ADDENTAX GROUP CORP. AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2018 AND 2017

1. ORGANIZATION AND BUSINESS ACQUISITIONS

Addentax Group Corp. (“ATXG”) was incorporated in Nevada on October 28, 2014, and before the transaction described below, ATXG was engaged in the field of producing images on multiple surfaces using heat transfer technology.

On December 28, 2016, ATXG acquired 250,000,000 shares of the issued and outstanding stock of Yingxi Industrial Chain Group Co., Ltd. (“Yingxi”). The 250,000,000 shares of Yingxi were acquired from the members of Yingxi in a share exchange transaction in return for the issuance of 500,000,000 shares of common stock of ATXG. The 250,000,000 shares of Yingxi constitute 100% of its issued and outstanding stock, and as a result of the transaction, Yingxi became a wholly-owned subsidiary of ATXG. Following the consummation of the reverse acquisition effective on September 25, 2017, and giving effect to the securities exchanged in the offering, the members of Yingxi beneficially owned approximately ninety-nine (99%) of the issued and outstanding common stock of ATXG. For accounting purposes, the Company was treated as an acquiree and Yingxi as an acquirer, as a result, the business and financial information contained in this report is that of the acquirer prior to the consummation date and that of the combined entity after that date.

Yingxi was incorporated in the Republic of Seychelles on August 4, 2016. ATXG, together with Yingxi and its subsidiaries (the “Company”) operates primarily in the People’s Republic of China (“PRC” or “China”) and is engaged in the business of garments manufacturing and providing logistic services.

On December 15, 2016, Yingxi entered into an equity transfer agreement with the shareholder of Yingxi Industrial Chain Investment Co., Ltd (“Yingxi HK”) under which Yingxi agreed to pay total consideration of RMB21,008,886 (approximately $3,048,936) in cash in exchange for a 100% ownership interest in Yingxi HK. Yingxi HK was incorporated in Hong Kong in 2016. Yingxi HK is a holding company with no assets other than a 100% equity interest in the following subsidiaries:

- Qianhai Yingxi Textile & Garments Co., Ltd (“QYTG”), a wholly-owned subsidiary of Yingxi HK, was incorporated in the PRC in 2016.

- Shenzhen Qianhai Yingxi Industrial Chain Services Co., Ltd ("YX"), a wholly-owned subsidiary of QYTG, was incorporated in the PRC in 2016.

- Xin Kuai Jie Transport Co., Ltd ("XKJ"), a wholly-owned subsidiary of YX, was incorporated in the PRC in 2001. XKJ is engaged in the provision of logistic services.

- Shenzhen Hua Peng Fa Logistics Co., Ltd ("HPF"), a wholly-owned subsidiary of YX, was incorporated in the PRC in 2006. HPF is engaged in the provision of logistic services.

- Dongguan Heng Sheng Wei Garments Co., Ltd ("HSW"), a wholly-owned subsidiary of YX, was incorporated in the PRC in 2009. HSW is a garment manufacturer.

- Shantou Chenghai Dai Tou Garments Co., Ltd ("DT"), a wholly-owned subsidiary of YX, was incorporated in the PRC in 2009. DT is a garment manufacturer.

2. BASIS OF PRESENTATION, LIQUIDITY

The accompanying consolidated financial statements of the Company and its subsidiaries are prepared pursuant to the rules and regulations of the U.S. Securities and Exchanges Commission ("SEC") and in conformity with generally accepted accounting principles in the U.S. ("US GAAP"). All material inter-company accounts and transactions have been eliminated in consolidation.

The accompanying consolidated financial statements are presented on the basis that the Company is a going concern. The going concern assumption contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company incurred net loss of $544,977, $61,139, $569,586 and $41,182, during the three months and nine months ended December 31, 2018 and 2017, respectively. As of December 31, 2018 and March 31, 2018, the Company had net current liability of $1,550,898 and $1,104,934, respectively, and a deficit on total equity of $1,550,898 and $1,104,934, respectively.

The ability to continue as a going concern is dependent upon the Company's profit generating operations in the future and/or obtaining the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they become due. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company expects to finance operations primarily through cash flow from revenue and capital contributions from the CEO. In the event that the Company requires additional funding to finance the growth of the Company's current and expected future operations as well as to achieve our strategic objectives, the CEO has indicated the intent and ability to provide additional equity financing.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent on the Company's ability to meet obligations as they become due and to obtain additional equity or alternative financing required to fund operations until sufficient sources of recurring revenues can be generated. There can be no assurance that the Company will be successful in its plans described above or in attracting equity or alternative financing on acceptable terms, or if at all. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Economic and Political Risks

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

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

(b) Foreign Currency Translation

The Company's reporting currency is the U.S. dollar. The functional currency of the parent company is the U.S. dollar and the functional currency of the Company's operating subsidiaries is the Chinese Renminbi ("RMB"). For the subsidiaries whose functional currencies are the RMB, all assets and liabilities are translated at exchange rates at the balance sheet date and revenue and expenses are translated at the average yearly exchange rates and equity is translated at historical exchange rates. Any translation adjustments resulting are not included in determining net income but are included in foreign exchange adjustment to other comprehensive income, a component of equity.

(c) Use of Estimates

The preparation of the consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Management makes these estimates using the best information available at the time the estimates are made; however actual results could differ materially from those estimates.

(d) Fair Value Measurement

Accounting Standards Codification ("ASC") 820 "Fair Value Measurements and Disclosures", which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The statement clarifies that the exchange price is the price in an orderly transaction between market participants to sell the asset or transfer the liability in the market in which the reporting entity would transact for the asset or liability, that is, the principal or most advantageous market for the asset or liability. It also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and that market participant assumptions include assumptions about risk and effect of a restriction on the sale or use of an asset.

This ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

At December 31, 2018, the Company has no financial assets or liabilities subject to recurring fair value measurements.

The Company's financial instruments include cash, accounts receivable, advances to suppliers, other receivables, accounts payable, other payables, taxes payables and related party receivables or payables. Management estimates that the carrying amounts of financial instruments approximate their fair values due to their short-term nature. The fair value of amounts with related parties is not practicable to estimate due to the related party nature of the underlying transactions.

(e) Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The Company had no cash equivalents at December 31, 2018 and March 31, 2018.

(f) Accounts Receivable

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable. The Company extends credit to its customers in the normal course of business and generally does not require collateral. The Company's credit terms are dependent upon the segment, and the customer. The Company assesses the probability of collection from each customer at the outset of the arrangement based on a number of factors, including the customer's payment history and its current creditworthiness. If in management's judgment collection is not probable, the Company does not record revenue until the uncertainty is removed.

Management performs ongoing credit evaluations, and the Company maintains an allowance for potential credit losses based upon its loss history and its aging analysis. The allowance for doubtful accounts is the Company's best estimate of the amount of credit losses in existing accounts receivable. Management reviews the allowance for doubtful accounts each reporting period based on a detailed analysis of trade receivables. In the analysis, management primarily considers the age of the customer's receivable, and also considers the creditworthiness of the customer, the economic conditions of the customer's industry, general economic conditions and trends, and the business relationship and history with its customers, among other factors. If any of these factors change, the Company may also change its original estimates, which could impact the level of the Company's future allowance for doubtful accounts. If judgments regarding the collectability of receivables are incorrect, adjustments to the allowance may be required, which would reduce profitability.

Accounts receivable are recognized and carried at the original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful accounts receivable is made when collection of the full amount is no longer probable. Bad debts are written off as incurred. No allowance for doubtful accounts was made for the three and nine months ended December 31, 2018 and 2017.

The following customers had an accounts receivable balance greater than 10% of total accounts receivable at December 31, 2018 and March 31, 2018.

	December 31, 2018	March 31, 2018
Customer A	nil%	56%
Customer B	22%	21%
Customer C	nil%	12%
Customer D	12%	2%
Customer E	14%	nil%

(g) Inventories

Manufacturing segment inventories consist of raw materials, work in progress and finished goods and are stated at the lower of cost, determined on a weighted average basis, or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale. When inventories are sold, their carrying amount is charged to expense in the period in which the revenue is recognized. Write-downs for declines in net realizable value or for losses of inventories are recognized as an expense in the period the impairment or loss occurs. No allowance for obsolete finished goods was made for the three and nine months ended December 31, 2018 and 2017, respectively.

During the three and nine months ended December 31, 2018 and 2017, approximately 76%, 51%, 62% and 57% of total inventory purchases were from the Company's five largest suppliers, respectively. Management believes that should the Company lose any one of its major suppliers, other suppliers are available that could provide similar products to the Company on comparable terms.

(h) Plant and Equipment

Plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided over the assets' estimated useful lives, using the straight-line method. Estimated useful lives of the plant and equipment are as follows:

Production plant	5-10 years
Motor vehicles	10-15 years
Office equipment	5-10 years

The cost and related accumulated depreciation of assets sold or otherwise retired are eliminated from the accounts and any gain or loss is included in the statement of income. The cost of maintenance and repairs is charged to the statement of income as incurred, whereas significant renewals and betterments are capitalized.

(i) Goodwill

Goodwill represents the excess of the purchase price over the net fair value of the identifiable tangible and intangible assets acquired and the fair value of liabilities assumed in acquisitions. ASC350-30-50 "Goodwill and Other Intangible Assets", requires the testing of goodwill and indefinite-lived intangible assets for impairment at least annually. The Company tests goodwill for impairment in the fourth quarter of each year.

Under applicable accounting guidance, the goodwill impairment analysis is a two-step test. The first step of the goodwill impairment test involves comparing the fair value of each reporting unit with its carrying amount including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired; however, if the carrying amount of the reporting unit exceeds its fair value, the second step must be performed to measure potential impairment.

The second step involves calculating an implied fair value of goodwill for each reporting unit for which the first step indicated possible impairment. If the implied fair value of goodwill exceeds the goodwill assigned to the reporting unit, there is no impairment. If the goodwill assigned to a reporting unit exceeds the implied fair value of goodwill, an impairment charge is recorded for the excess.

The Company tested goodwill for impairment as of March 31, 2018 and it was determined that the recoverable amount of one of the Company's reporting units was lower than the carrying amount of the goodwill recorded. Therefore it was concluded that the carrying amount of goodwill of $454,659 was impaired.

(j) Accounting for the Impairment of Long-Lived Assets

Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. It is reasonably possible that these assets could become impaired as a result of technology or other industry changes. Determination of recoverability of assets to be held and used is by comparing the carrying amount of an asset to future net undiscounted cash flows to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

There was no impairment of long-lived assets as of December 31, 2018 and March 31, 2018.

(k) Revenue Recognition

Revenue is generated through sale of goods and delivery services. Revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The amount of revenue that is recorded reflects the consideration that the Company expects to receive in exchange for those goods and services. The Company applies the following five-step model in order to determine this amount:

(i) identification of the promised goods and services in the contract;

(ii) determination of whether the promised goods and services are performance obligations, including whether they are distinct in the context of the contract;

(iii) measurement of the transaction price, including the constraint on variable consideration;

(iv) allocation of the transaction price to the performance obligations; and

(v) recognition of revenue when (or as) the Company satisfies each performance obligation.

The Company only applies the five-step model to contracts when it is probable that the Company will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. Once a contract is determined to be within the scope of ASC 606 at contract inception, the Company reviews the contract to determine which performance obligations the Company must deliver and which of these performance obligations are distinct. The Company recognizes as revenues the amount of the transaction price that is allocated to the respective performance obligation when the performance obligation is satisfied or as it is satisfied. Generally, the Company’s performance obligations are transferred to customers at a point in time, typically upon delivery.

For all reporting periods, the Company has not disclosed the value of unsatisfied performance obligations for all product and service revenue contracts with an original expected length of one year or less, which is an optional exemption that is permitted under the adopted rules.

(l) Earnings Per Share

The Company reports earnings per share in accordance with ASC 260 "Earnings Per Share", which requires presentation of basic and diluted earnings per share in conjunction with the disclosure of the methodology used in computing such earnings per share. Basic earnings per share excludes dilution and is computed by dividing income available to common stockholders by the weighted average common shares outstanding during the period. Diluted earnings per share takes into account the potential dilution that could occur if securities or other contracts to issue common stock were exercised and converted into common stock. Further, if the number of common shares outstanding increases as a result of a stock dividend or stock split or decreases as a result of a reverse stock split, the computations of a basic and diluted earnings per share shall be adjusted retroactively for all periods presented to reflect that change in capital structure.

The Company's basic earnings per share is computed by dividing the net income available to holders by the weighted average number of the Company's common stock shares outstanding. Diluted earnings per share reflects the amount of net income available to each common stock share outstanding during the period plus the number of additional shares that would have been outstanding if potentially dilutive securities had been issued. The Company had no potentially dilutive common stock shares outstanding as of December 31, 2018 and March 31, 2018.

(m) Income Taxes

The Company accounts for income taxes using the asset and liability method prescribed by ASC 740 "Income Taxes". Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the years in which the differences are expected to reverse. The Company records a valuation allowance to offset deferred tax assets if based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized as income or loss in the period that includes the enactment date.

The Company does not have any material unrecognized tax benefits.

The Company is governed by the Income Tax Laws of the PRC. The PRC federal statutory tax rate is 25%. The Company files income tax returns with the relevant government authorities in the PRC. The Company does not believe there will be any material changes in its unrecognized tax positions over the next 12 months.

The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. The Company does not have any accrued interest or penalties associated with any unrecognized tax benefits, nor was any interest expense recognized during the three and nine months ended December 31, 2018 and 2017. The Company's effective tax rate differs from the PRC federal statutory rate primarily due to non-deductible expenses, temporary differences and preferential tax treatment.

New U.S. federal tax legislation, commonly referred to as the Tax Cuts and Jobs Act (the "U.S. Tax Reform"), was signed into law on December 22, 2017. The U.S. Tax Reform modified the U.S. Internal Revenue Code by, among other things, reducing the statutory U.S. federal corporate income tax rate from 35% to 21% for taxable years beginning after December 31, 2017; limiting and/or eliminating many business deductions; migrating the U.S. to a territorial tax system with a one-time transaction tax on a mandatory deemed repatriation of previously deferred foreign earnings of certain foreign subsidiaries; subject to certain limitations, generally eliminating U.S. corporate income tax on dividends from foreign subsidiaries; and providing for new taxes on certain foreign earnings. Taxpayers may elect to pay the one-time transition tax over eight years, or in a single lump-sum payment. The Company measured the current and deferred taxes based on the provisions of the Tax legislation. After the Company's measurement, no deferred tax benefit nor expense relating to the U.S. Tax Reform was needed for the three and nine months ended December 31, 2018.

(n) Related party balances and transactions

A related party is generally defined as:

(i) any person that holds the Company's securities including such person's immediate families,

(ii) the Company's management,

(iii) someone that directly or indirectly controls, is controlled by or is under common control with the Company, or

(iv) anyone who can significantly influence the financial and operating decisions of the Company.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(o) Recently issued and adopted accounting pronouncements

"In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-13, Fair Value Measurement (Topic 820) Disclosure Framework – Change to the Disclosure Requirements for Fair Value Measurement. The amendments in this Update modify the disclosure requirements of fair value measurements in Topic 820, Fair Value Measurement, based on the concepts in the Concepts Statement, including the consideration of costs and benefits. This standard will be effective for the Company on September 1, 2020. The Company is currently evaluating the impact the adoption of this ASU will have on its financial statements.

In February 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220) Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. The amendments allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. This standard has been effective for the Company on September 1, 2018. The adoption of this standard does not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments. This standard requires a financial asset (or group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. This standard will be effective for the Company on September 1, 2020. The Company is currently evaluating the impact the adoption of this ASU will have on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." ("ASU 2014-09"). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 supersedes most existing revenue recognition guidance in US GAAP. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of Effective Date* ("ASU 2015-14"), which deferred the effective date of ASU 2014-09 to January 1, 2018 for the Company. Early adoption was permitted. The Company adopted ASU 2014-09 utilizing the modified retrospective method. The Company evaluated the impact of adopting the new standard and concluded that there was no material impact on the Company's revenue recognition policy.

In February 2016, the FASB issued ASU 2016-02, *"Lease (Topic 842)* ", which amends recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases (with the exception of short-term leases) at the commencement date. This standard will take effect for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The adoption of this standard does not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

The Company reviews new accounting standards as issued. Management has not identified any other new standards that it believes will have a significant impact on the Company's consolidated financial statements.

4. BUSINESS ACQUISITION

On December 10, 2016, the Company entered into an equity transfer agreement relating to the acquisition of 100% of the equity of Yingxi Industrial Chain Investment Co., Ltd ("Yingxi HK") and subsidiaries. The acquisition was financed with proceeds from the Company's borrowings from a third party. The acquisition was closed on December 15, 2016. The results of operations of Yingxi HK are included in the Company's consolidated financial statements beginning on December 15, 2016.

The following represents the purchase price allocation at the dates of the acquisition:

Cash and cash equivalents	$	230,390
Other current assets		6,373,688
Plant and equipment		710,829
Goodwill		929,662
Current liabilities		(5,174,094)

Statutory reserves		(21,539)
Total purchase price	$	3,048,936

5. ACCOUNTS RECEIVABLES

The receivables and allowance balances at December 31, 2018 and March 31, 2018 are as follows:

	December 31, 2018		March 31, 2018	
Accounts receivable	$	1,887,702	$	3,416,618
Less: allowance for doubtful accounts		-		-
Accounts receivable, net	$	1,887,702	$	3,416,618

No allowance for doubtful accounts was made for the three and nine months ended December 31, 2018 and 2017.

6. OTHER RECEIVABLES

Other receivables primarily represent rental deposit; refundable security deposits to customers for quality assurance on the provision of logistic service; and unsecured and non-interest bearing short-term advances that the Company makes from time-to-time to employees and third-party entities. These advances are unsecured and due on demand.

7. RELATED PARTY TRANSACTIONS

Name of Related Parties	Relationship with the Company
Zhida Hong	President, CEO, CFO and a director of the Company
Zhongpeng Chen	A legal representative of HPF

Bihua Yang	A legal representative of XKJ
Dewu Huang	A legal representative of DT
Qiuying Chen	A spouse of legal representative of DT
Yingping Ding	A legal representative of HSW
Jinlong Huang	A spouse of legal representative of HSW
Shenzhen Qianhai Bitun Investment Fund Management Co., Ltd	Huizhu Ma is a legal representative and principal shareholder, Huizhu Ma ceased to be the principal shareholder since November 2018
Shenzhen Bitun Textile Co., Ltd.	Huizhu Ma is a legal representative and principal shareholder, Huizhu Ma ceased to be the principal shareholder since November 2018
Shenzhen Yingxi Investment & Development Co., Ltd.	Sister of Huizhu Ma is a legal representative, Huizhu Ma ceased to be the principal shareholder since November 2018
Shenzhen Bitun Yihao Fund Partnership (Limited Partnership)	Shenzhen Qianhai Bitun Investment Fund Management Co., Ltd is a legal representative and principal shareholder, which is no longer related party since November 2018
Bitun Apparel (Shenzhen) Co., Ltd	Sister of Huizhu Ma is a legal representative, Huizhu Ma ceased to be the principal shareholder since November 2018
Huizhu Ma	A director and principal shareholder of the Company's principal shareholder, Huizhu Ma ceased to be the principal shareholder since November 2018
Xijuan Huang	A spouse of legal representative of HPF

The Company leases Shenzhen XKJ office rent-free from Bihua Yang.

The Company had the following related party balances as of December 31, 2018 and March 31, 218

Amounts due from related parties	December 31, 2018	March 31, 2018
Dewu Huang	$ 80,149	$ -
Shenzhen Bitun Textile Co., Ltd.	-	39,883

Shenzhen Yingxi Investment & Development Co., Ltd.		-		162,543
	$	80,149	$	202,426

Amounts due to related parties		December 31, 2018		March 31, 2018
Zhida Hong	$	3,828,202		38,196
Zhongpeng Chen		165,127		739,317
Dewu Huang		-		248,031
Yinping Ding		-		118,952
Jinlong Huang		66,930		338,115
Shenzhen Bitun Textile Co., Ltd.		-		-
Shenzhen Qianhai Bitun Investment Fund Management Co., Ltd.		-		3,665,347
Shenzhen Bitun Yihao Fund Partnership (Limited Partnership)		-		159,356
Huizhu Ma		-		12,104
	$	4, 060,259	$	5,319,418

The balances with related parties are unsecured, non-interest bearing and repayable on demand.

8. INVENTORIES

Inventories consist of the following as of December 31, 2018 and March 31, 2018:

		December 31, 2018		March 31, 2018
Raw materials	$	256,128	$	126,079
Work in progress		30,821		113,150
Finished goods		104,697		-

Total	391,646	239,229
Less: allowance for obsolete inventories	-	-
Inventories, net	$ 391,646	$ 239,229

9. ADVANCES TO SUPPLIERS

The Company has made advances to third-party suppliers in advance of receiving inventory parts. These advances are generally made to expedite the delivery of required inventory when needed and to help to ensure priority and preferential pricing on such inventory. The amounts advanced to suppliers are fully refundable on demand.

10. PLANT AND EQUIPMENT

Plant and equipment consists of the following as of December 31, 2018 and March 31, 2018:

	December 31, 2018	March 31, 2018
Production plant	$ 141,892	$ 155,529
Motor vehicles	1,006,932	944,539
Office equipment	11,396	12,491
	1,160,220	1,112,559
Less: accumulated depreciation	(508,867)	(464,019)
Plant and equipment, net	$ 651,353	$ 648,540

Depreciation expense for the three and nine months ended December 31, 2018 and 2017 was $28,391, $88,434, $28,646 and $84,535, respectively.

11. BANK LOANS

In September 2018, HSW entered into a bank loan agreement with Dongguan Agricultural Commercial Bank to borrow up to approximately $159,922 (RMB1,100,000) for daily operations with an annual interest rate of 5.8% and due on September 2019.

12. INCOME TAXES

(a) Enterprise Income Tax ("EIT")

The Company operates in the PRC and files tax returns in the PRC jurisdictions.

Yingxi Industrial Chain Group Co., Ltd was incorporated in the Republic of Seychelles, and under the current laws of the British Virgin Islands, is not subject to income taxes.

Yingxi HK was incorporated in Hong Kong and is subject to Hong Kong income tax at a tax rate of 16.5%. No provision for income taxes in Hong Kong has been made as Yingxi HK had no taxable income for the three and nine months ended December 31, 2018 and 2017.

YX was incorporated in the PRC and is subject to the PRC federal statutory tax rate of 25%. No provision for income taxes in the PRC has been made as YX had no taxable income for the three and nine months ended December 31, 2018 and 2017.

The Company is governed by the Income Tax Laws of the PRC. Yingxi's operating companies, QYTG, HSW, HPF and DT were subject to an EIT rate of 25% in calendar year of 2018. XKJ enjoyed the preferential tax benefits and its EIT rate was 15% in calendar year of 2018.

The Company is a U.S. entity and is subject to the United States federal income tax. No provision for income taxes in the United States has been made as the Company had no United States taxable income for the three and nine months ended December 31, 2018 and 2017.

No deferred taxes were recognized for the three and nine months ended December 31, 2018 and 2017.

The reconciliation of income taxes computed at the PRC federal statutory tax rate applicable to the PRC, to income tax expenses are as follows:

	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
PRC statutory tax rate	25%	25%	25%	25%
Computed expected expenses	(135,719)	(13,791)	(140,748)	(6,867)
Temporary differences and tax losses not recognized	137,821	19,767	147,339	26,034
Preferential tax treatment	-	-	-	(5,454)
Income tax expense	$ 2,102	$ 5,976	$ 6,591	$ 13,713

(b) Value Added Tax ("VAT")

In accordance with the relevant taxation laws in the PRC, the normal VAT rate for domestic sales is 17%, which is levied on the invoiced value of sales and is payable by the purchaser. The Company is required to remit the VAT it collects to the tax authority. A credit is available whereby VAT paid on purchases can be used to offset the VAT due on sales.

For services, the applicable VAT rate is 11% under the relevant tax category for logistic company, except the branch of HPF enjoyed the preferential VAT rate of 3% in 2018. The Company is required to pay the full amount of VAT calculated at the applicable VAT rate of the invoiced value of sales as required. A credit is available whereby VAT paid on gasoline and toll charges can be used to offset the VAT due on service income.

13. CONSOLIDATED SEGMENT DATA

Segment information is consistent with how management reviews the businesses, makes investing and resource allocation decisions and assesses operating performance. The segment data presented reflects this segment structure. The Company reports financial and operating information in the following two segments:

(a) Manufacturing of garments (the “Manufacturing segment”); and
(b) Providing logistic services (the “Service segment”).

The Company also provides general corporate services to its segments and these costs are reported as “Corporate and others”.

Selected information in the segment structure is presented in the following tables:

Revenues by segment for the three and nine months ended December 31, 2018 and 2017 are as follows:

	Three months ended December 31,		Nine months ended December 31,	
Revenues	2018	2017	2018	2017
Manufacturing segment	731,310	717,618	2,760,966	3,779,595
Service segment	1,810,493	2,345,593	5,347,442	6,897,821
	$ 2,541,803	$ 3,063,211	$ 8,108,408	$ 10,677,416

Income from operations by segment for the three and nine months ended December 31, 2018 and 2017 are as follows:

	Three months ended December 31,		Nine months ended December 31,	
Operating income (loss)	2018	2017	2018	2017
Manufacturing segment	$ (33,584)	$ (13,903)	$ (12,458)	$ (6,027)
Service segment	(255,499)	(12,059)	37,292	116,644
Corporate and other	(255,934)	(36,405)	(606,961)	(143,707)

(Loss) from operations	$ (545,017)	$ (62,367)	$ (582,127)	$ (33,090)
Manufacturing segment	5	4,316	13,358	2,722
Service segment	2,072	2,888	2,726	2,866
Corporate and other	65	-	3,048	33
(Loss) before income tax	$ (542,875)	(55,163)	(562,995)	(27,469)
Income tax expense	(2,102)	(5,976)	(6,591)	(13,713)
Net (loss)	$ (544,977)	$ (61,139)	$ (569,586)	$ (41,182)

Depreciation and amortization by segment for the three and nine months ended December 31, 2018 and 2017 are as follows:

	Three months ended December 31,		Nine months ended December 31,	
Depreciation	2018	2017	2018	2017
Manufacturing segment	4,237	8,121	18,987	23,745
Service segment	24,154	20,525	69,447	60,790
	$ 28,391	$ 28,646	$ 88,434	$ 84,535

Total assets by segment at December 31, 2018 and March 31, 2018 are as follows:

Total assets	December 31, 2018	March 31, 2018
Manufacturing segment	$ 1,803,939	$ 3,775,765
Service segment	2,338,491	3,391,945
Corporate and other	117,975	350,400
	$ 4,260,405	$ 7,518,111

Goodwill by segment at December 31, 2018 and March 31, 2018 is as follows:

Goodwill	December 31, 2018	March 31, 2018
Manufacturing segment	$ 475,003	$ 475,003
Service segment	-	-
	$ 475,003	$ 475,003

The recoverable amounts of reporting units are determined based on discounted cash flow calculations. The calculations use budget for the first year and cash flow projections based on financial forecasts prepared by management covering the remaining 4-year operating period. The key assumptions include revenue, cost of sales and operating expenses which were determined by management based on the past performance and its expectations on market development. Based on the impairment test of goodwill, the recoverable amount was lower than the carrying amount of the goodwill recorded and it was concluded that carrying amount of goodwill of $454,659 was impaired as of March 31, 2018.

14. ACCRUED EXPENSES AND OTHER PAYABLES

Accrued expenses and other payables consist of the following as of December 31, 2018 and March 31, 2018:

	December 31, 2018	March 31, 2018
Loan from third parties (i)	$ -	$ 56,739
Employee advances	558	1,073
Accrued wages and welfare	80,290	66,972
Other payables	175,851	61,071
	$ 256,699	$ 185,855

(i) Loan from third parties represent unsecured and non-interest bearing short-term advances that the Company makes from time-to-time from third-party entities These advances are unsecured and due on demand.

15. RESERVES

(a) Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the subsidiary of the Company established in the PRC is required to transfer 10% of its profit after taxation prepared in accordance with the accounting regulations of the PRC to the statutory reserve until the reserve balance reaches 50% of the subsidiary's paid-up capital. Such reserve may be used to offset accumulated losses or increase the registered capital of the subsidiary, subject to the approval from the PRC authorities, and are not available for dividend distribution to the shareholders. At December 31, 2018 and March 31, 2018, the paid-up statutory reserve was RMB148,418 or $21,539.

(b) Currency translation reserve

The currency translation reserve represents translation differences arising from translation of foreign currency financial statements into the Company's functional currency.

16. COMMITMENTS AND CONTINGENCIES

Leases

The Company leased offices in various cities in the PRC and leased the headquarter in Shenzhen, the PRC, under operating leases expiring on various dates through the Company's year end of 2021. Rent expense for the three and six months ended September 30, 2018 and 2017 was approximately $23,157, $77,664, $25,616 and $70,034, respectively.

Future minimum lease payments for leases with initial or remaining non-cancelable lease terms in excess of one year are as follows:

2019	$	75,302
2020		274,579
2021		136,080
		485,961

17. SUBSEQUENT EVENTS

On January 24, 2019, the Board of Directors approved a reverse stock split of the Company's issued and outstanding shares of common stock, par value $0.001 per share (the "Common Stock"), at a ratio of 1-for-20 (the "Reverse Stock Split"). As a result, the number of shares of the Company's authorized Common Stock will be reduced from 1,000,000,000 shares to 50,000,000 shares and the issued and outstanding number of shares of the Company's Common Stock will be correspondingly decreased. The par value of the Company's Common Stock will be changed to $0.02 per share.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward Looking Statements

The following discussion should be read in conjunction with the attached consolidated unaudited financial statements and notes thereto, and our consolidated audited financial statements and related notes for our fiscal year ended March 31, 2018 found in our Annual Report on Form 10-K (as amended). In addition to historical information, the following discussion contains forward-looking statements that involve risks, uncertainties and assumptions. Where possible, we have tried to identify these forward-looking statements by using words such as "anticipate," "believe," "intends," or similar expressions. Our actual results could differ materially from those anticipated by the forward-looking statements due to important factors and risks including, but not limited to, those set forth in our Annual Report on Form 10-K (as amended), and amendments thereto.

This Report contains statements that we believe are, or may be considered to be, "forward-looking statements". All statements other than statements of historical fact included in this Report regarding the prospects of our industry or our prospects, plans, financial position or business strategy, may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking words such as “may,” “will,” “expect,” “intend,” “estimate,” “foresee,” “project,” “anticipate,” “believe,” “plans,” “forecasts,” “continue” or “could” or the negatives of these terms or variations of them or similar terms. Furthermore, such forward-looking statements may be included in various filings that we make with the Securities and Exchange Commission or press releases or oral statements made by or with the approval of one of our authorized executive officers. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that these expectations will prove to be correct. These forward-looking statements are subject to certain known and unknown risks and uncertainties, as well as assumptions that could cause actual results to differ materially from those reflected in these forward-looking statements. Readers are cautioned not to place undue reliance on any forward-looking statements contained herein, which reflect management’s opinions only as of the date hereof. Except as required by law, we undertake no obligation to revise or publicly release the results of any revision to any forward-looking statements. You are advised, however, to consult any additional disclosures we make in our reports to the SEC. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in this Report.

You should read the matters described in “Risk Factors” and the other cautionary statements made in this Report, and incorporated by reference herein, as being applicable to all related forward-looking statements wherever they appear in this Report. We cannot assure you that the forward-looking statements in this Report will prove to be accurate and therefore prospective investors are encouraged not to place undue reliance on forward-looking statements.

Critical Accounting Policies and Estimates

The discussion and analysis of the Company’s financial condition and results of operations are based upon its consolidated unaudited financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these unaudited financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent liabilities. On an on-going basis, management evaluates past judgments and estimates, including those related to bad debts, accrued liabilities, convertible promissory notes and contingencies. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The accounting policies and related risks described in the Company’s annual report on Form 10-K/A as filed with the Securities and Exchange Commission on September 21, 2018 (as amended) are those that depend most heavily on these judgments and estimates. As of December 31, 2018, there had been no material changes to any of the critical accounting policies contained therein.

Definitions:

Unless the context requires otherwise, references to the "Company," "we," "us," "our," "Addentax" and "Addentax Group Corp." refer specifically to Addentax Group Corp. and its consolidated subsidiaries including Dongguan Heng Sheng Wei Garments Co., Ltd, which is wholly-owned; Shantou Chenghai Dai Tou Garments Co., Ltd, which is wholly-owned; Shenzhen Xin Kuai Jie Transportation Co., Ltd, which is wholly-owned; Shenzhen Hua Peng Fa Logistic Co., Ltd, which is wholly-owned; and ingxi Industrial Chain Group Co., Ltd., which is wholly-owned.

In addition, unless the context otherwise requires and for the purposes of this report only:

- "Exchange Act" refers to the Securities Exchange Act of 1934, as amended;

- "SEC" or the "Commission" refers to the United States Securities and Exchange Commission; and

- "Securities Act" refers to the Securities Act of 1933, as amended.

This information should be read in conjunction with the interim unaudited financial statements and the notes thereto included in this Quarterly Report on Form 10-Q, and the unaudited financial statements and notes thereto and Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K/A for the year ended March 31, 2018 (as amended).

Certain capitalized terms used below and otherwise defined below, have the meanings given to such terms in the footnotes to our consolidated financial statements included above under "Part I - Financial Information" - "Item 1. Financial Statements".

Corporate History

Addentax Group Corp., was incorporated in the State of Nevada on October 28, 2014. We were originally incorporated to produce images on multiple surfaces, such as glass, leather, plastic, ceramic, textile, and others using a 3D sublimation vacuum heat transfer machine. We no longer pursue opportunities related to 3D printing positioning.

We have a fiscal year-end of March 31.

On July 12, 2016, we filed an amendment to our articles of incorporation, which amendment was effectuated by our transfer agent on July 20, 2016. The certificate of amendment was filed in order to undertake a two for one forward stock split and increase our authorized shares of common stock, par value $0.001 per share, to 150,000,000 shares, which forward stock split has been retroactively reflected throughout this Report.

Current Business

Effective December 28, 2016, the Company executed a Sale & Purchase Agreement (" S&P ") for the acquisition of 100% of the shares of Yingxi Industrial Chain Group Co., Ltd., a company incorporated under the laws of the Republic of Seychelles. Yingxi Industrial Chain Group Co., Ltd. (" YICG ") is currently a garment manufacturer. Intending to diversify its service portfolio, the Company plans to develop another branch of business: international supply chain management consulting service, which will focus exclusively on the textile & garments industry. The Company plans to assist clients to open textile and garment sales outlets throughout China. The Company will also provide assistance services in plan implementation. Pursuant to the S&P, which closed on September 25, 2017, the Company issued five hundred million (500,000,000) restricted common shares of the Company to the owners of Yingxi Industrial Chain Group Co., Ltd. in consideration for the acquisition of YICG.

After the Share Exchange, YICG's business became our business. We are a garment manufacturer and logistic service provider based in China. Our common stock is listed on the OTCQB under the symbol of " ATXG ". We classify our businesses into two segments: Garment manufacturing and logistics services.

Our garment manufacturing business consists of sales made principally to wholesalers located in the People's Republic of China (" PRC "). We have our own manufacturing facilities, with sufficient production capacity and skilled workers on production lines to ensure that we meet our high quality control standards and timely meet the delivery requirements for our customers. We conduct our garment manufacturing operations through two wholly-owned subsidiaries, namely Dongguan Heng Sheng Wei Garments Co., Ltd (" HSW ") and Shantou Chenghai Dai Tou Garments Co., Ltd (" DT "), which are located in the Guangdong province, China.

Our logistic business consists of delivery and courier services covering approximately 20 provinces in China. Although we have our own motor vehicles and drivers, we currently outsource some of the business to our contractors. We believe outsourcing allows us to maximize our capacity and maintain flexibility while reducing capital expenditures and the costs of keeping drivers during slow seasons. We conduct our logistic operations through two wholly-owned subsidiaries, namely Shenzhen Xin Kuai Jie Transportation Co., Ltd (" XKJ ") and Shenzhen Hua Peng Fa Logistic Co., Ltd (" HPF "), which are located in the Guangdong province, China.

Business Objectives

Garment Manufacturing Business

We believe the strength of our garment manufacturing business is mainly due to our consistent emphasis on exceptional quality and timely delivery. The primary business objective for our garment manufacturing segment is to expand our customer base and improve our profit. In the future, we plan to develop our growth opportunities and continued investment initiatives to provide value-added consulting services to the apparel supply-chain companies and retailers in China.

Logistic Business

The business objective and future plan for our logistic service segment is to establish an efficient logistic system and to build a nationwide delivery and courier network in China. As of December 31, 2018, we provide logistic service to over 23 cities in approximately 20 provinces. We expect to develop additional 20 logistic point in existing serving cities in the fourth quarter of 2018 and improve company's profit in 2019 fiscal year.

Seasonality of Business

Our business is affected by seasonal trends, with higher levels of garment sales in our second and third quarters and higher logistic service revenue in our third and fourth fiscal quarters. These trends primarily result from the timing of seasonal garment manufacturing shipments and holiday periods in the logistic segment.

Garment manufacturing business

For our new customers, we generally require orders placed to be backed by advances or deposits. For our long-term and established customers with good payment track records, we generally provide payment terms between 30 to 180 days following the delivery of finished goods.

Logistic business

For logistic service, we generally receive payments from the customers between 30 to 90 days following the date of the register of our receipt of packages.

Future Business

In addition to our garment manufacturing business, we also want to kick start our supply chain management consulting service. Our supply chain management consulting service is still under development with no active clients. However, due to the uniqueness of our business model, we have attracted over 30 potential clients strongly interested in our proposed service. All of those potential clients are located in China. We plan to put our proposed service into operation in the second or third quarter of calendar 2018.

To help ensure the quality of our business, we conduct strict rules for our potential clients.

Client Qualifications: To sign a servicing contract with the Company, a potential client must:

1. Be established and validly existing pursuant to relevant laws and regulations;
2. Demonstrate that they have a good business reputation and operating performance, and comply with professional ethics; and
3. Have not breached any law or regulation, or have received any administrative penalty from a regulatory body or other department in the past twenty-four months.

Medium and small-sized enterprises all over the world can search for our service, but our current focus is on helping clients in China.

Many medium-small sized enterprises in China experience the problem of business maintenance or expansion in the textile and garments industry where increasing operational costs cause decreasing profit. Most seek to employ new business models that can increase a company's competitive advantage and increase sales. We have found that due to the limitation of resources and information, management of these enterprises find it hard to design a suitable plan for their company's sustainable development.

To assist these enterprises, we set up a research team to carry out extensive investigation and integrate necessary industry information and resources which can help us to work out the best plan for our clients.

The research will include:

1. Client diligence: To collect details on the client including its financial reports, management, planned business model, internal systems, operation flows and other important information;
2. Relevant business partner research: Focus on the raw material supplier and product buyer, and conduct comprehensive analysis;
3. Market research: To discover the actual market demands and market share; and
4. Environment research: Research and analyze the environment of policy, economy, technology and legal.

We developed a multi-task Industrial Chain Service System which we call " Adden Chain " not only for providing business solutions to clients, but also assisting the clients to fully realize their business plan and potential.

Our company's service can be divided into three parts:

Consulting & Plan Design

There are four main services within this part:

Promotion Service

We will design a " Promotion Plan " for our clients depending on their requirements to improve their marketing plans.

Operation Assistance Service

We can help clients to sort out all the individual parts (i.e., Raw Materials Supply, Manufacturing, Product Design and Marketing) within the whole operation chain, and assist them to fix weaknesses. We can also help clients to reallocate the resources they own and improve their operational efficiency.

Logistics and International Trading Service

We develop and apply our " YX logistics system " to improve our client's transportation efficiency. Our YX logistics system mainly provides three services to our clients: transportation service; storage & distribution service; and bulk purchasing service.

We also work with qualified international trading companies to help expand our clients' global market share. Currently we build trading routes to various areas like America, Australia, and Africa which can help clients lower international trading costs.

Financial Services

We will offer financial services to selected clients. These services include long term & short term loans which we provide to clients, financing services, and inventory pledge services. Also, we plan to build a third party payment center which can improve clients' capital turnover. Clients will be able to employ the third party payment center to process transactions and accept the payment terms and payment period we set. As the third party guarantor, we could help our clients to pay or receive payments on time.

Plan implementation Assistance:

We have already built strategic cooperative relationships with over 40 textile and garments industry related entities. We are available to assist our clients to deal with various issues and problems.

Additional Services

Team Establishment:

We will assist clients to establish an organizational structure and a management team best suited for their business plan.

Headhunting Services:

We work with headhunting companies, i.e., companies that provide employment or recruiting services to find the most qualified managers and professionals to meet the specific needs of our clients.

Follow-up Service:

We provide clients with continuous consultancy and follow-up services throughout the entire startup and service period.

Markets

Currently, our market focuses on small and medium-sized enterprises in China who have business expansion plans.

Sufficiency of Cash Flows

Because current cash balances and our projected cash generated from operations are not sufficient to meet our cash needs for working capital and capital expenditures, management intends to seek additional equity or obtain additional credit facilities. However, we may be unable to raise additional capital upon terms acceptable to us. The sale of additional equity will result in additional dilution to our shareholders. A portion of our cash may be used to acquire or invest in complementary businesses or products or to obtain the right to use complementary technologies. From time to time, in the ordinary course of business, we evaluate potential acquisitions of such businesses, products or technologies.

Summary of Critical Accounting Policies

We have identified critical accounting policies that, as a result of judgments, uncertainties, uniqueness and complexities of the underlying accounting standards and operation involved could result in material changes to our financial position or results of operations under different conditions or using different assumptions.

Estimates and Assumptions

We regularly evaluate the accounting estimates that we use to prepare our financial statements. In general, management's estimates are based on historical experience, on information from third party professionals, and on various other assumptions that are believed to be reasonable under the facts and circumstances. Actual results could differ from those estimates made by management.

Revenue Recognition

Revenue is generated through sale of goods and delivery services. Revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The amount of revenue that is recorded reflects the consideration that the Company expects to receive in exchange for those goods and services. The Company applies the following five-step model in order to determine this amount:

(i) identification of the promised goods and services in the contract;

(ii) determination of whether the promised goods and services are performance obligations, including whether they are distinct in the context of the contract;

(iii) measurement of the transaction price, including the constraint on variable consideration;

(iv) allocation of the transaction price to the performance obligations; and

(v) recognition of revenue when (or as) the Company satisfies each performance obligation.

The Company only applies the five-step model to contracts when it is probable that the Company will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. Once a contract is determined to be within the scope of ASC 606 at contract inception, the Company reviews the contract to determine which performance obligations the Company must deliver and which of these performance obligations are distinct. The Company recognizes as revenues the amount of the transaction price that is allocated to the respective performance obligation when the performance obligation is satisfied or as it is satisfied. Generally, the Company's performance obligations are transferred to customers at a point in time, typically upon delivery.

For all reporting periods, the Company has not disclosed the value of unsatisfied performance obligations for all product and service revenue contracts with an original expected length of one year or less, which is an optional exemption that is permitted under the adopted rules.

Concentrations of Credit Risk

Cash held in banks: We maintain cash balances at the financial institutions in China. We have not experienced any losses in such accounts.

Accounts Receivable: Customer accounts typically are collected within a short period of time, and based on its assessment of current conditions and its experience collecting such receivables, management believes it has no significant risk related to its concentration within its accounts receivable.

Recently issued and adopted accounting pronouncements

“In August 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2018-13, Fair Value Measurement (Topic 820) Disclosure Framework – Change to the Disclosure Requirements for Fair Value Measurement. The amendments in this Update modify the disclosure requirements of fair value measurements in Topic 820, Fair Value Measurement, based on the concepts in the Concepts Statement, including the consideration of costs and benefits. This standard will be effective for the Company on September 1, 2020. The Company is currently evaluating the impact the adoption of this ASU will have on its financial statements.

In February 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220) Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. The amendments allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. This standard has been effective for the Company on September 1, 2018. The adoption of this standard does not have a material impact on the Company’s consolidated financial position, results of operations or cash flows.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments. This standard requires a financial asset (or group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. This standard will be effective for the Company on September 1, 2020. The Company is currently evaluating the impact the adoption of this ASU will have on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606).” (“ASU 2014-09”). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 supersedes most existing revenue recognition guidance in US GAAP. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of Effective Date* (“ASU 2015-14”), which deferred the effective date of ASU 2014-09 to January 1, 2018 for the Company. Early adoption was permitted. The Company adopted ASU 2014-09 utilizing the modified retrospective method. The Company evaluated the impact of adopting the new standard and concluded that there was no material impact on the Company’s revenue recognition policy.

In February 2016, the FASB issued ASU 2016-02, *“Lease (Topic 842)* ”, which amends recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases (with the exception of short-term leases) at the commencement date. This standard will take effect for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The adoption of this standard does not have a material impact on the Company’s consolidated financial position, results of operations or cash flows.

The Company reviews new accounting standards as issued. Management has not identified any other new standards that it believes will have a significant impact on the Company’s consolidated financial statements.

Results of Operations for the three months ended December 31, 2018 and 2017

The following tables summarize our results of operations for the three months ended December 31, 2018 and 2017. The table and the discussion below should be read in conjunction with our condensed consolidated financial statements and the notes thereto appearing elsewhere in this report.

	Three Months Ended December 31,				Increase (decrease) in	
	2018		2017		2018 compared to 2017	
	(In U.S. dollars, except for percentages)					
Revenue	$ 2,541,803	100%	$ 3,063,211	100%	$ (521,408)	(17.0%)
Cost of revenues	(2,495,740)	(98.2%)	(2,702,415)	(88.2%)	(206,675)	(7.6%)
Gross profit	46,063	1.8%	360,796	11.8%	(314,733)	(87.2%)
Operating expenses	(591,080)	(23.2%)	(423,163)	(13.8%)	167,917	39.7%
(Loss) from operation	(545,017)	(21.4%)	(62,367)	(2.0%)	482,650	773.9%
Other income, net	2,142	0.0%	7,204	0.2%	(5,062)	(70.3%)
Income tax expense	(2,102)	(0.0%)	(5,976)	(0.2%)	(3,874)	(64.8%)
Net (loss)	$ (544,977)	21.4%	$ (61,139)	(2.0%)	$ 483,838	791.4%

Revenue

Revenue generated from our garment manufacturing business contributed $731,310 or 28.8% of our total revenue for the three months ended December 31, 2018. Revenue generated from our garment manufacturing business contributed $717,618 or 23.4% of our total revenue for the three months ended December 31, 2017. The increase was due to we actively promote our business and attracted new customers.

Revenue generated from our logistic business contributed $1,810,493 or 71.2% of our total revenue for the three months ended December 31, 2018. Revenue generated from our logistic business contributed $2,345,593 or 76.6% of our total revenue for the three months ended December 31, 2017. The decrease was due to we are facing intense competition which has led to the decline of shipping orders .

Total revenue for the three months ended December 31, 2018 was $2,541,803, a 17.0% decrease compared with the three months ended December 31, 2017.

Cost of revenue

	Three Months Ended December 31,				Increase (decrease) in	
	2018		2017		2018 compared to 2017	
	(In U.S. dollars, except for percentages)					
Net revenue for garment manufacturing	$ 731,310	100%	$ 717,618	100.0%	$ 13,692	1.9%
Raw materials	572,596	78.3%	537,430	74.9%		
Labor	62,263	8.5%	55,881	7.8%		
Other and Overhead	27,248	3.7%	34,932	4.8%		
Total cost of revenue for garment manufacturing	662,107	90.5%	628,243	87.5%	33,864	5.4%
Gross profit for garment manufacturing	69,203	9.5%	89,375	12.5%	(20,172)	(22.6%)
Net revenue for logistic service	1,810,493	100%	2,345,593	100.0%	(535,100)	(22.8%)

Fuel and toll		862,457	47.6%		1,748,002	74.5%			
Subcontracting fees		971,176	53.6%		326,170	13.9%			
Total cost of revenue for logistic service		1,833,633	101.3%		2,074,172	88.4%		(240,539)	(11.6%)
Gross profit (loss) for logistic service		(23,140)	(1.3%)		271,421	11.6%		(294,561)	(108.5%)
Total cost of revenue	$	2,495,740	98.2%	$	2,702,415	88.2%	$	(206,675)	(7.6%)
Gross profit	$	46,063	1.8%	$	360,796	11.8%	$	(314,733)	(87.2%)

Cost of revenue for our manufacturing segment for the three months ended December 31, 2018 and 2017 was $662,107 and $628,243, respectively, which includes direct raw material cost, direct labor cost, manufacturing overheads including depreciation of production equipment and rent. Cost of revenue for our service segment for the three months ended December 31, 2018 and 2017 was $1,833,633 and $2,074,172, respectively, which includes gasoline and diesel fuel, toll charges and subcontracting fees.

For our garment manufacturing business, we purchase the majority of our raw materials directly from numerous local fabric and accessories suppliers. Aggregate purchases from our five largest raw material suppliers represented approximately 75.7% and 62% of raw materials purchases for the three months ended December 31, 2018 and 2017, respectively. Two and three suppliers provided more than 10% of our raw materials purchases for the three months ended December 31, 2018 and 2017. We have not experienced difficulty in obtaining raw materials essential to our business, and we believe we maintain good relationships with our suppliers.

For our logistic business, we outsource some of the business to our contractors. The Company relied on three subcontractors, in which the subcontracting fees to our largest contractor represented approximately 30.2% and 60% of total cost of revenues for our service segment for the three months ended December 31, 2018 and 2017, respectively. We have not experienced any disputes with our subcontractor and we believe we maintain good relationships with our contract logistic service provider.

Raw material costs for our manufacturing business were 78.3% of our total manufacturing business revenue in the three months ended December 31, 2018, compared with 74.9% in the three months ended December 31, 2017. The increase was mainly due to the more rapid decrease in revenue than corresponding raw material costs.

Labor costs for our manufacturing business were 8.5% of our total manufacturing business revenue in the three months ended December 31, 2018, compared with 7.8% in the three months ended December 31, 2017. The increase was mainly due to the rising wages in the PRC.

Overhead and other expenses for our manufacturing business accounted for 3.7% of our total manufacturing business revenue for the three months ended December 31, 2018, compared with 4.8% of total manufacturing business revenue for the three months ended December 31, 2017.

Fuel and toll costs for our service business for the three months ended December 31, 2018 were $862,457 compared with $1,748,002 for the three months ended December 31, 2017. Fuel and toll costs for our service business accounted for 47.6% of our total service revenue for the three months ended December 31, 2018, compared with 74.5% for the three months ended December 31, 2017. The decrease was primarily attributable to the decrease in logistics revenue. Also, we subcontracted more shipping orders to subcontractors in 2018 due to the increase in shipping orders with the destination that were not covered by the Company's own delivery and transportation networks.

Subcontracting fees for our service business for the three months ended December 31, 2018 increased 197.8% to $971,176 from $326,170 for the three months ended December 31, 2017. Subcontracting fees accounted for 53.6% and 13.9% of our total service business revenue in the three months ended December 31, 2018 and 2017, respectively. This increase was primarily attributable to we subcontracted more shipping orders to subcontractors in 2018 due to the increase in shipping orders with the destination that were not covered by the Company's own delivery and transportation networks.

Total cost of revenue for the three months ended December 31, 2018 was $2,495,740, a 7.6% decrease from $2,702,415 for the three months ended December 31, 2017. Total cost of sales as a percentage of total sales for the three months ended December 31, 2018 was 98.2%, compared with 88.2% for the three months ended December 31, 2017. Gross margin for the three months ended December 31, 2018 was 1.8% compared with 11.8% for the three months ended December 31, 2017.

Gross profit

	Three Months Ended December 31,				Increase (decrease) in	
	2018		2017		2018 compared to 2017	
	(In U.S. dollars, except for percentages)					
Gross profit	$ 46,063	100%	$ 360,796	100%	(314,733)	87.2%
Operating expenses:						
Selling expenses	(4,770)	(10.4%)	(4,106)	(1.1%)	664	16.2%
General and administrative expenses	(586,310)	(1272.8%)	(419,047)	(116.2%)	167,263	39.9%
Total	$ (591,080)	(1283.2%)	$ (423,163)	(117.3%)	167,917	39.7%
(Loss) from operations	$ (545,017)	(1183.2%)	$ (62,367)	(17.3%)	482,650	773.9%

Manufacturing business gross profit for the three months ended December 31, 2018 was $69,203 compared with $89,375 for the three months ended December 31, 2017. Gross profit accounted for 9.5% of our total manufacturing business revenue for the three months ended December 31, 2018, compared with 12.5% for the three months ended December 31, 2017. The decrease in gross margin was due to we provided sales rebate on one customer's order resulting from the claim on the delayed shipment.

Gross (loss) in our service business for the three months ended December 31, 2018 was ($23,140) and gross (loss) margin was (1.3%). Gross profit in our service business for the three months ended December 31, 2017 was $271,421 and gross margin was 11.6%. The decrease in gross margin was due to one of our customers requested certain changes on the shipping arrangement that our cost had significant increased to fulfil our customer.

Selling, General and administrative expenses

Our selling expenses in our manufacturing segment for the three months ended December 31, 2018 and 2017 were $4,770 and $4,106, respectively. Our selling expenses in our service segment for the three months ended December 31, 2018 and 2017 were $nil and $nil, respectively. Selling expenses consist primarily of local transportation, unloading charges and product inspection charges.

Our general and administrative expenses in our manufacturing segment for the three months ended December 31, 2018 and 2017 were $98,017 and $99,172, respectively. Our general and administrative expenses in our service segment, for the three months ended December 31, 2018 and 2017 were $232,359 and $283,480, respectively. Our general and administrative expenses in our corporate and other segment for the three months ended December 31, 2018 and 2017 were $255,934 and $36,405, respectively. General and administrative expenses consist primarily of administrative salaries, office expense, certain depreciation and amortization charges, repairs and maintenance, legal and professional fees, warehousing costs and other expenses that are not directly attributable to our revenues.

Selling expenses for the three months ended December 31, 2018 decreased 16.2% to $4,770 from $4,106 for the three months ended December 31, 2017.

General and administrative expenses for the three months ended December 31, 2018 increased 39.9% to $586,310 from $419,057 for the three months ended December 31, 2017. The increase was mainly due to the increased in legal and professional fees to comply with the SEC accounting, disclosure and reporting requirements

Income (Loss) from operations

(Loss) from operations for the three months ended December 31, 2018 and 2017 was ($545,017) and ($62,367), respectively. (Loss) from operations of ($33,584) and ($13,903) was attributed from our manufacturing segment for the three months ended December 31, 2018 and 2017, respectively. (Loss) from operations of ($255,499) and ($12,059) was attributed from our service segment for the three months ended December 31, 2018 and 2017, respectively. We incurred a (loss) from operations in corporate segment of ($255,934) and ($36,405) for the three months ended December 31, 2018 and 2017, respectively. The loss from our corporate segment was mainly due to the increased in legal and professional fees to comply with the SEC accounting, disclosure and reporting requirements

Income Tax Expenses

Income tax expense for the three months ended December 31, 2018 and 2017 was $2,102 and $5,976, respectively, a 64.8% decrease compared to the same period of 2017. The Company operates in the PRC and files tax returns in the PRC jurisdictions.

Yingxi Industrial Chain Group Co., Ltd was incorporated in the Republic of Seychelles and, under the current laws of the British Virgin Islands, is not subject to income taxes.

Yingxi HK was incorporated in Hong Kong and is subject to Hong Kong income tax at a tax rate of 16.5%. No provision for income taxes in Hong Kong has been made as Yingxi HK had no taxable income for the three months ended December 31, 2018 and 2017.

QYTG and YX were incorporated in the PRC and are subject to the PRC statutory tax rate of 25%. No provision for income taxes in the PRC has been made as QYTG and YX had no taxable income for the three months ended December 31, 2018 and 2017.

The Company is governed by the Income Tax Laws of the PRC. Yingxi's operating companies, HSW, HPF and DT were subject to an EIT rate of 25% in calendar year of 2018 and 2017. XKJ enjoyed the preferential tax benefits and its EIT rate was 15% in calendar year of 2018 and 2017.

The Company is a U.S entity and is subject to United States federal income tax. No provision for income taxes in the United States has been made as Addentax Group Corp. had no United States taxable income for the three months ended December 31, 2018 and 2017.

Net Loss

We incurred a net (loss) of ($544,977) and ($61,139) for the three months ended December 31, 2018 and 2017, respectively. Our basic and diluted earnings per share were $0.0 and $0.0 for the three months ended December 31, 2018 and 2017, respectively.

Results of Operations for the nine months ended December 31, 2018 and 2017

The following tables summarize our results of operations for the nine months ended December 31, 2018 and 2017. The table and the discussion below should be read in conjunction with our condensed consolidated financial statements and the notes thereto appearing elsewhere in this report.

	Nine Months Ended December 31,				Increase (decrease) in	
	2018		2017		2018 compared to 2017	
	(In U.S. dollars, except for percentages)					
Revenue	$ 8,108,408	100%	$ 10,677,416	100.0%	$ (2,569,008)	(24.1%)
Cost of revenues	(7,086,149)	(87.4%)	(9,472,377)	(88.7%)	(2,386,228)	(25.2%)
Gross profit	1,022,259	12.6%	1,205,039	11.3%	(182,780)	(15.2%)
Operating expenses	(1,604,386)	(19.8%)	(1,238,129)	(11.6%)	366,257	29.6%
(Loss) from operation	(582,127)	(7.2%)	(33,090)	(0.3%)	549,037	1659.2%
Other income, net	19,132	0.2%	5,621	(0.0%)	13,511	240.4%
Income tax expense	(6,591)	(0.0%)	(13,713)	(0.1%)	(7,122)	(51.9%)
Net (loss)	$ (569,586)	(7.0%)	$ (41,182)	(0.4%)	$ 528,404	(1283.1%)

Revenue

Revenue generated from our garment manufacturing business contributed $2,760,966 or 34.1% of our total revenue for the nine months ended December 31, 2018. Revenue generated from our garment manufacturing business contributed $3,779,595 or 35.4% of our total revenue for the nine months ended December 31, 2017. The decrease was due to we terminated business with certain customers with low profit margin during the nine months ended December 31, 2018. We have begun to implement control on reviewing and monitoring profit margin with each customer to increase profitability.

Revenue generated from our logistic business contributed $5,347,442 or 65.9% of our total revenue for the nine months ended December 31, 2018. Revenue generated from our logistic business contributed $6,897,821 or 64.6% of our total revenue for the nine months ended December 31, 2017. The decrease was due to that we terminated business with certain customers with low profit margin during the nine months ended December 31, 2018. We have begun to implement control on reviewing and monitoring profit margin with each customer to increase profitability.

Total revenue for the nine months ended December 31, 2018 was $8,108,408, a 24.1% decrease compared with the nine months ended December 31, 2017. The decrease was due to the fact that we terminated business with certain customers with low profit margin during the nine months ended December 31, 2018. We have begun to implement control on reviewing and monitoring profit margin with each customer to increase profitability.

Cost of revenue

	Nine Months Ended December 31,				Increase (decrease) in	
	2018		2017		2018 compared to 2017	
	(In U.S. dollars, except for percentages)					
Net revenue for garment manufacturing	$ 2,760,966	100%	$ 3,779,595	100.0%	$ (1,018,629)	(27.0%)
Raw materials	2,220,433	80.4%	2,957,368	78.2%		
Labor	243,710	8.8%	410,562	10.9%		
Other and Overhead	57,286	2.1%	159,834	4.2%		
Total cost of revenue for garment manufacturing	2,521,429	91.3%	3,527,764	93.3%	(1,006,335)	(28.5%)
Gross profit for garment manufacturing	239,537	8.7%	251,831	6.7%	(12,294)	(4.9%)
Net revenue for logistic service	5,347,442	100%	6,897,821	100.0%	(1,550,379)	(22.5%)
Fuel and toll	2,089,404	39.1%	4,835,293	70.1%		
Subcontracting fees	2,475,316	46.3%	1,109,320	16.1%		
Total cost of revenue for logistic service	4,564,720	85.4%	5,944,613	86.2%	(1,379,893)	(23.2%)

Gross Profit for logistic service	782,722	14.6%	953,208	13.8%	(170,486)	(17.9%)
Total cost of revenue	$ 7,086,149	87.4%	$ 9,472,377	88.7%	$ (2,386,228)	(25.2%)
Gross profit	$ 1,022,259	12.6%	$ 1,205,039	11.3%	$ (182,780)	(15.2%)

Cost of revenue for our manufacturing segment for the nine months ended December 31, 2018 and 2017 was $2,521,429 and $3,527,764, respectively, which includes direct raw material cost, direct labor cost, manufacturing overheads including depreciation of production equipment and rent. Cost of revenue for our service segment for the nine months ended December 31, 2018 and 2017 was $4,564,720 and $5,944,613, respectively, which includes gasoline and diesel fuel, toll charges and subcontracting fees.

For our garment manufacturing business, we purchase the majority of our raw materials directly from numerous local fabric and accessories suppliers. Aggregate purchases from our five largest raw material suppliers represented approximately 51.4% and 57% of raw materials purchases for the nine months ended December 31, 2018 and 2017, respectively. One and three suppliers provided more than 10% of our raw materials purchases for the nine months ended December 31, 2018 and 2017. We have not experienced difficulty in obtaining raw materials essential to our business, and we believe we maintain good relationships with our suppliers.

For our logistic business, we outsource some of the business to our contractors. The Company relied on three subcontractors, in which the subcontracting fees to our largest contractor represented approximately 15.19% and 60% of total cost of revenues for our service segment for the nine months ended December 31, 2018 and 2017, respectively. We have not experienced any disputes with our subcontractor and we believe we maintain good relationships with our contract logistic service provider.

Raw material costs for our manufacturing business were 80.4% of our total manufacturing business revenue in the nine months ended December 31, 2018, compared with 78.2% in the nine months ended December 31, 2017. The increase was mainly due to the increase in raw materials price.

Labor costs for our manufacturing business were 8.8% of our total manufacturing business revenue in the nine months ended December 31, 2018, compared with 10.9% in the nine months ended December 31, 2017. The decrease was primarily due to the decrease of revenue.

Overhead and other expenses for our manufacturing business accounted for 2.1% of our total manufacturing business revenue for the nine months ended December 31, 2018, compared with 4.2% of total manufacturing business revenue for the nine months ended December 31, 2017. The decrease was primarily due to the decrease of revenue.

Fuel and toll costs for our service business for the nine months ended December 31, 2018 were $2,089,404 compared with $4,835,293 for the nine months ended December 31, 2017. Fuel and toll costs for our service business accounted for 39.1% of our total service revenue for the nine months ended December 31, 2018, compared with 70.1% for the nine months ended December 31, 2017. The decrease was primarily attributable to we subcontracted more shipping orders to subcontractors in 2018 due to the increase in shipping orders with the destination that were not covered by the Company's own delivery and transportation networks.

Subcontracting fees for our service business for the nine months ended December 31, 2018 increased 123.1% to $2,475,316 from $1,109,320 for the nine months ended December 31, 2017. Subcontracting fees accounted for 46.3% and 16.1% of our total service business revenue in the nine months ended December 31, 2018 and 2017, respectively. This increase was primarily attributable to we subcontracted more shipping orders to subcontractors in 2018 due to the increase in shipping orders with the destination that were not covered by the Company's own delivery and transportation networks.

Total cost of revenue for the nine months ended December 31, 2018 was $7,086,149, a 25.2% decrease from $9,472,377 for the nine months ended December 31, 2017. Total cost of sales as a percentage of total sales for the nine months ended December 31, 2018 was 87.4%, compared with 88.7% for the nine months ended December 31, 2017. Gross margin for the nine months ended December 31, 2018 was 12.6% compared with 11.3% for the nine months ended December 31, 2017.

Gross profit

	Nine Months Ended December 31,				Increase (decrease) in	
	2018		2017		2018 compared to 2017	
	(In U.S. dollars, except for percentages)					
Gross profit	$ 1,022,259	100%	$ 1,205,039	100%	(182,780)	(15.2%)
Operating expenses:						
Selling expenses	(14,480)	(1.4%)	(21,643)	(1.8%)	(7,163)	(33.1%)

General and administrative expenses		(1,589,906)	(155.5%)		(1,216,487)	(101.0%)	373,419	30.7%
Total	$	(1,604,386)	(156.9%)	$	(1,238,129)	(102.8%)	366,257	29.6%
(Loss) from operations	$	(582,127)	(56.9%)	$	(33,090)	(2.8%)	549,037	1659.2%

Manufacturing business gross profit for the nine months ended December 31, 2018 was $239,537 compared with $251,831 for the nine months ended December 31, 2017. Gross profit accounted for 8.7% of our total manufacturing business revenue for the nine months ended December 31, 2018, compared with 6.7% for the nine months ended December 31, 2017.

Gross profit in our service business for the nine months ended December 31, 2018 was $782,722 and gross margin was 14.6%. Gross profit in our service business for the nine months ended December 31, 2017 was $953,208 and gross margin was 13.8%.

The increase in gross margin was due to the implementation of cost-cutting measures and the effective control on our costs to increase profitability during the nine months ended December 31, 2018.

Selling, General and administrative expenses

Our selling expenses in our manufacturing segment for the nine months ended December 31, 2018 and 2017 were $14,480 and $21,643, respectively. Our selling expenses in our service segment for the nine months ended December 31, 2018 and 2017 were $nil and $nil, respectively. Selling expenses consist primarily of local transportation, unloading charges and product inspection charges.

Our general and administrative expenses in our manufacturing segment for the nine months ended December 31, 2018 and 2017 were $237,514 and $295,324, respectively. Our general and administrative expenses in our service segment, for the nine months ended December 31, 2018 and 2017 were $745,431 and $803,721, respectively. Our general and administrative expenses in our corporate and other segment for the nine months ended December 31, 2018 and 2017 were $606,961 and $117,441, respectively. General and administrative expenses consist primarily of administrative salaries, office expense, certain depreciation and amortization charges, repairs and maintenance, legal and professional fees, warehousing costs and other expenses that are not directly attributable to our revenues.

Selling expenses for the nine months ended December 31, 2018 decreased 33.1% to $14,480 from $21,643 for the nine months ended December 31, 2017.

General and administrative expenses for the nine months ended December 31, 2018 increased 30.7% to $1,589,906 from $1,216,487 for the nine months ended December 31, 2017. The increase was mainly due to the increased in legal and professional fees to comply with the SEC accounting, disclosure and reporting requirements

Income (loss) from operations

(Loss) from operations for the nine months ended December 31, 2018 and 2017 was ($582,127) and ($33,090), respectively. (Loss) from operations of ($12,458) and ($6,027) was attributed from our manufacturing segment for the nine months ended December 31, 2018 and 2017, respectively. Income from operations of $37,292 and $116,644 was attributed from our service segment for the nine months ended December 31, 2018 and 2017, respectively. We incurred a (loss) from operations in corporate segment of ($606,961) and ($143,707) for the nine months ended December 31, 2018 and 2017, respectively. The loss from our corporate segment was mainly due to the increased in legal and professional fees to comply with the SEC accounting, disclosure and reporting requirements

Income Tax Expenses

Income tax expense for the nine months ended December 31, 2018 and 2017 was $6,591 and $13,713, respectively, a 51.9% decrease compared to the same period of 2017. The Company operates in the PRC and files tax returns in the PRC jurisdictions.

Yingxi Industrial Chain Group Co., Ltd was incorporated in the Republic of Seychelles and, under the current laws of the British Virgin Islands, is not subject to income taxes.

Yingxi HK was incorporated in Hong Kong and is subject to Hong Kong income tax at a tax rate of 16.5%. No provision for income taxes in Hong Kong has been made as Yingxi HK had no taxable income for the nine months ended December 31, 2018 and 2017.

QYTG and YX were incorporated in the PRC and are subject to the PRC statutory tax rate of 25%. No provision for income taxes in the PRC has been made as QYTG and YX had no taxable income for the nine months ended December 31, 2018 and 2017.

The Company is governed by the Income Tax Laws of the PRC. Yingxi's operating companies, HSW, HPF and DT were subject to an EIT rate of 25% in calendar year of 2018 and 2017. XKJ enjoyed the preferential tax benefits and its EIT rate was 15% in calendar year of 2018 and 2017.

The Company is a U.S entity and is subject to United States federal income tax. No provision for income taxes in the United States has been made as Addentax Group Corp. had no United States taxable income for the nine months ended December 31, 2018 and 2017.

Net loss

We incurred a net (loss) of ($569,586) and ($41,182) for the nine months ended December 31, 2018 and 2017, respectively. Our basic and diluted earnings per share were $0.0 and $0.0 for the nine months ended December 31, 2018 and 2017, respectively.

Summary of cash flows

Summary cash flows information for the nine months ended December 31, 2018 and 2017 is as follow:

	2018	2017
	(In U.S. dollars)	
Net cash provided by operating activities	$ 1,083,074	$ 756,510
Net cash used in investing activities	$ (91,246)	$ (3,102,539)
Net cash (used in) provided by financing activities	$ (887,410)	$ 2,310,965

Net cash used in operating activities consist of net loss of ($569,586), increased by depreciation of $88,434, and increased by increase in change of operating assets and liabilities of $1,564,226. We will improve our operating cash flow by closely monitoring the timely collection of accounts and other receivables. We generally do not hold any significant inventory for more than ninety days, as we typically manufacture upon receipt of customers' orders.

Net cash used in investing activities consist of purchase of plant and equipment of $91,246.

Net cash provided by financing activities consist of repayment of third party borrowings of $3,507,077 and we received third party proceeds of $3,596,628; and repayment of related party borrowings of $5,388,040 and we received related party proceeds of $4,251,157; and we received proceeds from bank borrowings of $159,922.

Financial Condition, Liquidity and Capital Resources

As of December 31, 2018, we had cash on hand of $356,969, total current assets of $3,134,049 and current liabilities of $5,811,303. We presently finance our operations primarily from cash flows from borrowings from related parties and third parties. We aim to improve our operating cash flows and anticipate that cash flows from our operations and borrowings from related parties and third parties will continue to be our primary source of funds to finance our short-term cash needs.

The growth and development of our business will require a significant amount of additional working capital. We currently have limited financial resources and based on our current operating plan, we will need to raise additional capital in order to continue as a going concern. We currently do not have adequate cash to meet our short or long-term objectives. In the event additional capital is raised, it may have a dilutive effect on our existing stockholders.

We are subject to all the substantial risks inherent in the development of a new business enterprise within an extremely competitive industry. Due to the absence of a long standing operating history and the emerging nature of the markets in which we compete, we anticipate operating losses until we can successfully implement our business strategy, which includes all associated revenue streams. Our revenue model is new and evolving, and we cannot be certain that it will be successful. The potential profitability of this business model is unproven. We may never ever achieve profitable operations. Our future operating results depend on many factors, including demand for our services, the level of competition, and the ability of our officers to manage our business and growth. As a result of the emerging nature of the market in which we compete, we may incur operating losses until such time as we can develop a substantial and stable revenue base. Additional development expenses may delay or negatively impact the ability of the Company to generate profits. Accordingly, we cannot assure you that our business model will be successful or that we can sustain revenue growth, achieve or sustain profitability, or continue as a going concern.

We have very limited financial resources. We will need to raise substantial additional capital to support the on-going operation and increased market penetration of our services, until such time as we generate revenues sufficient to support our operations, if ever. Our failure to obtain additional capital to finance our working capital needs on acceptable terms, or at all, will negatively impact our business, financial condition and liquidity. As of December 31, 2018, we had $5,811,303 of current liabilities. We currently do not have the resources to satisfy these obligations, and our inability to do so could have a material adverse effect on our business, our ability to continue as a going concern, and the value of our securities.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements (as that term is defined in Item 303(a)(4)(ii) of Regulation S-K) as of December 31, 2018 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Translation Risk

Our operations are located in China, which may give rise to significant foreign currency risks from fluctuations and the degree of volatility in foreign exchange rates between the U.S. dollar and the Chinese Renminbi (" RMB "). All of our sales are in RMB. In the past years, RMB continued to appreciate against the U.S. dollar. As of December 31, 2018, the market foreign exchange rate had increased to RMB 6.878 to one U.S. dollar. Our financial statements are translated into U.S. dollars using the closing rate method. The balance sheet items are translated into U.S. dollars using the exchange rates at the respective balance sheet dates. The capital and various reserves are translated at historical exchange rates prevailing at the time of the transactions while income and expense items are translated at the average exchange rate for the period. All translation adjustments are included in accumulated other comprehensive income in the statement of equity.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

The Company maintains a set of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. In accordance with Rule 13a-15(b) of the Exchange Act, as of the end of the period covered by this report, an evaluation was carried out under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of its disclosure controls and procedures. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures, as of December 31, 2018, the end of the period covered by this Quarterly Report on Form 10-Q, were not effective to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

As of December 31, 2018, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives as specified above. Management does not expect, however, that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm business.

We are currently not aware of any pending legal proceedings to which we are a party or of which any of our properties or assets is the subject, nor are we aware of any such proceedings that are contemplated by any civil entity, any regulatory agency or governmental authority.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in Part I, Item 1A of the Company's Annual Report on Form 10-K/A for the year ended March 31, 2018, filed with the Commission on September 21, 2018 (as amended from time to time), under the heading "Risk Factors", and investors should review the risks provided in the Form 10-K (as amended from time to time), prior to making an investment in the Company. The business, financial condition and operating results of the Company can be affected by a number of factors, whether currently known or unknown, including but not limited to those described in the Form 10-K/A for the year ended March 31, 2018 (as amended from time to time), under "Risk Factors", any one or more of which could, directly or indirectly, cause the Company's actual financial condition and operating results to vary materially from past, or from anticipated future, financial condition and operating results. Any of these factors, in whole or in part, could materially and adversely affect the Company's business, financial condition, operating results and stock price.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

There is no other information required to be disclosed under this item, which was not previously disclosed.