our chief executive officer and chief financial officer, in a manner that allowed for timely decisions regarding disclosure.

(b) Changes in Internal Controls

During the period ended June 30, 2006, there has been no change in internal control over financial reporting that has materially affected, or is reasonably likely to materially affect our internal control over financial reporting.

## **PART II**

### **ITEM 1. LEGAL PROCEEDINGS**

Worldwide Water, LLC

Legal proceedings were initiated on January 18, 2006 by Worldwide Water, LLC (“WWL”) against a number of defendants, including Hendrx, in the Superior Court for the County of Los Angeles, State of California, for breach of contract and patent infringement. The complaint alleges that an agreement between WWL and AirWater Corporation (“AirWater”) was contravened when AirWater contracted with Fujian Yuxin Electronic Equipment Co. Ltd. (“Yuxin”) a wholly owned subsidiary of Hendrx, to manufacture atmospheric water generators, on an original equipment manufacturer basis, that allegedly infringe WWL’s patents. WWL’s suit seeks damages of \$1,000,000 from the defendants, including Hendrx, in addition to accrued interest and costs. Hendrx denies any culpability or liability in this matter and has filed motions in response to the complaint that it believes will ultimately cause Hendrx to succeed in defending this position.

Seymour Water, Inc.

Legal proceedings were initiated on June 2, 2006 by Seymour Water, Inc. (“Seymour”) against Hendrx, in the Supreme Court of British Columbia, Vancouver Registry, for an alleged breach of contract purportedly instigated by Yuxin. The complaint alleges that an agreement between Seymour and Yuxin was contravened when Yuxin delivered equipment to Seymour that was unfit for the purpose of intended use. Seymour’s suit seeks damages of approximately \$100,000 from Hendrx in addition to accrued interest and costs. Hendrx denies any culpability or liability in this matter and has filed motions in response to the complaint that it believes will ultimately cause Hendrx to succeed in defending this position.

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

None.

**ITEM 3.        DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4.        SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None.

**ITEM 5.        OTHER INFORMATION**

None.

**ITEM 6.        EXHIBITS**

Exhibits required to be attached by Item 601 of Regulation S-B are listed in the Index to Exhibits on page 34 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 9<sup>th</sup> day of August, 2006.

### **Hendrx Corp.**

/s/ George Solymar

Name: George Solymar

Title: Chief Executive Officer

/s/ Cherry Cai

Name: Cherry Cai

Title: Chief Financial Officer and Principal Accounting Officer

## INDEX TO EXHIBITS

<i><b>Exhibit No.</b></i>	<i><b>Page No.</b></i>	<i><b>Description</b></i>
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)	35	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)	36	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)	37	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)	38	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	*	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 Hendrx.

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, George Solymar, 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: August 9, 2006

/s/ George Solymar  
George Solymar  
Chief Executive Officer

EXHIBIT 31(b)

**CERTIFICATION OF CHIEF FINANCIAL 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, Cherry Cai, 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: August 9, 2006

/s/ Cherry Cai  
Cherry Cai  
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 June 30, 2006 as filed with the Securities and Exchange Commission on the date hereof ("Report"), I, George Solymar, 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.

Date: August 9, 2006

/s/ George Solymar  
George Solymar  
Chief Executive Officer

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 June 30, 2006 as filed with the Securities and Exchange Commission on the date hereof ("Report"), I, Cherry Cai, 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.

Date: August 9, 2006

/s/ Cherry Cai  
Cherry Cai  
Chief Financial Officer

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.