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

FORM 10-Q

(Mark One)

☑ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended **March 31, 2008**.

☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ________ to ________.

Commission file number: **000-50546**

HENDRX CORP.

(Exact name of registrant as specified in its charter)

Nevada	**86-0914052**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2610-1066 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3X2
(Address of principal executive offices) (Zip Code)

(888) 436-3791
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changes since last report)

Indicate by check mark 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 ☑ No ☐.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company as defined by Rule 12b-2 of the Exchange Act:
Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ☐ No ☑

At May 14, 2008, 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 – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

As used herein, the terms "Company," "we," "our," "us," "it," and "its" refer to Hendrx Corp, a Nevada corporation, and its subsidiaries and predecessors, unless otherwise indicated. In the opinion of management, the accompanying unaudited financial statements included in this Form 10-Q 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
Unaudited Consolidated Balance Sheet
(Expressed in US Dollars)

	March 31, 2008	December 31, 2007
Assets		
Current Assets		
Cash	$ 41,250	$ 63,598
Accounts receivable	275,095	500,828
Value added tax refundable	46,619	30,237
Inventories (Note 4)	2,127,526	2,214,971
Due from related parties (Note 8d)	29,876	28,767
Prepaid expenses	129,789	21,634
Total Current Assets	2,650,155	2,330,960
Property, Plant and Equipment-Net (Note 6)	5,265,101	5,826,460
Other assets		
Long term loan receivable (Note 15)	121,040	116,535
Intangible assets-Net (Note 5)	2,126,676	2,174,334
Goodwill (Note 3)	7,800,000	7,800,000
Total Other Assets	10,047,716	10,090,869
Total Assets	$ 17,962,972	$ 18,234,313
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable & Accrued liabilities	$ 1,170,558	$ 1,253,382
Short term bank loans (Note 9)	3,235,941	3,093,651
Due to related parties (Note 8e)	936,313	830,145
Total Current Liabilities	5,342,812	5,177,178
Commitments and Contingents (Note 16)	1,000,000	1,000,000
Total Liabilities	6,342,812	6,177,178
Stockholders' Equity		
Capital stock (Par value $0.001, Authorized: 350,000,000 Issued and outstanding: 37,238,067)	37,238	37,238
Additional paid-in capital	43,196,066	43,196,066
Other Comprehensive Income	722,058	663,537
Deficit	(32,335,202)	(31,839,706)
Total stockholders' equity	11,620,160	12,057,135
Total liabilities and stockholders' equity	$ 17,962,972	$ 18,234,313

The accompanying notes are an integral part of these financial statements

HENDRX CORP
Unaudited Consolidated Statements of Operations and Comprehensive Income (Loss)
(Expressed in US Dollars)

	Three months Ended March 31, 2008	2007
Revenue	$ 600,411	$ 210,156
Cost of Goods Sold	(715,929)	(286,237)
Gross Profit (Loss)	(115,518)	(76,081)
Selling Expenses	99,648	26,645
General and administrative expenses	202,724	172,896
Contract services	62,864	58,953
Salaries and wages	55,582	40,713
Total Expenses	420,818	299,207
Income (Loss) from Operations	(536,336)	(375,288)
Other Income (Expense)		
Other income (expense)	112,152	(18,212)
Interest expenses	(71,312)	(45,093)
Total Other Income (Expense)	40,840	(63,305)
Profit (Loss) before Income taxes	(495,496)	(438,593)
Income Taxes	$ -	$ -
Net profit (loss) for the year	(495,496)	(438,593)
Net (loss) per common shares Basic & Dilutive	(0.01)	(0.01)
Weighted Average Shares Outstanding	37,238,067	37,238,067
Net profit (loss) for the year	(495,496)	(438,593)
Other Comprehensive Income		
Foreign Currency Translation Adjustments	58,521	(17,720)
Comprehensive Income (Loss)	$ (436,975)	$ (456,313)

The accompanying notes are an integral part of these financial statements

HENDRX CORP
Unaudited Consolidated Statements of Cash Flows
(Expressed in US Dollars)

	Three Months Ended March 31, 2008	2007
Cash Flows from Operating activities		
Net losses	$ (495,496)	$ (438,593)
Adjustments to reconcile net income (loss) to net Cash		
Amortization and depreciation	65,966	186,065
Impairment of intangible assets	-	-
Changes in operating assets and liabilities		
Accounts receivable	225,733	79,368
VAT Refundable	(16,382)	9,702
Inventories	87,445	(134,706)
Prepaid expenses	(108,155)	-
Accounts payable and accrued liabilities	(82,824)	58,035
Total funds from (used in) operating activities	(323,713)	(240,129)
Cash Flows from Investing activities		
Cash paid for note receivable	-	(1,172)
Cash paid for property, plant, and equipment	-	(8,582)
Total funds from (used in) investing activities	-	(9,754)
Cash Flows from Financing activities		
Loan Receivable	(4,505)	-
Short term loan proceeds	142,290	156,947
Advances to related parties	(1,109)	(66,670)
Advances from related parties	106,168	190,924
Total funds provided by (used in) financing activities	242,844	281,201
Cash, increase during the year	(80,869)	31,318
Foreign exchange	58,521	(17,720)
Cash, beginning of the year	63,598	29,198
Cash, end of the year	$ 41,250	$ 42,796
Supplementary cash flow information		
Income taxes (refunded) paid	-	-
Cash paid for interest	148,473	45,093

The accompanying notes are an integral part of these financial statements

HENDRX CORP.
Notes to the Unaudited Consolidated Financial Statements
March 31, 2008
(Expressed in US Dollars)

Note 1. ORGANIZATION AND NATURE OF BUSINESS

Organization

Hendrx Corp. ("the Company") was incorporated under the laws of the State of Nevada on May 4, 1998 (Inception Date) 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. 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 ("Eastway"), 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. 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 a working capital deficiency of $2,692,657 at March 31, 2008 and a net loss of $495,496 for the three months then ended. The Company might not have sufficient work capital for the next twelve months and is dependent on financing to continue operation. These factors create substantial 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.

Interim Financial Statements

The accompanying financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at March 31, 2008 and March 31, 2007 and for the periods then ended have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these interim financial statements be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 2007 audited financial statements. The results of operations for the periods ended March 31, 2008 and March 31, 2007 are not necessarily indicative of the operating results for the full year.

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. Property, Plant and Equipment 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 that is not collateralized and accounts receivable that are unsecured. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The Company's primary operations are located in China and due to differences in the legal system in that country compared to the United States, the Company may have limited legal recourse for recovery of credit issued in that country.

Cash and cash equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

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.

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

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 and these costs are accrued on a monthly basis.

Stock based compensation

Effective January 1, 2005, the Company adopted revised SFAS No.123(R), "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 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. The computation of diluted earnings per common share is based on the weighted average number of shares outstanding during the period plus the common stock equivalents which would arise from the exercise or conversion of warrants, options and convertible securities, if any, using the treasury stock method. The Company had 350,000 stock equivalents of warrants at March 31, 2008 (2007 -350,000) that were excluded from the calculation of diluted earnings per share. Common stock equivalents are not included in the diluted earnings per share calculation when their effect is anti-dilutive.

(Expressed in US Dollars)

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

Long-lived assets

The Company adopts SFAS 144 "Accounting for the impairment or disposal of long-lived assets." The Company recognizes an impairment loss only if the carrying amount of a long-lived asset is not recoverable from its expected undiscounted cash flows and measures an impairment loss as the difference between the carrying amount and fair value of the asset.

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. Depreciation expense for the three months ended March 31, 2008 and 2007 are $18,308 and $19,545, respectively.

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

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 price is fixed or determinable; and collection of the sale is reasonably assured.

Account Receivables

Accounts receivable are uncollateralized customer obligations due under normal trade terms. Management regularly evaluates the need for an allowance for uncollectible accounts by taking into consideration factors such as the type of clients; governmental agencies or credit lines of the client. Management has determined that allowance for bad debt will be based on a percentage of aged receivables. Allowance for bad debt at March 31, 2008 is estimated to be $0.

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. The costs incurred were $3,989 and $2,414 in 2008 and 2007 respectively.

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

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. These rights are recorded at the appraised value at the date of acquisition and amortized over a maximum period of 40 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 licenses that are registered in the United States under the numbers 5,106,512, 5,149,466, 5,203,989 and 5,366,705.

Costs associated with the acquisition of patents are capitalized and amortized over their useful life. Capitalized costs are subjected to a quarterly impairment test to identify potential impairment by comparing the fair value of the patents with their carrying amount. The estimates of fair value of the patents are determined based on an independent appraisal. If the carrying amount of the patents exceeds its fair value, management will write the patents down to their net realizable value at the time impairment appears to exist.

The patents are amortized over 15 years using the straight-line method.

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.

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

Impairment of Goodwill (cont'd)

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.

The Board of Directors of the Company having considered the above factors, recognized a goodwill impairment of $24,054,137 for the year ended December 31, 2007.

Financial instruments

The company's financial instruments consist of cash, accounts receivable and 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 approximates their carrying values.

Segmented information

The Company's identifiable assets are all located in China except cash of $1,435 in Canada and cash of $742 in Switzerland and fixed assets of $1,805 in Canada. Revenue on a geographical basis is disclosed in Note 12.

Foreign currency translation

The Company's functional and reporting currency is the United States Dollar. The financial statements of the Company are translated to United States Dollars in accordance with SFAS No.52 "Foreign Currency Translation". Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. Gains and losses arising on translation or settlement of foreign currency denominated transactions or balances are included in the determination of income. Foreign currency transactions are primarily undertaken in RMB. Foreign Currency Translation Adjustments are included in Other Comprehensive Income and disclosed as a separate category of Stockholders' Equity.

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

Recent Accounting Pronouncements

In January 2007, we adopted FIN 48. FIN 48 clarifies the accounting for uncertain taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "*Accounting for Income Taxes."* FIN 48 prescribes a recognition threshold and measurement of a tax position taken or expected to be taken in an enterprise's tax return. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure related to uncertain income tax positions.

In February 2007, the FASB issued SFAS No. 159, The Fair Value option for Financial Assets and Financials Liabilities – Including an Amendment of FASB No. 115. This statements objective is to improve financial reporting by providing the Company with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This statement is expected to expand the use of fair value measurement, which is consistent with the FASB's long-term measurement objective for accounting for financial instruments. The adoption of SFAS 159 did not have an impact on the Company's financial statements. The Company presently comments on significant accounting policies (including fair value of financial instruments) in Note 2 to the financial statements.

In December 2007, the FASB issued SFAS No. 160, Non-controlling interests in Consolidated Financial Statements – An amendment of ARB No. 51. This statements objective is to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards that require ownership interests in the subsidiaries held by parties other than the parent be clearly identified. The adoption of SFAS 160 did not have an impact on the Company's financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised), Business Combinations. This revision statements objective is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its effects on recognizing identifiable assets and measuring goodwill. The adoption of SFAS 141 (revised) did not have an impact on the Company's financial statements.

In March 2008, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 161, Disclosures about Derivative Instruments and Hedging Activities -an amendment of SFAS 133. SFAS 161 seeks to improve financial reporting for derivative instruments and hedging activities by requiring enhanced disclosures regarding the impact on financial position, financial performance, and cash flows. To achieve this increased transparency, SFAS 161 requires: (1) the disclosure of the fair value of derivative instruments and gains and losses in a tabular format; (2) the disclosure of derivative features that are credit risk-related; and (3) cross-referencing within the footnotes. The Company will adopt SFAS 161 on January 1, 2009. The Company is currently evaluating the new disclosure requirements under SFAS 161.

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 Eastway Global Investment Limited, a corporation formed under the laws of the British Virgin Islands that in turn owned 100% of Fujian Yuxin Electronic Equipment Co., Ltd., a Chinese corporation pursuant to the terms of a Share Purchase Agreement ("Agreement"). Eastway was the owner of all of the registered capital of Yuxin, and Mr. Hendrik Tjandra was the owner of all the issued and outstanding shares in the capital of the Eastway. David Tjahjadi, the son of Mr. Tjandra, is also a principal to the agreement as he was an officer and director of Yuxin. Mr. Tjandra and David Tjahjadi are referred to as "Principals" in the Agreement.

Terms and conditions of the 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 Yuxin.

(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 of $3,5000,000 has been paid.

(d) the issuance on closing of 12,720,000 common shares to Mr. Tjandra equal to 40% of the issued and outstanding shares of Hendrx Corp., which have been issued, are held in escrow as collateral for the acquisition to insure various terms are ultimately completed before release to Mr. Tjandra.

(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 related to atmospheric water generators.

(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 Mr. Tjandra'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 Yuxin 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

  (ii) after closing, Hendrx Corp. shall formalize with Mr. Tjandra 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.

(Expressed in US Dollars)

(iii)

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

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
Total Assets			10,114,179
Liabilities Assumed			
	Current Liabilities		4,378,116
Net Equity			5,736,063
Consideration issued, as above			37,590,200
Goodwill, on acquisition		$	31,854,137

The Board of Directors of the Company recognized a goodwill impairment of $24,054,137 for the year ended December 31, 2007. Accordingly, the carrying value of goodwill at December 31, 2007 and March 31, 2008 was $7,800,000.

Note 4. INVENTORIES

The composition of inventory at March 31, 2008 and December 31, 2007 are presented in the following table:

		March 31, 2008		December 31, 2007
Finished goods		190,637	$	230,928
Raw materials		846,086		855,075
Work-in-process		1,090,803		1,128,968
Total	$	2,127,526	$	2,214,971

Management determined that a reserve against the carrying value of inventory was not necessary at March 31, 2008.

(Expressed in US Dollars)

Note 5. INTANGIBLE ASSETS AND ACCUMULATED AMORTIZATION

March 31, 2008		Cost		Accumulated Amortization		Net Book Figures
Land use rights	$	1,777,490	$	390,492	$	1,386,998
Patents		1,752,382		1,012,704		739,678
Total	$	3,529,872	$	1,403,196	$	2,126,676

December 31, 2007		Cost		Accumulated Amortization		Net Book Figures
Land use rights	$	1,777,490	$	380,843	$	1,396,647
Patents		1,752,382		974,696		777,686
Total	$	3,529,872	$	1,355,538	$	2,174,334

Amortization expenses for the three months ended March 31, 2008 and 2007 were $47,658 and $46,873 respectively.

Note 6. PROPERTY, PLANT AND EQUIPMENT

March 31, 2008		Cost		Accumulated Depreciation		Net
Buildings	$	2,961,323	$	840,679	$	2,120,644
Manufacturing machinery and equipment		4,562,978		1,640,938		2,922,040
Transportation equipment		310,721		136,062		174,659
Electronic equipment		90,529		76,808		13,721
Leasehold improvement		18,377		4,848		13,529
Office equipment		80,815		60,990		19,825
Construction in progress		684		-		684
Total	$	8,025,426	$	2,760,325	$	5,265,102

December 31, 2007		Cost		Accumulated Depreciation		Net
Buildings	$	2,961,323	$	828,818	$	2,132,504
Manufacturing machinery and equipment		4,562,978		1,635,925		2,927,053
Transportation equipment		310,721		136,062		174,659
Electronic equipment		90,529		76,808		13,721
Leasehold improvement		18,377		4,424		13,953
Office equipment		80,815		59,980		20,835
Construction in progress		684		-		684
Total	$	8,025,426	$	2,742,017	$	5,283,409

Depreciation expenses for the three months ended March 31, 2008 and 2007 were $18,308 and $19,545 respectively.

(Expressed in US Dollars)

Note 7. COMMON STOCK

Authorized

350,000,000 voting common shares at par value of $0.001 per share

Net Loss Per Share

Basic and diluted weighted average numbers of shares outstanding for the three months ended March 31, 2008 and 2007 are as follows:

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Numerator-Basic / Diluted		
Net loss available for common stock	$ 495,496	$ 438,593
Weighted average number of shares (after forward split)		
Basic	37,238,067	37,238,067
Diluted	37,238,067	37,238,067
Net Profit (Loss) per share		
Basic	$ (0.01)	$ (0.01)
Diluted	$ (0.01)	$ (0.01)

The Company had 350,000 stock equivalents of options at March 31, 2008 that were excluded from the calculation of diluted earnings per share. Common stock equivalents are not included in the diluted earnings per share calculation when their effect is anti-dilutive.

Stock Options / Stock Based Compensation

On March 12, 2005, the Company granted 350,000 stock options to directors and officers as compensation for services. Stock options outstanding at March 31, 2008 were:

Options Outstanding			Options Exercisable	
Number Outstanding at March 31, 2008	Weighted-Average Remaining Contractual Life (years)	Exercise Price	Number Exercisable at March 31, 2008	Number Exercisable at December 31, 2007
350,000	2	$1.50	-	-

(Expressed in US Dollars)

Note 7. COMMON STOCK (cont'd)

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 outstanding	350,000
Stock price	$5.80
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.

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2006 and December 31, 2007	350,000	$ 1.50
Granted	—	$ —
Exercised	—	$ —
Cancelled		$
Outstanding at March 31, 2008	350,000	$ 1.50

The Company did not record any stock-based compensation during the three months ended March 31, 2008 and 2007.

(Expressed in US Dollars)

Note 8. RELATED PARTY TRANSACTIONS

(a) During the three months ended March 31, 2008 and 2007, sales to related parties are as follows:

Related Parties	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Hendrik Tjandra	$ -	$ 258
Total	$ -	$ 258

(b) During the three months ended March 31, 2008 and 2007, purchases from related parties were as follows:

Related Parties	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Fuqing Huanyu plastic products Co., Ltd. controlled by sister of Mr. Tjandra	$ -	$ 11,050
Total	$ -	$ 11,050

(c) During the three months ended March 31, 2008, the Company paid total consulting services of $62,864 to officers and directors and $58,953 in 2007.

(d) Balances due from related parties, are as follows:

	March 31, 2008	December 31, 2007
Indonesia PT. Galakst Perkasa Controlled by the Mr. Tjandra	$ 22,816	$ 21,970
Fuzhou Sales Department	1,463	1,408
Fuqing Yuongxian Printing Co.,Ltd Controlled by sister of Mr. Tjandra	5,597	5,389
	$ 29,876	$ 28,767

(Expressed in US Dollars)

Note 8. RELATED PARTY TRANSACTIONS (cont'd)

(d) Balances due to related parties, are as follows

		March 31, 2008		December 31, 2007
Fujian Tienyu Steel Products Co. Ltd	$	244,850	$	189,323
Controlled by Mr. Tjandra				
Fuqing Huanyu Plastic Products Co., Ltd		22,854		18,156
Controlled by sister of Mr. Tjandra				
Fujian Zhengtian Corporation		360,272		346,863
Controlled by brother of Mr. Hendrik Tjandra				
Nadir Walji		67,500		55,604
Director of the Company				
Susan Liu		-		196
CFO of the Company				
George Solymar		240,837		220,003
CEO of the Company				
Total	$	936,313	$	830,145

Note 9. SHORT TERM BANK LOANS/GUARANTEES

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

	Interest Rate (Per Year)		March 31, 2007		December 31, 2007
Agricultural Bank of China, Fuqing Branch	6.57% to 7.02%	$	2,378,080	$	2,289,570
XingYie Bank, Fuqing Branch	8.424% to 8.541%		317,552		342,750
Others	-		42,720		38,388
First Capital Invest Corp	7.00%		497,589		422,943
Total		$	3,235,941	$	3,093,651

These short-term loans are secured by the Company's assets and guaranteed by Fujian Tianyu Steel Products Co., Ltd. owned by Mr. Tjandra. Bank interest for the three months ended March 31, 2008 and 2007 are $71,312 and $45,093, respectively.

(Expressed in US Dollars)

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

The Company also provides guarantees of bank loans of, Fujian Tianyu Steel Products Co., Ltd., owned by Mr. Tjandra, in the amount of $6,635,840 (RMB46,600,000) at March 31, 2008 and December 31, 2007.

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

	Bank Loan Payable Balance at March 31, 2008			Maximum Amount of Guarantee at March 31, 2008		
	RMB		US$	RMB		US$
Fuqing Agriculture Bank	46,600,000	$	6,635,840	46,600,000	$	6,635,840
TOTAL	46,600,000	$	6,635,840	46,600,000	$	6,635,840

	Bank Loan Payable Balance at December 31, 2007			Maximum Amount of Guarantee at December 31, 2007		
	RMB		US$	RMB		US$
Fuqing Agriculture Bank	46,600,000	$	6,635,840	46,600,000	$	6,635,840
TOTAL	46,600,000	$	6,635,840	46,600,000	$	6,635,840

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

Note 10. PENSION AND EMPLOYMENT LIABILITIES

The Company does not have any liabilities as at March 31, 2008, for pension, post-employment benefits or post-retirement benefits. The Company does not have a pension plan.

(Expressed in US Dollars)

Note 11. GEOGRAPHIC INFORMATION

(a) Revenue from customers

	Three Months Ended March 31, 2008		Three Months Ended March 31, 2007	
Countries	**$**	**%**	**$**	**%**
China	-	-	31,066	14.78%
United States	137,833	22.96%	1,146	0.55%
Nigeria	242,838	40.45%	-	-
Ukraine	129,629	21.59%	-	-
Lebanon	-	-	76,796	36.54%
Malaysia	20,086	3.35%	120,080	57.14%
Egypt	7,522	1.25%	-	-
Israel	29,852	4.97%	(76,508)	-36.41%
France	-	-	19,471	9.27%
Spain	24,627	4.10%	-	-
Others	8,024	1.33%	38,105	18.14%
Total	600,411	100.00%	$ 210,156	100.00%

Note 12. PATENTS

In 2003, Mr. 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 licenses 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 $2,068,390 (RMB 17,090,000 Yuan) and have been amortized by $324,935 to December 31, 2005.

On December 15, 2006, the Company received an independent appraisal of the patents. The appraiser gave his opinion of the value based on a 5 year projected cashflow analysis, and determined the value to be $1,238,093 (RMB 10,400,000). The net book value was higher than the fair value at December 31, 2006 and was therefore impaired. The company expensed $358,350 as an impairment of the patent to bring the book value in line with the appraisal value.

During the year ended December 31, 2007, the Company recognized an additional impairment on patents of $315,508.

HENDRX CORP.
Notes to the Unaudited Consolidated Financial Statements
March 31, 2008
(Expressed in US Dollars)

Note 12. PATENTS (Cont'd)

The following table represents the total estimated amortization of the Patents for the five succeeding years:

For the Year Ending December 31	Estimated Amortization Expense
2008	$141,118
2009	$141,118
2010	$141,118
2011	$141,118
2012	$141,118

Note 13. TAXES

The Company has incurred an operating loss in the three months ended March 31, 2008 that may be available to offset future taxable income. The Company has adopted Financial Accounting Standards No. 109, which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between financial statements and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Temporary differences between taxable income reported for financial reporting purposes and income tax purposes are insignificant.

Components of deferred tax assets as of March 31, 2008 and December 31, 2007 respectively are as follows:

	March 31, 2008	December 31, 2007
Net operating loss carry forward	$ -	$ -
Valuation allowance	$ -	$ -
Net deferred tax asset	$ -	$ -

The components of current income tax expense as of March 31, 2008 and 2007 respectively are as follows:

	Three Months Ended March 31, 2008	2007
Current federal tax expense	$ -	$ -
Current state tax expense	$ -	$ -
Change in NOL benefits	$ -	$ -
Change in valuation allowance	$ -	$ -
Income tax expense	$ -	$ -

The Company has operations in China and Canada, neither of which allow for carryfoward of tax losses.

Note 14. 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 15. LONG TERM LOAN RECEIVABLE

As at March 31, 2008, a subsidiary of the Company has a loan of RMB850,000 or US$121,040 (as at December 31, 2004, the loan was RMB950,000 or US$135,280) receivable from Hengxing Trading Company. The loan was arranged in August 2002 by the subsidiary in China for business development purposes. This amount is unsecured, yields no interest, with no specific terms of repayment. This loan has been reclassified as a long-term loan as it has been outstanding since 2002. Management expects this loan to be paid in full and accordingly; no allowance for doubtful accounts has been recorded.

Note 16. COMMITMENTS AND CONTINGENTS

Our principal executive offices are located at Suite #2610-1066 West Hastings Street in Vancouver, British Columbia, Canada. The office space is comprised of approximately 1000 square feet for which we pay $1,500 per month on a month-to-month lease.

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, case no SC088178 for contractual fraud 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., a wholly owned subsidiary of Hendrx, to manufacture atmospheric water generators (“AWGs”), on an original equipment manufacturer (OEM) 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 did not enter an appearance in this action. On March 17, 2006 a default judgment was entered against Hendrx. As at the date of this filing this judgment has not been set aside. Hendrx is attempting to retain and instruct counsel to have the default judgment vacated or to Hendrx denies that it is culpable. Hendrx cannot give any assurance that it will be successful in its opposition to the plaintiffs claim and may be compelled to pay all or part of any judgment against it. Even if Hendrx is a successful in having the default judgment set aside or the case reopened it will face the cost of litigation and may ultimately be unsuccessful. The Company has recorded a $1,000,000 contingent liability to account for the judgment.

Note 16.COMMITMENTS AND CONTINGENTS

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, Action No. S063600 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 pleadings and motions in response to the complaint that it believes will ultimately cause Hendrx to succeed in defending this position.

H2O Liquidair of Florida, LLC

Legal proceedings were initiated, and the Company was served on December 28, 2006 by H2OLiquidair of Florida, LLC, a Florida LLC, ("H2L") against a number of defendants, including Fujian Yuxin Electronic Equipment Co., Ltd ("Yuxin") a wholly owned subsidiary of Hendrix and Hendrx Corp. in the United States District Court for the Southern District of Florida, Miami Division, Case No. 06-cv-22591-Seitz, for breach of contract, defective products and interfering by competing in its territory. The complaint alleges that several agreements entered between H2L and Yuxin during the years 2001 and 2002 to manufacture atmospheric water generators, on an original equipment manufacturer basis, that allegedly failed to perform when delivered in 2002. H2L's suit seeks monetary damages from the defendants, including Hendrx, in addition to accrued interest and costs. On March 10, 2008, the Company was granted a motion to dismiss this lawsuit initiated by H2OLiquidair.

Product Warranties

The Company provides a one-year product warrantee for service on our product sales. The company's policy regarding product warrantees is to estimate the liability associated with costs to repair or replace units received on product warrantees. The Company's past history of costs associated with warrantee repairs or replacements have not been material. In the future as sales increase, the warrantee liability will become material and the company will record the proper liability.

Unauthorized Transactions

During the 2007 and 2006, Mr. Tjandra authorized various lending and borrowing transaction with companies and individuals who were related to him. These transactions were done without the approval of the board of directors of the Company. These financial statements do not account for any potential contingencies that may arise from these unauthorized transactions. Also the shares being held in escrow in the name of Mr. Tjandra from the acquisition of the Fujian Yuxin operation pending various actions to be performed by Mr. Tjandra may be compromised due to non-performance. If these shares are returned to treasury, the recorded value of goodwill could be virtually eliminated.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this quarterly 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 subsection entitled *Forward-Looking Statements and Factors That May Affect Future Results and Financial Condition* below. The following discussion should be read in conjunction with our financial statements and notes thereto included in this report. Our fiscal year end is December 31. All information presented herein is based on the three month period ended March 31, 2008.

Discussion and Analysis

The Company is engaged in the research and development, manufacture, marketing, and world-wide 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 systems.

Goals and Objectives

The Company is continuing efforts to accomplish its long-term goals and objectives, as follows:

1. Increase overall market share, remain competitive in the atmospheric water industry, and attain business plan targets.

   The Company will pursue these objectives with the following strategies:

   - Increase revenues;
   - Focus on net profit margins;
   - Acquire related companies with existing distribution networks and net revenue streams;
   - Expand through joint ventures with companies possessing unique and/or revolutionary technologies or products; and
   - Implement an aggressive marketing campaign to create brand and product awareness.

2. Manufacture defect free equipment.

   The failure of many AWG companies can be attributed to defects in the manufacture of AWG equipment. Although the concept of producing water from the air is not a new one, the concept of producing drinking water from the air is relatively recent. Typical air conditioning or dehumidification companies can manufacture appliances that produce water from the air but do not have the expertise and "know-how" to purify the water produced and maintain the purity of that water. On the other hand, some water filtration/purifier appliance manufacturers are able to purify and/or filter water but cannot ensure the trouble-free operation of water machines. Accordingly, it is crucial to the success of our business that we manufacture defect free water machines that operate reliably without the need for service calls or defects that lead to technical problems.

3. 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. The Company must ensure that it has sufficient funds to move forward in pursuit of its goals and objectives.

4. Generate value for our shareholders.

   We aim to generate value for our shareholders through the advanced research and development of new, innovative, safe, and highly-effective products.

5. Help establish a professional industry image.

   One problem which has continuously plagued the infant atmospheric water industry is the lack of professionalism among the participants, most of which have been small operations attempting to penetrate a multi-billion water industry. Often, small companies represented products that were manufactured by factories with little or no knowledge of 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 help build a professional industry in which the participants value quality and reliability as well as placing emphasis on fostering professional relationships with distributors, agents, and dealers.

Reaching Our Goals and Objectives

To reach the above goals and objectives, we have begun implementing a series of strategies which we refer to as our “10-Step” plan, as follows:

1. Corporate and management restructuring
2. Improve manufacturing processes
3. Establish additional assembly facility (in the United States)
4. Establish a research and development facility
5. Develop and launch new products
6. Establish regional offices
7. Increase our number of distributors
8. Develop and implement support systems for distributors
9. Financial and debt restructuring
10. Consolidate the industry

Marketing Strategy and Sales Campaign

Additionally, our expanded marketing strategy, which we have begun to implement, focuses on the following:

- The determination of ideal geographical markets;
- Engaging multiple distributors in each of the selected geographical targets;
- Developing a comprehensive marketing plan;
- Increasing our brand and product awareness;
- Saturating the AWG market;
- Increase revenues through sales and acquisitions; and
- Developing a retail market campaign.

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

The Company's business development strategy is prone to significant risks and uncertainties certain of which could have an immediate impact on its efforts to realize a positive net cash flow and could deter the anticipated expansion of its business. Historically, we have not generated sufficient net cash flow to sustain operations and have had to rely on debt or equity financing to remain in business. Therefore, we cannot offer that future expectations of net cash flow will prove correct or that net cash flow realized, if any, will be sufficient to sustain our continued operation. Should we be unable to generate sufficient net cash flow from revenue and financings the Company may be forced to sell assets as an alternative to the cessation of operations. The success of such measures can in no way be assured.

Results of Operations

The Company's financial condition, results of operations and the carrying value of its assets depends primarily on its ability to produce effective AWG machines in a sufficient number to generate net cash flow. Our ability to accomplish this objective is unproven. Unless we can produce profitable operations from the sale of AWG machines we could incur a further write down in the carrying value of our assets.

Our future success will depend on our ability to implement those strategies considered by management and the near term realization of sufficient financing to bridge the gap between revenues and expenditures. We will require at least $1,000,000 in financing over the next twelve months. Management can offer no assurance that such debt or equity financing is available. Should the Company be unable to secure financing it may be forced to curtail or cease operations.

During the three month period ended March 31, 2008 the Company was engaged in the research and development, manufacturing, and marketing of AWG, reverse osmosis, and other water related units from Fujian, China. Over the next twelve months the Company intends to focus on increasing revenues and research and development.

Revenue

Revenue for the three month period ended March 31, 2008 was $600,411 as compared to $210,156 for the three month period ended March 31, 2007, an increase of 186%. The increase in gross revenues over the comparative three month periods can be attributed to orders from new distributors of our AWG products and third party manufacturing contracts. We expect that gross revenues will continue to increase over the next twelve months.

Cost of Goods Sold and Gross Losses

Cost of goods sold for the three month period ended March 31, 2008 was $715,929 as compared to $286,237 for the three month period ended March 31, 2007, an increase of 150%. Cost of goods sold has been 119% and 136% of revenue for the three periods ended March 31, 2008 and 2007, respectively.

Gross losses for the three month period ended March 31, 2008 were $115,518 as compared to $76,081 for the three month period ended March 31, 2007, an increase of 52%. Our gross losses can be attributed to inefficiencies in manufacturing and quality control. We expect that gross losses will decrease in future periods as we move to remedy inefficiencies in our manufacturing process and increase the effectiveness of our quality control over the next twelve months.

Expenses

Expenses for the three month period ended March 31, 2008 increased to $420,818 from $299,207 for the three month period ended March 31, 2007, an increase of 41%. The increase is primarily due to increases in selling expenses and general and administrative expenses. We expect that expenses will remain relatively consistent over the next twelve months.

Selling expenses for the three month period ended March 31, 2008 increased to $99,648 from $26,645 for the three month period ended March 31, 2007. General and administrative expenses for the three month period ended March 31, 2008 increased to $202,724 from $172,896 for the three month period ended March 31, 2007. Contract services for the three month period ended March 31, 2008 increased to $62,864 from $58,953 for the three month period ended March 31, 2007. Salaries and wages for the three month period ended March 31, 2008 increased to $55,582 from $40,713 for the three month period ended March 31, 2007.

Loss from Operations

The loss from operations for the three month period ended March 31, 2008 was $536,336 as compared to $375,288 for the three month period ended March 31, 2007, an increase of 43%. The increase in our loss from operations can be attributed to the increase in expenses and cost of goods sold in excess of revenues. The Company expects to reduce loss from operations over the next twelve months by stabilizing expenses and eliminating the losses associated with the cost of goods sold.

Net and Comprehensive Loss

Net loss for the three month period ended March 31, 2008 was $495,496 as compared to $438,593 for the three month period ended March 31, 2007, an increase of 13%. This increase is primarily attributable to loss from operations as well as an increase of interest expenses to $71,312 from $45,093 over the comparative periods. Net loss in the current three month period was offset by other income of $112,152 as compared to other expenses of $18,212 which increased net loss in the previous three month period. Comprehensive loss for the three month period ended March 31, 2008 was $436,975 as compared to $456,313 for the three month period ended March 31, 2007. The decrease in net loss over the comparative three month periods can be attributed to foreign currency translation adjustments. The Company expects to decrease net and comprehensive losses over the next twelve months.

Depreciation expense for the three month periods ended March 31, 2008 and 2007 were $18,308 and $19,545, respectively.

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. We believe that we can offset inflationary increases in the cost of materials and labor by increasing sales and improving operating efficiencies.

Capital Expenditures

The Company made no significant capital expenditures on property or equipment for the three month periods ended March 31, 2008 or 2007.

Liquidity and Capital Resources

Cash flow used in operating activities for the three month period ended March 31, 2008 was $323,713 as compared to $240,129 for the three month period ended March 31, 2007. Cash flow used in operating activities in the current period is primarily due to loss from operations and an increase in prepaid expenses that were not fully offset by a decrease in accounts receivables. The Company anticipates that cash flow will continue to be used in operating activities throughout 2008 or until such time as management can fully implement its business plan.

Cash flow used in investing activities for the three month period ended March 31, 2008 was $0 as compared to $9,754 for the three month period ended March 31, 2007.

Cash flow produced by financing activities for the three month period ended March 31, 2008 was $242,844 as compared to $281,201 for the three month period ended March 31, 2007. Cash flow in the current period is from short term loans and advances from related parties. The Company expects that cash flow will continue to be produced from financing activities in 2008 as management requires new debt or equity financing to move its business plan forward.

The Company had a working capital deficit of $2,692,657 as of March 31, 2008 as compared to a working capital deficit of $2,846,218 as of December 31, 2007. On March 31, 2008 the Company had current assets of $2,650,155, which included cash of $41,250, accounts receivable of $275,095, and inventory of $2,127,526. On March 31, 2008, total assets were $10,047,716, which included goodwill of $7,800,000. On March 31, 2008 current liabilities were $5,342,812 and total liabilities were $6,342,812.

We do not have sufficient current assets or operational cash flow to meet our current obligations or satisfy cash needs over the next twelve months. The Company anticipates that cash flows from future revenues and debt or equity placements are expected to be sufficient to fund operations in 2008. 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.

The Company adopted a Stock Option and Compensation Plan (“Plan”) on March 12, 2005. Under the Plan, we may issue stock, stock appreciation rights, or grant options to acquire our common stock to our employees or our subsidiary’s employees. 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 us or our subsidiaries. We granted of 350,000 options with an exercise price of $1.50 for a period of five years to all the then current members of the board of directors as of March 12, 2005. We, except in respect to the grant of stock options, have no defined benefit plan or contractual commitment with any of our officers or directors.

Since any earnings, if realized, are anticipated to be reinvested in operations, cash dividends are not expected to be paid in the foreseeable future.

We have 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.

We will make changes in the number of employees as necessary.

Off Balance Sheet Arrangements

As of March 31, 2008, the Company has no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that is material to stockholders.

Critical Accounting Policies

In Note 2 to the audited consolidated financial statements for the years ended December 31, 2007 and 2006 included in Form 10-K filed with the Commission, 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 U.S.A.

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 policy in the preparation of our financial statements.

Revenue Recognition

The Company generates revenue through the sale of AWG units and other water related products 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.

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. These rights are recorded at the appraised value at the date of acquisition and amortized over a maximum period of 40 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 licenses that are registered in the United States under the numbers 5,106,512, 5,149,466, 5,203,989 and 5,366,705. Costs associated with the acquisition of patents are capitalized and amortized over their useful life. Capitalized costs are subjected to a quarterly impairment test to identify potential impairment by comparing the fair value of the patents with their carrying amount. The estimates of fair value of the patents are determined based on an independent appraisal. If the carrying amount of the patents exceeds its fair value, management will write the patents down to their net realizable value at the time impairment appears to exist.

The patents are amortized over 15 years using the straight-line method.

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.

The Board of Directors of the Company have considered the above factors and recognized a goodwill impairment of $24,054,137 for the year ended December 31, 2007.

Going Concern

The Company's auditor has expressed concern as to our ability to continue as a going concern as a result of conditions recurring losses, limited revenue-generating activities and a working capital deficit. The Company's ability to continue as a going concern is subject to the ability of the Company to increase net income and obtain funding from outside sources. Management's plan to address the Company's ability to continue as a going concern, include: (i) obtaining funding from private placement sources; (ii) obtaining additional funding from the sale of the Company's securities; (iii) generating sufficient revenues to sustain operations; and (iv) 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.

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

The statements contained in the section titled *Management's Discussion and Analysis of Financial Condition and Results of Operations* and elsewhere in this current report, with the exception of historical facts, are forward looking statements. Forward looking statements 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 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 operations;
- uncertainties related to the acceptance of our current and future products;
- our ability 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* included elsewhere in this report. 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 as required by law.

Stock-Based Compensation

On January 1, 2006, we adopted SFAS No. 123 (revised 2004) (SFAS No. 123R), Share-Based Payment, which addresses the accounting for stock-based payment transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. In January 2005, the Securities and Exchange Commission (Commission) issued Staff Accounting Bulletin (SAB) No. 107, which provides supplemental implementation guidance for SFAS No. 123R. SFAS No. 123R eliminates the ability to account for stock-based compensation transactions using the intrinsic value method under Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and instead generally requires that such transactions be accounted for using a fair-value-based method. We use the Black-Scholes-Merton ("BSM") option-pricing model to determine the fair-value of stock-based awards under SFAS No. 123R, consistent with that used for pro forma disclosures under SFAS No. 123, Accounting for Stock-Based Compensation. We have elected the modified prospective transition method as permitted by SFAS No. 123R and accordingly prior periods have not been restated to reflect the impact of SFAS No. 123R. The modified prospective transition method requires that stock-based compensation expense be recorded for all new and unvested stock options, restricted stock, restricted stock units, and employee stock purchase plan shares that are ultimately expected to vest as the requisite service is rendered beginning on January 1, 2006, the first day of our fiscal year 2006. Stock-based compensation expense for awards granted prior to January 1, 2006 is based on the grant date fair-value as determined under the pro forma provisions of SFAS No. 123.

Prior to the adoption of SFAS No. 123R, we measured compensation expense for our employee stock-based compensation plans using the intrinsic value method prescribed by APB Opinion No. 25. We applied the disclosure provisions of SFAS No. 123 as amended by SFAS No. 148, Accounting for Stock-Based Compensation – Transition and Disclosure, as if the fair-value-based method had been applied in measuring compensation expense. Under APB Opinion No. 25, when the exercise price of the Company's employee stock options was equal to the market price of the underlying stock on the date of the grant, no compensation expense was recognized.

We account for equity instruments issued in exchange for the receipt of goods or services from other than employees in accordance with SFAS No. 123 and the conclusions reached by the Emerging Issues Task Force ("EITF") in Issue No. 96-18. Costs are measured at the estimated fair market value of the consideration received or the estimated fair value of the equity instruments issued, whichever is more reliably measurable. The value of equity instruments issued for consideration other than employee services is determined on the earliest of a performance commitment or completion of performance by the provider of goods or services as defined by EITF 96-18.

Recent Accounting Pronouncements

In March 2008, the FASB issued SFAS 161 which amends and expands the disclosure requirements of SFAS 133 to provide an enhanced understanding of an entity's use of derivative instruments, how they are accounted for under SFAS 133 and their effect on the entity's financial position, financial performance and cash flows. The provisions of SFAS 161 are effective for the period beginning after November 15, 2008. The Company is currently reviewing the effect, if any, that the adoption of this statement will have on our financial statements.

In December 2007, the FASB issued SFAS No. 160, “Non-controlling interests in Consolidated Financial Statements – An amendment of ARB No. 51.” This statements objective is to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards that require ownership interests in the subsidiaries held by parties other than the parent be clearly identified. The adoption of SFAS 160 did not have an impact on the Company’s financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised), “Business Combinations.” This revision statement’s objective is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its effects on recognizing identifiable assets and measuring goodwill. The adoption of SFAS 141 (revised) did not have an impact on the Company’s financial statements.

In February 2007, the FASB issued SFAS 159, “The Fair Value Option for Financial Assets and Financial Liabilities.” SFAS 159 creates a fair value option allowing an entity to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and financial liabilities, with changes in fair value recognized in earnings as they occur. SFAS 159 also requires an entity to report those financial assets and financial liabilities measured at fair value in a manner that separates those reported fair values from the carrying amounts of assets and liabilities measured using another measurement attribute on the face of the statement of financial position. Lastly, SFAS 159 requires an entity to provide information that would allow users to understand the effect on earnings of changes in the fair value on those instruments selected for the fair value election. SFAS 159 is effective for fiscal years beginning after November 15, 2007 with early adoption permitted. The Company is continuing to evaluate SFAS 159 and to assess the impact on our results of operations and financial condition if an election is made to adopt the standard.

In January 2007, we adopted FIN 48. FIN 48 clarifies the accounting for uncertain taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "*Accounting for Income Taxes.*" FIN 48 prescribes a recognition threshold and measurement of a tax position taken or expected to be taken in an enterprise's tax return. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure related to uncertain income tax positions.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required.

ITEM 4T. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

In connection with the preparation of this report on Form 10-Q, an evaluation was carried out by the Company’s management, with the participation of the chief executive officer and the chief financial officer, of the effectiveness of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (“Exchange Act”)). Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Commission’s rules and forms and that such information is accumulated and communicated to management, including the chief executive officer and the chief financial officer, to allow timely decisions regarding required disclosures.

Based on that evaluation, the Company's management concluded, as of the end of the period covered by this report, that the Company's disclosure controls and procedures were effective in recording, processing, summarizing, and reporting information required to be disclosed, within the time periods specified in the Commission's rules and forms.

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process, under the supervision of the chief executive officer and the chief financial officer, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with United States generally accepted accounting principles (GAAP). Internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the Company's assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the board of directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management conducted an assessment of the effectiveness of the Company's internal control over financial reporting as of March 31, 2008, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). As a result of this assessment, management had not identified any material weaknesses in internal control over financial reporting.

Changes in Internal Control over Financial Reporting

There have been no changes in internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the period ended March 31, 2008, that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Worldwide Water, LLC

Legal proceedings were initiated on January 18, 2006 by Worldwide Water, LLC ("Worldwide") against a number of defendants, including the Company, in the Superior Court for the County of Los Angeles, State of California, case no. SC088178, for contractual fraud and patent infringement. The complaint alleged that an agreement between Worldwide and AirWater Corporation ("AirWater") was contravened when AirWater contracted with our subsidiary to manufacture AWGs, on an OEM basis, that allegedly infringed Worldwide's patents. Worldwide's suit sought damages of $1,000,000 from the defendants, including the Company, in addition to accrued interest and costs. We did not enter an appearance in this action. On March 17, 2006 a default judgment was entered against us. The Company is attempting to retain and instruct counsel to have the default judgment vacated as we deny any culpability or liability in this matter. We cannot give any assurance that we will be successful in our opposition to the plaintiff's claim and may be compelled to pay all or part of any judgment against us. Even if we are successful in having the default judgment set aside or the case reopened we will face the cost of litigation and may ultimately be unsuccessful. The Company has recorded a $1,000,000 contingent liability to account for the judgment.

Seymour Water, Inc.

Legal proceedings were initiated on June 2, 2006 by Seymour Water, Inc. ("Seymour") against the Company, in the Supreme Court of British Columbia, Vancouver Registry, action no. S063600 for an alleged breach of contract purportedly instigated by our subsidiary. The complaint alleges that an agreement between Seymour and our subsidiary was contravened when our subsidiary delivered equipment to Seymour that was unfit for the purpose of intended use. Seymour's suit seeks damages of approximately $100,000 from the Company in addition to accrued interest and costs. We deny any culpability or liability in this matter and have filed pleadings and motions in response to the complaint that we believe will ultimately cause us to succeed in defending this position.

H2OLiquidair of Florida, LLC

Legal proceedings were initiated, and the Company was served on December 28, 2006 by H2OLiquidair of Florida, LLC, a Florida LLC, against a number of defendants, including the Company and our subsidiary, in the United States District Court for the Southern District of Florida, Miami Division, case no. 06-cv-22591-Seitz, for breach of contract, defective products and interfering by competing in its territory. We did not enter an appearance in this action. On January 23, 2007 a default judgment was entered against us and our subsidiary. On March 10, 2008, the Company was granted a motion to dismiss the lawsuit; the case is now closed.

ITEM 1A. RISK FACTORS

The Company's operations and securities are subject to a number of risks. Below we have identified and discussed the material risks that we are likely to face. Should any of the following risks occur, they will adversely affect our operations, business, financial condition and/or operating results as well as the future trading price and/or the value of our securities.

Risks Related to the Company's Business

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 three months ended March 31, 2008 we recorded a comprehensive loss of $436,975. We believe that we may continue to incur operating losses until such time as we realize the benefits of our new marketing strategy and sales campaign.

The Company competes against companies with larger and better-financed corporations.

The Company 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.

The Company may fail to adequately manage growth.

The strategic plan being implemented by the Company 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 our 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.

The Company 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.

A limited number of customers account for most of our net sales. The loss of one or more of our major 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 relationships with, or significant reduction or modification of the products we manufacture for our major customers would materially reduce our revenue.

Risks Related to the Company's Stock

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 in the future, 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 we are required to furnish a report by our management on our internal controls over financial reporting. Such report must 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. If we are unable to continue to assert that our internal controls are effective, our investors could lose confidence in the accuracy and completeness of our financial reports, which in turn could cause our stock price to decline.

The Company does not pay dividends.

The Company does not pay dividends. We have not paid any dividends since inception and have no intention of paying any dividends in the foreseeable future. Any future dividends would be at the discretion of our board of directors and would depend on, among other things, future earnings, our operating and financial condition, our capital requirements, and general business conditions. Therefore, shareholders should not expect any type of cash flow from their investment.

The Company will require additional capital funding.

There can be no guarantee that we will not require additional funds, either through additional equity offerings or debt placements, in order to expand our operations. Such additional capital may result in dilution to our current shareholders. Further, our ability to meet short-term and long-term financial commitments will depend on future cash. There can be no assurance that future income will generate sufficient funds to enable us to meet our financial commitments.

The Company's shareholders may face significant restrictions on their stock.

The Company's stock differs from many stocks in that it is a "penny stock." The Commission has adopted a number of rules to regulate "penny stocks" including, but not limited to, those rules from the Securities Act as follows:

3a51-1	which defines penny stock as, generally speaking, those securities which are not listed on either NASDAQ or a national securities exchange and are priced under $5, excluding securities of issuers that have net tangible assets greater than $2 million if they have been in operation at least three years, greater than $5 million if in operation less than three years, or average revenue of at least $6 million for the last three years;
15g-1	which outlines transactions by broker/dealers which are exempt from 15g-2 through 15g-6 as those whose commissions from traders are lower than 5% total commissions;
15g-2	which details that brokers must disclose risks of penny stock on Schedule 15G;
15g-3	which details that broker/dealers must disclose quotes and other information relating to the penny stock market;
15g-4	which explains that compensation of broker/dealers must be disclosed;
15g-5	which explains that compensation of persons associated in connection with penny stock sales must be disclosed;
15g-6	which outlines that broker/dealers must send out monthly account statements; and
15g-9	which defines sales practice requirements.

Since the Company's securities constitute a "penny stock" within the meaning of the rules, the rules would apply to us and our securities. Because these rules provide regulatory burdens upon broker-dealers, they may affect the ability of shareholders to sell their securities in any market that may develop; the rules themselves may limit the market for penny stocks. Additionally, the market among dealers may not be active. Investors in penny stock often are unable to sell stock back to the dealer that sold them the stock. The mark-ups or commissions charged by the broker-dealers may be greater than any profit a seller may make. Because of large dealer spreads, investors may be unable to sell the stock immediately back to the dealer at the same price the dealer sold the stock to the investor. In some cases, the stock may fall quickly in value. Investors may be unable to reap any profit from any sale of the stock, if they can sell it at all.

Shareholders should be aware that, according to Commission Release No. 34-29093 dated April 17, 1991, the market for penny stocks has suffered from patterns of fraud and abuse. These patterns include:

- control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer;
- manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases;
- "boiler room" practices involving high pressure sales tactics and unrealistic price projections by inexperienced sales persons;
- excessive and undisclosed bid-ask differentials and markups by selling broker-dealers; and
- the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the inevitable collapse of those prices with consequent investor losses.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS ON 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-K are listed in the Index to Exhibits on page 43 of this Form 10-Q, and are incorporated herein by this reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Hendrx Corp.

/s/ George Solymar May 15, 2008
George Solymar
Chief Executive Officer, Chief Financial Officer, and Principal Accounting Officer

EXHIBITS

Exhibit	*Description*
3(i)(a) *	Articles of Incorporation of the Company adopted May 4, 1998 (incorporated by reference to the Form 10-SB filed with the Securities and Exchange Commission ("Commission") on January 12, 2004).
3(i)(b) *	Amended Articles of Incorporation of the Company adopted March 28, 2005 (incorporated by reference to the Form 10-KSB filed with the Commission on April 15, 2005).
3(ii)(a) *	Bylaws of the Company adopted May 4, 1998 (incorporated by reference to the Form 10-SB filed with the Commission on January 12, 2004).
3(ii)(b) *	Amended Bylaws of the Company adopted January 10, 2005 (incorporated by reference to the Form 8-K filed with the Commission on January 10, 2004).
10 *	Share Purchase Agreement between the Company and Hendrik Trjandra dated December 16, 2004 (incorporated by reference to the Form 8-K filed with the Commission on December 20, 2004).
14 *	Code of Ethics (incorporated by reference to the Form 10-K filed with the Commission on April 14, 2008).
21 *	Subsidiaries of the Company (incorporated by reference to the Form 10-K filed with the Commission on April 14, 2008).
31	Certification of the Chief Executive Officer and 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	Certification of the Chief Executive Officer and 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 of the Company approved March 12, 2005 (incorporated by reference to the Form 10-KSB filed with the Commission on April 15, 2005).

* Incorporated by reference to previous filings of the Company.

Exhibit 31

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND 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, George Solymar certify that:

1. I have reviewed this report on Form 10-Q (“Report”) of Hendrx Corp;

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 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 registrant’s 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 our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the 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, 2008

/s/ George Solymar
George Solymar
Chief Executive Officer and Chief Financial Officer

Exhibit 32

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND 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 report on Form 10-Q of Hendrx Corp. for the quarterly period ended March 31, 2008 as filed with the Securities and Exchange Commission on the date hereof ("Report"), I, George Solymar , do 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 and belief:

(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 of the registrant at the end of the period covered by this Report and results of operations of the registrant for the period covered by this Report.

Date: May 15, 2008

/s/ George Solymar
George Solymar
Chief Executive Officer and 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 the 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.