

ADDENTAX GROUP CORP. AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2017 (UNAUDITED) AND 2016

1. ORGANIZATION AND BUSINESS ACQUISITIONS

Addentax Group Corp. (“ATXG”) was incorporated in Nevada on October 28, 2014, and before the transaction described below, ATXG is 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. And following the consummation of the acquisition and giving effect to the securities exchanged in the offering, the members of Yingxi will beneficially own approximately ninety-nine (99%) of the issued and outstanding common stock of ATXG.

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 of the following subsidiaries:

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

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

Xin Kuai Jie Transport Co., Ltd (“XKJ”), a wholly-owned subsidiary of YX, was incorporated in 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. RESTATEMENT OF PREVIOUSLY ISSUED CONSOLIDATED FINANCIAL STATEMENTS

Subsequent to the issuance of Amendment No. 1 to the Company’s Form 10-Q/A for the period ended September 30, 2017, the Company determined that material adjustments were needed to correct certain accounting errors. Accordingly, the accompanying condensed consolidated financial statements of the Company as of September 30, 2017 and March 31, 2017, and the related notes hereto, have been restated to correct these accounting errors (the “Restatement”). A summary of these accounting errors, and their effect on the Company’s consolidated financial statements is as follows:

- 1) The Company had historically presented certain related party balances as other receivables and payables in the Company’s condensed consolidated balance sheet. However, subsequent to the issuance of Amendment No. 1 to the Company’s Form 10-Q for the period ended September 30, 2017, the Company determined that the correct presentation of these related party balances should be separately disclosed. Accordingly, the accompanying consolidated balance sheet and Note 7 (below) as of September 30, 2017 has been restated to reclassify \$153,276 and \$3,606,360 to amount due from related parties and amount due to related parties, respectively.
- 2) The Company had historically recognized incorrect amounts of revenue and cost in its consolidated statement of operations due to an inaccurate cut off. Subsequent to the issuance of the Form 10-K for the year ended March 31, 2017, the Company determined that revenue and cost on such cut off error were overstated. Accordingly, the accompanying condensed consolidated financial statements for the three and six months ended September 30, 2017 have been

restated to reflect the correction of the proper recognition. The adjustments resulted in a decrease in revenue of \$663,683 for the six months ended September 30, 2017; an increase (decrease) in cost of \$417,579 and (\$725,475) for the three and six months ended September 30, 2017, respectively; and a (decrease) increase in gross profit of (\$417,479) and \$61,792 for the three and six months ended September 30, 2017, respectively.

- 3) The Company had presented incorrect balance sheets for the comparative period as of March 31, 2017, the errors principally relate to the recognition of incorrect amounts of revenues and expenses and the misclassification of related party balances. The incorrect amount was subsequently adjusted and the updated audited financial statements as of March 31, 2017, incorporated in the Company's Form 10-K, was filed on July 16, 2018. Accordingly, the accompanying condensed consolidated financial statements as of March 31, 2017 have been restated for these adjustments.

The effect of these adjustments on the Company's condensed consolidated balance sheets as of September 30, 2017 and March 31, 2017, on the statement of operations for the three and six months ended September 30, 2017 and cash flows for the six months ended September 30, 2017, are summarized below:

Balance sheets:

	As of September 30, 2017			As of March 31, 2017		
	As filed	Restatement adjustments	As restated	As filed	Restatement adjustments	As restated
Accounts receivable	\$ 5,700,558	\$ -	\$ 5,700,558	\$ 5,763,771	\$ (986,893)	\$ 4,776,878
Other receivables	1,171,463	(153,276)	1,018,187	1,105,324	(4)	1,105,320
Amount due from related parties	98,511	153,276	251,787	127,548	4	127,552
Total current assets	8,629,608	-	8,629,608	7,941,546	(986,893)	6,954,653
Total assets	10,192,019	-	10,192,019	9,534,411	(986,893)	8,547,518
Accounts payable	2,567,545	182,035	2,749,580	2,354,543	(743,900)	1,610,643
Amount due to related parties	2,571,007	3,606,360	6,177,367	2,878,250	29,033	2,907,283
Advances from customers	494,933	-	494,933	289,690	758,127	1,047,817
Accrued expenses and other payables	3,997,647	(2,937,616)	1,060,031	334,292	(135,009)	199,283
Payables for acquisition of business	-	-	-	3,049,765	(24,014)	3,025,751

Total current liabilities	9,635,104	850,779	10,485,883	8,907,263	(115,763)	8,791,500
Total liabilities	9,635,104	850,779	10,485,883	8,907,263	(115,763)	8,791,500
Additional paid-in capital	(420,523)	-	(420,523)	(400,000)	(13,604)	(413,604)
Retained earnings	471,691	(823,536)	(351,845)	498,417	(870,219)	(371,802)
Accumulated other comprehensive income	(22,712)	(27,243)	(49,955)	7,192	12,692	19,884
Total equity	556,915	(850,779)	(293,864)	627,148	(871,131)	(243,983)
Total liabilities and equity	10,192,019	-	10,192,019	9,534,411	(986,894)	8,547,517

Statements of income and comprehensive income:

	For the three months ended September 30, 2017			For the six months ended September 30, 2017		
	Restatement		As restated	Restatement		As restated
	As filed	adjustments		As filed	adjustments	
Revenues	\$ 3,974,797	\$ -	\$ 3,974,797	\$ 8,277,888	\$ (663,683)	\$ 7,614,205
Cost of revenues	2,985,732	417,579	3,403,311	7,495,437	(725,475)	6,769,962
Gross profit	989,065	(417,579)	571,486	782,451	61,792	844,243
General and administrative expenses	(421,827)	206	(421,621)	(797,429)	-	(797,429)
Total operating expenses	(427,438)	206	(427,232)	(814,966)	-	(814,966)
Income (loss) from operations	561,627	(417,373)	144,254	(32,515)	61,792	29,277
Other income (expenses), net	33	-	33	(77)	(1,506)	(1,583)
Income (loss) before income tax expense	561,660	(417,373)	144,287	(32,592)	60,286	27,694
Net income (loss)	556,166	(417,373)	138,793	(40,329)	60,286	19,957
Foreign currency translation loss	(14,952)	(6,433)	(21,385)	(29,904)	(39,935)	(69,839)
Total comprehensive income (loss)	541,214	(423,806)	117,408	(70,233)	20,351	(49,882)

Statements of cash flow:

	For the six months ended September 30, 2017		
	As filed	Restatement adjustments	As restated
Net income	\$ (40,329)	\$ 60,286	\$ 19,957
Changes in operating assets and liabilities:			
Accounts receivable	63,213	(986,893)	(923,680)
Amounts due from related parties	29,037	(29,037)	-
Other receivables	(66,138)	153,271	87,133
Accounts payable	213,002	925,935	1,138,937
Amounts due to related parties	(307,243)	307,243	-
Accrued expenses and other payables	817,141	(179,831)	637,310
Advances from customers	205,243	(758,127)	(552,884)
Net cash provided by (used in) operating activities	397,307	(507,153)	(109,846)
Payment for the acquisition of subsidiaries	(3,049,765)	24,014	(3,025,751)
Net cash used in investing activities	(3,075,200)	24,014	(3,051,186)
Proceeds from related party borrowings	-	5,198,140	5,198,140
Repayment of related party borrowings	-	(2,052,289)	(2,052,289)
Proceeds from third party borrowings	7,092,882	(6,131,460)	961,422
Repayment of third party borrowings	(4,279,274)	3,468,748	(810,526)
Net cash provided by financing activities	2,813,608	483,139	3,296,747

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The condensed consolidated financial statements of the Company and its subsidiaries are prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) and include the accounts of the Company and its subsidiaries. All material inter-company accounts and transactions have been eliminated in consolidation.

(b) 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.

(c) 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.

(d) 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.

(e) 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 September 30, 2017, 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.

(f) 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 September 30, 2017.

(g) 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 were 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 six months ended September 30, 2017.

The following customers had an accounts receivable balance greater than 10% of total accounts receivable at September 30, 2017.

Customer A	23%
Customer B	22%

(h) 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 six months ended September 30, 2017.

During the three and six months ended September 30, 2017, approximately 84% and 63% 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.

(i) 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.

(j) 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.

In the fourth quarter of 2016, the Company tested goodwill for impairment and it was determined that goodwill was not impaired and none of the Company’s reporting units with significant goodwill was at risk of failing step one of this goodwill impairment test.

(k) 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 September 30, 2017.

(l) Revenue Recognition

The Company recognizes manufacturing revenue from product sales, net of value added taxes, upon delivery at which time title passes to the customer provided that there are no uncertainties regarding customer acceptance, persuasive evidence of an arrangement exists, the sales price is fixed and determinable and collectability is deemed probable. Service revenue is recognized at the time at the point in time when delivery is completed and the shipping terms of the contract have been satisfied.

Cost of revenues for manufacturing segment includes the direct raw material cost, direct labor cost, manufacturing overheads including depreciation of production equipment and rent. Cost of for service segment includes gasoline and diesel fuel, toll charges and subcontracting fees.

(m) 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 ordinary shares outstanding. Diluted earnings per share reflects the amount of net income available to each ordinary 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 ordinary shares as of September 30, 2017.

(n) 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 year 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 six months ended September 30, 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.

(o) Recently issued and adopted accounting pronouncements

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 defers the effective date of ASU 2014-09 to January 1, 2018 for the Company. Early adoption is permitted. The Company expects to adopt ASU 2014-09 utilizing the modified retrospective method in the first quarter of 2018.

The Company is in the process of reviewing revenue contracts across each revenue stream and continues to evaluate the impact the standard would have on each revenue stream. As a result of the Company’s evaluation performed to date, the Company does not believe the adoption of this new standard will have a material impact on the Company’s revenue recognition policy.

In January 2016, the FASB issued ASU 2016-01, “*Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*” (“ASU 2016-01”). The standard addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. ASU 2016-01 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company evaluated the impact of adopting the new standard and conclude there was no material impact to its consolidated financial statement.

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 Company is currently assessing the impact of this new standard on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, “*Statement of Cash flows —Classification of Certain Cash Receipts and Cash Payment*”, effective for the fiscal years beginning after December 15, 2017, and interim periods within that fiscal year. This Update addresses eight specific cash flow issues with the objective of reducing the

existing diversity in practice. The Company evaluated the impact of adopting the new standard on its consolidated financial statements and conclude there was no material impact to the Company's financial statement.

In January, 2017, the FASB issued 2017-01 “ *Business Combinations* ”, effective for the annual reporting period beginning after December 15, 2017, and interim period within that period. This Updated clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions of assets or business. The Company evaluated the impact of adopting the new standard on its consolidated financial statements and conclude there was no material impact to the Company's financial statement.

In February 2017, the FASB issued ASU 2017-05 “ *Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20)* ”, effective for the annual reporting period beginning after the December 15, 2017, including the interim reporting period within that period. This update provides guidance on the recognition of gains and losses on transfers of nonfinancial assets and in substance nonfinancial assets to counterparties that are not customers. The Company evaluated the impact of adopting the new standard on its consolidated financial statements and conclude there was no material impact to the Company's financial statement.

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 the 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	<u>\$ 3,048,936</u>

5. ACCOUNTS RECEIVABLES

The Company provides an allowance for doubtful accounts receivable. The receivables and allowance balances at September 30, 2017 and March 31, 2017 are as follows:

	<u>September 30, 2017</u>	<u>March 31, 2017</u>
		(Restated)
Accounts receivable	\$ 5,700,558	\$ 4,776,878
Less: allowance for doubtful accounts	-	-
Accounts receivable, net	<u>\$ 5,700,558</u>	<u>\$ 4,776,878</u>

No allowance for doubtful accounts was made for the period ended September 30, 2017 and year ended December 31, 2017.

6. OTHER RECEIVABLES

Other receivables primarily represent unsecured and non-interest bearing short-term advances that the Company makes from time-to-time to 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
Shenzhen Bitun Textile Co., Ltd.	Huizhu Ma is a legal representative and principal shareholder
Shenzhen Yingxi Investment & Development Co., Ltd.	Sister of Huizhu Ma is a legal representative
Shenzhen BitunYihao Fund Partnership (Limited Partnership)	Shenzhen Qianhai Bitun Investment Fund Management Co., Ltd. is a legal representative and principal shareholder
Bitun Apparel (Shezhen) Co., Ltd.	Huijun Ma is a legal representative
Huizhu Ma	A director and principal shareholder of the Company's principal shareholder
Xijuan Huang	A spouse of legal representative of HPF

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

The Company had the following related party balances at the end of the period/year:

Amounts due from related parties	September 30, 2017	March 31, 2017
	(Restated)	(Restated)
Zhida Hong	\$ 23,606	\$ 9,190

Bihua Yang	74,905	118,358
Shenzhen Yingxi Investment & Development Co., Ltd.	153,276	4
	<u>\$ 251,787</u>	<u>\$ 127,552</u>

Amounts due to related parties

	September 30, 2017	March 31, 2017
	(Restated)	(Restated)
Zhongpeng Chen	\$ 657,045	\$ 554,158
Dewu Huang	57,635	121,794
Yinping Ding	291,929	983,452
Jinlong Huang	1,564,398	1,218,846
Bitun Apparel (Shenzhen) Co., Ltd.	2,103,710	29,033
Shenzhen Qianhai Bitun Investment Fund Management Co., Ltd.	1,502,650	-
	<u>\$ 6,177,367</u>	<u>\$ 2,970,283</u>

Payables for acquisition of subsidiaries

	September 30, 2017	March 31, 2017
		(Restated)
Bitun Apparel (Shenzhen) Co., Ltd.	\$ -	\$ 1,584,247
Shenzhen Yingxi Investment & Development Co., Ltd.	-	1,440,224
	<u>\$ -</u>	<u>\$ 3,024,471</u>

The balances represent cash advances paid to or due from legal representatives for reimbursable company expenses.

The balances with related parties are unsecured, non-interest bearing and repayable on demand. These balances were fully settled in 2018.

8. INVENTORIES

Inventories consist of the following as of September 30, 2017 and March 31, 2017:

	September 30, 2017	March 31, 2017
		(Restated)
Raw materials	\$ 260,447	\$ 300,592
Work in progress	-	40,330
Finished goods	270,229	261,060
Total	530,676	601,982
Less: allowance for obsolete inventories	(162,039)	(156,540)
Inventories, net	\$ 368,637	\$ 445,442

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 September 30, 2017 and March 31, 2017:

	September 30, 2017	March 31, 2017
Production plant	146,656	\$ 141,680
Motor vehicles	854,071	877,015

Office equipment	11,778	11,378
	<u>1,012,505</u>	<u>1,030,073</u>
Less: accumulated depreciation	(379,756)	(366,870)
Plant and equipment, net	<u>632,749</u>	<u>\$ 663,203</u>

Depreciation expense for the three and six months ended September 30, 2017 was \$28,363 and \$55,889, respectively.

11. 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 six months ended September 30, 2017.

QYTG and YX were incorporated in the PRC and is subject to the PRC federal statutory tax rate is 25%. No provision for income taxes in the PRC has been made as QYTG and YX had no taxable income for the three and six months ended September 30, 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 2017. XKJ enjoyed the preferential tax benefits and its EIT rate was 15% in 2017.

The Company's parent entity, Addentax Group Corp. is an 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 Addentax Group Corp. had no United States taxable income for the three and six months ended September 30, 2017.

No deferred taxes were recognized for the three and six months ended September 30, 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 September 30, 2017 <u>(Restated)</u>	six months ended September 30, 2017 <u>(Restated)</u>
PRC statutory tax rate	25%	25%
Computed expected expense	\$ 36,072	\$ 6,923
Temporary differences and tax losses not recognized	(25,124)	6,268
Preferential tax treatment	(5,454)	(5,454)
Income tax expenses	<u>\$ 5,494</u>	<u>\$ 7,737</u>

(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 2017. 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.

12. 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 six months ended September 30, 2017 are as follows:

Revenues	three months ended September 30, 2017	six months ended September 30, 2017 (Restated)
Manufacturing segment	\$ 1,755,090	\$ 3,061,977
Service segment	2,219,707	4,552,228
	<u>\$ 3,974,797</u>	<u>\$ 7,614,205</u>

Income from operations by segment for the three and six months ended September 30, 2017 are as follows:

Operating income (loss)	three months ended September 30, 2017	six months ended September 30, 2017
--------------------------------	--	--

	(Restated)	(Restated)
Manufacturing segment	\$ 41,172	\$ 7,875
Service segment	161,213	128,704
Corporate and other	(58,131)	(107,302)
Income from operations	\$ 144,254	\$ 29,277
Manufacturing segment	-	(1,595)
Service segment	-	(21)
Corporate and other	33	33
Income before income tax expense	\$ 144,287	\$ 27,694
Income tax expense	(5,494)	(7,737)
Net income	\$ 138,793	\$ 19,957

Depreciation and amortization by segment for the three and six months ended September 30, 2017 are as follows:

	three months ended September 30, 2017	six months ended September 30, 2017
Depreciation		
Manufacturing segment	\$ 7,930	\$ 15,624
Service segment	20,433	40,265
	\$ 28,363	\$ 55,889

Total assets by segment at September 30, 2017 and March 31, 2017 are as follows:

Total assets	September 30, 2017	March 31, 2017
	(Restated)	(Restated)
Manufacturing segment	\$ 5,846,261	\$ 5,328,211
Service segment	3,924,149	3,099,276
Corporate and other	421,609	120,031
	<u>\$ 10,192,019</u>	<u>\$ 8,547,518</u>

Goodwill by segment at September 30, 2017 and March 31, 2017 is as follows:

Goodwill	September 30, 2017	March 31, 2017
	(Restated)	(Restated)
Manufacturing segment	\$ 475,003	\$ 475,003
Service segment	454,659	454,659
	<u>\$ 929,662</u>	<u>\$ 929,662</u>

13. ACCRUED EXPENSES AND OTHER PAYABLES

Accrued expenses and other payables consist of the following as of September 30, 2017 and March 31, 2017:

	September 30, 2017	March 31, 2017
	(Restated)	(Restated)
Loan from third parties (i)	\$ 775,032	\$ 104,040
Employee advances	1,113	987
Accrued wages and welfare	148,102	91,441

Value-added taxes payable	88,070	-
Other payables	47,714	2,815
	<u>\$ 1,060,031</u>	<u>\$ 199,283</u>

- (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.

14. 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 September 30, 2017 and March 31, 2017, 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.

15. COMMITMENTS AND CONTINGENCIES

Leases

During the year 2017, the Company leased offices in various cities in the PRC, under operating leases expiring on various dates through 2019. Rent expense for the three and six months ended September 30, 2017 was approximately \$25,409 and \$44,336, respectively.

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

2017	\$	7,506
2018		30,023
2019		10,007
	\$	<u>47,536</u>

16. SUBSEQUENT EVENTS

In December 2017, the Company signed an agreement with a customer and related parties under which the related parties agreed to buy the accounts receivable of a customer amounting to RMB8,663,368 (approximately \$1,247,000). The Company accounts for this arrangement under ASC 860, “Transfers and Servicing”. This arrangement is without recourse, the receivable is isolated from the Company, the transferee has the right to pledge or exchange the receivables, and the Company does not maintain effective control over the receivable. Therefore, this arrangement satisfies the conditions to be accounted for as a sale.

Forward-looking statements

Statements made in this Form 10-Q/A that are not historical or current facts are “forward-looking statements” made pursuant to the safe harbor provisions of Section 27A of the Securities Act and Section 21E of the Exchange Act. These statements often can be identified by the use of terms such as “may,” “will,” “expect,” “believe,” “anticipate,” “estimate,” “approximate” or “continue,” or the negative thereof. We intend that such forward-looking statements be subject to the safe harbors for such statements. We wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Any forward-looking statements represent management’s best judgment as to what may occur in the future. However, forward-looking statements are subject to risks, uncertainties and important factors beyond our control that could cause actual results and events to differ materially from historical results of operations and events and those presently anticipated or

projected. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statement or to reflect the occurrence of anticipated or unanticipated events, except as required by law.

Financial information contained in this report and in our financial statements is stated in United States dollars and is prepared in accordance with United States generally accepted accounting principles.

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.

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.

Where You Can Find Other Information

We file annual, quarterly, and current reports and other information with the SEC. Our SEC filings are available to the public over the Internet at the SEC’s website at www.sec.gov. You may also read and copy any documents we file with the SEC at the SEC’s Public Reference Room at 100 F Street N.E., Washington, D.C. 20549. You can also obtain copies of the document upon the payment of a duplicating fee to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC like us. Copies of documents filed by us with the SEC are also available from us without charge, upon oral or written request to our Secretary, who can be contacted at the address and telephone number set forth on the cover page of this Report.

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

The following discussion and analysis of our financial condition and results of operations for the three and six months ended September 30, 2017 should be read in conjunction with the Financial Statements and corresponding notes included in this Quarterly Report on Form 10-Q. Our discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations, and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth under the Risk Factors and Special Note Regarding Forward-Looking Statements in this report. We use words such as “anticipate,” “estimate,” “plan,” “project,” “continuing,” “ongoing,” “expect,” “believe,” “intend,” “may,” “will,” “should,” “could,” “target,” “forecast” and similar expressions to identify forward-looking statements.

Overview

Our Business

We are a garment manufacturer and logistic service provider based in China. We are listed on the OTCQB under the symbol of “ATXG”. We classify our businesses into two segments: Garment manufacturing and logistic services.

Our garment manufacturing business consists of sales made principally to wholesaler 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 delivery requirement 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 enduring 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 retailer 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 September 30, 2017, we provide logistic service to over 23 cities in approximately 20 provinces. We expect to open logistic points in additional 10 cities in the third and fourth quarter of 2017 and in the year of 2018.

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 quarters. These trends primarily result from the timing of seasonal garment manufacturing shipments and holiday periods in the logistic segment.

Collection Policy

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 receipt of packages.

Economic Uncertainty

Our business is dependent on consumer demand for our products and services. We believe that the significant uncertainty in the economy in China has increased our clients' sensitivity to the cost of our products and services. We have experienced continued pricing pressure. If the economic environment becomes weak, the economic conditions could have a negative impact on our sales growth and operating margins, cash position and collection of accounts receivable. Additionally, business credit and liquidity have tightened in China. Some of our suppliers and customers may face credit issues and could experience cash flow problems and other financial hardships. These factors currently have not had an impact on the timeliness of receivable collections from our customers. We cannot predict at this time how this situation will develop and whether accounts receivable may need to be allowed for or written off in the coming quarters.

Despite the various risks and uncertainties associated with the current economy in China, we believe our core strengths will continue to allow us to execute our strategy for long-term sustainable growth in revenue, net income and operating cash flow.

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

We are generating our revenue from the sale of garments manufactured and the provision of logistic services to customers. We recognize our revenue, net of value-added taxes, upon customer acceptance, at such time title passes to the customer provided that (i) there are no uncertainties regarding customer acceptance, (ii) persuasive evidence of an arrangement exists, (iii) the sales price is fixed and determinable, and (iv) collectability is deemed probable.

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 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 defers the effective date of ASU 2014-09 to January 1, 2018 for the Company. Early adoption is permitted. We expect to adopt ASU 2014-09 utilizing the modified retrospective method in the first quarter of 2018.

We are in the process of reviewing our revenue contracts across each revenue stream and continues to evaluate the impact the standard would have on each revenue stream. As a result of our evaluation performed to date, we do not believe the adoption of this new standard will have a material impact on our revenue recognition policy.

In January 2016, the FASB issued ASU 2016-01, “Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2016-01”)”. The standard addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. ASU 2016-01 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. We evaluated the impact of adopting the new standard and conclude there was no material impact to our consolidated financial statement.

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. We are currently assessing the impact of this new standard on our consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, “Statement of Cash flows —Classification of Certain Cash Receipts and Cash Payment”, effective for the fiscal years beginning after December 15, 2017, and interim periods within that fiscal year. This Update addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. We evaluated the impact of adopting the new standard on our consolidated financial statements and conclude there was no material impact to the Company’s financial statement.

In January, 2017, the FASB issued 2017-01 “Business Combinations”, effective for the annual reporting period beginning after December 15, 2017, and interim period within that period. This Updated clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions of assets or business. We evaluated the impact of adopting the new standard on its consolidated financial statements and conclude there was no material impact to our financial statement.

In February 2017, the FASB issued ASU 2017-05 “Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20)”, effective for the annual reporting period beginning after the December 15, 2017, including the interim reporting period within that period. This update provides guidance on the recognition of gains and losses on transfers of nonfinancial assets and in substance nonfinancial assets to counterparties that are not customers. We evaluated the impact of adopting the new standard on our consolidated financial statements and conclude there was no material impact to our financial statement.

We review new accounting standards as issued. We have not identified any other new standards that we believe will have a significant impact on our consolidated financial statements.

Results of Operations for the three and six months ended September 30, 2017 and 2016

The following tables summarize our results of operations for the three and six months ended September 30, 2017 and 2016. 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 September 30, 2017			
	2017		2016	
	(In U.S. dollars, except for percentages)			
Revenue	\$	3,974,797	100.0%	\$ -
Cost of revenues		(3,403,311)	(85.6%)	-
Gross profit		571,486	14.4%	-
Operating expenses		(427,232)	(10.8%)	-
Income from operations		144,254	3.6%	-
Other income, net		33	0.0%	-
Income taxes benefit		(5,494)	(0.1%)	-
Net income	\$	138,793	3.5%	\$ -

Six Months Ended September 30, 2017	
2017	2016
(In U.S. dollars, except for percentages)	

Revenue	\$	7,614,205	100.0%	\$	-	-
Cost of revenues		(6,769,962)	(88.9%)		-	-
Gross profit		844,243	11.1%		-	-
Operating expenses		(814,966)	(10.7%)		-	-
Income from operations		29,277	0.4%		-	-
Other expense, net		(1,583)	(0.0%)		-	-
Income taxes expense		(7,737)	(0.1%)		-	-
Net income	\$	19,957	0.3%	\$	-	-

Cost of revenue for our manufacturing segment for the three and six months ended September 30, 2017 was \$1,634,254 and \$2,899,521, 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 and six months ended September 30, 2017 was \$1,769,057 and \$3,870,441, 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 84% and 63% of raw materials purchases for the three and six months ended September 30, 2017, respectively. Three and three suppliers provided more than 10% of our raw materials purchases for the three and six months ended September 2017, respectively. 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 67% and 75% of total cost of revenues for our service segment for the three and six months ended September 30, 2017, respectively. We have not experienced any disputes with our subcontractor and we believe we maintain good relationships with our contract logistic service provider.

Gross profit

Three Months Ended September 30, 2017

	2017		2016	
	(In U.S. dollars, except for percentages)			
Gross profit	\$	571,586	100%	\$ -
Operating expenses:				-
Selling expenses		(5,611)	(1.0%)	-
General and administrative expenses		(421,621)	(73.8%)	-
Total	\$	(427,232)	(74.8%)	\$ -
Income from operations	\$	144,254	25.2%	\$ -

	Six Months Ended September 30, 2017			
	2017		2016	
	(In U.S. dollars, except for percentages)			
Gross profit	\$	844,243	100%	\$ -
Operating expenses:				-
Selling expenses		(17,537)	(2.1%)	-
General and administrative expenses		(797,429)	(94.4%)	-
Total	\$	(814,966)	(96.5%)	\$ -
Income from operations	\$	29,277	3.5%	\$ -

Gross profit in our manufacturing segment for the three and six months ended September 30, 2017 was \$120,836 and \$162,456 or 6.9% and 5.3%, respectively. Gross profit in our service segment for the three and six months ended September 30, 2017 was \$450,650 and \$681,787 or 20.3% and 15.0%, respectively.

Selling, General and administrative expenses

Our selling expenses in our manufacturing segment and service segment for the three months ended September 30, 2017 was \$5,611 and \$nil, respectively. Our selling expenses in our manufacturing segment and service segment for the six months ended September 30, 2017 was \$17,537 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, service segment and corporate segment for the three months ended September 30, 2017 was \$104,194, \$259,292 and \$58,135, respectively. Our general and administrative expenses in our manufacturing segment, service segment and corporate segment for the six months ended September 30, 2017 was \$169,881, \$520,241 and \$107,307, 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.

Income from operations

Income from operations for the three and six months ended September 30, 2017 was \$144,254 and \$29,277, respectively. Income from operations of \$41,172 and \$7,875 was attributed from our manufacturing segment for the three and six months ended September 30, 2017, respectively. Income from operations of \$161,213 and \$128,704 was attributed from our service segment for the three and six months ended September 30, 2017, respectively. We incurred a loss from operations in corporate segment of \$58,131 and \$107,302 for the three and six months ended September 30, 2017, respectively. The loss from our corporate segment was mainly due to the legal and professional fee in connection to the reverse merger transactions incurred in 2017.

Income Tax Expenses

Income tax expense for the three and six months ended September 30, 2017 was \$5,494 and 7,737, respectively.

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 six months ended September 30, 2017.

QYTG and YX were incorporated in the PRC and is subject to the PRC federal statutory tax rate is 25%. No provision for income taxes in the PRC has been made as QYTG and YX had no taxable income for the three and six months ended September 30, 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 2017. XKJ enjoyed the preferential tax benefits and its EIT rate was 15% in 2017.

The Company's parent entity, Addentax Group Corp. is an 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 Addentax Group Corp. had no United States taxable income for the three and six months ended September 30, 2017.

Net Income

We generated net income of \$138,793 and \$19,957 for the three and six months ended September 30, 2017, respectively. Our basic and diluted earnings per share were \$0.00 and \$0.00 for the three months ended September 30, 2017, respectively.

Summary of cash flows

Summary cash flows information for the six months ended September 30, 2017 and 2016 is as follow:

	2017
Net cash used in operating activities	\$ (109,846)
Net cash used in investing activities	\$ (3,051,186)
Net cash provided by financing activities	\$ 3,296,747

Net cash used in operating activities consisted of net income of \$19,957, increased by depreciation of \$55,889, and decreased by change of operating assets and liabilities of \$185,692. 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 customers' orders.

Net cash used in investing activities consisted of payment for acquisition of subsidiaries of \$3,025,751 and purchase of plant and equipment of \$25,435.

Net cash provided by financing activities consisted mainly of repayment of related party borrowings of \$2,052,289 and related party proceeds of \$5,198,140. Additionally, we repaid third party borrowings of \$810,526 and we received third party proceeds of \$961,422.

Financial Condition, Liquidity and Capital Resources

As of September 30, 2017, we had cash on hand of \$315,321, total current assets of \$8,629,608 and current liabilities of \$10,485,883. 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.

Foreign Currency Translation Risk

Our operations are located in the 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 dollars. In the past years, RMB continued to appreciate against the U.S. dollar. As of September 30, 2017, the market foreign exchange rate had increased to RMB 6.65 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 expenses 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. The foreign currency translation loss for the three and six months ended September 30, 2017 was \$21,385 and 69,839, respectively.

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 September 30, 2017 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 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rule 13a-15(e) promulgated under the Exchange Act, that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer (principal executive officer and principal financial/accounting officer), as appropriate to allow timely decisions regarding required disclosure.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (principal executive officer and principal financial/accounting officer), of the effectiveness of our disclosure controls and procedures as of September 30, 2017. Based on the evaluation of these disclosure controls and procedures, and in light of the material weaknesses found in our internal controls over financial reporting, our Chief Executive Officer (principal executive officer and principal financial/accounting officer) concluded that our disclosure controls and procedures were not effective.

Changes in Internal Controls over Financial Reporting

There was no change in the Company's internal control over financial reporting period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

