

# ADDENTAX GROUP CORP.

## FORM 10-K (Annual Report)

Filed 06/30/25 for the Period Ending 03/31/25

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 10-K**

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2025

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-41478

**ADDENTAX GROUP CORP.**

(Exact name of registrant issuer as specified in its charter)

**Nevada**

(State or other jurisdiction of  
incorporation or organization)

**35-2521028**

(IRS Employer  
Identification Number)

**Kingkey 100, Block A, Room 4805, Luohu District, Shenzhen City, China 518000**

Address of principal executive offices, including zip code

**+ (86) 755 8233 0336**

Registrant's phone number, including area code

Securities registered pursuant to Section 12(b) of the Securities Exchange Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
<b>Common Stock, par value \$0.001 per share</b>	<b>ATXG</b>	<b>The Nasdaq Capital Market</b>

Securities registered pursuant to Section 12(g) of the Securities Exchange Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ YES ☐ NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ YES ☐ NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Non-accelerated filer ☒

Accelerated filer ☐

Smaller reporting company ☒

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or

revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

☐ Yes ☒ No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant’s most recently completed second fiscal quarter.

As of September 30, 2024, the last business day of the registrant’s most recently completed second fiscal quarter, the aggregate market value of the common stock held by non-affiliates of the registrant was \$4,140,177.33, based on the closing price of \$0.7089 for the registrant’s common stock as quoted on the Nasdaq Capital Market on that date. Shares of common stock held by each director, each officer and each person who owns 10% or more of the outstanding common stock have been excluded from this calculation in that such persons may be deemed to be affiliates. The determination of affiliate status is not necessarily conclusive.

The registrant had 10,090,963 shares of its common stock outstanding as of June 29, 2025.

**DOCUMENTS INCORPORATED BY REFERENCE**

No documents are incorporated by reference.

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## Forward-looking statements

Statements made in this Form 10-K 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 of 1933 (the “Act”) and Section 21E of the Securities Exchange Act of 1934. 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.

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.

Our shares of commons stock are shares of Addentax Group Corp., our Nevada holding company, which has no material operations of its own and conducts substantially all of its operations through the operating companies established in the People’s Republic of China, or the PRC, primarily Shenzhen Qianhai Yingxi Industrial Chain Service Co., Ltd. (“YX”), our wholly owned subsidiary and its subsidiaries. We are not a Chinese operating company. We are a holding company and do not directly own any substantive business operations in China. Therefore, our investors will not directly hold any equity interests in our Chinese operating companies. Our holding company structure involves unique risks to investors. Chinese regulatory authorities could disallow our operating structure, which would likely result in a material change in our operations and/or the value of our common stock, par value \$0.001 per share (“Common Stock”), including that it could cause the value of such securities to significantly decline or become worthless. For a detailed description of risks related to the holding corporate structure, see “Risk Factors—Risks Relating to Our Holding Company Structure” for detailed discussions.

Additionally, as we conduct substantially all of our operations through the operating companies established in the PRC, we are subject to certain legal and operational risks associated with our business operations in China. PRC laws and regulations governing our current business operations are sometimes vague and uncertain, and we face the risk that changes in the policies of the PRC government could have a significant impact upon the business we may be able to conduct in the PRC and the profitability of such business. Therefore, these risks arising from being associated with, based in or having substantially all of our operations through the operating companies established in China could cause the value of our securities to significantly decline or be worthless. Furthermore, these risks may result in a material change in our business operations or a complete hindrance of our ability to offer or continue to offer our securities to investors. Recently, the PRC government initiated a series of regulatory actions and statements to regulate business operations in China with little advance notice, including cracking down on illegal activities in the securities market, enhancing supervision over China-based companies listed overseas using variable interest entity structure, adopting new measures to extend the scope of cybersecurity reviews, and expanding the efforts in anti-monopoly enforcement. The business of our subsidiaries until the filing date of this Form 10K is not subject to cybersecurity review with the Cyberspace Administration of China, or CAC, given that: (i) our products and services are offered not directly to individual users but through our institutional customers; (ii) we do not possess a large amount of personal information in our business operations; and (iii) data processed in our business does not have a bearing on national security and thus may not be classified as core or important data by the authorities. Further, we believe our newly established companies and our business plan will not change the above conclusion. In addition, we are not subject to merger control review by China’s anti-monopoly enforcement agency due to the level of our revenues as provided by us and audited by our auditor Pan-China Singapore PAC, and the fact that we currently do not expect to propose or implement any acquisition of control of, or decisive influence over, any company with revenues within China of more than RMB400 million. Currently, these statements and regulatory actions have had no impact on our daily business operation, our ability to accept foreign investments or our ability to list our securities on an U.S. or other foreign exchange. As of the date of this Form 10-K, no effective laws or regulations in the PRC explicitly require us to seek approval from the China Securities Regulatory Commission (the “CSRC”) or any other PRC governmental authorities for our overseas listing, nor has our company or any of our subsidiaries received any inquiry, notice, warning or sanctions regarding our overseas listing from the CSRC or any other PRC governmental authorities. However, since these statements and regulatory actions are new, it is highly uncertain how soon legislative or administrative regulation making bodies will respond and what existing or new laws or regulations or detailed implementations and interpretations will be modified or promulgated, if any, and the potential impact such modified or new laws and regulations will have on our daily business operation, the ability to accept foreign investments and list our securities on an U.S. or other foreign exchange. See “Risk Factors” beginning on page 17 for a discussion of these legal and operational risks and other information that should be considered before making a decision to purchase our common stock.

As a holding company, our ability to pay dividends to our shareholders and to service any debt we may incur may depend upon dividends paid by our PRC Subsidiaries. Current PRC regulations permit our PRC Subsidiaries to pay dividends to us through Yingxi Industrial Chain Investment Co., Ltd. (“Yingxi HK”), our intermediate holding subsidiary in Hong Kong, only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. In addition, each of our PRC Subsidiaries is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. As of the date hereof, we have had no transactions that involved the transfer of cash or assets throughout our corporate structure. The PRC Subsidiaries have not transferred cash or other assets to Addentax, including by way of dividends. Addentax does not currently plan or anticipate transferring cash or other assets from our operations in China to any non-Chinese entity. As of the date hereof, no transfers, dividends, or distributions have been made to our investors.

Trading in our securities may be prohibited under the Holding Foreign Companies Accountable Act, or the HFCAA, if the Public Company Accounting Oversight Board (United States) (the “PCAOB”) determines that it cannot inspect or investigate completely our auditor. Pursuant to the HFCAA, the PCAOB issued a Determination Report on December 16, 2021 which found that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in: (1) mainland China of the People’s Republic of China because of a position taken by one or more authorities in mainland China; and (2) Hong Kong, a Special Administrative Region and dependency of the PRC, because of a position taken by one or more authorities in Hong Kong. In addition, the PCAOB’s report identified the specific registered public accounting firms which are subject to these determinations. The PCAOB is currently unable to conduct inspections in China without the approval of Chinese government authorities. If it is later determined that the PCAOB is unable to inspect or investigate our auditor completely, investors may be deprived of the benefits of such inspection. Any audit reports not issued by auditors that are completely inspected by the PCAOB, or a lack of PCAOB inspections of audit work undertaken in China that prevents the PCAOB from regularly evaluating our auditors’ audits and their quality control procedures, could result in a lack of assurance that our financial statements and disclosures are adequate and accurate. Our auditor, Pan-China Singapore PAC, is an independent registered public accounting firm with the PCAOB, and as an auditor of publicly traded companies in the U.S., is subject to laws in the U.S. pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. Pan-China Singapore PAC is based in Singapore and there are no limitations in Singapore on PCAOB inspections. Pan-China Singapore PAC is not headquartered in mainland China or Hong Kong and was not identified as a firm subject to the determinations announced by the PCAOB on December 16, 2021. Should the PCAOB be unable to fully conduct an inspection of our auditor’s work papers in China, it will make it difficult to evaluate the effectiveness of our auditor’s audit procedures or equity control procedures. Investors may consequently lose confidence in our reported financial information and procedures or quality of the financial statements, which would adversely affect us and our securities. On August 26, 2022, the PCAOB announced that it had signed the “Protocol” with the CSRC and the MOF, which governs inspections and investigations of audit firms based in mainland China and Hong Kong. The Protocol remains unpublished and is subject to further explanation and implementation. Pursuant to the fact sheet with respect to the Protocol released by the U.S. Securities and Exchanges Commission (the “SEC”), the PCAOB shall have independent discretion to select any issuer audits for inspection or investigation and the unfettered ability to transfer information to the SEC. According to the PCAOB, its December 2021 determinations under the HFCAA remain in effect. On December 15, 2022, the PCAOB announced that it has completed a test inspection of two selected auditing firms in mainland China and Hong Kong and has voted to vacate its previous Determination Report, which concluded in December 2021 that the PCAOB could not inspect or investigate completely registered public accounting firms based in mainland China or Hong Kong. On December 23, 2022, the AHFCAA was enacted, which amended the HFCAA by requiring the SEC to prohibit an issuer’s securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three and such act was signed into law on December 29, 2022. It is possible that the PCAOB may reassess its determinations in the future, and it could determine that it is still unable to inspect or investigate completely registered public accounting firms in mainland China and Hong Kong. The Holding Foreign Companies Accountable Act and related regulations currently previously did not affect the Company as the Company’s auditor is subject to PCAOB’s inspections and investigations. Furthermore, on June 22, 2021, the U.S. Senate passed AHFCAA and on December 29, 2022, the Consolidated Appropriations Act was signed into law by President Biden, which contained, among other things, an identical provision to AHFCAA and amended the Holding Foreign Companies Accountable Act by requiring the SEC to prohibit an issuer’s securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three, thus reducing the time before your securities may be prohibited from trading or delisted. The delisting or the cessation of trading of our Common Stock, or the threat of their being delisted or prohibited from being traded, may materially and adversely affect the value of your investment. The PCAOB continues to demand complete access in mainland China and Hong Kong moving forward and has resumed regular inspections since March 2023. Moreover, if trading in our securities is prohibited under the HFCAA in the future because the PCAOB determines that it cannot inspect or fully investigate our auditor at such future time, an exchange may determine to delist our securities.

## Summary of Risk Factors

Investing in our common stock involves a high degree of risk. Below is a summary of material factors that make an investment in our common stock speculative or risky. Importantly, this summary does not address all of the risks that we face. Please refer to the information contained in and incorporated by reference under the heading “Risk Factors” on page 17 of this Form 10-K.

### *Risks Associated with Our Company*

- Our success depends on our customers’ ability to market and sell their products manufactured by us.
- Our future expansion plans are subject to uncertainties and risks.
- Future price increases in raw materials or changes in the supply of raw materials may materially and adversely affect our business, financial condition and results of operations.
- Any labor shortages, increased labor costs or other factors affecting labor supply for our production materials may materially and adversely affect our business operations.
- If we are unable to attract additional customers and clients to purchase our services (and future products we may develop or sell) it will have a negative effect on our ability to generate revenue.
- A recent joint statement by the SEC and the Public Company Accounting Oversight Board (United States), or the “PCAOB,” proposed rule changes submitted by Nasdaq, and the newly enacted “Holding Foreign Companies Accountable Act” all call for additional and more stringent criteria to be applied to emerging market companies upon assessing the qualification of their auditors, especially the non-U.S. auditors who are not inspected by the PCAOB. These developments could add uncertainties to investing in us.
- There are uncertainties under the PRC Securities Law relating to the procedures and requisite timing for the U.S. securities regulatory agencies to conduct investigations and collect evidence within the territory of the PRC.
- We face risks associated with future Chinese regulations.
- We may be exposed to concentration risk due to heavy reliance on third-party contractors for our logistic business, and any shortage of third-party contractors may significantly impact our business and results of operation.
- If we are unable to control the reliance of third-party contractors efficiently and effectively, our business prospects and results of operations may be materially and adversely affected.
- We have a limited operating history for the new business segment of property management and subleasing, which makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful. In addition, our historical growth rates and profitability may not be indicative of our future growth and profitability.
- Natural disasters, public health crises or other catastrophic events may significantly limit our ability to conduct business as normal, disrupt our business operation and materially affect our financial condition.
- We may not succeed in continuing to maintain, protect and strengthen our reputation, and any negative publicity about us, our business, our management, our business partners, may materially and adversely affect our reputation, business, results of operations and growth.

### *General Risks Associated with Business Operations in China*

- Investors may have difficulty enforcing judgments against us.
- Changes in the policies, regulations, rules and the enforcement of laws of the PRC government may be quick with little advance notice and could have a significant impact upon the business we may be able to conduct in the PRC and the profitability of such business.
- The PRC government may intervene or influence our business operations at any time or may exert more control over offerings conducted overseas and foreign investment in China based issuers, which could result in a material change in our business operations and/or the value of our securities. Additionally, the governmental and regulatory interference could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless.

- Our independent registered public accounting firm's audit documentation related to their audit reports included in this Form 10-K include audit documentation located in the PRC. Our Common Stocks may be delisted or prohibited from being traded over-the-counter under the HFCAA if the PCAOB is unable to inspect our audit documentation located in mainland China and, as such, you may be deprived of the benefits of such inspection which could result in limitations or restrictions to our access to the U.S. capital markets. The delisting or the cessation of trading of our Common Stocks, or the threat of their being delisted or prohibited from being traded, may materially and adversely affect the value of your investment.
- To the extent cash in the business is in the PRC or a PRC entity, the funds may not be available to fund operations or for other use outside of the PRC due to interventions in or the imposition of restrictions and limitations on the ability of our Company or our subsidiaries by the PRC government to transfer cash.
- Any actions by the Chinese government to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless.
- Foreign exchange fluctuations may affect our business.
- Inflation could pose a risk to our business.
- There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.
- PRC regulations regarding acquisitions impose significant regulatory approval and review requirements, which could make it more difficult for us to pursue growth through acquisitions.
- While the approval of the China Securities Regulatory Commission is not currently required for our offerings, it may be required in the future in connection with our offerings under the M&A Rules and, if required, we cannot predict whether we will be able to obtain such approval.
- Our business may be subject to a variety of PRC laws and other obligations regarding cybersecurity and data protection.
- PRC regulations relating to investments in offshore companies by PRC residents may subject our PRC-resident beneficial owners or our PRC Subsidiaries to liability or penalties, limit our ability to inject capital into our PRC Subsidiaries or limit our PRC Subsidiaries' ability to increase their registered capital or distribute profits.
- We may be treated as a resident enterprise for PRC tax purposes under the PRC Enterprise Income Tax Law, and we may therefore be subject to PRC income tax on our global income.
- Restrictions on currency exchange may limit our ability to utilize our PRC revenue effectively.
- The disclosures in our reports and other filings with the SEC and our other public pronouncements are not subject to the scrutiny of any regulatory bodies in the PRC.
- Introduction of new laws or changes to existing laws by the PRC government may adversely affect our business.

#### *Risks Relating to Our Holding Company Structure*

- Substantial uncertainties exist with respect to the interpretation and implementation of the newly enacted Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.
- We may rely on dividends and other distributions on equity paid by our PRC Subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC Subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.
- PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of our offerings to make loans or additional capital contributions to our PRC Subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

#### *Risks Relating to Our Common Stock*

- We may never be able to pay dividends and are unlikely to do so.
- The market price of our shares is likely to be highly volatile and subject to wide fluctuations in response to various factors.
- Shareholders may be diluted significantly through our efforts to obtain financing and satisfy obligations through the issuance of securities.



## **PART I**

### **Item 1. Business**

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.

On December 28, 2016, we entered into a Sale and Purchase Agreement (“SPA”) with Yingxi Industrial Chain Group Co., Ltd. (“YICG”), which was incorporated under the laws of the Republic of Seychelles and principally engaged in garment manufacture, where we agreed to acquire 100% of the equity interest in YICG and to issue two million five hundred thousand (2,500,000) restricted common shares of the Company to former owners of YICG (after giving effect to all subsequent share splits, combinations or similar transactions). The completion of the SPA took place on September 25, 2017. Following the completion of the SPA, YICG’s business became our business.

We have a fiscal year-end of March 31. The business office is located at Kingkey 100, Block A, Room 4805, Luohu District, Shenzhen City, China 518000. Our telephone number is +(86) 755 8233 0336.

### **Current Business**

We (Addentax Group Corp.) are a Nevada holding company with no material operations of our own. We conduct substantially all of our operations through our operating companies established in the PRC, primarily YX, our wholly owned subsidiary and its subsidiaries. We are not a Chinese operating company. We are a holding company and do not directly own any substantive business operations in China. Our holding company structure involves unique risks to investors. Chinese regulatory authorities could disallow our operating structure, which would likely result in a material change in our operations and/or the value of our common stock, including that it could cause the value of such securities to significantly decline or become worthless. Our holding company, Addentax Group Corp., is listed on the Nasdaq Capital Market under the symbol of “ATXG”. We classify our businesses into three main segments: garment manufacturing, logistics services, and property management and subleasing. The Company previously engaged in the provision of epidemic prevention supplies, which included manufacturing, distribution and trading of epidemic prevention supplies. As the COVID-19 pandemic became an endemic, only the Company ceased to operate in this business in the first quarter of 2023. The remaining assets of this business segment were reclassified into the “Corporate and others” segment. The corresponding items of segment information for the earlier periods were restated to reflect the change of the new segment structure.

Unless the context otherwise requires, all references in this Form 10-K to “Addentax” refer to Addentax Group Corp., a holding company, and references to “we,” “us,” “our,” the “Registrant,” the “Company,” or “our company” refer to Addentax and/or its consolidated subsidiaries. Addentax Group Corp., our Nevada holding company, is the entity in which investors are investing.

Our subsidiaries include (i) Yingxi Industrial Chain Group Co., Ltd., a Republic of Seychelles company; (ii) Yingxi HK; (iii) Qianhai Yingxi Textile & Garments Co., Ltd., a PRC company; (iv) YX, (v) Dongguan Heng Sheng Wei Garments Co., Ltd, a PRC company (“HSW”), (vi) Dongguan Yushang Clothing Co., Ltd, a PRC company (“YS”), (vii) Shenzhen Yingxi Peng Fa Logistic Co., Ltd., a PRC company (“PF”); (viii) XKJ, (ix) Dongguan Au Te Si Garments Co., Ltd., a PRC company (“AOT”), and (x) Dongguan Hongxiang Commercial Co., Ltd., a PRC company (“HX”).

“PRC Subsidiaries” refer to, collectively, (i) Qianhai Yingxi Textile & Garments Co., Ltd.; (ii) YX, (iii) HSW, (iv) YS; (v) PF; (vi) Shenzhen Xin Kuai Jie Transportation Co., Ltd, a PRC company (“XKJ”), (vii) AOT, and (viii) Dongguan Hongxiang Commercial Co., Ltd., a PRC company (“HX”).

“WFOE” refers to Qianhai Yingxi Textile & Garments Co., Ltd, a wholly foreign owned enterprise in China, which is indirectly wholly owned by Addentax Group Corp.

Our garment manufacturing business consists of sales made principally to wholesalers located in the 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 five wholly owned subsidiaries, namely Dongguan Heng Sheng Wei Garments Co., Ltd (“HSW”), Dongguan Yushang Clothing Co., Ltd (“YS”) and Dongguan Aotesi Garments Co., Ltd., (“AOT”), which are located in the Guangdong province, China.

Our logistics business consists of delivery and courier services covering 44 cities in 10 provinces and 2 municipalities 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 logistics operations through two wholly owned subsidiaries, namely Shenzhen Xin Kuai Jie Transportation Co., Ltd (“XKJ”) and Shenzhen Yingxi Peng Fa Logistic Co., Ltd (“PF”), which are located in the Guangdong province, China.

Our property management and subleasing business provides shop subleasing and property management services for garment wholesalers and retailers in the garment market. We currently have an aggregate of 56,238 square meters of floor space and provide approximately 1,300 shop spaces to clients. We conduct our property management and subleasing operation through a wholly owned subsidiary acquired in September 2023, namely Dongguan Hongxiang Commercial Co., Ltd., a PRC company (“HX”), which is located in the Guangdong province, China.

## **Competitive Strengths**

We believe we have the following competitive strengths:

*Cost-effective production.* We have adopted a vertical integration production process. We produce garments in our own production facilities and employ our in-house transport teams to deliver garments to our customers. This one-stop service optimizes production efficiency and saves costs by lowering the cost per unit, thereby achieving economies of scale.

*Stringent quality control process.* As of March 31, 2025, we had 20 employees in the production department that are responsible for conducting our quality control process. We implement a stringent quality control process which monitors various stages of our garment manufacturing business, including sampling checks of semi-finished products and finished products. We prepare inspection reports to address the quality problems and make recommendations to improve the quality of our products. During final product inspection, we pay special attention to the measurements, workmanship, ironing and packaging of our products to help best ensure that the quality of our products comply with the specifications, standards and requirements of our customers.

*Strong design capabilities.* Our design team works closely with our customers to understand their needs and make recommendations to them. Our design team also conducts market research and attends industry exhibitions to understand the latest market trends. As of March 31, 2025, our design team consisted of 3 members.

*Extensive delivery network.* Our logistics business has nine routes and covers 45 cities in 10 provinces and 2 municipalities in the PRC.

*Strategic location and infrastructure.* Our property management and subleasing business operates through Dongguan Hongxiang Commercial Co., Ltd. (HX), located in Guangdong province, China, which is a key area for the garment market. By securing a prime location and developing a well-maintained infrastructure, we provide attractive and convenient spaces for garment wholesalers and retailers, enhancing their operational efficiency and appeal to customers.

*Comprehensive property services.* We provide a wide range of property management services, including security, maintenance, and customer support, to ensure a high standard of service for our tenants. This comprehensive solution helps to foster a favorable business environment for garment wholesalers and retailers, enhancing tenant satisfaction and retentions.

## **Business Strategies**

Key elements of our business and growth strategies include the following:

*Sales of raw materials.* We intend to enter into exclusive agreements with textile and garment suppliers in Southeast China to be their exclusive agent and supply their textiles and garments to our customers. To execute this plan, we intend to set up several retailers for the sales of textiles and garments to retail customers and supply the textiles and garments exclusively to various high-end fashion brands.

*Development of our own brands.* We intend to develop our own brands that focus on fast fashion with teenagers being our primary target customers. We plan to adopt a low-cost strategy at the early stage and improve the quality of our products after increasing our market share. We are in the process of registering a trademark for our own brand and intend to start our advertising campaign after the registration of this trademark. We plan to distribute our products in different channels, including our own retailers, co-operative retailers and franchisees.

*Expand our delivery network.* As of March 31, 2025, we provided logistics services to over 45 cities in 10 provinces and 2 municipalities in the PRC. We expect to develop 20 additional logistics routes in existing serving cities and improve the Company's profits in the year 2025.

*Develop international logistics services and warehousing services.* We intend to develop international logistics services for customers located all over the world and international warehousing services.

*Develop E-commerce business.* We integrated resources in shopping malls and we intend to develop e-commerce bases and the internet celebrity economy together to increase the value of the stores in the area.

*Enhance tenant experience through value-added services.* We aim to offer a range of value-added services to our tenants, including property maintenance, marketing support, and business consulting. These services are designed to help tenants improve their business operations, attract more customers, and increase their profitability, thereby enhancing tenant retention and satisfaction.

*Develop digital solutions for property management.* We plan to implement advanced digital solutions to streamline our property management processes. This includes the use of property management software for lease administration, tenant communication, and maintenance scheduling. By leveraging technology, we aim to improve operational efficiency and provide a seamless experience for our tenants.

*Leverage data analytics for informed decision-making.* We plan to utilize data analytics to gain insights into market trends, tenant preferences, and property performance. By analyzing this data, we can make informed decisions on property acquisitions, rental pricing, and tenant services, ultimately optimizing our property management and subleasing operations.

*Enhance customer service and support.* We intend to improve our customer service and support by providing dedicated tenant support teams and implementing tenant feedback mechanisms. Exceptional customer service will help build strong relationships with tenants and improve overall satisfaction.

## **Our garment manufacturing business**

We manufacture garments for various high-end fashion brands through our wholly-owned subsidiaries, HSW, YS, AOT, which are located in Guangdong province, the PRC.

### *Operations*

Our customer relationship team is responsible for cultivating and maintaining our relationship with customers.

Our design team works closely with our customer relationship team to understand our customers' needs and make recommendations to them based on their designs.

Our fabric team leverages our experience in fabric sourcing as well as our understanding of fabric features to recommend the types of fabric to be used in our customers' products. Our fabric team may also suggest alternative fabrics to our customers. Our fabric team works with our research and development team to understand fabric types and aims to identify different fabric we source and improve the quality and comfort of the fabric we produce.

Our product and technical team are mainly responsible for development samples of products, preparing structural and production guidance of products as well as producing paper patterns for our garment production team. Upon order confirmation from our customers, our customer relationship team informs our fabric team to carry out raw material sourcing.

We source finished fabric and yarns from our suppliers for garment production. The procedures for fabric production are normally divided into the following stages: (i) spinning; (ii) weaving or knitting; (iii) dyeing or printing; and (iv) finishing. Generally, our fabric team requires four to six weeks to source raw materials from our suppliers.

Our garment production team is responsible for producing garments based on the raw materials we source. The major stages involved in garment production include: (i) paper patterning; (ii) fabric cutting; (iii) sewing; (iv) interim quality inspection; (v) trimming; (vi) washing; and (vii) ironing.

### *Seasonality*

We generally receive more purchase orders during our second and third quarters and fewer manufacture orders during May and June.

### *Credit period*

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. For our new customers, we generally require advances or deposits to be made when placing orders.

## **Our logistics business**

We pack products and provide logistics service to our customers through our wholly-owned subsidiaries, XKJ and PF which are located in Guangdong province, the PRC. Our in-house logistics teams deliver to approximately 10 provinces and 2 municipalities in the PRC.

Where a customer is located in an area not covered by our delivery fleet or where our in-house logistics teams are fully engaged, we will outsource delivery to third-party contractors. We believe outsourcing allows us to maximize our delivery capacity and improve inventory flexibility while minimizing capital expenditures, such as shipping costs and the costs of additional drivers during low seasons.

### *Our logistics services*

We provide comprehensive logistics services to our customers, which include storage, transportation, warehousing, handling, packaging and order processing. We also provide customs declaration and tax clearance services to our customers who export goods overseas.

### *Our network*

We have 114 logistics points and they are located in 10 provinces and 2 municipalities which cover 45 cities in the PRC.

### *Our internal management*

Our management in the logistics business is responsible for setting out business strategies and managing the daily operation. Specifically, they have regular meetings with different departments, conduct inspections and supervise the finance department, operation department and administration department.

### *Seasonality*

We generally receive more delivery orders in our third and fourth quarters and are more vulnerable to shipping delays in the PRC during the Chinese New Year due to traffic and port congestion, border crossing delays and customs clearance issues.

### *Credit period*

We generally require payments from the customers between 30 to 90 days following their acknowledgement of receipt of goods.

## **Customers and Suppliers**

### *Customers*

Our customer base is diverse. Our customers are as follows: (i) our customers in the garment manufacturing business are mainly garment wholesalers and retailers, (ii) our customers in the logistics business are mainly trading companies and logistic companies, and (iii) our customers in the property management and subleasing business are manufacturing companies and e-commerce companies. There were two customers that accounted for more than 10% of our net sales for the years ended March 31, 2025 and 2024.

### *Suppliers*

We procure our garments through various textile companies in our garment manufacturing business. For our logistics business, we procure from packing companies and transportation companies. For our property management and subleasing business, our suppliers are property owners. There was one supplier that accounted for more than 10% of our total cost for both years ended March 31, 2025 and 2024.

## **Inventory**

*Garment manufacturing business.* We maintain our raw materials in our storage facilities. We review our inventory levels in order to identify slow-moving materials and broken assortments.

*Logistics business.* Since we deliver products as soon as we receive orders from customers, we do not operate distribution centers and hence do not need to carry a significant amount of inventory.

*Our property management and subleasing business.* We do not need to carry a significant amount of inventory due to the nature of the business.

## **Intellectual Property**

The Company, through its subsidiary YX, received the approval of the trademarks below in relation to its business from PRC government.



Competition

While the PRC is still the world’s largest clothing manufacturer with enormous production capacity, oversupply, increasing labor costs and rising local protectionism have eroded its competitiveness.

The principal competitive factors in the garment manufacturing market include:

- brand awareness and focus;
- breadth of product offerings; and
- quality control.

The principal competitive factors in the logistics market include:

- delivery time; and
- network coverage.

The principal competitive factors in the property management and subleasing market include:

- Cost control; and
- network coverage.

We believe we compete favorably with our competitors on the basis of the above factors as a result of our market position and customer base. By offering one-stop-shop services and affordable price points, we provide services to our customers that are difficult for other competitors to address.

Employees

As of March 31, 2025, we had approximately 112 employees and there was no labor union established by our employees. The following table sets out a breakdown of the number of employees by function as of March 31, 2025:

Function	Number of employees
Administration	20
Finance	10
Logistics	7
Marketing	6
Operation	30
Productive	20
Total	112

According to PRC regulations, we must participate in various employee social security plans organized by local governments, including pension, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing insurance. We are also required under PRC law to contribute to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time.

We believe that we maintain a good working relationship with our employees, and to date we have not experienced any significant labor disputes.

## **Recent Developments**

### *Company investment*

On January 8, 2025, we entered into that certain securities purchase agreement (the “Agreement”) to purchase 3,750,000 shares of common stock, \$0.001 par value per share (“Well Common Stock”), of Well Information Technology Corporation (“Well InfoTech”), a company incorporated in the State of Nevada, for a total cash consideration of USD \$750,000 (the “Shares”). The Shares would constitute approximately 2.5% of the number of shares of Well Common Stock of Well InfoTech immediately prior to the issuance of such Shares.

### *Supply Chain Development*

On November 21, 2024, we signed a memorandum of understanding (the “MOU”) with Shenzhen Yingbin Brand Development Co., Ltd. (“Yingbin Brand”), to establish the foundation for a nationwide strategic collaboration between the two companies which aims to enhance company’s brand supply chain, product supply chain, and marketing supply chain services in China.

## **Government Regulations**

The PRC government has corresponding industrial regulatory measures and policies for garment manufacturing business, logistics business and property management and subleasing business. Our PRC subsidiaries currently comply with these regulatory requirements and have not received any action from industry regulators for conduct of their business. The PRC government may, however, from time to time institute rules and regulations on such businesses which makes it difficult or impossible for us to operate successfully, if at all, in the PRC. Please see the section on “Risk Factors” for further details.

The PRC government encourages small to medium-sized companies in traditional industries, such as garment manufacturing, to modernize their business models with technological updates in order to sharpen their competitive edge in global markets.

## **PRC Limitation on Overseas Listing and Share Issuances**

Currently, each of our PRC Subsidiaries holds and maintains a business license issued by the local market supervision and administration bureau, and has received all requisite permissions and approvals in order to conduct and operate our business. Based on our understanding of the PRC laws and regulations, our PRC businesses hold all the business licenses issued and approved from the relevant local authorities and other administrative license required by its business, and do not require any other permissions or approvals to operate their PRC business operations. As of the date of this report, none of our PRC Subsidiaries has been denied or punished by relevant governmental authorities due to its business qualifications. In addition, we (Addentax Group Corp.) and our non-PRC subsidiaries have also received all requisite permissions and approvals in order to conduct and operate our business.

In order to promote domestic enterprises to carry out overseas capital market activities in accordance with law and compliance, the CSRC issued the “Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies” and five supporting guidelines (collectively referred to as the Overseas Listing Filing Rules) on February 17, 2023, and took effect on March 31, 2023. The Overseas Listing Filing Rules clarify the relevant rules of the Chinese government on the management of overseas issuance, including but not limited to (i) Initial public offerings or listings in overseas markets shall be filed with the CSRC within 3 working days after the relevant application is submitted overseas. Subsequent securities offerings of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within 3 working days after the offering is completed. Subsequent securities offerings and listings of an issuer in other overseas markets than where it has offered and listed shall be filed as Initial public offerings; (ii) A negative list that prohibits overseas offering and listing; (iii) The reporting obligations of the issuer after filing, such as the change of control, voluntary or mandatory delisting and other major changes after overseas issuance or listing, the issuer should bear the obligation to report to the CSRC; (iv) Legal liability, such as failure to fulfill the filing procedures, or violation of relevant regulations in overseas listing, the CSRC shall order rectification, issue warnings to such domestic company, and impose a fine of between RMB 1,000,000 yuan and RMB 10,000,000 yuan. Directly liable persons-in-charge and other directly liable persons shall be warned and each imposed a fine of between RMB 500,000 yuan and RMB 5,000,000 yuan.

According to the Overseas Listing Filing Rules, the company, as an enterprise that has been listed on the Nasdaq Capital Market before the new regulations come into effect, does not need to apply to the CSRC for filing immediately. If it is issued and listed in other overseas markets, it shall be filed in accordance with relevant regulations. On April 29, 2024, the Company entered into two private placement agreements with certain individual investors for 330,000 shares of Common Stock each at a unit price of \$0.98 per share and for a total of \$646,800. After the transactions, we shall be filed with the CSRC within three working days after the issuance of shares is completed. The Company has submitted the filing application to the China Securities Regulatory Commission. As of June 29, 2025, the application is still pending. Accordingly, the Company's overseas issuances and subsequent additional issuances comply with the relevant provisions of the overseas listing filing regulation. As the overseas listing filing process has not yet been completed, the outcome and subsequent requirements remain uncertain. As a result, we cannot assure you that we will be able to complete all requirement for our future issuance in a timely manner and fully comply with the relevant new rules, if any. In addition, we cannot guarantee that we will not be subject to greater regulatory scrutiny or subsequent interference by the Chinese government.

#### **Transfers of Cash to and from our Subsidiaries**

We (Addentax Group Corp.) are a Nevada holding company with no material operations of our own. We conduct substantially all of our operations through the operating companies established in the PRC, primarily Shenzhen Qianhai Yingxi Industrial Chain Service Co., Ltd. ("YX"), our wholly owned subsidiary and its subsidiaries. We are not a Chinese operating company. We are a holding company and do not directly own any substantive business operations in China. As a result, although other means are available for us to obtain financing at the holding company level, Addentax's ability to pay dividends to its shareholders and to service any debt it may incur may depend upon dividends paid by our PRC Subsidiaries. If any of our subsidiaries incurs debt on its own in the future, the instruments governing such debt may restrict its ability to pay dividends to Addentax. In addition, our PRC Subsidiaries are required to make appropriations to certain statutory reserve funds, which are not distributable as cash dividends except in the event of a solvent liquidation of the companies.

Current PRC regulations permit our PRC Subsidiaries to pay dividends to us through Yingxi HK, our intermediate holding subsidiary in Hong Kong, only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. In addition, each of our PRC Subsidiaries is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. Each of such entity in China is also required to further set aside a portion of its after-tax profits to fund the employee welfare fund, although the amount to be set aside, if any, is determined at the discretion of its board of directors. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the reserve funds are not distributable as cash dividends except in the event of liquidation.



The PRC government also imposes controls on the conversion of RMB into foreign currencies and the remittance of currencies out of the PRC. Therefore, we may experience difficulties in completing the administrative procedures necessary to obtain and remit foreign currency for the payment of dividends from our profits, if any. Furthermore, if our PRC Subsidiaries incur debt on their own in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments.

Cash dividends, if any, on our common stock will be paid in U.S. dollars. If we are considered a PRC tax resident enterprise for tax purposes, any dividends we pay to our overseas shareholders may be regarded as China-sourced income and as a result may be subject to PRC withholding tax at a rate of up to 10.0%.

In order for us to pay dividends to our shareholders, we will rely on the distribution of dividends, through the WFOE, to Yingxi HK from our PRC Subsidiaries. As of the date hereof, none of our PRC Subsidiaries has distributed any dividends to Yingxi HK.

Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, or the Double Tax Avoidance Arrangement, the 10% withholding tax rate may be lowered to 5% if a Hong Kong resident enterprise owns no less than 25% of a PRC enterprise. However, the 5% withholding tax rate does not automatically apply and certain requirements must be satisfied, including without limitation that (a) the Hong Kong enterprise must be the beneficial owner of the relevant dividends; and (b) the Hong Kong enterprise must directly hold no less than 25% share ownership in the PRC enterprise during the 12 consecutive months preceding its receipt of the dividends. In current practice, a Hong Kong enterprise must obtain a tax resident certificate from the Hong Kong tax authority to apply for the 5% lower PRC withholding tax rate. As the Hong Kong tax authority will issue such a tax resident certificate on a case-by-case basis, we cannot assure you that we will be able to obtain the tax resident certificate from the relevant Hong Kong tax authority and enjoy the preferential withholding tax rate of 5% under the Double Taxation Arrangement with respect to dividends to be paid by our WFOE to its immediate holding company, Yingxi HK. As of the date of this Form 10-K, we have not applied for the tax resident certificate from the relevant Hong Kong tax authority. Yingxi HK intends to apply for the tax resident certificate when WFOE plans to declare and pay dividends to Yingxi HK.

As of the date hereof, we have had no transactions that involved the transfer of cash or assets throughout our corporate structure. The PRC Subsidiaries have not transferred cash or other assets to Addentax, including by way of dividends. However, to the extent cash in the business is in the PRC/Hong Kong or is in our PRC or Hong Kong subsidiaries, there can be no assurance that the PRC government will not intervene or impose restrictions or limitations on the ability of Addentax or Addentax's subsidiaries to transfer cash. As a result, such funds may not be available to fund operations or for other use outside of the PRC or Hong Kong. Addentax does not currently plan or anticipate transferring cash or other assets from our operations in China to any non-Chinese entity. We intend to retain most, if not all, of available funds and any future earnings after this offering to the development and growth of our business in China. As of the date hereof, no transfers, dividends, or distributions have been made to our investors. Further, our management is directly supervising cash management. Our finance department is responsible for establishing the cash management policies and procedures among our departments and the operating entities. Each department or operating entity initiates a cash request by putting forward a cash demand plan, which explains the specific amount and timing of cash requested, and submitting it to designated management members of our Company, based on the amount and the use of cash requested. The designated management member examines and approves the allocation of cash based on the sources of cash and the priorities of the needs, and submits it to the cashier specialists of our finance department for a second review. Other than the above, we currently do not have other cash management policies or procedures that dictate how funds are transferred nor a written policy that addresses how we will handle any limitations on cash transfers due to PRC law.

#### **Holding Foreign Company Accountable Act**

Trading in our securities may be prohibited under the Holding Foreign Companies Accountable Act, or the HFCAA, if the PCAOB determines that it cannot inspect or investigate completely our auditor.

Pursuant to the HFCAA, the PCAOB issued a Determination Report on December 16, 2021 which found that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in: (1) mainland China of the People's Republic of China because of a position taken by one or more authorities in mainland China; and (2) Hong Kong, a Special Administrative Region and dependency of the PRC, because of a position taken by one or more authorities in Hong Kong. In addition, the PCAOB's report identified the specific registered public accounting firms which are subject to these determinations.

The PCAOB is currently unable to conduct inspections in China without the approval of Chinese government authorities. If it is later determined that the PCAOB is unable to inspect or investigate our auditor completely, investors may be deprived of the benefits of such inspection. Any audit reports not issued by auditors that are completely inspected by the PCAOB, or a lack of PCAOB inspections of audit work undertaken in China that prevents the PCAOB from regularly evaluating our auditors' audits and their quality control procedures, could result in a lack of assurance that our financial statements and disclosures are adequate and accurate.

Our auditor, Pan-China Singapore PAC, the independent registered public accounting firm that issued the audit report included in this Form 10-K, is subject to PCAOB inspections. Pan-China Singapore PAC is headquartered in Singapore and there are no limitations in Singapore on PCAOB inspections. Therefore, we believe that, as of the date of this Form 10-K, our auditor is not subject to the determinations announced by the PCAOB on December 16, 2021 relating to the PCAOB's inability to inspect or investigate completely registered public accounting firms headquartered in the PRC or Hong Kong because of a position taken by one or more authorities in the PRC or Hong Kong. However, to the extent that our auditor's work papers may, in the future, become located in China, such work papers will not be subject to inspection by the PCAOB because the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities. Inspections of certain other firms that the PCAOB has conducted outside of China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The inability of the PCAOB to conduct inspections of our auditors' work papers in China would make it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections. As a result, our investors may be deprived of the benefits of the PCAOB's oversight of our auditor through such inspections and they may lose confidence in our reported financial information and procedures and the quality of our financial statements. We cannot assure you whether Nasdaq or other regulatory authorities will apply additional or more stringent criteria to us. Such uncertainty could cause the market price of our Common Stock to be materially and adversely affected.

On August 26, 2022, the PCAOB announced that it had signed the "Protocol" with the CSRC and the MOF, which governs inspections and investigations of audit firms based in mainland China and Hong Kong. The Protocol remains unpublished and is subject to further explanation and implementation. Pursuant to the fact sheet with respect to the Protocol released by the SEC, the PCAOB shall have independent discretion to select any issuer audits for inspection or investigation and the unfettered ability to transfer information to the SEC. According to the PCAOB, its December 2021 determinations under the HFCAA remain in effect. On December 15, 2022, the PCAOB announced that it has completed a test inspection of two selected auditing firms in mainland China and Hong Kong and has voted to vacate its previous Determination Report, which concluded in December 2021 that the PCAOB could not inspect or investigate completely registered public accounting firms based in mainland China or Hong Kong. On December 23, 2022, the AHFCAA was enacted, which amended the HFCAA by requiring the SEC to prohibit an issuer's securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three and such act was signed into law on December 29, 2022. It is possible that the PCAOB may reassess its determinations in the future, and it could determine that it is still unable to inspect or investigate completely registered public accounting firms in mainland China and Hong Kong. The Holding Foreign Companies Accountable Act and related regulations currently previously did not affect the Company as the Company's auditor is subject to PCAOB's inspections and investigations.

Moreover, if trading in our securities is prohibited under the HFCAA in the future because the PCAOB determines that it cannot inspect or fully investigate our auditor at such a future time, an exchange may determine to delist our securities.

Furthermore, on June 22, 2021, the U.S. Senate passed AHFCAA and on December 29, 2022, the Consolidated Appropriations Act was signed into law by President Biden, which contained, among other things, an identical provision to AHFCAA and amended the Holding Foreign Companies Accountable Act by requiring the SEC to prohibit an issuer's securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three, thus reducing the time before your securities may be prohibited from trading or delisted. The delisting or the cessation of trading of our Common Stock, or the threat of their being delisted or prohibited from being traded, may materially and adversely affect the value of your investment. The PCAOB continues to demand complete access in mainland China and Hong Kong moving forward and has resumed regular inspections since March 2023. Moreover, if trading in our securities is prohibited under the HFCAA in the future because the PCAOB determines that it cannot inspect or fully investigate our auditor at such future time, an exchange may determine to delist our securities.

## **Item 1A. Risk Factors**

You should carefully consider the risks described below and elsewhere in this Form 10-K, which could materially and adversely affect our business, results of operations or financial condition. Our business faces significant risks and the risks described below may not be the only risks we face. Additional risks not presently known to us or that we currently believe are immaterial may materially affect our business, results of operations, or financial condition. If any of these risks occur, the trading price of our common stock could decline, and you may lose all or part of your investment. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section. In the event that any of the events described in the risk factors below occur, it could have a material adverse effect on our operations and cash flow and cause the value of our securities to decline in value or become worthless.

### **Risks Associated with Our Company.**

#### ***Our success depends on our customers' ability to market and sell their products manufactured by us.***

All of our customers in our garment manufacturing business are garment wholesalers and retailers. Consequently, our business and results of operations are directly affected by the demand of their end customers for their products supplied by us. Drastic changes in consumer preferences are beyond our control and will affect the demand for certain products supplied by us. We may not be able to anticipate and respond to such changes in consumer preferences in a timely manner. If the sales of our customers' products decrease or do not grow as we expect, our customers may decrease the volume or purchase price of their orders, which could materially and adversely affect our business, financial condition and results of operations.

#### ***Our future expansion plans are subject to uncertainties and risks.***

We have set out our future business plans in the "Business Strategies" section in this report. The implementation of such future plans requires us to effectively manage our sales, procurement, new logistics points and other aspects of our operations. If we fail to effectively and efficiently implement our future plans, we may not be successful in achieving desirable and profitable results. Even if we effectively and efficiently implement our future plans, there may be other unexpected events or factors that prevent us from achieving the desirable and profitable results from the implementation of our future plans, such as changes in our ability to comply with local rules and regulations or any delays or difficulties in obtaining the necessary licenses and approvals from local governments. Our business, financial condition, results of operations and growth prospects may be materially and adversely affected if our future expansion plans fail to achieve positive results.

***If we are unable to create brand influence, we may face difficulties in attracting new business partners and clients.***

Our brand is still being nurtured. It is of critical importance that we create and develop brand awareness in our industry in order to attract new clients and business partners. Our major competitors have built well-known brands and continue to increase their influence. Our failure to create and develop brand awareness for any reason may result in a material adverse effect on our business, operational results, and financial position.

***Our ability to adequately protect our trade names, trademarks and patents could have an impact on our brand images and ability to penetrate new markets.***

We believe that our trade names, trademarks and patents are important assets and an essential element of our strategy. We have applied the registration of these trade names, trademarks and patents in China and Hong Kong, and these registrations are currently pending approval from the corresponding departments. There can be no assurance that we will obtain such registrations or that the registrations we obtain will prevent the imitation of our products or infringement of our intellectual property rights by others. In particular, the laws of certain foreign countries may not protect proprietary rights to the same extent as the laws of the U.S. If any third-party copies our products or our stores in a manner that projects lesser quality or carries a negative connotation, it could have a material adverse effect on our brand image and reputation as well as our results of operations, financial condition and cash flows.

***We may be impacted by our ability to adequately source, distribute and sell merchandise and other materials in China.***

We face a variety of other risks generally associated with doing business in China. For example:

- political instability, significant health hazards, environmental hazards or natural disasters which could negatively affect international economies, financial markets and business activity;
- imposition of new or retaliatory trade duties, sanctions or taxes and other charges on imports or exports;
- evolving, new or complex legal and regulatory matters;
- volatility in currency exchange rates;
- local business practice and political issues (including issues relating to compliance with domestic or international labor standards) which may result in adverse publicity or threatened or actual adverse consumer actions, including boycotts;
- potential delays or disruptions in shipping and transportation and related pricing impacts;
- disruption due to labor disputes; and
- changing expectations regarding product safety due to new legislation or other factors.

We also rely upon third-party transportation providers for certain of our product shipments, including shipments to and from our distribution centers to our customers. Our utilization of these delivery services for shipments is subject to risks, including increases in labor costs and fuel prices, which would increase our shipping costs, and associate strikes and inclement weather, which may impact our transportation providers' ability to provide delivery services that adequately meet our shipping needs.

***Future price increases in raw materials or changes in the supply of raw materials may materially and adversely affect our business, financial condition and results of operations.***

The purchase of raw materials accounted for a substantial amount of our total purchases. The price of finished fabric and yarns can be volatile and affected by factors such as weather, industry demand and supply. We cannot assure you that we can fully pass on the increased cost in raw materials to our customers. Future price increases in raw materials or changes in the supply of raw materials may materially and adversely affect our business, financial condition and results of operations.

***Our top customers accounted for a major portion of our total revenue for the years ended March 31, 2025 and 2024 and may materially adversely affect our financial condition and results of operations.***

For the year ended March 31, 2025, one customer accounted for approximately 54.1% of the Company's total garment manufacturing revenues. For the year ended March 31, 2024, two customers accounted for approximately 73.9% and 22.1%, respectively, of the Company's total garment manufacturing revenues. For the year ended March 31, 2025, two customers accounted for approximately 16.7% and 14.3% of the Company's total logistic services revenues. For the year ended March 31, 2024, one customer accounted for approximately 20.0% of the Company's total logistic services revenues. However, our top customers are not obligated in any way to continue to provide us with new business in the future at a level similar to that in the past or at all. If any of our top customers reduce their orders with us or terminate their business relationship with our Group and if we are not able to secure orders of a comparable size from other customers as replacement, our business operations and financial performance may be materially and adversely affected.

***We are exposed to concentration risk due to heavy reliance on our major supplier for the supply of our products, and any shortage of, or delay in, the supply may significantly impact our business and results of operation.***

During the years ended March 31, 2025 and 2024, approximately 41.39% and 100.0% of total inventory purchases were from the Company's five largest suppliers, respectively. Our business, financial condition and operating results depend on the continuous supply of products from our largest suppliers and our continuous supplier-customer relationship with them. Our heavy reliance on our largest suppliers for the supply of our products will have significant impact on our business and results of operation in the event of any shortage of, or delay in the supply.

***Any labor shortages, increased labor costs or other factors affecting labor supply for our production materials may materially and adversely affect our business operations.***

We rely on skilled workers to a significant extent as our production process in our garment manufacturing business is labor intensive in nature. Our business performance relies on the steady supply of relatively low cost labor in the PRC. There is no guarantee that our supply of labor will not be disrupted or that our labor costs will not increase. If we fail to retain our existing labor resources and/or recruit sufficient labor in a timely manner, we may not be able to accommodate sudden increases in demand for our products.

Labor costs are affected by the demand for and supply of labor and economic factors, such as the inflation rate and costs of living. Labor costs may further increase in the future due to a shortage of skilled labor and growing industry demands. The failure to identify and recruit replacement staff immediately following the unexpected loss of skilled workers could reduce our competitiveness. In addition, we expect continued increases in labor costs in the PRC. In these circumstances, our business, financial condition, results of operations and prospects could be materially and adversely affected.

***We may be impacted by our ability to attract, develop and retain qualified associates and manage labor-related costs.***

We believe our competitive advantage is providing a positive, engaging and satisfying experience for each customer, which requires us to have highly trained and engaged associates. Our success depends in part upon our ability to attract, develop and retain a sufficient number of qualified associates, including skill intensive labor. The turnover rate in the textile industry is generally high, and qualified individuals of the requisite caliber and number needed to fill these positions may be in short supply in our operations. Competition for such qualified individuals or changes in labor laws could require us to incur higher labor costs. Our inability to recruit a sufficient number of qualified individuals in the future may delay planned delivery of finished products or affect the speed with which we expand. Delayed deliveries, significant increases in associate turnover rates or significant increases in labor-related costs could have a material adverse effect on our results of operations, financial condition and cash flows.

***We may be impacted by our vendors' ability to manufacture and deliver raw materials in a timely manner, meet quality standards and comply with applicable laws and regulations.***

We purchase raw materials from third-party vendors. Factors outside our control, such as production or shipping delays or quality problems, could disrupt merchandise deliveries and result in lost sales, cancellation charges or excessive markdowns.

In addition, quality problems could result in a product liability judgment or a widespread product recall that may negatively impact our sales and profitability for a period of time depending on product availability, competition reaction and consumer attitudes. Even if the product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertions could adversely impact our reputation with existing and potential customers and our brand image.

Our business could also suffer if our third-party vendors fail to comply with applicable laws and regulations. While our internal and vendor's operating guidelines promote ethical business practices and our associates visit and monitor the operations of our third-party vendors, we do not control these vendors or their practices. The violation of labor, environmental or other laws by third-party vendors used by us, or the divergence of a third-party vendor's or partner's labor or environmental practices from those generally accepted as ethical or appropriate, could interrupt or otherwise disrupt the shipment of finished products to us or damage our reputation.

***Large and similar sized competitors could steal our market share by offering lower prices.***

We endeavor to provide the highest possible quality service to our clients at the best possible price, however, large and similar sized competitors might steal some of our market share by offering lower prices, causing us to lose some of our clients. If this happens, we might not be able to generate adequate revenues and may soon find ourselves lacking the capital that is required to continue operations.

***If we are unable to attract additional customers and clients to purchase our services (and future products we may develop or sell), it will have a negative effect on our ability to generate the revenue.***

We currently have a limited number of clients and customers. We have identified additional potential clients, but we cannot guarantee that we will be able to secure them as clients. Even if we obtain additional clients and customers, there is no guarantee that we will be able develop products and/or services that our clients and customers will want to purchase. If we are unable to attract enough customers and clients to purchase services (and any products we may develop or sell) it will have a negative effect on our ability to generate the revenue that is necessary to operate or expand our business. The lack of sufficient revenue will have a negative effect on the ability of our company to continue operations and could force us to cease operations.

***We may be adversely affected by the performance of third-party contractors.***

We engage third-party contractors to carry out logistics services. We endeavor to engage third-party companies with a strong reputation and track record, high performance reliability and adequate financial resources. However, any such third-party contractor may still fail to provide satisfactory logistics services at a level of quality or within the timeframe required by us or our customers. While we generally require our logistics contractors to fully reimburse us for any losses arising from delay in delivery or non-delivery, our results of operation and financial condition may be adversely affected if any of the losses are not borne by them. If the performance of any third-party contractor is not satisfactory, we may need to replace such contractor or take other remedial actions, which could adversely affect the cost structure and delivery schedule of our products and thus have a negative impact on our reputation, financial position and business operations. In addition, as we are expanding our business into other geographical locations in the PRC, there may be a shortage of third-party contractors that meet our quality standards and other selection criteria in such locations and, as a result, we may not be able to engage a sufficient number of high-quality third-party contractors in a timely manner, which may adversely affect our delivery schedules and delivery costs and hence our business, results of operations and financial conditions.

***We may be exposed to concentration risk due to heavy reliance on third-party contractors for our logistic business, and any shortage of third-party contractors may significantly impact our business and results of operation.***

The Company relied on a few subcontractors for our logistic business, in which the subcontracting fees to our largest contractor represented approximately 5.2% and 42.0% of total cost of revenues for our logistics service segment for the years ended March 31, 2025 and 2024, respectively. The decrease in subcontracting fee to the largest contractor was mainly due to decrease use of subcontractors. We have not experienced any disputes with our subcontractors, and we believe we maintain good relationships with our contract logistic service provider.

***If we are unable to control the reliance of third-party contractors efficiently and effectively, our business prospects and results of operations may be materially and adversely affected.***

We engaged subcontractors to carry out logistics services. Subcontracting fees for our logistics business for the year ended March 31, 2025 decreased to approximately \$0.2 million from \$1.5 million for the year ended March 31, 2024, representing an decrease of approximately 89.0%. Subcontracting fees accounted for 5.5% and 34.9% of our total logistics business revenue in the years ended March 31, 2025 and 2024, respectively.

If we are unable to control the reliance of subcontractors efficiently and effectively, our business prospects and results of operations may be materially and adversely affected.

***Our insurance may not be sufficient.***

We carry insurance that we consider adequate in regard to the nature of the covered risks and the costs of coverage. We are not fully insured against all possible risks, nor are all such risks insurable.

***Competition for tenants could impact our occupancy rates.***

Our property management and subleasing operations face significant competition for tenants within the garment market. Competitive factors include rental rates, property location, lease terms, and the quality of properties offered. We compete directly with other landlords and property operators offering similar leasing opportunities in our targeted areas. The presence of newer or better-located properties could adversely affect our ability to attract tenants and the rental rates we can achieve.

***Our performance depends on our ability to collect rent from tenants, including anchor tenants, our tenants' financial condition and our tenants maintaining leases for our properties.***

Our property management and subleasing operations rely heavily on our ability to collect rent from tenants, including anchor tenants, to maintain financial stability. The financial condition of our tenants directly impacts their ability to meet lease obligations. Economic downturns or adverse market conditions, such as inflation, labor shortages, supply chain disruptions, and changes in consumer spending habits, may weaken tenants' financial positions. This could lead to delays in lease commencements, non-renewals, or defaults on rental payments. In some cases, tenants may choose to close stores or declare bankruptcy, resulting in the termination of leases and loss of rental income. Enforcing lease terms in case of default may incur delays and costs, potentially affecting our cash flow and financial performance.

A tenant filing for bankruptcy protection could prevent us from collecting pre-bankruptcy debts or recovering losses related to unpaid rent or damages. The rejection of leases in bankruptcy proceedings would leave us with general unsecured claims, likely resulting in partial or no recovery of outstanding balances. Multiple lease terminations or failures of tenants to occupy premises could lead to lease terminations or reduced rents for remaining tenants under certain lease terms. In such scenarios, re-leasing vacant spaces at competitive rates may be challenging, potentially reducing overall rental income and impacting financial results. The occurrence of these situations, particularly involving significant tenants with leases across multiple locations, could materially affect our financial condition, operational results, and cash flow.

***Subleasing to smaller and growth-oriented businesses could adversely affect our cash flow and results of operations.***

A portion of our tenant base consists of smaller, growth-oriented businesses in the garment industry. These tenants may have less financial stability compared to larger corporations, increasing the risk of tenant defaults, turnover, or bankruptcies. Smaller businesses are more susceptible to economic downturns or changes in market conditions, which could lead to challenges in rent payments, lease renewals, or the need for alternative office spaces. Such tenant-related risks could impact our cash flow and financial performance.

***Our business depends on the continued contributions made by Mr. Hong Zhida, as our key executive officer, the loss of whom may result in a severe impediment to our business.***

Our success is dependent upon the continued contributions made by our CEO and President, Mr. Hong Zhida. We rely on his expertise in business operations when we are developing new products and services. The Company has no “Key Man” insurance to cover the resulting losses in the event that any of our officer or directors should die or resign.

If Mr. Hong Zhida cannot serve the Company or is no longer willing to do so, the Company may not be able to find alternatives in a timely manner or at all. This would likely result in severe damage to our business operations and would have an adverse material impact on our financial position and operational results. To continue as a viable operation, the Company may have to recruit and train replacement personnel at a higher cost.

Additionally, if Mr. Hong Zhida joins our competitors or develops similar businesses that are in competition with our Company, our business may also be negatively impacted.

Our future success depends on our ability to attract and retain qualified long-term staff to fill management, technology, sales, marketing, and customer services positions. We have a great need for qualified talent, but we may not be successful in attracting, hiring, developing, and retaining the talent required for our success.

***We may be adversely impacted by certain compliance or legal matters.***

We, along with third parties we do business with, are subject to complex compliance and litigation risks. Actions filed against us from time to time include commercial, tort, intellectual property, customer, employment, wage and hour, data privacy, securities, anti-corruption and other claims, including purported class action lawsuits. The cost of defending against these types of claims against us or the ultimate resolution of such claims, whether by settlement or adverse court decision, may harm our business. Further, potential claimants may be encouraged to bring lawsuits based on a settlement from us or adverse court decisions against us. We cannot currently assess the likely outcome of such suits, but if the outcome were negative, it could have a material adverse effect on our reputation, results of operations, financial condition and cash flows.

In addition, we may be impacted by litigation trends, including class action lawsuits involving consumers and shareholders, that could have a material adverse effect on our reputation, the market price of our common stock, results of operations, financial condition and cash flows.

***Unauthorized disclosure, destruction or modification of data, through cybersecurity breaches, computer viruses or otherwise or disruption of our services could expose us to liability, protracted and costly litigation and damage our reputation.***

Our business involves the collection, storage, processing and transmission of customers’ business data. An increasing number of organizations, including large merchants and businesses, other large technology companies, financial institutions and government institutions, have disclosed breaches of their information technology, or IT, systems, some of which have involved sophisticated and highly targeted cybersecurity attacks, including on portions of their websites or infrastructure. We may also be subjected to breaches of cybersecurity by hackers. Threats may derive from human error, fraud or malice on the part of employees or third parties, or may result from accidental technological failure. Concerns about cybersecurity are increased when we transmit information. Electronic transmissions can also be subjected to cybersecurity attacks, interception or loss. Also, computer viruses and malware can be distributed and spread rapidly over the internet and could infiltrate our systems or those of our associated participants, which can impact the confidentiality, integrity and availability of information, and the integrity and availability of our products, services and systems, among other effects. Denial of service or other cybersecurity attacks could be targeted against us for a variety of purposes, including interfering with our products and services or creating a diversion for other malicious activities. These types of actions and attacks could disrupt our delivery of products and services or make them unavailable, which could damage our reputation, force us to incur significant expenses in remediating the resulting impacts, expose us to uninsured liabilities, subject us to lawsuits, fines or sanctions, distract our management or increase our costs of doing business.



Our encryption of data and other protective measures may not prevent unauthorized access or use of sensitive data. A breach of our system or that of one of our associated participants may subject us to material losses or liability. A misuse of such data or a cybersecurity breach could harm our reputation and deter customers from using our products and services, thus reducing our revenue. In addition, any such misuse or breach could cause us to incur costs to correct the breaches or failures, expose us to uninsured liabilities, increase our risk of regulatory scrutiny, subject us to lawsuits, result in the imposition of material penalties and fines under applying laws or regulations.

We cannot assure that there are written agreements in place with every associated participant or that such written agreements will prevent the unauthorized use, modification, destruction or disclosure of data or enable us or our customers to obtain reimbursement in the event we should suffer incidents resulting in unauthorized use, modification, destruction or disclosure of data. Any unauthorized use, modification, destruction or disclosure of data could result in protracted and costly litigation, which could have a material and adverse effect on our business, financial condition and results of operations.

Cybersecurity attack incidents are increasing in frequency and evolving in nature and include, but are not limited to, installation of malicious software, unauthorized access to data and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information and the corruption of data. Given the unpredictability of the timing, nature and scope of information technology disruptions, there can be no assurance that the procedures and controls we employ will be sufficient to prevent security breaches from occurring and we could be subject to manipulation or improper use of our systems and networks or financial losses from remedial actions, any of which could have a material and adverse effect on our business, financial condition and results of operations.

***Failure to make adequate contributions to various employee benefits plans as required by PRC regulations may subject us to penalties.***

Companies operating in China are required to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of employees up to a maximum amount specified by the local government from time to time at locations where they operate their businesses. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations. As of March 31, 2025, we have made adequate employee benefit payments in strict compliance with the relevant PRC regulations for and on behalf of our employees.

There is no guarantee that we will not fail in making adequate employee benefit payments in strict compliance with applicable PRC labor related laws and regulations in the future. Our failure in making contributions to various employee benefits plans in strict compliance with applicable PRC labor related laws and regulations may subject us to late payment penalties, and we could also be required to make up the contributions for these plans as well as to pay late fees and fines. If we are subject to late fees or fines in relation to the underpaid employee benefits, our financial condition and results of operations may be adversely affected.

***A recent joint statement by the SEC and the Public Company Accounting Oversight Board (United States), or the “PCAOB,” proposed rule changes submitted by Nasdaq, and the newly enacted “Holding Foreign Companies Accountable Act” all call for additional and more stringent criteria to be applied to emerging market companies upon assessing the qualification of their auditors, especially the non-U.S. auditors who are not inspected by the PCAOB. These developments could add uncertainties to investing in us.***

On April 21, 2020, the SEC and the PCAOB released a joint statement highlighting the risks associated with investing in companies based in or having substantial operations in emerging markets including China. The joint statement emphasized the risks associated with lack of access for the PCAOB to inspect auditors and audit work papers in China and higher risks of fraud in emerging markets.

On May 18, 2020, Nasdaq filed three proposals with the SEC to (i) apply a minimum offering size requirement for companies primarily operating in a “Restrictive Market,” (ii) adopt a new requirement relating to the qualification of management or the board of directors for Restrictive Market companies, and (iii) apply additional and more stringent criteria to an applicant or listed company based on the qualifications of the company’s auditor.

On December 18, 2020, the “Holding Foreign Companies Accountable Act” was signed by previous President of the United States and became law. This legislation requires certain issuers of securities to establish that they are not owned or controlled by a foreign government. Specifically, an issuer must make this certification if the PCAOB is unable to audit specified reports because the issuer has retained a foreign public accounting firm not subject to inspection by the PCAOB. Furthermore, if the PCAOB is unable to inspect the issuer’s public accounting firm for three consecutive years, the issuer’s securities are banned from trading on a national exchange or through other methods.

On March 24, 2021, the SEC announced that it had adopted interim final amendments to implement congressionally mandated submission and disclosure requirements of the HFCAA. The interim final amendments will apply to registrants that the SEC identifies as having filed an annual report on Forms 10-K, 20-F, 40-F or N-CSR with an audit report issued by a registered public accounting firm that is located in a foreign jurisdiction and that the PCAOB has determined it is unable to inspect or investigate completely because of a position taken by an authority in that jurisdiction. The SEC will implement a process for identifying such a registrant and any such identified registrant will be required to submit documentation to the SEC establishing that it is not owned or controlled by a governmental entity in that foreign jurisdiction, and will also require disclosure in the registrant’s annual report regarding the audit arrangements of, and governmental influence on, such a registrant.

Furthermore, on June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act (“AHFCAA”), which, if enacted, would amend the HFCAA and require the SEC to prohibit an issuer’s securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three. If the AHFCAA is enacted, and if we are subject to it, it would decrease the number of “non-inspection years” from three years to two years, and thus, would reduce the time before our securities may be prohibited from trading or delisted.

On September 22, 2021, the PCAOB adopted rules to create a framework for the PCAOB to use when determining, as contemplated under the HFCAA, whether it is unable to inspect or investigate completely registered public accounting firms located in a foreign jurisdiction because of a position taken by one or more authorities in that jurisdiction.

On December 2, 2021, the SEC issued amendments to finalize the interim final rules previously adopted in March 2021 to implement the submission and disclosure requirements in the HFCAA. The rules apply to registrants that the SEC identifies as having filed a Form 10-K with an audit report issued by a registered public accounting firm that is located in a foreign jurisdiction and that the PCAOB is unable to inspect or investigate completely because of a position taken by an authority in a foreign jurisdiction.

On December 16, 2021, the PCAOB issued a Determination Report which found that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in: (1) mainland China of the People’s Republic of China, because of a position taken by one or more authorities in mainland China; and (2) Hong Kong, a Special Administrative Region and dependency of the PRC, because of a position taken by one or more authorities in Hong Kong. The PCAOB has made such designations as mandated under the HFCAA. Pursuant to each annual determination by the PCAOB, the SEC will, on an annual basis, identify issuers that have used non-inspected audit firms and thus are at risk of such suspensions in the future.

The PCAOB is currently unable to conduct inspections in China without the approval of Chinese government authorities. If it is later determined that the PCAOB is unable to inspect or investigate our auditor completely, investors may be deprived of the benefits of such inspection. Any audit reports not issued by auditors that are completely inspected by the PCAOB, or a lack of PCAOB inspections of audit work undertaken in China that prevents the PCAOB from regularly evaluating our auditors' audits and their quality control procedures, could result in a lack of assurance that our financial statements and disclosures are adequate and accurate.

Our auditor, Pan-China Singapore PAC, the independent registered public accounting firm that issued the audit report included in this Form 10-K, is subject to PCAOB inspections. Pan-China Singapore PAC is headquartered in Singapore and there are no limitations in Singapore on PCAOB inspections. Therefore, we believe that, as of the date of this Annual Report, our auditor is not subject to the determinations announced by the PCAOB on December 16, 2021 relating to the PCAOB's inability to inspect or investigate completely registered public accounting firms headquartered in the PRC or Hong Kong because of a position taken by one or more authorities in the PRC or Hong Kong. However, to the extent that our auditor's work papers may, in the future, become located in China, such work papers will not be subject to inspection by the PCAOB because the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities. Inspections of certain other firms that the PCAOB has conducted outside of China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The inability of the PCAOB to conduct inspections of our auditors' work papers in China would make it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections. As a result, our investors may be deprived of the benefits of the PCAOB's oversight of our auditor through such inspections and they may lose confidence in our reported financial information and procedures and the quality of our financial statements. We cannot assure you whether Nasdaq or other regulatory authorities will apply additional or more stringent criteria to us. Such uncertainty could cause the market price of our Common Stock to be materially and adversely affected.

***There are uncertainties under the PRC Securities Law relating to the procedures and requisite timing for the U.S. securities regulatory agencies to conduct investigations and collect evidence within the territory of the PRC.***

On December 28, 2019, the newly amended Securities Law of the PRC (the "PRC Securities Law") was promulgated, which became effective on March 1, 2020. According to Article 177 of the PRC Securities Law ("Article 177"), the securities regulatory authority of the State Council may establish a regulatory cooperation mechanism with securities regulatory authorities of another country or region for the implementation of cross-border supervision and administration. Article 177 further provides that overseas securities regulatory authorities shall not engage in activities pertaining to investigations or evidence collection directly conducted within the territories of the PRC, and that no Chinese entities or individuals shall provide documents and information in connection with securities business activities to any organizations and/or persons aboard without the prior consent of the securities regulatory authority of the State Council and the competent departments of the State Council. As of the date of this Form 10-K, we are not aware of any implementing rules or regulations which have been published regarding application of Article 177.

As advised by our PRC counsel, Article 177 is only applicable where the activities of overseas authorities constitute a direct investigation or evidence collection by such authorities within the territory of the PRC. Our principal business operation is conducted in the PRC. In the event that the U.S. securities regulatory agencies carry out an investigation on us such as an enforcement action by the Department of Justice, the SEC or other authorities, such agencies' activities will constitute conducting an investigation or collecting evidence directly within the territory of the PRC and accordingly fall within the scope of Article 177. In that case, the U.S. securities regulatory agencies may have to consider establishing cross-border cooperation with the securities regulatory authority of the PRC by way of judicial assistance, diplomatic channels or establishing a regulatory cooperation mechanism with the securities regulatory authority of the PRC. However, there is no assurance that the U.S. securities regulatory agencies will succeed in establishing such cross-border cooperation in this particular case and/or establish such cooperation in a timely manner.

Furthermore, as Article 177 is a recently promulgated provision and, as the date of this Form 10-K, there have not been implementing rules or regulations regarding the application of Article 177, so it remains unclear as to how it will be interpreted, implemented or applied by the Chinese Securities Regulatory Commission or other relevant government authorities. As such, there are uncertainties as to the procedures and requisite timing for the U.S. securities regulatory agencies to conduct investigations and collect evidence within the territory of the PRC. If the U.S. securities regulatory agencies are unable to conduct such investigations, there exists a risk that they may determine to suspend or de-register our registration with the SEC and may also delist our securities from Nasdaq or other applicable trading market within the US.

***We are exposed to liabilities relating to environmental protection and safety laws and regulations.***

Our operations are subject to comprehensive and frequently changing laws and regulations relating to environmental protection and health and safety. The discharge of waste and pollutants from our manufacturing operations into the environment may give rise to liabilities that may require us to incur costs to remedy such discharge. If we violate such laws or regulations, we may be required to implement corrective actions and could be subject to civil or criminal fines or penalties or other sanctions.

However, we cannot assure you that any environmental laws adopted in the future will not materially increase our operating costs and other expenses. We cannot assure you that we will not have to make significant capital or operating expenditures in the future in order to comply with existing or new laws and regulations or that we will comply with applicable environmental laws at all times. Such violations or liability could have a material adverse effect on our business, financial condition and results of operations.

***If our employees do not maintain a strong work ethic and comply with our code of ethics, including our confidentiality requirements, their actions may negatively influence our business and reputation.***

Employees with good professional ethics are important for any company's development. An employee might, either intentionally or unintentionally, disclose confidential information about our Company or our clients and particularly unscrupulous employees might endeavor to sell material information to industry competitors. Furthermore, our employees will develop relationships with our business partners and clients, and may acquire information that could be used to harm their business interests. If this should happen, our partners and clients might lose faith in our company. While we can never eliminate these ethical risks entirely, we will attempt to reduce the likelihood of breaches of trust and mitigate their impacts of it by hiring highly professional employees and establishing strong internal information management systems.

We also plan to establish a series of policies to reduce the likelihood of such events.

However, in the event that any employee discloses confidential information about our Company or our clients or sells material information to industry competitors, it could have a material adverse effect on our reputation, operations and cash flow.

***We face risks associated with future Chinese regulations.***

Currently there are no government regulations in China regarding our type of services. The Chinese government encourages small-medium sized traditional industry companies to conduct business model transformation and technology updates, which may help companies gain more competitive advantages in international markets.

Other than the required adherence to general business laws and regulatory disclosures, our services are not affected by any specific additional Chinese government regulations. However, this does not preclude the possibility that China may institute regulations that will make it difficult or impossible for us to operate successfully, if at all, in the future. If that occurs, we may have to focus our business on companies located outside China. This could cause our results of operations to be materially adversely affected, reduce our revenues and cause the value of our securities to decline in value.

***We may require additional financing in the future and our operations could be curtailed if we are unable to obtain required additional financing when needed.***

We may need to obtain additional debt or equity financing to fund future capital expenditures. While we do not anticipate seeking additional financing in the immediate future, any additional equity may result in dilution to the holders of our outstanding shares of capital stock. Additional debt financing may include conditions that would restrict our freedom to operate our business, such as conditions that:

- limit our ability to pay dividends or require us to seek consent for the payment of dividends;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a portion of our cash flow from operations to payments on our debt, thereby reducing the availability of our cash flow to fund capital expenditures, working capital and other general corporate purposes; and
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

We cannot guarantee that we will be able to obtain any additional financing on terms that are acceptable to us, or at all.

***Natural disasters and other events beyond our control could materially adversely affect us.***

Natural disasters or other catastrophic events may cause damage or disruption to our operations, international commerce and the global economy, and thus could have a strong negative effect on us. Our business operations are subject to interruption by natural disasters, fire, power shortages, pandemics and other events beyond our control. This may result in delivery delays, malfunctioning of facilities or shutdown of logistic points. Such events could make it difficult or impossible for us to deliver our products and services to our customers and could decrease demand for our services. In the past, there was no significant disruption of operation at our production facilities and logistic points. However, we cannot assure you that the production facilities and logistic points will always operate normally in the future.

***We are an “emerging growth company” and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.***

We are an “emerging growth company,” as defined in the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies” including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

## **General Risks Associated with Business Operations in China**

***The PRC government may intervene or influence our business operations at any time or may exert more control over offerings conducted overseas and foreign investment in China based issuers, which could result in a material change in our business operations and/or the value of our securities. Additionally, the governmental and regulatory interference could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless.***

Recent statements by the Chinese government have indicated an intent to exert more oversight and control over offerings that are conducted overseas and/or foreign investments in China-based issuers. For example, the PRC has proposed new rules that would require companies collecting or holding large amounts of data to undergo a cybersecurity review prior to listing in foreign countries, a move that would significantly tighten oversight over China based internet giants. The Cybersecurity Review Measures that took effect from February 15, 2022 stipulate that an internet platform operator who possesses more than 1 million users' personal information must report to the Office of Cybersecurity Review for a cybersecurity review when seeking listings in other nations.

On April 2, 2022, the CSRC released the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments), which provide that a domestic company that seeks to offer and list its securities in a overseas market shall strictly abide by applicable PRC laws and regulations, enhance legal awareness of keeping state secrets and strengthening archives administration, institute a sound confidentiality and archives administration system, and take necessary measures to fulfill confidentiality and archives administration obligations. In the event that the above proposed provisions and rules are enacted, the relevant filing procedures of the CSRC and other governmental authorities may be required in connection with this offering. On July 7, 2022, CAC promulgated the Measures for the Security Assessment of Data Cross-border Transfer, effective on September 1, 2022, which requires the data processors to apply for data cross-border security assessment coordinated by the CAC under the following circumstances: (i) any data processor transfers important data to overseas; (ii) any critical information infrastructure operator or data processor who processes personal information of over 1 million people provides personal information to overseas; (iii) any data processor who provides personal information to overseas and has already provided personal information of more than 100,000 people or sensitive personal information of more than 10,000 people to overseas since January 1st of the previous year; and (iv) other circumstances under which the data cross-border transfer security assessment is required as prescribed by the CAC.

Since the majority of our operations are located in the PRC, our business may be subject to PRC laws relating to the collection, use, sharing, retention, security, and transfer of confidential and private information, such as personal information and other data. As of the date of this Form 10K, these new laws and guidelines have not impacted the Company's ability to conduct its business, accept foreign investments, or list and trade on a U.S. or other foreign exchange. The business of our subsidiaries until this Form 10K are not subject to cybersecurity review with the Cyberspace Administration of China, or CAC, given that: (i) our products and services are offered not directly to individual users but through our institutional customers; (ii) we do not possess a large amount of personal information in our business operations; and (iii) data processed in our business does not have a bearing on national security and thus may not be classified as core or important data by the authorities. Further, we believe our newly established companies and our business plan will not change the above conclusion. However, there remains uncertainty as to how the Cybersecurity Review Measures will be interpreted or implemented and whether the PRC regulatory agencies, including the CAC, may adopt new laws, regulations, rules, or detailed implementation and interpretation related to the Cybersecurity Review Measures. If any such new laws, regulations, rules, or implementation and interpretation comes into effect, we will take all reasonable measures and actions to comply and to minimize the adverse effect of such laws on us. Any non-compliance could result in penalties or other significant legal liabilities.

We cannot assure you that PRC regulatory agencies, including the CAC, would take the same view as we do, and there is no assurance that we can fully or timely comply with such laws. In the event that we are subject to any mandatory cybersecurity review and other specific actions required by the CAC, we face uncertainty as to whether any clearance or other required actions can be timely completed, or at all. Given such uncertainty, we may be further required to suspend our relevant business, shut down our website, or face other penalties, which could materially and adversely affect our business, financial condition, and results of operations. Any future action by the PRC government and companies whose foreign securities offerings are subject to review by the CSRC or the CAC could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and could cause the value of such securities to significantly decline or be worthless.

***Our independent registered public accounting firm's audit documentation related to their audit reports included in this Form 10-K include audit documentation located in the PRC. Our Common Stocks may be delisted or prohibited from being traded over-the-counter under the HFCAA if the PCAOB is unable to inspect our audit documentation located in mainland China and, as such, you may be deprived of the benefits of such inspection which could result in limitations or restrictions to our access to the U.S. capital markets. The delisting or the cessation of trading of our Common Stocks, or the threat of their being delisted or prohibited from being traded, may materially and adversely affect the value of your investment.***

Our independent registered public accounting firm issued an audit opinion on the financial statements included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2025. As an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, our auditor is required by the laws of the United States to undergo regular inspections by the PCAOB.

Our auditor is headquartered in Singapore and there are no limitations in Singapore on PCAOB inspections. However, recent developments with respect to audits of PRC and Hong Kong based companies, such as us, create uncertainty about the ability of our auditor to fully cooperate with the PCAOB's request for audit workpapers without the approval of the Chinese authorities. As a result, our investors may be deprived of the benefits of PCAOB's oversight of our auditors through such inspections.

Inspections of certain other firms that the PCAOB has conducted outside of China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The PCAOB is currently able to conduct inspections of audit firms located in mainland China and Hong Kong and conduct inspections of U.S. audit firms where audit work papers are located in mainland China. The audit workpapers for our PRC operations are located in the PRC.

In addition, as part of a continued regulatory focus in the United States on access to audit and other information currently protected by national law, in particular China's, in June 2019, a bipartisan group of lawmakers introduced bills in both houses of Congress that would require the SEC to maintain a list of issuers for which the PCAOB is not able to inspect or investigate an auditor report issued by a foreign public accounting firm. The Ensuring Quality Information and Transparency for Abroad-Based Listings on our Exchanges (EQUITABLE) Act prescribes increased disclosure requirements for such issuers and, beginning in 2025, the delisting from national securities exchanges such as Nasdaq of issuers included for three consecutive years on the SEC's list. On May 20, 2020, the U.S. Senate passed S. 945, the HFCAA. The HFCAA was approved by the U.S. House of Representatives on December 2, 2020. On December 18, 2020, the former U.S. president signed into law the HFCAA. In essence, the HFCAA requires the SEC to prohibit foreign companies from listing securities on U.S. securities exchanges if a company retains a foreign accounting firm that cannot be inspected by the PCAOB for three consecutive years, beginning in 2021. The enactment of the HFCAA and any additional rulemaking efforts to increase U.S. regulatory access to audit information could cause investor uncertainty for affected issuers, including us, and the market price of our securities could be adversely affected, and we could be delisted if it is unable to cure the situation to meet the PCAOB inspection requirement in time. On March 24, 2021, the SEC adopted interim final rules relating to the implementation of certain disclosure and documentation requirements of the HFCAA. We will be required to comply with these rules if the SEC identifies it as having a "non-inspection" year under a process to be subsequently established by the SEC. The SEC is assessing how to implement other requirements of the HFCAA, including the listing and trading prohibition requirements described above.

Furthermore, on June 22, 2021, the U.S. Senate passed the AHFCAA and on December 29, 2022, the Consolidated Appropriations Act was signed into law by President Biden, which contained, among other things, an identical provision to AHFCAA and amended the HFCAA by requiring the SEC to prohibit an issuer's securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three, thus reducing the time before your securities may be prohibited from trading or delisted. On September 22, 2021, the PCAOB adopted a final rule implementing the HFCAA, which provides a framework for the PCAOB to use when determining, as contemplated under the HFCAA, whether the Board is unable to inspect or investigate completely registered public accounting firms located in a foreign jurisdiction because of a position taken by one or more authorities in that jurisdiction. On December 2, 2021, the SEC issued amendments to finalize rules implementing the submission and disclosure requirements in the HFCAA. The rules apply to registrants that the SEC identifies as having filed an annual report with an audit report issued by a registered public accounting firm that is located in a foreign jurisdiction and that the PCAOB is unable to inspect or investigate completely because of a position taken by an authority in foreign jurisdictions.

On December 2, 2021, the SEC adopted amendments to finalize rules implementing the submission and disclosure requirements in the HFCAA. The rules apply to registrants that the SEC identifies as having filed an annual report with an audit report issued by a registered public accounting firm that is located in a foreign jurisdiction and that the PCAOB is unable to inspect or investigate completely because of a position taken by an authority in a foreign jurisdiction.

On December 16, 2021, the PCAOB issued a report on its determinations that it is unable to inspect or investigate completely PCAOB-registered public accounting firms headquartered in mainland China and in Hong Kong because of positions taken by mainland China and Hong Kong authorities in those jurisdictions, and identifies the registered public accounting firms in mainland China and Hong Kong that are subject to such determinations. The PCAOB has made such designations as mandated under the HFCAA. Pursuant to each annual determination by the PCAOB, the SEC will, on an annual basis, identify issuers that have used non-inspected audit firms and thus are at risk of such suspensions in the future. The auditor of the Company, Pan-China Singapore PAC, is not among the auditor firms listed on the determination list issued by the PCAOB, which notes all of the auditor firms that the PCAOB is not able to inspect.

On August 26, 2022, the CSRC, the Ministry of Finance of the PRC, and the PCAOB signed a Statement of Protocol, or the Protocol, governing inspections and investigations of audit firms based in China and Hong Kong. The Protocol remains unpublished and is subject to further explanation and implementation. Pursuant to the fact sheet with respect to the Protocol disclosed by the SEC, the PCAOB shall have independent discretion to select any issuer audits for inspection or investigation and has the unfettered ability to transfer information to the SEC. On December 15, 2022, the PCAOB announced that it has completed a test inspection of two selected auditing firms in mainland China and Hong Kong and has voted to vacate its previous Determination Report, which concluded in December 2021 that the PCAOB could not inspect or investigate completely registered public accounting firms based in mainland China or Hong Kong. On December 23, 2022, the AHFCAA was enacted, which amended the HFCAA by requiring the SEC to prohibit an issuer's securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three and such act was signed into law on December 29, 2022.

On December 29, 2022, the Consolidated Appropriations Act was signed into law by President Biden, which contained, among other things, an identical provision to AHFCAA and amended the HFCAA by requiring the SEC to prohibit an issuer's securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three.



The PCAOB continues to demand complete access in mainland China and Hong Kong moving forward and has resumed regular inspections since March 2023. Should the PCAOB be unable to fully conduct inspections of our auditors' work papers in the PRC, it will make it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures and you may be deprived of the benefits of such inspection, which could result in limitation or restriction to our access to the U.S. capital markets, and our securities may be delisted or prohibited from trading if the PCAOB determines that it cannot inspect or investigate completely our auditor under the HFCAA. Investors may consequently lose confidence in our reported financial information and procedures and the quality of our financial statements, which would adversely affect us.

***To the extent cash in the business is in the PRC or a PRC entity, the funds may not be available to fund operations or for other use outside of the PRC due to interventions in or the imposition of restrictions and limitations on the ability of our Company or our subsidiaries by the PRC government to transfer cash.***

Relevant PRC laws and regulations permit the companies in the PRC to pay dividends only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Additionally, each of the companies in the PRC are required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. The companies in the PRC are also required to further set aside a portion of their after-tax profits to fund the employee welfare fund, although the amount to be set aside, if any, is determined at their discretion. These reserves are not distributable as cash dividends. In order for us to pay dividends to our stockholders, we will rely on the distribution of dividends, through the WFOE, to Yingxi HK from our PRC Subsidiaries.

Our cash dividends, if any, will be paid in U.S. dollars. If we are considered a tax resident enterprise of the PRC for tax purposes, any dividends we pay to our overseas shareholders may be regarded as China-sourced income and as a result may be subject to PRC withholding tax. See "*Risk Factors – General Risks Associated with Business Operation in China - We may be treated as a resident enterprise for PRC tax purposes under the PRC Enterprise Income Tax Law, and we may therefore be subject to PRC income tax on our global income*" in our Annual Report on Form 10-K for the fiscal year ended March 31, 2022.

The PRC government also imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC. The majority of our income is received in RMB and shortages in foreign currencies may restrict our ability to pay dividends or other payments, or otherwise satisfy our foreign currency denominated obligations, if any. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE as long as certain procedural requirements are met. Approval from appropriate government authorities is required if RMB is converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may, at its discretion, impose restrictions on access to foreign currencies for current account transactions and if this occurs in the future, we may not be able to pay dividends in foreign currencies to our shareholders.

As a result of the above, to the extent cash in the business is in the PRC or a PRC entity, such funds or assets may not be available to fund operations or for other use outside of the PRC, due to interventions in or the imposition of restrictions and limitations on the ability of us, or our subsidiaries by the PRC government to transfer cash.

***You may have difficulty enforcing judgments against us.***

We are a Nevada corporation and most of our assets are and will be located outside of the United States. Almost all of our operations will be conducted in China. In addition, our officers and directors are nationals and residents of a country other than the United States. All of their assets are located outside the United States. As a result, it may be difficult for you to effect service of process within the United States upon them. It may also be difficult for you to enforce in U.S. courts judgments on the civil liability provisions of the U.S. federal securities laws against us and our officer and director, since he is not a resident in the United States. In addition, there is uncertainty as to whether the courts of China would recognize or enforce judgments of U.S. courts.

***Foreign exchange fluctuations may affect our business.***

We accept the payment for services in Chinese Yuan (CNY or RMB), Hong Kong Dollars (HKD), and U.S. Dollars (USD). Therefore, foreign exchange fluctuations may influence our business in unpredictable ways.

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the PRC government. For instance, in August 2015, the People's Bank of China, or PBOC, changed the way it calculates the mid-point price of Renminbi against the U.S. dollar, requiring the market-makers who submit for reference rates to consider the previous day's closing spot rate, foreign-exchange demand and supply as well as changes in major currency rates. In 2016 and 2017, the value of the Renminbi depreciated approximately 7.2% and appreciated 6.3% against the U.S. dollar, respectively. From April 2024 through the end of March 2025, the value of the Renminbi depreciated by approximately 1.2% against the U.S. dollar. It is difficult to predict how market forces or PRC or U.S. government policy, including any interest rate increases by the Federal Reserve, may impact the exchange rate between the Renminbi and the U.S. dollar in the future. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, including from the U.S. government, which has threatened to label China as a "currency manipulator," which could result in greater fluctuation of the Renminbi against the U.S. dollar.

A substantial percentage of our revenues and costs are denominated in Renminbi, and a significant portion of our assets are also denominated in Renminbi. We are a holding company and we rely on dividends, loans and other distributions on equity paid by our operating subsidiaries in China. Any significant fluctuations in the value of the Renminbi may materially and adversely affect our liquidity and cash flows. Appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount we would receive. Conversely, to the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive.

***Inflation could pose a risk to our business.***

Inflation is an important factor that must be considered as we move forward. A change in the rate of inflation could influence the profits that we generate from our business. When the rate of inflation rises, the operational costs of running our company would increase, such as labor costs, raw materials and public utilities, affecting our ability to provide our services at competitive prices. An increase in the rate of inflation would force our clients to search for other service providers, causing us to lose business and revenue.

***Changes in the policies, regulations, rules and the enforcement of laws of the PRC government may be quick with little advance notice and could have a significant impact upon the business we may be able to conduct in the PRC and the profitability of such business.***

The PRC's economy is in a transition from a planned economy to a market oriented economy subject to five-year and annual plans adopted by the central government that set national economic development goals. Policies of the PRC government can have significant effects on the economic conditions of the PRC. The PRC government has confirmed that economic development will follow the model of a market economy. Under this direction, we believe that the PRC will continue to strengthen its economic and trading relationships with foreign countries and business development in the PRC will follow market forces. While we believe that this trend will continue, we cannot assure you that this will be the case. Changes in policies, regulations, rules and the enforcement of laws by the PRC government, which changes may be quick with little advance notice, could adversely affect our interests by, among other factors: changes in laws, regulations or the interpretation thereof, confiscatory taxation, restrictions on currency conversion, imports or sources of supplies, or the expropriation or nationalization of private enterprises. Although the PRC government has been pursuing economic reform policies for more than two decades, we cannot assure you that the government will continue to pursue such policies or that such policies may not be significantly altered, especially in the event of a change in leadership, social or political disruption, or other circumstances affecting the PRC's political, economic and social environment.

***There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.***

Most of our operations are conducted in the PRC, and are governed by PRC laws, rules and regulations. Our PRC Subsidiaries are subject to laws, rules and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws, rules and regulations governing economic matters in general. The overall effect of legislation over the past four decades has significantly enhanced the protections afforded to various forms of foreign investment in China. However, China has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to significant degree of interpretation by PRC regulatory agencies and courts. In particular, because these laws, rules and regulations are relatively new, and because of the limited number of published decisions and the non-precedential nature of these decisions, and because the laws, rules and regulations often give the relevant regulator significant discretion in how to enforce them, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. Therefore, it is possible that our existing operations may be found not to be in full compliance with relevant laws and regulations in the future. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation.

Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business, financial condition and results of operations.

***PRC regulations regarding acquisitions impose significant regulatory approval and review requirements, which could make it more difficult for us to pursue growth through acquisitions.***

Under the PRC Anti-Monopoly Law, companies undertaking acquisitions relating to businesses in China must notify the anti-monopoly enforcement agency, in advance of any transaction where the parties' revenues in the China market exceed certain thresholds and the buyer would obtain control of, or decisive influence over, the other party. In addition, on August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State-Owned Assets Supervision and Administration Commission, the State Administration of Taxation, the SAIC, the China Securities Regulatory Commission, or the CSRC, and the State Administration of Foreign Exchange, or SAFE, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, which came into effect on September 8, 2006 and was amended on June 22, 2009. Under the M&A Rules, the approval of MOFCOM must be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire domestic companies affiliated with such PRC enterprises or residents. Applicable PRC laws, rules and regulations also require certain merger and acquisition transactions to be subject to security review.

***Our business may be subject to a variety of PRC laws and other obligations regarding cybersecurity and data protection.***

Our business may be subject to PRC laws relating to the collection, use, sharing, retention, security, and transfer of confidential and private information, such as personal information and other data. These laws continue to develop, and the PRC government may adopt other rules and restrictions in the future. Non-compliance could result in penalties or other significant legal liabilities.

Pursuant to the PRC Cybersecurity Law, which was promulgated by the Standing Committee of the National People's Congress on November 7, 2016 and took effect on June 1, 2017, personal information and important data collected and generated by a critical information infrastructure operator in the course of its operations in China must be stored in China, and if a critical information infrastructure operator purchases internet products and services that affects or may affect national security, it should be subject to cybersecurity review by the Cyberspace Administration of China ("CAC"). Due to the lack of further interpretations, the exact scope of "critical information infrastructure operator" remains unclear.

On April 13, 2020, twelve Chinese government agencies jointly promulgated the Measures for Cybersecurity Review, which became effective on June 1, 2020, set forth the cybersecurity review mechanism for critical information infrastructure operators, and provided that critical information infrastructure operators who intend to purchase internet products and services that affect or may affect national security shall be subject to a cybersecurity review. On June 10, 2021, the Standing Committee of the National People's Congress promulgated the PRC Data Security Law, which will take effect in September 2021. The Data Security Law provides for a security review procedure for the data activities that may affect national security. Moreover, the State Internet Information Office issued the Measures of Cybersecurity Review (Revised Draft for Comments, not yet effective) on July 10, 2021, which requires operators with personal information of more than 1 million users who want to list abroad to file a cybersecurity review with the CAC. Furthermore, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions on Severe and Lawful Crackdown on Illegal Securities Activities, which was available to the public on July 6, 2021. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies. These opinions proposed to take effective measures, such as promoting the construction of relevant regulatory systems, to deal with the risks and incidents facing China-based overseas-listed companies and the demand for cybersecurity and data privacy protection. As these laws, opinions and the draft measures were recently issued, official guidance and interpretation of these remain unclear in several respects at this time, and the PRC government authorities may have wide discretion in the interpretation and enforcement of these laws, opinions and the draft measures. Therefore, it is uncertain whether the future regulatory changes would impose additional restrictions on our business.

The Data Security Law also sets forth the data security protection obligations for entities and individuals handling personal data, including that no entity or individual may acquire such data by stealing or other illegal means, and the collection and use of such data should not exceed the necessary limits. The costs of compliance with, and other burdens imposed by, PRC Cybersecurity Law and any other cybersecurity and related laws may limit the use and adoption of our products and services and could have an adverse impact on our business. Further, if the enacted version of the Measures for Cybersecurity Review mandates clearance of cybersecurity review and other specific actions to be completed by companies like us, we face uncertainties as to whether such clearance can be timely obtained, or at all.

We are not be subject to the cybersecurity review by the CAC for overseas public offerings of our securities to foreign investors, given that: (i) our products and services are offered not directly to individual users but through our institutional customers; (ii) we do not possess a large amount of personal information in our business operations; and (iii) data processed in our business does not have a bearing on national security and thus may not be classified as core or important data by the authorities. Further, we believe our newly established companies and our business plan will not change the above conclusion. However, there remains uncertainty as to how the Draft Measures will be interpreted or implemented and whether the PRC regulatory agencies, including the CAC, may adopt new laws, regulations, rules, or detailed implementation and interpretation related to the Draft Measures. If any such new laws, regulations, rules, or implementation and interpretation comes into effect, we will take all reasonable measures and actions to comply and to minimize the adverse effect of such laws on us.

We cannot assure you that PRC regulatory agencies, including the CAC, would take the same view as we do, and there is no assurance that we can fully or timely comply with such laws. In the event that we are subject to any mandatory cybersecurity review and other specific actions required by the CAC, we face uncertainty as to whether any clearance or other required actions can be timely completed, or at all. Given such uncertainty, we may be further required to suspend our relevant business, shut down our website, or face other penalties, which could materially and adversely affect our business, financial condition, and results of operations.

***PRC regulations relating to investments in offshore companies by PRC residents may subject our PRC-resident beneficial owners or our PRC Subsidiaries to liability or penalties, limit our ability to inject capital into our PRC Subsidiaries or limit our PRC Subsidiaries' ability to increase their registered capital or distribute profits.***

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, on July 4, 2014, which replaced the former circular commonly known as "SAFE Circular 75" promulgated by SAFE on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC Subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC Subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

We have notified substantial beneficial owners of shares of Common Stock who we know are PRC residents of their filing obligation, and pursuant to SAFE Circular 37, we have periodically filed and updated the above-mentioned foreign exchange registration on behalf of certain employee shareholders who we know are PRC residents. However, we may not be aware of the identities of all of our beneficial owners who are PRC residents. We do not have control over our beneficial owners and cannot assure you that all of our PRC-resident beneficial owners will comply with SAFE Circular 37 and subsequent implementation rules. The failure of our beneficial owners who are PRC residents to register or amend their SAFE registrations in a timely manner pursuant to SAFE Circular 37 and subsequent implementation rules, or the failure of future beneficial owners of our company who are PRC residents to comply with the registration procedures set forth in SAFE Circular 37 and subsequent implementation rules, may subject the beneficial owners or our PRC Subsidiaries to fines and legal sanctions. On February 13, 2015, SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13, which became effective on June 1, 2015. Pursuant to SAFE Notice 13, entities and individuals are required to apply for foreign exchange registration of foreign direct investment and overseas direct investment, including those required under the SAFE Circular 37, with designated domestic banks, instead of SAFE. The designated domestic banks will directly review the applications and conduct the registration.

Furthermore, since it is unclear how those new SAFE regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant PRC government authorities, we cannot predict how these regulations will affect our business operations or future strategy. Failure to register or comply with relevant requirements may also limit our ability to contribute additional capital to our PRC Subsidiaries and limit our PRC Subsidiaries' ability to distribute dividends to our company. These risks may have a material adverse effect on our business, financial condition and results of operations.

*We may be treated as a resident enterprise for PRC tax purposes under the PRC Enterprise Income Tax Law, and we may therefore be subject to PRC income tax on our global income.*

Under the PRC Enterprise Income Tax Law and its implementing rules, both of which came into effect on January 1, 2008, enterprises established under the laws of jurisdictions outside of China with “de facto management bodies” located in China may be considered PRC tax resident enterprises for tax purposes and may be subject to the PRC enterprise income tax at the rate of 25% on their global income. “De facto management body” refers to a managing body that exercises substantive and overall management and control over the production and business, personnel, accounting books and assets of an enterprise. The State Administration of Taxation issued the Notice Regarding the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the basis of de facto management bodies, or Circular 82, on April 22, 2009. Circular 82 provides certain specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore-incorporated enterprise is located in China. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises, not those controlled by foreign enterprises or individuals, the determining criteria set forth in Circular 82 may reflect the State Administration of Taxation’s general position on how the “de facto management body” test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises. If we were to be considered a PRC resident enterprise, we would be subject to PRC enterprise income tax at the rate of 25% on our global income. In such case, our profitability and cash flow may be materially reduced as a result of our global income being taxed under the Enterprise Income Tax Law. We believe that none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.”

*Restrictions on currency exchange may limit our ability to utilize our PRC revenue effectively.*

We (Addentax Group Corp.) are a Nevada holding company with no material operations of our own. We conduct substantially all of our operations through the operating companies established in the PRC, primarily YX, our wholly owned subsidiary and its subsidiaries. We are a holding company and do not directly own any substantive business operations in China. Substantially all of our revenue is denominated in Renminbi. The Renminbi is currently convertible under the “current account,” which includes dividends, trade and service-related foreign exchange transactions, but requires approval from or registration with appropriate government authorities or designated banks under the “capital account,” which includes foreign direct investment and loans, including loans we may secure from our onshore subsidiaries. Currently, one of our PRC Subsidiaries, which is a wholly-foreign owned enterprise, may purchase foreign currency for settlement of “current account transactions,” including payment of dividends to us, without the approval of SAFE by complying with certain procedural requirements. However, the relevant PRC governmental authorities or the local bank may limit or eliminate our ability to purchase foreign currencies in the future for current account transactions.

Since 2016, PRC governmental authorities have imposed more stringent restrictions on outbound capital flows, including heightened scrutiny over “irrational” overseas investments for certain industries, as well as over four kinds of “abnormal” offshore investments, which are:

- investments through enterprises established for only a few months without substantive operation;
- investments with amounts far exceeding the registered capital of onshore parent and not supported by its business performance shown on financial statements;
- investments in targets which are unrelated to onshore parent’s main business; and
- investments with abnormal sources of Renminbi funding suspected to be involved in illegal transfer of assets or illegal operation of underground banking.

On January 26, 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification, which tightened the authenticity and compliance verification of cross-border transactions and cross-border capital flow, including requiring banks to verify board resolutions, tax filing forms and audited financial statements before wiring foreign invested enterprises' foreign exchange dividend distribution of over US\$50,000. In addition, the Outbound Investment Sensitive Industry Catalogue (2018) lists certain sensitive industries that are subject to NDRC pre-approval requirements prior to remitting investment funds offshore, which subjects us to increased approval requirements and restrictions with respect to our overseas investment activity. Since a significant amount of our PRC revenue is denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to utilize revenue generated in Renminbi to fund our business activities outside of the PRC, make investments, service any debt we may incur outside of China or pay dividends in foreign currencies to our shareholders.

***The disclosures in our reports and other filings with the SEC and our other public pronouncements are not subject to the scrutiny of any regulatory bodies in the PRC.***

We are regulated by the SEC and our reports and other filings with the SEC are subject to SEC review in accordance with the rules and regulations promulgated by the SEC under the Securities Act and the Exchange Act. Our SEC reports and other disclosure and public pronouncements are not subject to the review or scrutiny of any PRC regulatory authority. For example, the disclosure in our SEC reports and other filings are not subject to the review by China Securities Regulatory Commission, a PRC regulator that is responsible for oversight of the capital markets in China. Accordingly, you should review our SEC reports, filings and our other public pronouncements with the understanding that no local regulator has done any review of us, our SEC reports, other filings or any of our other public pronouncements.

***Introduction of new laws or changes to existing laws by the PRC government may adversely affect our business.***

The PRC legal system is a codified legal system made up of written laws, regulations, circulars, administrative directives and internal guidelines. Unlike common law jurisdictions like the U.S., decided cases (which may be taken as reference) do not form part of the legal structure of the PRC and thus have no binding effect on subsequent cases with similar issues and fact patterns. Furthermore, in line with its transformation from a centrally-planned economy to a more free market-oriented economy, the PRC government is still in the process of developing a comprehensive set of laws and regulations. As the legal system in the PRC is still evolving, laws and regulations or the interpretation of the same may be subject to further changes. For example, the PRC government may impose restrictions on the amount of service fees that may be payable by municipal governments to wastewater and sludge treatment service providers. Also, the PRC central and municipal governments may impose more stringent environmental regulations which would affect our ability to comply with, or our costs to comply with, such regulations. Such changes, if implemented, may adversely affect our business operations and may reduce our profitability.

#### **Risks Relating to Our Holding Company Structure**

***Substantial uncertainties exist with respect to the interpretation and implementation of the newly enacted Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.***

On March 15, 2019, the PRC National People's Congress approved the Foreign Investment Law, which came into effect on January 1, 2020 and replaces the trio of existing laws regulating foreign investment in the PRC, namely, the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-Invested Enterprise Law, together with their implementation rules and ancillary regulations and become the legal foundation for foreign investment in the PRC. Meanwhile, the *Implementation Regulation of the Foreign Investment Law and the Measures for Reporting of Information on Foreign Investment* came into effect as of January 1, 2020, which clarified and elaborated the relevant provisions of the *Foreign Investment Law*.

The Foreign Investment Law sets out the basic regulatory framework for foreign investments and proposes to implement a system of pre-entry national treatment with a negative list for foreign investments, pursuant to which (i) foreign entities and individuals are prohibited from investing in the areas that are not open to foreign investments, (ii) foreign investments in the restricted industries must satisfy certain requirements under the law, and (iii) foreign investments in business sectors outside of the negative list will be treated equally with domestic investments. The Foreign Investment Law also sets forth necessary mechanisms to facilitate, protect and manage foreign investments and proposes to establish a foreign investment information reporting system, through which foreign investors or foreign-invested enterprises are required to submit initial report, report of changes, report of deregistration and annual report relating to their investments to the Ministry of Commerce, or MOFCOM, or its local branches.

Although our operating structure is legal and permissible under the current Chinese law and regulations, including the Foreign Investment Law, Chinese regulatory authorities could disallow our operating structure, which would likely result in a material change in our operations and/or the value of our common stock, including that it could cause the value of such securities to significantly decline or become worthless.

***We may rely on dividends and other distributions on equity paid by our PRC Subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC Subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.***

We are a Nevada holding company and we rely principally on dividends and other distributions on equity from our PRC Subsidiaries for our cash requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders for services of any debt we may incur. If our PRC Subsidiaries incur debt on its own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us. Under PRC laws and regulations, our PRC Subsidiaries, which are wholly foreign-owned enterprises, may pay dividends only out of their respective accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund a certain statutory reserve fund, until the aggregate amount of such fund reaches 50% of its registered capital. Such reserve funds cannot be distributed to us as dividends. At its discretion, a wholly foreign-owned enterprise may allocate a portion of its after-tax profits based on PRC accounting standards to an enterprise expansion fund, or a staff welfare and bonus fund.

A portion of our revenue was generated by our PRC Subsidiaries in Renminbi, which is not freely convertible into other currencies. As a result, any restriction on currency exchange may limit the ability of our PRC Subsidiaries to use their Renminbi revenues to pay dividends to us.

The PRC government may continue to strengthen its capital controls, and more restrictions and substantial vetting process may be put forward by SAFE for cross-border transactions falling under both the current account and the capital account. Any limitation on the ability of our PRC Subsidiaries to pay dividends or make other kinds of payments to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

In addition, the Enterprise Income Tax Law and its implementation rules provide that a withholding tax rate of up to 10% will be applicable to dividends payable by Chinese companies to non-PRC-resident enterprises unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC-resident enterprises are incorporated.



***PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of our offerings to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.***

We are an offshore holding company conducting our operations in China through our PRC Subsidiaries. We may in the future make loans or provide guarantee to our PRC Subsidiaries subject to the approval or registration from governmental authorities and limitation of amount, or we may make additional capital contributions to our wholly foreign-owned subsidiary in China. Any loans to our wholly foreign-owned subsidiaries in China, which are treated as foreign-invested enterprise under PRC law, are subject to foreign exchange loan registrations. In addition, a foreign-invested enterprise, or FIE, shall use its capital pursuant to the principle of authenticity and self-use within its business scope. The capital of an FIE shall not be used for the following purposes: (i) directly or indirectly used for payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities or investments other than banks' principal-secured products unless otherwise provided by relevant laws and regulations; (iii) the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business license; and (iv) paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans by us to our PRC Subsidiaries or with respect to future capital contributions by us to our PRC Subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds from our offerings and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

### **Risks Related to our Common Stock**

***The market price of our shares is likely to be highly volatile and subject to wide fluctuations in response to factors such as:***

- variations in our actual and perceived operating results;
- news regarding gains or losses of customers or partners by us or our competitors;
- news regarding gains or losses of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry by us or our competitors;
- changes in earnings estimates or buy/sell recommendations by financial analysts;
- potential litigation;
- the imposition of fines or penalties related to our activities in the PRC and failure to comply with applicable rules and regulations;
- general market conditions or other developments affecting us or our industry; and
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of the shares.

***We may never be able to pay dividends and are unlikely to do so.***

To date, we have not paid, nor do we intend to pay in the foreseeable future, dividends on our Common Stock, even if we become profitable. Earnings, if any, are expected to be used to advance our activities and for working capital and general corporate purposes, rather than to make distributions to stockholders. Since we are not in a financial position to pay dividends on our common stock and future dividends are not presently being contemplated, investors are advised that return on investment in our common stock is restricted to an appreciation in the share price. The potential or likelihood of an increase in share price is uncertain.

In addition, under Nevada law, we may only pay dividends subject to our ability to service our debts as they become due and provided that our assets will exceed our liabilities after the dividend. Our ability to pay dividends will therefore depend on our ability to generate sufficient profits. Further, because of the various rules applicable to our operations in China and the regulations on foreign investments as well as the applicable tax law, we may be subject to further limitations on our ability to declare and pay dividends to our shareholders.

***Shareholders may be diluted significantly through our efforts to obtain financing and satisfy obligations through the issuance of securities.***

Wherever possible, our board of directors will attempt to use non-cash consideration to satisfy obligations. In many instances, we believe that the non-cash consideration will consist of shares of our common stock, warrants to purchase shares of our common stock or other securities. Our board of directors has authority, without action or vote of the shareholders, to issue all or part of the authorized but unissued shares of common stock or warrants to purchase such shares of common stock. In addition, we may attempt to raise capital by selling shares of our common stock, possibly at a discount to market in the future. These actions will result in dilution of the ownership interests of existing shareholders and may further dilute common stock book value, and that dilution may be material. Such issuances may also serve to enhance existing management's ability to maintain control of us, because the shares may be issued to parties or entities committed to supporting existing management.

***In the event that our shares are traded, they may trade under \$5.00 per share and thus will be a penny stock. Trading in penny stocks has many restrictions and these restrictions could severely affect the price and liquidity of our shares.***

In the event that our stock trades below \$5.00 per share, our stock would be known as a "penny stock", which is subject to various regulations involving disclosures to be given to you prior to the purchase of any penny stock. The SEC has adopted regulations which generally define a "penny stock" to be any equity security that has a market price of less than \$5.00 per share, subject to certain exceptions. Depending on market fluctuations, our common stock could be considered to be a "penny stock". A penny stock is subject to rules that impose additional sales practice requirements on broker/dealers who sell these securities to persons other than accredited investors. For transactions covered by these rules, the broker/dealer must make a special suitability determination for the purchase of these securities. In addition, the broker/dealer must receive the purchaser's written consent to the transaction prior to the purchase. He must also provide certain written disclosures to the purchaser. Consequently, the "penny stock" rules may restrict the ability of broker/dealers to sell our securities, and may negatively affect the ability of holders of shares of our common stock to resell them. These disclosures require you to acknowledge that you understand the risks associated with buying penny stocks and that you can absorb the loss of your entire investment. Penny stocks are low priced securities that do not have a very high trading volume. Consequently, the price of the stock is often volatile and you may not be able to buy or sell the stock when you want to.

***The issuances of our Common Stock to the Selling Stockholders or the Placement Agent upon conversion of Warrants or exercise of the Notes, as the case may be, will cause dilution to our existing stockholders, and the sale of the shares of Common Stock acquired by the Selling Stockholders or the Placement Agent, or the perception that such sales may occur, could cause the price of our Common Stock to fall.***

Depending on market liquidity at the time, issuances and any subsequent sales of our common stock may cause the trading price of our common stock to fall.

We previously registered 197,227,433 shares of our common stock for their resale by selling stockholders which consisted of:

- Up to 164,373,089 shares of common stock (the “PIPE Stocks”), consisting of (i) 82,186,544 shares of common stock issuable upon the conversion of our senior secured convertible notes (the “Notes”) issued to the selling stockholders pursuant to the securities purchase agreement, dated as of January 4, 2023, by and between us and the selling stockholders (the “PIPE Securities Purchase Agreement”), and (ii) 82,186,544 additional shares of common stock that we are required to register pursuant to a registration rights agreement between us and certain selling stockholders obligating us to register 200% of the maximum number of shares of common stock issuable upon conversion of the Notes;
- Up to 32,154,344 shares of common stock (the “PIPE Warrant Stocks”), consisting of (i) 16,077,172 shares of our common stock issued or issuable upon the exercise of warrants (the “PIPE Warrants”) that were issued pursuant to the PIPE Securities Purchase Agreement, and (ii) 16,077,172 additional shares of common stock that we are required to register pursuant to a registration rights agreement between us and certain selling stockholders obligating us to register 200% of the maximum number of shares of common stock issuable upon exercise of the PIPE Warrant Stocks; and
- Up to 700,000 shares of common stock (the “Placement Agent Warrant Stocks”) issued or issuable upon the exercise of placement agent warrants (the “Placement Agent Warrants”) that were issued to the placement agent pursuant to the PIPE placement agency agreement (the “PIPE Placement Agency Agreement”), dated as of January 4, 2023.

If and when the selling stockholders or placement agent convert and/or exercise their warrants or Notes, as the case may be, after the selling stockholders or the placement agents has acquired the shares, the selling stockholders or the placement agent may resell all, some, or none of those shares at any time or from time to time in its discretion. Therefore, issuances to the selling stockholders or the placement agent upon exercise of their warrants or conversion of the Notes could result in substantial dilution to the interests of other holders of our common stock. Even though the current trading price is significantly below our IPO price, the selling shareholders or the placement agent may have an incentive to sell because they will still profit because of the lower price that they acquired their shares than the retail investors. Additionally, the issuance of a substantial number of shares of our common stock to the selling stockholders or the placement agent, or the anticipation of such issuances, could make it more difficult for us to sell equity or equity-related securities in the future at a time and at a price that we might otherwise wish to effect sales.

***You may experience future dilution as a result of future equity offerings and other issuances of our securities.***

In order to raise additional capital, we may in the future offer additional common stocks or other securities convertible into or exchangeable for our common stocks at prices that may not be the same as the price per share paid by the investors in this offering. We may not be able to sell shares or other securities in any other offering at a price per share that is equal to or greater than the price per share paid by the investors in this offering, and investors purchasing shares or other securities in the future could have rights superior to existing stockholders. The price per share at which we sell additional common stocks or securities convertible into common stocks in future transactions may be higher or lower than the price per share paid to the selling stockholders. Our stockholders will incur dilution upon exercise of any outstanding stock options, warrants or other convertible securities or upon the issuance of common stocks under our share incentive programs.

We expect to require additional capital in the future in order to develop our business operations. If we do not obtain any such additional financing, it may be difficult to effectively realize our long-term strategic goals and objectives.

Any additional capital raised through the sale of equity or equity-backed securities may dilute our stockholders’ ownership percentages and could also result in a decrease in the market value of our equity securities.

The terms of any securities issued by us in future capital transactions may be more favorable to new investors, and may include preferences, superior voting rights and the issuance of warrants or other derivative securities, which may have a further dilutive effect on the holders of any of our securities then outstanding.

In addition, we may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we issue, such as convertible notes and warrants, which may adversely impact our financial condition.

***Future sales of substantial amounts of the shares of common stock by existing stockholders could adversely affect the price of our common stock.***

If we or our existing stockholders, our directors or their affiliates or certain of our executive officers, sell a substantial number of our common stocks in the public market, including the Resale Shares once issuable upon exercise of the PIPE Warrants and the Placement Agent Warrants, the market price of our common stocks could decrease significantly. The perception in the public market that we or our stockholders might sell our common stocks could also depress the market price of our common stocks and could impair our future ability to obtain capital, especially through an offering of equity securities.

***The market price of our Common Stock may be subject to fluctuation and you could lose all or part of your investment.***

Our Common Stock was first offered publicly in our IPO in August 2022 at a price of \$5.00 per share, and our Common Stock has subsequently traded as high as \$656.54 per share and as low as \$0.78 per share as of the date of this Form 10-K. The market price of our Common Stock on the Nasdaq Capital Market may fluctuate as a result of a number of factors, some of which are beyond our control, including, but not limited to:

- variations in our actual and perceived operating results;
- news regarding gains or losses of customers or partners by us or our competitors;
- news regarding gains or losses of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry by us or our competitors;
- changes in earnings estimates or buy/sell recommendations by financial analysts;
- potential litigation;
- the imposition of fines or penalties related to our activities in the PRC and failure to comply with applicable rules and regulations;
- general market conditions or other developments affecting us or our industry; and
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control.

These factors and any corresponding price fluctuations may materially and adversely affect the market price of our Common Stock and result in substantial losses being incurred by our investors. In the past, following periods of market volatility, public company stockholders have often instituted securities class action litigation. If we were involved in securities litigation, it could impose a substantial cost upon us and divert the resources and attention of our management from our business.

#### **Item 1B. Unresolved Staff Comments**

Not applicable to smaller reporting companies.

#### **Item 1C. Cybersecurity**

##### **Risk Management and Strategy**

We identify and assess material risks from cybersecurity threats to our information systems and the information residing in our information systems by monitoring and evaluating our threat environment on an ongoing basis using various methods including, for example, using manual and automated tools, subscribing to reports and services that identify cybersecurity threats, analyzing reports of threats and threat actors, conducting scans of the threat environment, and conducting risk assessments.

We manage material risks from cybersecurity threats to our information systems and the information residing in our information systems through various processes and procedures, including, depending on the environment, risk assessment, incident detection and response, vulnerability management, disaster recovery and business continuity plans, internal controls within our accounting and financial reporting functions, encryption of data, network security controls, access controls, physical security, asset management, systems monitoring, and employee training. We engage third-party service providers to provide some of the resources used in our information systems and some third-party service providers have access to information residing in our information systems. With respect to such third parties, we seek to engage reliable, reputable service providers that maintain cybersecurity programs. Depending on the nature and extent of the services provided, the sensitivity and quantity of information processed, and the identity of the service provider, our processes may include conducting due diligence on the cybersecurity practices of such provider and contractually imposing cybersecurity related obligations on the provider.

We are not aware of any risks from cybersecurity threats, including as a result of any cybersecurity incidents, which have materially affected or are reasonably likely to materially affect our Group, including our business strategy, results of operations, or financial condition. Refer to “Item 1A. Risk Factors—Risks Associated with Our Company — Unauthorized disclosure, destruction or modification of data, through cybersecurity breaches, computer viruses or otherwise or disruption of our services could expose us to liability, protracted and costly litigation and damage our reputation”.

Our Board of Directors holds oversight responsibility over our Group’s risk management and strategy, including material risks related to cybersecurity threats. This oversight is executed directly by our board of directors and through its committees. Our audit committee oversees the management of our Group’s major financial risk exposures, the steps management has taken to monitor and control such exposures, and the process by which risk assessment and management is undertaken and handled, which would include cybersecurity risks, in accordance with its charter. The audit committee holds regular meetings and receives periodic reports from management regarding risk management, including major financial risk exposures from cybersecurity threats or incidents.

Within management, the Group’s Chief Financial Officer is primarily responsible for assessing and managing our material risks from cybersecurity threats on a day-to-day basis and keep the senior executive officers informed on a regular basis of the identification, assessment, and management of cybersecurity risks and of any cybersecurity incidents. Such management personnel have prior experience and training in managing information systems and cybersecurity matters and participate in ongoing training programs.

As of the date hereof, the Company has not encountered cybersecurity incidents that the company believes to have been material to the Company taken as a whole.

## Item 2. Properties

Our principal place of business is located at Kingkey 100, Block A, Room 4805, Luohu District, Shenzhen City, China 518000 and the telephone number is +(86) 755 8233 0336, which is leased from a company controlled by our CEO. We also lease another four properties in the PRC from independent third parties which serve as our manufacturing factory and dormitory and additional offices and commercial building for subleasing. The following table sets forth a summary of certain information regarding our leased properties:

Property Type	Address	Monthly Rental (RMB)	Size (Square Meter)	Expiration date
Manufacturing factory	Room 501, No. 5 Luotang Road, Dongcheng District,  Dongguan, Guangdong, PRC	4,400	600	December 31, 2027
Principal Office	Kingkey 100, Block A, Room 4805,  Luohu District, Shenzhen,  Guangdong, China	82,000	303	July 31, 2025
Additional office	No. 41-46, Building D, Block B, Jinpeng Distribution Center, No. 536,  Sha Ping North Rd, Danping Committee,  Nanwan St, Longgang, Shenzhen,  Guangdong, PRC	45,600	720	August 10, 2025
Warehouse and additional office	No. 3 Ping’an Avenue, Pinghu Street,  Longgang District, Shenzhen,  Guangdong, PRC	30,250	605	May 31, 2026(1)

- (1) The Company has been negotiating on the renewal of the lease agreement for the property, and is currently continuing to use this property after expiry of the previous lease agreement.

We also have 114 logistics points and they are located in 10 provinces and 2 municipalities in the PRC.

## Item 3. Legal Proceedings

From time to time, we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We are not presently a party to any legal proceedings that in the opinion of our management, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, financial condition, or cash flows.

## Item 4. Mine Safety Disclosures

Not applicable.



## **PART II**

### **Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchasers of Equity Securities**

#### ***Market Information***

Our Common Stock is currently quoted on the Nasdaq under the symbol “ATXG.”

Trading in stocks quoted on the Nasdaq is often thin and is characterized by wide fluctuations in trading prices due to many factors that may have little to do with a company’s operations or business prospects. We cannot assure you that there will be a market for our common stock in the future.

We received our trading symbol on September 12, 2016 and were first quoted on September 12, 2016 but no shares were traded until December 12, 2016.

#### ***Holders of Our Common Stock***

10,090,963 shares of Common Stock were issued and outstanding as of June 29, 2025. They were held by a total of 453 shareholders of record. The holders of Common Stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders. Holders of Common Stock have no preemptive rights and no right to convert their Common Stock into any other securities. There is no redemption or sinking fund provisions applicable to the Common Stock.

#### ***Transfer Agent***

The transfer agent for the Common Stock is Transfer Online, Inc. The transfer agent’s address is 512 SE Salmon St., Portland, OR 97214, and its telephone number is +1 (503) 227-2950.

#### ***Dividends***

No cash dividends were paid on our shares of Common Stock during the fiscal year ended March 31, 2025 and March 31, 2024. We have not paid any cash dividends since October 28, 2014 (inception) and do not foresee declaring any cash dividends on our common stock in the foreseeable future.

## ***Securities Authorized for Issuance under Equity Compensation Plans***

On May 28, 2024, our Board adopted our 2024 Equity Incentive Plan (the “2024 Equity Incentive Plan”), which was approved by our shareholders at our annual shareholders meeting on June 28, 2024. The 2024 Equity Incentive Plan gives us the ability to grant stock options, stock appreciation rights (SARs), restricted stock and other stock-based awards to officers, directors (including independent directors), employees or consultants of our company or of any subsidiary of our company and to non-employee members of our advisory board or our Board or the board of directors of any of our subsidiaries. The shares covered by the 2024 Equity Incentive Plan are 1,345,000 shares.

As of June 29, 2025, there were no outstanding options to purchase any shares of common stock granted under the Plans. Options granted in the future under the Plans are within the discretion of our Board or our compensation committee.

### ***Recent Sales of Unregistered Securities***

We claim an exemption from registration pursuant to Section 4(a)(2) and/or Rule 506(b) of Regulation D of the Securities Act, and the rules and regulations promulgated thereunder in connection with the sales and issuances described above since the foregoing issuances and sales did not involve a public offering, the recipients were (a) “accredited investors”, and/or (b) had access to similar documentation and information as would be required in a Registration Statement under the Securities Act. With respect to the transactions described above, no general solicitation was made either by us or by any person acting on our behalf. The transactions were privately negotiated, and did not involve any kind of public solicitation. No underwriters or agents were involved in the foregoing issuances and we paid no underwriting discounts or commissions. The securities sold are subject to transfer restrictions, and the certificates evidencing the securities contain an appropriate legend stating that such securities have not been registered under the Securities Act and may not be offered or sold absent registration or pursuant to an exemption therefrom.

### **Item 6. [Reserved]**

### **Item 7. 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 years ended March 31, 2025 and 2024 should be read in conjunction with the Financial Statements and corresponding notes included in this Annual Report on Form 10-K. 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 (Addentax Group Corp.) are a Nevada holding company with no material operations of our own. We conduct substantially all of our operations through our operating companies established in the PRC, primarily YX, our wholly owned subsidiary and its subsidiaries. We are not a Chinese operating company. We are a holding company and do not directly own any substantive business operations in China. Therefore, our investors will not directly hold any equity interests in our operating companies. Our holding company structure involves unique risks to investors. Chinese regulatory authorities could disallow our operating structure, which would likely result in a material change in our operations and/or the value of our common stock, including that it could cause the value of such securities to significantly decline or become worthless. Our holding company, Addentax Group Corp., is listed on the Nasdaq Capital Market under the symbol of “ATXG”. We classify our businesses into three main segments: garment manufacturing, logistics services, and property management and subleasing.



Unless the context otherwise requires, all references in this Form 10-K to “Addentax” refer to Addentax Group Corp., a holding company, and references to “we,” “us,” “our,” the “Registrant,” the “Company,” or “our company” refer to Addentax and/or its consolidated subsidiaries. Addentax Group Corp., our Nevada holding company, is the entity in which our investors are investing.

Our subsidiaries include (i) Yingxi Industrial Chain Group Co., Ltd., a Republic of Seychelles company; (ii) Yingxi Industrial Chain Investment Co., Ltd., a Hong Kong company (“Yingxi HK”); (iii) Qianhai Yingxi Textile & Garments Co., Ltd., a PRC company; (iv) Shenzhen Qianhai Yingxi Industrial Chain Services Co., Ltd, a PRC company (“YX”), (v) Dongguan Heng Sheng Wei Garments Co., Ltd, a PRC company (“HSW”), (vi) Dongguan Yushang Clothing Co., Ltd, a PRC company (“YS”), (vii) Shenzhen Yingxi Peng Fa Logistic Co., Ltd., a PRC company (“PF”); (viii) Shenzhen Xin Kuai Jie Transportation Co., Ltd, a PRC company (“XKJ”), (ix) Dongguan Aotesi Garments Co., Ltd., a PRC company (“AOT”), (x) Dongguan Hongxiang Commercial Co., Ltd., a PRC company (“HX”).

“PRC Subsidiaries” refers to, collectively, (i) Qianhai Yingxi Textile & Garments Co., Ltd.; (ii) Shenzhen Qianhai Yingxi Industrial Chain Services Co., Ltd (“YX”), (iii) Dongguan Heng Sheng Wei Garments Co., Ltd (“HSW”), (iv) Dongguan Yushang Clothing Co., Ltd (“YS”); (v) Shenzhen Yingxi Peng Fa Logistic Co., Ltd., a PRC company (“PF”); (vi) Shenzhen Xin Kuai Jie Transportation Co., Ltd, a PRC company (“XKJ”), (vii) Dongguan Aotesi Garments Co., Ltd., a PRC company (“AOT”), (viii) Dongguan Hongxiang Commercial Co., Ltd., a PRC company (“HX”).

“WFOE” refers to Qianhai Yingxi Textile & Garments Co., Ltd, a wholly foreign owned enterprise in China, which is indirectly wholly owned by Addentax Group Corp.

Our garment manufacturing business consists of sales made principally to wholesalers located in the 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 five wholly owned subsidiaries, namely Dongguan Heng Sheng Wei Garments Co., Ltd (“HSW”), Dongguan Yushang Clothing Co., Ltd (“YS”) and Dongguan Aotesi Garments Co., Ltd., (“AOT”), which are located in the Guangdong province, China.

Our logistics business consists of delivery and courier services covering 44 cities in 10 provinces and 2 municipalities 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 three wholly owned subsidiaries, namely Shenzhen Xin Kuai Jie Transportation Co., Ltd (“XKJ”) and Shenzhen Yingxi Peng Fa Logistic Co., Ltd (“PF”) which are located in the Guangdong province, China.

Our property management and subleasing business provides shops subleasing and property management services for garment wholesalers and retailers in the garment market. business provides shops subleasing and property management services for garment wholesalers and retailers in the garment market. We conduct our property management and subleasing operation through a wholly owned subsidiary acquired in September 2023, namely Dongguan Hongxiang Commercial Co., Ltd., a PRC company (“HX”), which is 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.

### **Logistics Services Business**

The business objective and future plan for our logistics services segment is to establish an efficient logistics system and to build a nationwide delivery and courier network in China. As of March 31, 2025, we provide logistics services to over 44 cities in approximately 10 provinces and 2 municipalities. We expect to develop 20 additional logistics routes in existing serving cities and improve the Company's profit in the year 2025.

### **Property Management and Subleasing Business**

The business objective of our property management and subleasing segment is to integrate resources in shopping mall, develop e-commerce bases and the Internet celebrity economy together to drive to increase the value of the stores in the area. We conduct the business through a wholly owned subsidiary acquired in September 2023, namely Dongguan Hongxiang Commercial Co., Ltd., a PRC company ("HX").

## ***Seasonality of Business***

### ***Garment Manufacturing Business***

We generally receive more purchase orders during our second and third quarters and fewer manufacture orders during May and June.

### ***Logistics Services Business***

We generally receive more delivery orders in our third and fourth quarters and are more vulnerable to shipping delays in the PRC during Chinese New Year due to traffic and port congestion, border crossing delays and customs clearance issues.

### ***Property Management and Subleasing Business***

There is no significant seasonality in our business.

## ***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.

### **Logistics Services business**

For logistics services, we generally receive payments from the customers between 30 to 90 days following the date of the registration of our receipt of packages.

## Property management and subleasing business

For property management and subleasing business, we generally collect rental and management fees of the following month each month in advance.

### ***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***

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.

## ***Leases***

### ***Lessee***

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, other current liabilities, and operating lease liabilities in our consolidated balance sheets. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities in the consolidated balance sheets.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, The Company generally use the incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

### ***Lessor***

As a lessor, the Company's leases are classified as operating leases under ASC 842. Leases, in which the Company is the lessor, are substantially all accounted for as operating leases and the lease components and non-lease components are accounted for separately. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

## ***Accounts receivable, net***

Accounts receivable, net are stated at the historical carrying amount net of allowance for doubtful accounts.

Account receivables are classified as financial assets subsequently measured at amortized cost. Account receivables are recognized when the Company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any and are subsequently measured at amortized cost. The amortized cost is the amount recognized on the receivable initially, minus principal repayments, plus cumulative amortization (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

A loss allowance for expected credit losses is recognized on account receivables and is updated at each reporting date. The Company determines the expected credit losses provisions based on ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASC 326") using a modified retrospective approach which did not have a material impact on the opening balance of accumulated deficit. To determine expected credit losses on account receivables, the Company will consider the historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current and forecasted direction of conditions at the reporting date, including the time value of money, where appropriate.

The loss allowance is calculated on a collective basis for all trade and other receivables in totality. An impairment gain or loss is recognized in profit or loss with a corresponding adjustment to the carrying amount of account receivables, through use of a loss allowance account. The impairment loss is included in operating expenses as a movement in credit loss allowance.

Receivables are written off when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Company's recovery procedures, considering legal advice where appropriate. Any recoveries made are recognized in profit or loss.

## ***Recently issued and adopted accounting pronouncements***

Accounting for Convertible Instruments: In August 2020, FASB issued ASU 2020-06, Accounting for Convertible Instruments and Contracts in an Entity's Own Equity (ASU 2020-06), as part of its overall simplification initiative to reduce costs and complexity of applying accounting standards while maintaining or improving the usefulness of the information provided to users of financial statements. Among other changes, the new guidance removes from GAAP separation models for convertible debt that require the convertible debt to be separated into a debt and equity component, unless the conversion feature is required to be bifurcated and accounted for as a derivative or the debt is issued at a substantial premium. As a result, after adopting the guidance, entities will no longer separately present such embedded conversion features in equity and will instead account for the convertible debt wholly as debt. The new guidance also requires use of the "if-converted" method when calculating the dilutive impact of convertible debt on earnings per share, which is consistent with the Company's current accounting treatment under the current guidance. The guidance is effective for financial statements issued for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years, with early adoption permitted, but only at the beginning of the fiscal year.



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 years ended March 31, 2025 and 2024

The following tables summarize our results of operations for the years ended March 31, 2025 and 2024. The table and the discussion below should be read in conjunction with our consolidated financial statements and the notes thereto appearing elsewhere in this report.

	2025		2024		Changes in 2025 compared to 2024	% Change
	(In U.S. dollars, except for percentages)					
Revenue	\$ 4,180,914	100.0%	\$ 5,153,753	100%	\$ (972,839)	(18.9)%
Cost of revenues	(3,546,657)	(84.8)%	(4,038,668)	(78.4)%	492,011	(12.2)%
Gross profit (loss)	634,257	15.2%	1,115,085	21.6%	(480,828)	(43.1)%
Operating expenses	(2,451,227)	(58.6)%	(2,246,281)	(43.6)%	(204,946)	9.1%
Loss from operations	(1,816,970)	(43.5)%	(1,131,196)	(21.9)%	(685,774)	60.6%
Other income, net	212,391	5.1%	(307,577)	(6.0)%	519,968	(169.1)%
Fair value gain or loss	(2,339,448)	(56.0)%	1,986,886	38.6	(4,326,334)	(217.7)%
Net finance cost	(1,145,522)	(27.4)%	(3,645,926)	(70.7)	2,500,404	(68.6)%
Income tax expense	(4,649)	(0.1)%	(11,605)	(0.2)%	6,956	(59.9)%
Net income	<u>\$ (5,094,198)</u>	<u>(121.8)%</u>	<u>\$ (3,109,418)</u>	<u>(60.3)%</u>	<u>\$ (1,984,780)</u>	<u>63.8%</u>

### Revenue

Total revenue for the year ended March 31, 2025 significantly decreased by approximately \$1.0 million, or approximately 18.9%, as compared with the year ended March 31, 2024. The decrease was mainly due to the decrease of revenue from the logistics services business.

Revenue generated from our garment manufacturing business contributed approximately \$0.3 million, or approximately 6.8%, of our total revenue for the year ended March 31, 2025. Revenue generated from the segment contributed approximately \$0.2 million, or approximately 4.5%, of our total revenue for the year ended March 31, 2024. The low amount of sales was mainly due to insufficient customer volume, we cannot receive as large order quantity from remaining customers as before while new developed customer still at the start stage.

Revenue generated from our logistics services business contributed approximately \$3.0 million, or approximately 72.2%, of our total revenue for the year ended March 31, 2025. Revenue generated from the segment contributed approximately \$4.3 million, or approximately 84.3%, of our total revenue for the year ended March 31, 2024. The decrease of approximately \$1.3 million was mainly due to market volatility.

Revenue generated from our property management and subleasing business contributed approximately \$0.9 million, or approximately 21.0%, of our total revenue for the year ended March 31, 2025. Revenue generated from our property management and subleasing business contributed approximately \$0.6 million, or approximately 11.3%, of our total revenue for the year ended March 31, 2024. The increase of approximately \$0.3 million was mainly due to improved rental rate.

*Cost of revenue*

	2025		2024		Increase (decrease) in 2025 compared to 2024	% Change
	(In U.S. dollars, except for percentages)					
Net revenue for garment manufacturing	\$ 283,042	100.0%	\$ 229,539	100.0%	\$ 53,503	23.3%
Raw materials	140,507	49.6%	33,466	14.6%	107,041	319.9%
Labor	72,134	25.5%	130,231	56.7%	(58,097)	(44.6)%
Other and Overhead	16,522	5.8%	2,298	1.0%	14,224	619.0%
Total cost of revenue for garment manufacturing	229,163	81.0%	165,995	72.3%	63,168	38.1%
Gross profit for garment manufacturing	53,879	19.0%	63,544	27.7%	(9,665)	(15.2)%
Net revenue for logistics services	3,018,325	100.0%	4,342,326	100.0%	(1,324,001)	(30.5)%
Fuel, toll and other cost of logistics services	1,801,302	59.7%	1,881,755	43.3%	(80,453)	(4.3)%
Subcontracting fees	166,488	5.5%	1,513,533	34.9%	(1,347,045)	(89.0)%
Total cost of revenue for logistics services	1,967,790	65.2%	3,395,288	78.2%	(1,427,498)	(42.0)%
Gross Profit for logistics services	1,050,535	34.8%	947,038	21.8%	103,497	10.9%
Net revenue for property management and subleasing	879,547	100.0%	581,888	100.0%	297,659	51.2%
Total cost of revenue for property management and subleasing	1,349,704	153.5%	473,500	81.4%	876,204	185.0%
Gross (loss) Profit for property management and subleasing	(470,157)	(53.5)%	108,388	18.6%	(578,545)	(533.8)%
Net revenue for corporate and others	-	-	-	-	-	(100.0)%
Other and Overhead	-	-	3,885	-	(3,885)	(82.7)%
Total cost of revenue for corporate and others	-	-	3,885	-	3,885	(100.0)%
Gross profit for corporate and others	-)	-	(3,885)	-	(3,885)	(100.0)%
Total cost of revenue	\$ 3,546,657	84.8%	\$ 4,038,668	78.4%	\$ 4,038,668	(12.2)%
Gross profit	\$ 634,257	15.2%	\$ 1,115,085	21.6%	\$ 1,115,085	(43.1)%

For our garment manufacturing business, we purchased the majority of our raw materials directly from numerous local fabric and accessories suppliers.

Raw materials cost for our garment manufacturing business was approximately 49.6% of our total garment manufacturing business revenue in the year ended March 31, 2025, as compared with approximately 14.6% in the year ended March 31, 2024. The increase in raw materials cost for our garment manufacturing business was mainly due to increase of manufacturing during the year.

Labor costs for our garment manufacturing business were approximately 25.5% of our total garment manufacturing business revenue in the year ended March 31, 2025, as compared with 56.7% in the year ended March 31, 2024. The decrease in labor costs for our garment manufacturing business was mainly due to the decrease of sub-contracting business in AOT.

Overhead and other expenses for our garment manufacturing business accounted for approximately 5.8% and 1.0% of our total garment manufacturing business revenue for the years ended March 31, 2025 and 2024, respectively.

For our logistic services business, we outsource some of the business to our subcontractors. Our subcontractors are contract logistic service providers. The Company relied on a few subcontractors, which the subcontracting fees to our largest contractor represented approximately 5.2% and 42.0% of total cost of revenues for our logistics services segment for the years ended March 31, 2025 and 2024, respectively. The decrease in subcontracting fee to the largest contractor was mainly to decrease use of subcontractors. We have not experienced any disputes with our subcontractors and we believe we maintain good relationships with our contract logistic service provider.

Fuel, toll and other costs for our logistics business for the year ended March 31, 2025 was approximately \$1.8 million, as compared with \$1.9 million for the year ended March 31, 2024. Fuel, toll and other costs for our logistics business accounted for approximately 59.7% of our total service revenue for the year ended March 31, 2025, as compared with approximately 43.3% for the year ended March 31, 2024.

Subcontracting fees for our logistics business for the year ended March 31, 2025 decreased to approximately \$0.2 million from \$1.5 million for the year ended March 31, 2024, representing an decrease of approximately 89.0%. Subcontracting fees accounted for 5.5% and 34.9% of our total logistics business revenue in the years ended March 31, 2025 and 2024, respectively.

For property management and subleasing business, the cost of revenue was mainly the amortization of operating lease assets for the subleasing business. The cost of revenue for property management and subleasing business for the year ended March 31, 2025 was \$1.3 million, approximately 153.5% of our total property management and subleasing business revenue, as compared with \$0.5 million, approximately 81.4% of total property management and subleasing business revenue for the year ended March 31, 2024.



### ***Gross profit***

Gross profit of garment manufacturing business for the year ended March 31, 2025 was approximately \$53,879, as compared with approximately \$63,544 for the year ended March 31, 2024. Gross profit ratio was approximately 19.0% of revenue of the segment, as compared with approximately 27.7% for the year ended March 31, 2024.

Gross profit of our logistics services business for the year ended March 31, 2025 was approximately \$1.1 million and gross profit ratio was approximately 34.8%. Gross profit of the segment for the year ended March 31, 2024 was approximately \$0.9 million and gross profit ratio was approximately 21.8%. The increase in the gross profit ratio was mainly because less subcontractor used

Gross loss of our property management and subleasing business for the year ended March 31, 2025 was approximately \$0.5 million, representing approximately (53.5)% of our total property management and subleasing business revenue. Gross profit in our property management and subleasing business for the year ended March 31, 2024 was \$0.1 million, or 18.6% of our total property management and subleasing business revenue.

	<b>2025</b>		<b>2024</b>		<b>Changes in 2025 compared to 2024</b>	
	<b>(In U.S. dollars, except for percentages)</b>					
Gross profit	\$ 634,257	100%	\$ 1,115,085	100%	(480,828)	(43.1)%
Operating expenses:						
Selling expenses	(393,226)	(62.0)%	(130,603)	(11.7)%	(262,623)	201.1%
General and administrative expenses	(2,058,001)	(324.5)%	(2,115,678)	(189.7)%	57,677	(2.7)%
Total	\$ (2,451,227)	(386.5)%	\$ (2,246,281)	(201.4)%	(204,946)	9.1%
Loss from operations	\$ (1,816,970)	(286.5)%	\$ (1,131,196)	(101.4)%	(685,774)	60.6%

### ***Selling, General and administrative expenses***

Our selling expenses were mainly incurred for our property management and subleasing business. It was \$264,270 for property management and subleasing business and \$128,956 for garments manufacturing business for the year ended March 31, 2025. It was approximately \$83,987 for property management and subleasing business and \$46,617 for garments manufacturing business for the year ended March 31, 2024. Selling expenses consist primarily of local transportation, unloading charges and product inspection charges.

Our general and administrative expenses in our garment manufacturing segment for the years ended March 31, 2025 and 2024 were approximately \$25,638 and \$160,800, respectively. Our general and administrative expenses in our logistics services segment for the year ended March 31, 2025 and 2024 was approximately \$800,820 and \$766,960, respectively. The general and administrative expenses in our property management and subleasing business were approximately \$220,021 and \$310,134 for the years ended March 31, 2025 and 2024. Our general and administrative expenses in our corporate office for the years ended March 31, 2025 and 2024 were approximately \$1,011,522 and \$961,771, 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.

Total general and administrative expenses for the year ended March 31, 2025 decreased approximately 2.7% to approximately \$2.06 million from approximately \$2.12 million for the year ended March 31, 2024.

#### ***Loss from operations***

Loss from operations for the years ended March 31, 2025 and 2024 was approximately \$1.8 million and \$1.1 million, respectively. Loss from operations of approximately \$100,715 and \$143,872 was attributed from our garment manufacturing segment for the years ended March 31, 2025 and 2024, respectively. Income from operations of approximately \$249,160 and \$179,450 was attributed from our logistics services segment for the years ended March 31, 2025 and 2024, respectively. Loss from operations of \$954,448 and \$201,746 was attributed from our property management and subleasing business for the years ended March 31, 2025 and 2024. We incurred general and administrative expenses in corporate office of approximately \$1,010,967 and approximately \$965,028 for the years ended March 31, 2025 and 2024, respectively.

#### ***Income Tax Expenses***

Income tax expense for the years ended March 31, 2025 and 2024 was \$4,649 and \$11,605, respectively. 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 years ended March 31, 2025 and 2024.

WFOE and YX were incorporated in the PRC and are subject to the PRC Enterprise Income Tax (EIT) rate is 25%. No provision for income taxes in the PRC has been made as WFOE and YX had no taxable income for the years ended March 31, 2025 and 2024.

Yingxi's operating companies are governed by the Income Tax Laws of the PRC and subject to progressive EIT rate from 5% to 15% in year ended March 31, 2025. The preferential tax rates will be expired at the end of year 2025. Income taxes of the PRC companies were \$4,649 and \$11,605 for the year ended March 31, 2025 and 2024, respectively.

The Company's parent entity, Addentax Group Corp. 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 Addentax Group Corp. had no United States taxable income for the years ended March 31, 2025 and 2024.

#### ***Net Profit***

We incurred a net loss of approximately \$5.1 million and a net loss of approximately \$3.1 million for the years ended March 31, 2025 and 2024, respectively. Our basic and diluted loss per share were \$0.85 and \$0.71 for the year ended March 31, 2025 and 2024, respectively.

## Summary of cash flows

Summary cash flows information for the years ended March 31, 2025 and 2024 is as follows:

	2025	2024
	(In U.S. dollars)	
Net cash provided by (used in) operating activities	\$ 816,001	\$ (411,473)
Net cash (used in) provided by investing activities	\$ (205,811)	\$ 90,731
Net cash (used in) provided by financing activities	\$ (1,102,141)	\$ 521,704

Net cash provided by operating activities in the year ended March 31, 2025 increased by approximately \$1.1 million compared with that of the year ended March 31, 2024. It was mainly because the net loss adjusted to cash used in operating activities of fiscal year ended March 31, 2025 was approximately \$0.6 million less than the amount of the fiscal year ended March 31, 2024. The movement of operating assets and liabilities of the year ended March 31, 2025 resulted in cash inflow of approximately \$0.8 million compared to cash inflow of approximately \$0.3 million in the movement of operating assets and liabilities of the year ended March 31, 2024. We aim to 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' order.

Net cash used in investing activities for the year ended March 31, 2025 was approximately \$0.3 million more than cash used in investing activities for the year ended March 31, 2024. It was mainly because in the year ended March 31, 2024, there was \$0.2 million cash from newly acquired subsidiary.

Net cash used in financing activities for the year ended March 31, 2025 was approximately \$1.6 million more than the year ended March 31, 2024. In the year ended March 31, 2025, the Company had receipt the proceeds of \$0.6 million from issuance of Common Stock, payment of \$0.5 million for redemption of convertible debt, net cash advance of \$1.4 million to related parties and net cash from bank loans of \$0.2 million. During the year ended March 31, 2024, the Company had receipt of \$4.5 million cash released from restricted cash, net cash inflow of \$0.3 million from bank loans, payment of \$0.4 million of issuance cost of convertible debts, and net cash advance to related parties of \$3.9 million.

## Financial Condition, Liquidity and Capital Resources

As of March 31, 2025, we had cash on hand of approximately \$0.3 million and restricted cash of approximately \$2.8 million, total current assets of approximately \$29.8 million and current liabilities of approximately \$4.0 million. We presently finance our operations primarily from cash flows from revenue, fund raising from our IPO proceeds and capital contributions from our chief executive officer, Mr. Hong Zhida (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.

## Foreign Currency Translation Risk

Our operations are located in the mainland 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 last year, RMB depreciated against the U.S. dollar. As of March 31, 2025, the market foreign exchange rate had decreased to RMB7.26 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 gain for the years ended March 31, 2025 and 2024 was \$48,135 and \$82,490, 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 March 31, 2025 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 7A. Quantitative and Qualitative Disclosures about Market Risk

Not applicable to smaller reporting companies.

Item 8. Financial Statements and Supplementary Data

ADDENTAX GROUP CORP.  
FINANCIAL STATEMENTS

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Addentax Group Corp.:

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Addentax Group Corp. (the “Company”) as of March 31, 2025, and 2024, and the related consolidated statement of operations and comprehensive income (loss), changes in equity, and cash flow for the year ended March 31, 2025, and 2024, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2025, and 2024, and the result of its operations and its cash flow for year then ended March 31, 2025, and 2024, in conformity with accounting principles generally accepted in the United States.

### Explanatory Paragraph – Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 2(b) to the consolidated financial statements, the Company has incurred operating losses for the past two financial years, which raises concerns about the Company’s ability to continue as a going concern. These conditions indicate that a material uncertainty exists that raise substantial doubt on the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 2(b) in the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgements. The communication of the critical audit matter does not alter in any way our opinion on the financial statements taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

#### *Going concern*

#### *Description of the Matter*

As described in Note 2(b) to consolidated financial statements, the Company has a history of operating losses. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. Historically, the Company has relied principally on both operational sources of cash and non-operational sources of equity and debt financing to fund its operations and business development. The Company’s ability to continue as a going concern depends on management’s ability to successfully execute its business plan which includes increasing the utilization rate of existing staff and potential financing from public market or private placement. However, there is no assurance that the measures above can be achieved as planned.

This significant unusual situation is a critical audit matter as it relates to a material disclosure of going concern and involved complex estimation by management.

#### *How we Addressed the Matter in Our Audit*

*Our principal audit procedures included, among others:*

- Obtaining an understanding, and evaluating management’s assessment on whether there are conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time;
- Assessing the management’s plans and obtaining sufficient appropriate audit evidence to determine whether or not substantial doubt can be alleviated or still exists;

- Reviewing the relevant disclosures to the consolidated financial statements.

/s/ *Pan-China Singapore PAC (6255)*

Chartered Accountants

Singapore

June 30, 2025

**ADDENTAX GROUP CORP. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(In U.S. Dollars, except share data or otherwise stated)

	<u>March 31, 2025</u>	<u>March 31, 2024</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 324,953	\$ 816,186
Restricted cash	2,750,000	2,750,000
Accounts receivables	929,817	2,106,451
Debt securities held-to-maturity	17,500,000	17,500,000
Inventories	166,874	63,505
Other receivables	3,638,347	1,922,996
Advances to suppliers	198,494	1,009,362
Amount due from related party	4,283,129	3,012,892
Total current assets	<u>29,791,614</u>	<u>29,181,392</u>
<b>NON-CURRENT ASSETS</b>		
Plant and equipment, net	387,997	568,854
Operating lease right of use asset	18,722,277	19,796,564
Long-term prepayment	265,449	291,938
Long-term receivables	-	2,500,000
Total non-current assets	<u>19,375,723</u>	<u>23,157,356</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 49,167,337</u></u>	<u><u>\$ 52,338,748</u></u>
<b><u>LIABILITIES AND EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Short-term loan	\$ 640,878	\$ 440,671
Accounts payable	53,199	359,488
Related party borrowings	161,594	1,146,745
Advances from customers	332,492	202,567
Accrued expenses and other payables	1,858,198	1,372,962
Lease liabilities, current portion	905,958	1,059,497
Total current liabilities	<u>3,952,319</u>	<u>4,581,930</u>
<b>NON-CURRENT LIABILITIES</b>		
Convertible debts	2,900,160	2,684,697
Derivative liabilities	2,772,350	287,955
Lease liability, net of current portion	17,810,700	18,737,066
Total non-current liabilities	<u>23,483,210</u>	<u>21,709,718</u>
<b>TOTAL LIABILITIES</b>	<u><u>27,435,529</u></u>	<u><u>26,291,648</u></u>
<b>EQUITY</b>		
Common stock (\$0.001 par value, 250,000,000 shares authorized, 6,043,769 and 5,383,769 shares issued and outstanding as of March 31, 2025 and 2024, respectively)	\$ 6,044	\$ 5,384
Additional paid-in capital	35,240,981	34,510,869
Statutory reserve	37,422	37,020
Accumulated deficits	(13,663,790)	(8,569,190)
Accumulated other comprehensive income	111,151	63,017
Total equity	<u>21,731,808</u>	<u>26,047,100</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u><u>\$ 49,167,337</u></u>	<u><u>\$ 52,338,748</u></u>

See accompanying notes to the consolidated financial statements.

**ADDENTAX GROUP CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(In U.S. Dollars, except share data or otherwise stated)  
**FOR THE YEARS ENDED MARCH 31, 2025 AND 2024**

	<b>2025</b>	<b>2024</b>
<b>REVENUES</b>	\$ 4,180,914	\$ 5,153,753
<b>COST OF REVENUES</b>	(3,546,657)	(4,038,668)
<b>GROSS PROFIT</b>	\$ 634,257	\$ 1,115,085
<b>OPERATING EXPENSES</b>		
Selling and marketing	(393,226)	(130,603)
General and administrative	(2,058,001)	(2,115,678)
<b>Total operating expenses</b>	\$ (2,451,227)	\$ (2,246,281)
<b>LOSS FROM OPERATIONS</b>	(1,816,970)	(1,131,196)
Change in fair value of warrants and embedded conversion feature	(2,339,448)	1,986,886
<b>Interest income</b>	1,321	6,877
<b>Interest expenses</b>	(1,146,843)	(3,652,803)
<b>Other income (expenses), net</b>	212,391	(307,577)
<b>LOSS BEFORE INCOME TAX EXPENSE</b>	\$ (5,089,549)	\$ (3,097,813)
<b>Income tax expense</b>	(4,649)	(11,605)
<b>NET LOSS</b>	(5,094,198)	(3,109,418)
Foreign currency translation gain	48,133	82,490
<b>TOTAL COMPREHENSIVE LOSS</b>	\$ (5,046,065)	\$ (3,026,928)
<b>EARNING PER SHARE</b>		
Basic and diluted	\$ (0.85)	\$ (0.71)
Weighted average number of shares outstanding – Basic and diluted	5,993,139	4,387,187

See accompanying notes to the consolidated financial statements.



**ADDENTAX GROUP CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In U.S. Dollars, except share data or otherwise stated)  
**FOR THE YEARS ENDED MARCH 31, 2025 AND 2024**

	Common Stock		Additional paid-in capital	Retained earnings		Accumulated other comprehensive loss	Total Equity (Deficit)
	Shares	Amount		Unrestricted	Statutory reserve		
BALANCE AT MARCH 31, 2023	35,454,670	\$ 35,455	\$29,528,564	\$ (5,451,209)	\$ 28,457	\$ (19,473)	\$24,121,794
Issuance of common stocks before reversed split	1,940,750	1,941	(1,941)	-	-	-	-
Reverse stock split	(33,655,878)	(33,656)	33,656	-	-	-	-
New shares for round up of fragmental shares	39	0	0	-	-	-	-
Issuance of new shares after reversed split	1,644,188	1,644	(1,644)	-	-	-	-
Additional paid-in capital from conversion of convertible debts	-	-	4,952,234	-	-	-	4,952,234
Appropriation of Statutory reserve	-	-	-	(8,563)	8,563	-	-
Foreign currency translation	-	-	-	-	-	82,490	82,490
Net income for the year	-	-	-	(3,109,418)	-	-	(3,109,418)
BALANCE AT MARCH 31, 2024	<u>5,383,769</u>	<u>\$ 5,384</u>	<u>\$34,510,869</u>	<u>\$ (8,569,190)</u>	<u>\$ 37,020</u>	<u>\$ 63,017</u>	<u>\$26,047,100</u>
Issuance of new shares	660,000	660	646,140	-	-	-	646,800
Additional paid-in capital from conversion of convertible debts	-	-	83,972	-	-	-	83,972
Appropriation of Statutory reserve	-	-	-	(402)	402	-	-
Foreign currency translation	-	-	-	-	-	48,134	48,134
Net income for the year	-	-	-	(5,094,198)	-	-	(5,094,198)
BALANCE AT MARCH 31, 2025	<u>6,043,769</u>	<u>\$ 6,044</u>	<u>\$35,240,981</u>	<u>\$ (13,663,790)</u>	<u>\$ 37,422</u>	<u>\$ 111,151</u>	<u>\$21,731,808</u>

See accompanying notes to the consolidated financial statements.

**ADDENTAX GROUP CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In U.S. Dollars, except share data or otherwise stated)  
**FOR THE YEARS ENDED MARCH 31, 2025 AND 2024**

	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net (loss) income	\$ (5,094,198)	\$ (3,109,418)
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	1,671,157	951,646
Amortization of debt discount	1,092,871	3,616,952
Investment income	(330,000)	(218,750)
Fair value (gain) or loss	2,339,448	(1,986,886)
(Gain)/Loss on debts extinguishment	(62,200)	697,318
Gain on bargain purchase	-	(996)
Loss from sale of property and equipment	73,236	-
Loss on disposal of subsidiary	334,135	-
Changes in operating assets and liabilities:		
Accounts receivable	767,233)	(247,562)
Inventories	(112,228)	222,023
Advances to suppliers	72,234	271,713
Other receivables	1,129,468	(259,260)
Accounts payables	(306,289)	91,987
Accrued expenses and other payables	(888,791)	(551,039)
Advances from customers	129,925	110,799
Net cash provided by (used in) operating activities	<u>\$ 816,001</u>	<u>\$ (411,473)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of plant and equipment	(197,592)	(135,431)
Cash acquired from subsidiary	-	226,162
Cash decreased in disposal of subsidiaries	(8,219)	-
Net cash (used in) provided by investing activities	<u>\$ (205,811)</u>	<u>\$ 90,731</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from related party borrowings	169,158	2,968,654
Repayment of related party borrowings	(301,522)	(4,689,583)
Cash advance to related parties	(3,817,099)	(2,154,759)
Repayment from related parties	2,568,167	-
Proceeds from bank borrowings	1,016,440	662,026
Repayment of bank borrowings	(797,795)	(352,134)
Restricted cash	-	4,500,000
Payment of issuance cost of convertible notes	-	(412,500)
Payment for redemption of convertible debts	(586,290)	-
Proceeds from issuance of common stocks	646,800	-
Net cash (used in) provided by financing activities	<u>\$ (1,102,141)</u>	<u>\$ 521,704</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(491,951)</b>	<b>200,962</b>
Effect of exchange rate changes on cash and cash equivalents	718	52,513
Cash and cash equivalents, beginning of year	816,186	562,711
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 324,953</u></u>	<u><u>\$ 816,186</u></u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for interest	52,617	25,562
Cash paid during the year for income tax	4,649	11,605
<b>Supplemental disclosure of non-cash investing and financing activities:</b>		
Right-of-use assets obtained in exchange for operating lease obligations	<u>-</u>	<u>20,146,774</u>

See accompanying notes to the consolidated financial statements.

**ADDENTAX GROUP CORP. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2025 AND 2024**

**1. ORGANIZATION AND BUSINESS ACQUISITIONS**

ATXG and its subsidiaries (the “Company”) are engaged in the business of garments manufacturing, providing logistic services, property leasing and management service in the People’s Republic of China (“PRC” or “China”).

As of March 31, 2025, the Company’s principal subsidiaries consisted of the following entities:

Name of entity	Place of incorporation	Principal activities	Immediate holding company	% of effective ownership interest held by the Group in 2025	% of effective ownership interest held by the Group in 2024
Yingxi Industrial Chain Group Co., Ltd. (“Yingxi Seychelles”)	Republic of Seychelles	Investment holding	Addentax Group Corp.	100%	100%
Yingxi Industrial Chain Investment Co., Ltd. (“Yingxi HK”)	Hong Kong SAR	Investment holding	Yingxi Industrial Chain Group Co., Ltd.	100%	100%
Qianhai Yingxi Textile & Garments Co., Ltd. (“WFOE”)	P. R. China	Investment holding	Yingxi Industrial Chain Investment Co., Ltd.	100%	100%
Shenzhen Qianhai Yingxi Industrial Chain Services Co., Ltd. (“YX”)	P. R. China	Investment holding	Qianhai Yingxi Textile & Garments Co., Ltd.	100%	100%
Dongguan Heng Sheng Wei Garments Co., Ltd. (“HSW”)	P. R. China	Garment Manufacturing	Shenzhen Qianhai Yingxi Industrial Chain Services Co., Ltd.	100%	100%
Dongguan Yushang Clothing Co., Ltd. (“YS”)	P. R. China	Garment Manufacturing	Shenzhen Qianhai Yingxi Industrial Chain Services Co., Ltd.	100%	100%
Dongguan Aotesi Garments Co.,Ltd. (“AOT”)	P. R. China	Garment Manufacturing	Shenzhen Qianhai Yingxi Industrial Chain Services Co., Ltd.	100%	100%
Shenzhen Xin Kuai Jie Transportation Co., Ltd. (“XKJ”)	P. R. China	Logistics Services	Shenzhen Qianhai Yingxi Industrial Chain Services Co., Ltd.	100%	100%
Shenzhen Yingxi Peng Fa Logistic Co., Ltd. (“PF”)	P. R. China	Logistics Services	Shenzhen Qianhai Yingxi Industrial Chain Services Co., Ltd.	100%	100%
Dongguan Hongxiang Commercial Co., Ltd. (“HX”)	P. R. China	Property Management & Subleasing	Shenzhen Qianhai Yingxi Industrial Chain Services Co., Ltd.	100%	100%

## **2. BASIS OF PRESENTATION**

### **(a) Basis of Accounting**

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.

### **(b) Going Concern**

The Group has a history of operating losses, \$5,094,198 and \$3,109,418 and for the years ended March 31, 2025 and 2024. These conditions raise substantial doubt about the Group’s ability to continue as a going concern.

Historically, the Group has relied principally on both operational sources of cash and non-operational sources of equity and debt financing to fund its operations and business development. The Group’s ability to continue as a going concern depends on management’s ability to successfully execute its business plan which includes increasing the utilization rate of existing staff and potential financing from public market or private placement. However, there is no assurance that the measures above can be achieved as planned. Nevertheless, management prepared the consolidated financial statements assuming the Group will continue as a going concern. 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) 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.

### **(b) Principles of Consolidation.**

The consolidated financial statements include the accounts of the Company and all subsidiaries, as discussed above. A subsidiary is an entity in which the Company, directly or indirectly, controls more than one half of the voting powers; or has the power to appoint or remove the majority of the members of the board of directors; or to cast a majority of votes at the meeting of directors; or has the power to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders. All significant intercompany balances and transactions have been eliminated in consolidation.

### **(c) 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).

The Company has derivative liabilities, embedded conversion feature and warrants that are not traded in an active market with readily observable quoted prices, and therefore the Company used significant unobservable inputs (Level 3) to measure the fair value of these options and derivative liabilities at inception and at each subsequent balance sheet date. The change in fair value is recognized in the consolidated statement of operations and comprehensive loss during the year ended March 31, 2025.

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.

**(d) Cash and Cash Equivalents**

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. All cash and cash equivalents relate to cash on hand and cash at bank at March 31, 2025 and 2024.

The Renminbi is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Company is permitted to exchange Renminbi for foreign currencies through banks that are authorized to conduct foreign exchange business.

**(e) Accounts Receivable, net**

Accounts receivable, net are stated at the historical carrying amount net of allowance for doubtful accounts.

Account receivables are classified as financial assets subsequently measured at amortized cost. Account receivables are recognized when the Company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any and are subsequently measured at amortized cost. The amortized cost is the amount recognized on the receivable initially, minus principal repayments, plus cumulative amortization (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

A loss allowance for expected credit losses is recognized on account receivables and is updated at each reporting date. The Company determines the expected credit losses provisions based on ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASC 326”) using a modified retrospective approach which did not have a material impact on the opening balance of accumulated deficit. To determine expected credit losses on account receivables, the Company will consider the historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current and forecasted direction of conditions at the reporting date, including the time value of money, where appropriate.

The loss allowance is calculated on a collective basis for all trade and other receivables in totality. An impairment gain or loss is recognized in profit or loss with a corresponding adjustment to the carrying amount of account receivables, through use of a loss allowance account. The impairment loss is included in operating expenses as a movement in credit loss allowance. Allowance for doubtful accounts was \$49,457 and Nil for the years ended March 31, 2025 and 2024.

Receivables are written off when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Company’s recovery procedures, considering legal advice where appropriate. Any recoveries made are recognized in profit or loss.

There is no change in the accounting policies for the year ended March 31, 2025.

**(f) 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 write-downs for obsolete finished goods for the years ended March 31, 2025 and 2024.

**(g) 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 loss and comprehensive loss. The cost of maintenance and repairs is charged to the statement of income as incurred, whereas significant renewals and betterments are capitalized.

#### **(h) 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 March 31, 2025 and 2024.

#### **(i) Revenue Recognition**

Revenue is generated through sale of goods, delivery services, and provision of property management and subleasing. 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 of the good or service.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

Cost of revenues for garment manufacturing segment includes the direct raw material cost, direct labor cost, manufacturing overheads including depreciation of production equipment and rent. Cost of revenue for logistics services segment includes gasoline and diesel fuel, toll charges and subcontracting fees. Cost of revenue of property management and subleasing business was mainly the amortization of right-of-used assets for the subleasing business.

#### **(j) Earnings Per Share**

The Company reports earnings (loss) 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 reporting 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.

Diluted earnings (loss) per share is calculated by dividing net earnings (loss) attributable to ordinary shareholders, as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares consist of unvested restricted shares, Common Stock issuable upon the exercise of outstanding share options using the treasury stock method, and Common Stock issuable upon the conversion of convertible note, option and preferred shares using the if converted method. Ordinary equivalent shares are not included in the denominator of the diluted earnings per share calculation when inclusion of such shares would be anti-dilutive.

#### **(k) 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 has a history of tax losses and there is no convincing evidence that sufficient taxable income will be available against which the deferred tax asset can be utilized, therefore, the Company does not recognize any tax benefits for the year ended March 31, 2025 and 2024.

The Company’s Chinese subsidiaries are 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 years ended March 31, 2025 and 2024. The Company’s effective tax rate differs from the PRC federal statutory rate primarily due to non-deductible expenses, temporary differences and preferential tax treatments.



The 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 was recorded relating to the Tax Act changes for the years ended March 31, 2025 and 2024.

## **(l) Leases**

### *Lessee*

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (“ROU”) assets, other current liabilities, and operating lease liabilities in our consolidated balance sheets.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Company generally use the incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

### *Lessor*

As a lessor, the Company’s leases are classified as operating leases under ASC 842. Leases, in which the Company is the lessor, are substantially all accounted for as operating leases and the lease components and non-lease components are accounted for separately. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

## **(m) Related parties**

Parties are considered to be related to the Company if the parties, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company. Related party also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal with if one party control or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. The Company discloses all significant related party transactions.

## **(n) Recently issued and adopted accounting pronouncements**

Accounting for Convertible Instruments: In August 2020, FASB issued ASU 2020-06, Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity (ASU 2020-06), as part of its overall simplification initiative to reduce costs and complexity of applying accounting standards while maintaining or improving the usefulness of the information provided to users of financial statements. Among other changes, the new guidance removes from GAAP separation models for convertible debt that require the convertible debt to be separated into a debt and equity component, unless the conversion feature is required to be bifurcated and accounted for as a derivative or the debt is issued at a substantial premium. As a result, after adopting the guidance, entities will no longer separately present such embedded conversion features in equity and will instead account for the convertible debt wholly as debt. The new guidance also requires use of the “if-converted” method when calculating the dilutive impact of convertible debt on earnings per share, which is consistent with the Company’s current accounting treatment under the current guidance. The guidance is effective for financial statements issued for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years, with early adoption permitted, but only at the beginning of the fiscal year.

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. DISPOSITION OF SUBSIDIARIES

The Company disposed of its subsidiary Shantou Yi Bai Yi Garment Co., Ltd, a PRC Company (“YBY”), a manufacturing company in garment manufacturing segment at end of August 2024 to the local management of YBY. After disposition, YBY became third party to the Company. The Company will not have any businesses with YBY. The Company will carry on the garment manufacturing segment business through other subsidiaries. The disposition of YBY did not qualify as discontinued operations.

**Financial position of the entities at disposal date and gain or loss on disposal:**

**Garment Manufacturing Segment**

Financial position of YBY	August 31, 2024, date of disposal
Current assets	\$ 1,165,329
Noncurrent assets	134
Current liabilities	(863,205)
Net assets	\$ 302,258

The consideration was Nil, with the reversal of related foreign currency translation reserve brought forward, resulting in a loss of \$334,135 recognized on the disposal.

5. RELATED PARTY TRANSACTIONS

Name of Related Parties	Relationship with the Company
Zhida Hong	President, CEO, and a director of the Company
Hongye Financial Consulting (Shenzhen) Co., Ltd.	A company controlled by CEO, Mr. Zhida Hong
Bihua Yang	A legal representative of XKJ
Dewu Huang	A legal representative of YBY, ceased to be related party at August 31, 2024 when YBY was disposed of.
Jinlong Huang	Management of HSW

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

Hongye Financial Consulting (Shenzhen) Co., Ltd. provided guarantee to the consideration receivable of transfer of a debt security to a third party.

The Company had the following related party balances at the end of the years:

<b>Amount due from related party</b>	<b>2025</b>	<b>2024</b>
Hong Zhida (1)	2,856,262	2,154,759
Bihua Yang (2)	1,426,867	858,133
	<u>\$ 4,283,129</u>	<u>\$ 3,012,892</u>

  

<b>Related party borrowings</b>	<b>2025</b>	<b>2024</b>
Hongye Financial Consulting (Shenzhen) Co., Ltd.	\$ 39,174	\$ 170,967
Dewu Huang (3)	-	864,599
Jinlong Huang	122,420	111,179
	<u>\$ 161,594</u>	<u>\$ 1,146,745</u>

- (1) The increase of related party from Hong Zhida was short term loan to Hong Zhida, which is interest free and would be repaid in one year.
- (2) The increase of related party debt from Yang Bihua was mainly due to the cash paid in advance to Yang Bihua. During year ended March 31, 2025, the Company received financial support of approximately \$0.8 million from Yang Bihua and provided a short term loan of approximately \$1.3 million to Yang Bihua.
- (3) The Company received financial support from Huang Dewu to fund company's daily operation. The decrease is because YBY was disposed of in August 2024.

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

## 6. RESTRICTED CASH

The proceeds from issuance of the convertible note and warrants were deposited in a Holder Master Restricted Account with East West Bank controlled by the holders of the convertible note and warrants. The restricted cash will be released, over the period from the issuance date to the maturity date of the convertible note, when control account release events occur, which includes: (i) the Company's receipt of a notice by the Holder electing to voluntarily effect a release of cash to the Company; (ii) the shareholder approval and registration of the new authorized shares according to the Securities Purchase Agreement; and (iii) any conversion of the convertible note.

## 7. DEBT SECURITIES HELD-TO-MATURITY

	<u>March 31, 2025</u>	<u>March 31, 2024</u>
Debt securities held-to-maturity	<u>\$ 17,500,000</u>	<u>\$ 17,500,000</u>

The Company purchased a note issued by a third-party investment company on August 24, 2022. The principal amount of the note is \$17,500,000. The note is renewable with one-year tenor on August 23, 2023 and 2.5% p.a. coupon. As of March 31, 2025 and 2024, the coupon receivable is \$437,500 and \$437,500, respectively. On August 23, 2024, the Company entered into an agreement to transfer the principal and coupon receivable to a third party. The debt is guaranteed by Hongye Financial Consulting (Shenzhen) Co., Ltd., the company controlled by our CEO, Mr. Hong Zhida.

## 8. INVENTORIES

Inventories consist of the following as of March 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Raw materials	\$ 10,623	\$ 20,947
Finished goods	156,251	42,558
Total inventories	<u>\$ 166,874</u>	<u>\$ 63,505</u>

## 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.

The Company reviews a supplier's credit history and background information before advancing a payment. If the financial condition of its suppliers were to deteriorate, resulting in an impairment of their ability to deliver goods or provide services, the Company would recognize bad debt expense in the period they are considered unlikely to be collected.

## 10. PREPAYMENTS AND OTHER RECEIVABLES

Prepayments and other receivables consist of the following as of March 31, 2025 and 2024:

	2025	2024
Prepayment	50,590	34,693
Deposit	722,035	741,465
Receivable of consideration on disposal of subsidiaries	-	152,882
Coupon receivable of matured debt security (Note)	-	437,500
Other receivables	365,722	556,456
	<u>\$ 1,138,347</u>	<u>\$ 1,922,996</u>

Note: The coupon receivable of the debt security held-to-maturity was transferred together with the principal to a third party. It is guaranteed by Hongye Financial Consulting (Shenzhen) Co., Ltd., a company controlled by our CEO, Mr. Hong Zhida (Note 7).

## 11. PLANT AND EQUIPMENT

Plant and equipment consist of the following as of March 31, 2025 and 2024:

	2025	2024
Production plant	\$ 103,242	\$ 105,738
Motor vehicles	734,990	1,047,121
Office equipment	52,194	52,486
	890,426	1,205,345
Less: accumulated depreciation	(502,429)	(636,491)
Plant and equipment, net	<u>\$ 387,997</u>	<u>\$ 568,854</u>

Depreciation expense for the years ended March 31, 2025 and 2024 was \$119,187 and \$114,539, respectively.

## 12. LONG-TERM RECEIVABLES

The Company entered into a long-term loan agreement with an independent third party in September 2022. The principal to the borrower is \$2.5 million. The loan is interest free and will be expired in August 2025. It was reclassified to Other Receivables at March 31, 2025.

## 13. SHORT-TERM BANK LOAN

In August 2019, HSW entered into a facility agreement with Agricultural Bank of China and obtained a line of credit, which allows the Company to borrow up to approximately \$137,729 (RMB1,000,000) for daily operations. The loans are guaranteed at no cost by the legal representative of HSW. As of March 31, 2025, the Company has borrowed \$130,051 (RMB944,255) (March 31, 2024: \$130,779, or RMB944,255) under this line of credit with various annual interest rates from 4.34% to 4.9%. The outstanding loan balance was due on September 30, 2021. The Company was not able to renew the loan facility with the bank. The Company is negotiating with the bank on repayment schedule of the loan balance and interest payable.

In February 2023, XKJ entered into a facility agreement with China Construction Bank and obtained a line of revolving credit, which allows the Company to borrow up to approximately \$1,239,561 (RMB9,000,000) for daily operations, with Loan Prime Rate of the day prior to the draw down day. As of March 31, 2025, the Company has borrowed \$406,300 (RMB2,950,000) (March 31, 2024: \$110,799) under this line of credit with annual interest rate of 3.9%. The revolving credit facility will be expired on February 1, 2026.

In December 2023, PF entered into a facility agreement with Sichuan Xinwang Bank Co., Ltd. and obtained a line of credit, which allows the Company to borrow up to approximately \$68,864 (RMB500,000) for daily operations. As of March 31, 2025, the Company has borrowed \$25,824 (RMB187,500) (March 31, 2024: RMB437,500) under this line of credit with annual interest rate of 6.72%. The loan facility will be expired on December 26, 2025.

In March 2024, PF entered into a new facility agreement with WeBank Co., Ltd. and obtained a line of credit, which allows the Company to borrow up to approximately \$137,729 (RMB1,000,000) for daily operations. As of March 31, 2025, the Company has borrowed \$78,702 (RMB571,429) (March 31, 2024: \$138,500) under this line of credit with annual interest rate of 8.244%. The loan facility will be expired on March 22, 2026.

## 14. TAXATION

### (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 progressive rate of 16.5%. No provision for income taxes in Hong Kong has been made as Yingxi HK had no taxable income for the years ended March 31, 2025 and 2024.



YX were incorporated in the PRC and is subject to an EIT tax rate of 25%. No provision for income taxes in the PRC has been made as YX had no taxable income for the years ended March 31, 2025 and 2024.

All Yingxi's operating companies were governed by the Income Tax Laws of the PRC and subject to progressive EIT rates from 5% to 15% in 2025 and 2024. The preferential tax rate will be expired at end of year 2025 and the EIT rate will be 25% from year 2025. Income taxes of the PRC companies were \$4,649 and \$11,605 for the year ended March 31, 2025 and 2024, respectively.

The Company's parent entity, Addentax Group Corp. 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 Addentax Group Corp. had no United States taxable income for the years ended March 31, 2025 and 2024.

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

	2025	2024
PRC statutory tax rate	25%	25%
Computed expected (expenses) benefits	\$ (1,189,972)	\$ (774,454)
Temporary differences	101,036	74,805
Permanent difference	43,506	34,726
Changes in valuation allowance	1,050,079	676,528
Reported income tax expense	<u>\$ 4,649</u>	<u>\$ 11,605</u>

As of March 31, 2025, the accumulated tax losses in China amounting to \$2.5 million (2024: \$2.3 million) will expire in five years. As of March 31, 2025, the accumulated net operating loss carried forward in the US entity was \$10.5 million (2024: \$6.9 million).

Deferred tax assets had not been recognized in respect of any potential tax benefit that may be derived from non-capital loss carry forward and property and equipment due to past negative evidence of previous cumulative net losses and uncertainty upon restructuring. The management will continue to assess at each reporting period to determine the realizability of deferred tax assets.

(b) Value Added Tax ("VAT")

In accordance with the relevant taxation laws in the PRC, the normal VAT rate for domestic sales is 13%, which is levied on the invoiced value of sales and is payable by the purchaser. The subsidiaries HSW, AOT and YS enjoyed preferential VAT rate of 13%. Companies are required to remit the VAT they collect 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 9% under the relevant tax category for logistic company, except the branch of PF enjoyed the preferential VAT rate of 3% in 2025 and 2024. 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.

## 15. 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 three segments:

- (a) **Garment manufacturing.** Including manufacturing and distribution of garments;
- (b) **Logistics services.** Providing logistic services;
- (c) **Property management and subleasing.** Providing shops subleasing and property management services for garment wholesalers and retailers in garment market.

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

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

	Year ended March 31,	
	2025	2024
<b>Revenues from external customers</b>		
Garments manufacturing segment	283,042	229,539
Logistics services segment	3,018,325	4,342,326
Property management and subleasing	879,547	581,888
Total of reportable segments	4,180,914	5,153,753
Corporate and other	-	-
<b>Total consolidated revenue</b>	<b>\$ 4,180,914</b>	<b>\$ 5,153,753</b>

Income (loss) from operations by segment for year ended March 31, 2025 and 2024 are as follows:

	Year ended March 31,	
	2025	2024
Garments manufacturing segment	(100,715)	(143,872)
Logistics services segment	249,160	179,450
Property management and subleasing	(954,448)	(201,746)
Total of reportable segments	\$ (806,003)	(166,168)
Corporate and other	(1,010,967)	(965,028)
<b>Total consolidated loss from operations</b>	<b>(1,816,970)</b>	<b>(1,131,196)</b>

Depreciation and amortization by segment for year ended March 31, 2025 and 2024 are as follows:

	Year ended March 31,	
	2025	2024
Garments manufacturing segment	6,754	1,575
Logistics services segment	101,888	315,657
Property management and subleasing	9,214	5,421
Total of reportable segments	\$ 117,856	322,653
Corporate and other	1,331	6,294
<b>Total consolidated depreciation and amortization</b>	<b>\$ 119,187</b>	<b>328,947</b>

Financial cost by segment for year ended March 31, 2025 and 2024 are as follows:

	Year ended March 31,	
	2025	2024
Garments manufacturing segment	78	6,822
Logistics services segment	53,066	28,728
Property management and subleasing	152	19
Total of reportable segments	\$ 53,296	35,569
Corporate and other	1,093,547	3,617,234
<b>Total consolidated financial cost</b>	<b>\$ 1,146,843</b>	<b>3,652,803</b>

Total assets by segment as of March 31, 2025 and March 31, 2024 are as follows:

	March 31, 2025	March 31, 2024
<b>Total assets</b>		
Garment manufacturing segment	\$ 238,981	\$ 1,357,761
Logistics services segment	3,167,654	3,231,492

Property management and subleasing	19,855,305	20,931,431
Total of reportable segments	23,261,939	25,520,684
Corporate and other	25,905,398	26,818,064
<b>Consolidated total assets</b>	<b>\$ 49,167,337</b>	<b>\$ 52,338,748</b>



## Geographical Information

The Company operates predominantly in China. In presenting information on the basis of geographical location, revenue is based on the geographical location of customers and long-lived assets are based on the geographical location of the assets.

## Geographic Information

	Year ended March 31,	
	2025	2024
<b>Revenues</b>	-	-
China	4,180,914	5,153,753
	March 31, 2025	March 31, 2024
<b>Long-Lived Assets</b>		
China	19,375,723	23,157,356

## 16. ACCRUED EXPENSES AND OTHER PAYABLES

Accrued expenses and other payables consist of the following as of March 31, 2025 and 2024:

	2025	2024
Accrued wages and welfare	56,479	92,658
Accrued expenses	84,573	84,627
Other tax payable	20,781	26,232
Rental payable	26,072	24,487
Interest payable	31,426	31,602
Customers' deposits	395,181	498,346
Other payables	1,243,686	615,010
	<u>\$ 1,858,198</u>	<u>\$ 1,372,962</u>

## 17. FINANCIAL INSTRUMENTS

On January 4, 2023, the Company entered into a series of agreements with certain accredited investors, pursuant to which the Company received a net proceed of \$15,000,000 in consideration of the issuance of:

- senior secured convertible notes in the aggregate original principal amount of approximately \$16.7 million with interest rate of 5% per annum (the "Convertible Notes"); The Convertible Notes shall be matured on July 4, 2024. The conversion price is \$1.25, subject to adjustment under several conditions.
- warrants to purchase up to approximately 16.1 million shares of common stock of the Company (the "Common Stock") until on or prior to 11:59 p.m. (New York time) on the five-year anniversary of the closing date at an exercise price of \$1.25 per share, also subject to adjustment under several conditions.

The Warrant is considered a freestanding instrument issued together with the Convertible Note and measured at its issuance date fair value. Proceeds received were first allocated to the Warrant based on its initial fair value. The initial fair value of the Warrant was \$3.9 million. The Warrant were marked to the market with the changes in the fair value of warrant recorded in the consolidated statements of operations and comprehensive loss. As of March 31, 2025, the balance of the Warrant was approximately \$1.0 million.

The Convertible Note is classified as a liability and is subsequently stated at amortized cost with any difference between the initial carrying value and the repayment amount as interest expenses using the effective interest method over the period from the issuance date to the maturity date. The embedded conversion feature is bifurcated and separately accounted for using fair value, as this embedded feature is considered not clearly and closely related to the debt host. The bifurcated conversion feature was recorded at fair value with the changes recorded in the consolidated statements of operations and comprehensive loss. The initial fair value of the embedded conversion feature was \$1.2 million. As of March 31, 2025, the fair value of the conversion option was \$1.4 million.

The Company determined that the other embedded features do not require bifurcation as they either are clearly and closely related to the Convertible Note or do not meet the definition of a derivative.

The total proceeds of the Convertible Note and the Warrants, net of issuance cost, of \$15.0 million was received by the Company in January 2023, and allocated to each of the financial instruments as following:

	As of January 4, 2023
Derivative liabilities – Fair value of the Warrants	\$ 3,858,521
Derivative liabilities – Embedded conversion feature	1,247,500
Convertible Note	<u>9,893,979</u>

In January 2023, the Company also granted the placement agent a warrant as partial of agent fee to purchase 0.7 million shares of common stock of the Company. The warrant is matured in five years with an exercise price of \$1.25 subject to adjustments under different conditions. The warrant was recognized as derivative liability and the initial fair value was \$0.168 million.

The movement of the Company's convertible notes obligations were as the following for the year ended March 31, 2025 and 2024:

	Year ended March 31,	
	2025	2024
Carrying value – beginning balance	\$ 2,684,697	\$ 11,219,519
Converted to Common Stock	(82,642)	(4,233,356)
Redemption	(544,706)	(5,687,055)
Amortization of debt discount	823,058	2,746,796
Deferred debt discount and cost of issuance	(250,061)	(2,231,363)
Interest charge	269,814	870,156
Carrying value – ending balance	<u>\$ 2,900,160</u>	<u>\$ 2,684,697</u>

During the year ended March 31 2025 and 2024, approximately \$82,642 and 5.2 of the convertible notes was converted into approximately 132,994 and 3.7 Common Stock, with average effective conversion price of \$0.6214 and \$1.4044 per share, respectively.

On July 13, 2023, the Company entered into a Waiver and Ratification Agreement with one of the holders of the Convertible Note. According to the agreement, the holder redeemed the full amount of \$7.5 million for the Convertible Note and irrevocably waives any past, present or future claims, rights and obligations under the Convertible Note.

On July 3, 2024, the Company and the investor to the outstanding Note entered into an amendment to the Note, whereby the Note's maturity date has been extended to July 4, 2025. No other provision of the Note was amended and the Note continues in full force and effect.

The Company's derivative liabilities were as the following for the year ended March 31, 2025 and 2024:

	Year ended March 31,	
	2025	2024
<b>Derivative liabilities – Warrants</b>	<b>\$</b>	<b>\$</b>
Beginning balance	251,657	2,013,261
Marked to the market	738,195	(1,761,604)
Ending fair value	989,852	251,657
<b>Derivative liabilities – Embedded conversion feature</b>		
Beginning balance	36,298	277,222
Converted to Common Stock	(1,330)	(718,879)
Remeasurement on change of convertible price	248,217	1,818,864
Redemption	(103,786)	(1,115,627)
Marked to the market	1,603,098	(225,282)
Ending fair value	1,782,498	36,298
Total Derivative fair value at end of period	<u>\$ 2,772,350</u>	<u>\$ 287,955</u>

## 18. LEASES

### As a lessee

#### **Right-of-use asset and lease liabilities**

The Company implemented a new accounting policy according to the ASC 842, Leases, on April 1, 2019 on a modified retrospective basis and did not restate comparative periods. Under the new policy, the Company recognized approximately \$0.06 million lease liability as well as right-of-use asset for all leases (with the exception of short-term leases) at the commencement date. Lease liabilities are measured at present value of the sum of remaining rental payments as of March 31, 2025, with discounted rate of 4.9%. A single lease cost is recognized over the lease term on a generally straight-line basis. All cash payments of operating lease cost are classified within operating activities in the statement of cash flows.

The Company leases its head office. The lease period is 5 years with an option to extend the lease. The Company leases its plant and dormitory for 4.5 years with an option to extend the lease. The Company leased several floors in a commercial building for its sublease and property management services business for 16 years with an option to extend the lease.

The following table summarizes the components of lease expense:

	2025	2024
Operating lease cost	993,600	699,998
Short-term lease cost	131,520	131,679
	<u>1,125,120</u>	<u>831,677</u>

The following table summarizes supplemental information related to leases:

	2025	2024
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flow used in operating leases	\$ 1,125,120	\$ 831,677
Right-of-use assets obtained in exchange for new operating leases liabilities	-	20,146,774
Weighted average remaining lease term - Operating leases (years)	13.5	14.4
Weighted average discount rate - Operating leases	4.90%	4.90%

The following table summarizes the maturity of operating lease liabilities:

Years ending March 31	Lease cost
2026	\$ 996,533
2027	996,533
2028	1,481,082
2029	2,062,089
2030 and there after	22,887,269
Total lease payments	28,423,506
Less: Interest	(9,706,848)
Total	<u>\$ 18,716,658</u>

**As a lessor**

The Company subleased its leased commercial building by entering into operating leases to third party garment wholesalers and retailers. These leases are negotiated for terms ranging from one to five years. All leases include the term to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Rental income from subleasing is disclosed in Note 16 segment data.

The future minimum rental receivable under non-cancellable operating leases contracted for the reporting period are as follows:

Years ending March 31	Lease income
2026	\$ 206,803
2027	262,770
2028	200,390
2029	-
2030 and there after	-
Total	<u>\$ 669,963</u>

## 19. SHARE CAPITAL AND RESERVE

### Common Stock

In August 2022, the Company completed its IPO and 5,000,000 Common Stock were issued and sold to the public, with proceeds of approximately \$20.2 million, net of underwriter commissions and relevant offering expenses.

In September, 2022, 391,666 shares were issued upon cashless exercise of Underwriter Warrants.

On February 3, 2023, 3,370,000 shares were issued as pre-delivery shares to the placement agents.

In January 2023, the Company increased its authorized share capital and the authorized share capital is US\$250,000 divided into 250,000,000 Common Stock with par value of US\$0.001 per share.

The Company effected the amendment and combination to the outstanding shares of its common stock into a lesser number of outstanding shares (the “Reverse Stock Split Amendment”) on a ratio of one-for-ten, with effected date on June 26, 2023. Through the reversed split, the number of shares was reduced by 33,655,839 shares.

After the reversed split, the Company issued 1,644,188 Common Stock with par value of US\$0.001 per share.

On April 29, 2024, the Company entered into two Private Placement Agreements (the “Agreement”) with certain individual investors (the “Investors”) who are independent third parties, pursuant to which the Company issued to each of the investor 330,000 shares of its common stock, par value \$0.001 per share, at a price of \$0.98 per share (the “Common Stock”), resulting in aggregate gross proceeds to the Company of \$646,800, which closed on the same day. Pursuant to the Agreement, the Company issued an aggregate of 660,000 unregistered shares of common stock to the Investors.

There were 6,043,769 and 5,383,769 Common Stock issued and outstanding at March 31, 2025 and 2024, respectively.

### 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. The amount appropriated to statutory reserve for the years ended March 31, 2025 and 2024 were \$402 and \$8,563, respectively. The balance of paid-up statutory reserve was \$37,422 and \$37,020 as of March 31, 2025 and 2024, respectively.

## 20. OTHER INCOME (EXPENSES), NET

	2025	2024
Investment income	\$ 437,500	\$ 218,750
Gain/(Loss) on debts extinguishment	62,200	(697,318)
Loss on disposal of PPA	(73,236)	-
Loss on disposal of subsidiary	(334,135)	-
Gain on bargain purchase	-	996
Penalty income from customers’ defaults	113,275	106,543
Subsidy from government	5,023	29,044
Other	1,764	34,408
	<u>\$ 212,391</u>	<u>\$ (307,577)</u>

## 21. RISKS AND UNCERTAINTIES

### (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, which are 7.26 and 7.22 at March 31, 2025 and March 31, 2024, respectively. Revenue

and expenses are translated at the average yearly exchange rates, which are 7.22 and 7.15 for the two years ended March 31, 2025 and 2024, respectively. The equity is translated at historical exchange rates. Any translation adjustments resulting are not included in determining net income but are included in foreign exchange adjustments to other comprehensive loss, a component of equity.

**(c) Concentration Risks**

The following are the percentages of accounts receivable balance of the top five customers over accounts receivable for each segment as of March 31, 2025 and 2024.

Garment manufacturing segment

	March 31, 2025	March 31, 2024
Customer A	50.5%	Nil%
Customer B	49.5%	100.0%

The high concentration as of March 31, 2025 was mainly due to business development of a large distributor of garments.

Logistics services segment

	March 31, 2025	March 31, 2024
Customer A	20.2%	16.2%
Customer B	17.6%	23.3%
Customer C	17.6%	15.9%
Customer D	5.9%	8.9%
Customer E	5.4%	Nil%

Property management and subleasing

There is no account receivable for Property management and subleasing segment as for March 31, 2025.

For the year ended March 31, 2025, two customers from logistics services segment provided more than 10% of total consolidated revenue of the Company, representing 31.0% of total revenue of the Company.

The following tables summarized the percentages of purchases from five largest suppliers of each of the reportable segment purchase for the years ended March 31, 2025 and 2024.

	Year ended March 31,	
	2025	2024
Garment manufacturing segment	41.39%	Nil%
Logistics services segment	100.0%	100.0%
Property management and subleasing	100.0%	100.0%

No supplier provided more than 10% of our raw materials purchases for the years ended March 31, 2025 and 2024.

**(d) Interest Rate Risk**

The Company's exposure to interest rate risk primarily relates to the interest expenses on our outstanding bank borrowings and the interest income generated by cash invested in cash deposits and liquid investments. As of March 31, 2025, the total outstanding borrowings amounted to \$640,878 (RMB4.7 million) with various interest rate from 4.34% to 8.24% p.a.(Note 13).

## 22. SUBSEQUENT EVENTS

The Company received a letter dated April 9, 2025 from the Listings Qualifications Department (the “Staff”) of The Nasdaq Stock Market LLC (“Nasdaq”) notifying the Company that the minimum bid price per share of its common stock was below \$1.00 for a period of 30 consecutive business days and that the Company did not meet the minimum bid price requirement set forth in Nasdaq Listing Rule 5550(a)(2) (the “Minimum Bid Price Rule”). The Nasdaq letter does not result in the immediate delisting of the Company’s shares of common stock, and the shares will continue to trade uninterrupted under the symbol “ATXG.”

Pursuant to Nasdaq Listing Rule 5810(c)(3)(A), the Company has a compliance period of one hundred eighty (180) calendar days, or until October 6, 2025 (the “Compliance Period”), to regain compliance with the Minimum Bid Price Rule. If at any time during the Compliance Period, the closing bid price per share of the Company’s common stock is at least \$1.00 for a minimum of ten (10) consecutive business days, Nasdaq will provide the Company a written confirmation of compliance and the matter will be closed.

In the event the Company does not regain compliance by the end of the Compliance Period, the Company may be eligible for an additional 180 calendar day grace period. To qualify, the Company will be required to meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for the Nasdaq Capital Market, with the exception of the bid price requirement, and will need to provide written notice of its intention to cure the deficiency during the second compliance period, including by effecting a reverse stock split, if necessary. If the Company chooses to implement a reverse stock split, it must complete the split no later than ten (10) business days prior to the end of the Compliance Period, or the end of the second compliance period if granted.

In May 2025, the Company disposed of the subsidiary ATO to a related party with a loss of approximately \$8,604.

There are no other subsequent events have occurred that would require recognition or disclosure in the financial statements.



## **Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

### **Item 9A. Controls and Procedures**

#### ***Disclosure Controls and Procedures***

We maintain disclosure controls and procedures, as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934 (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 SEC’s rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial 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 and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of March 31, 2025. 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 and Chief Financial Officer concluded that our disclosure controls and procedures were not effective.

#### **Management’s Remediation Initiatives**

In an effort to remediate the identified material weaknesses and other deficiencies and enhance our internal controls, we plan to initiate the following series of measures to further strengthen the Company’s internal controls going forward:

1. hire a reporting manager (“Internal Finance Manager”) who has the requisite relevant U.S. GAAP and SEC reporting experience and qualifications;
2. make an overall assessment on the current finance and accounting resources and hire additional accounting members with appropriate levels of accounting knowledge and experience;
3. streamline our accounting department structure and enhance our staff’s U.S. GAAP and SEC reporting requirements on a continuous basis through internal training provided by the Internal Finance manager;
4. participate in trainings and seminars provided by professional services firms on a regular basis to gain knowledge on regular U.S. GAAP /SEC reporting requirements updates; and
5. engage an external “Sarbanes-Oxley 404” consulting firm to help us implement Sarbanes-Oxley 404 internal controls compliance together with the establishment of our internal audit function.

We anticipate that these initiatives will be at least partially, if not fully, implemented by the end of fiscal year 2025.

#### ***Management’s Report on Internal Control over Financial Reporting***

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)). The Company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of the Company’s internal control over financial reporting as of March 31, 2025 using the criteria established in “Internal Control - Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”).

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim financial statements will not be prevented or detected on a timely basis. In its assessment of the effectiveness of internal control over financial reporting as of March 31, 2025, the Company determined that there were control deficiencies that constituted material weaknesses, as described below.

We did not maintain a sufficient complement of personnel with an appropriate level of knowledge of accounting, experience, and training commensurate with its financial reporting requirements.

Accordingly, the Company concluded that these control deficiencies resulted in a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis by the company's internal controls.

As a result of the material weaknesses described above, management has concluded that the Company did not maintain effective internal control over financial reporting as of March 31, 2025 based on criteria established in Internal Control- Integrated Framework issued by COSO.

***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.

***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.

**Item 9B. Other Information**

None.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.**

Not applicable.

### **PART III**

#### **Item 10. Directors, Executive Officers and Corporate Governance**

##### ***DIRECTORS AND EXECUTIVE OFFICERS***

The name, address, age and titles of our executive officers and directors are as follows:

<b><u>Name &amp; Address</u></b>	<b><u>Age</u></b>	<b><u>Title</u></b>	<b><u>Date of First Appointment</u></b>
<b>Hong Zhida</b>	35	Chairman of the Board, Chief Executive Officer, President and Secretary	March 10, 2017
<b>Huang Chao</b>	32	Chief Financial Officer and Treasurer	March 8, 2019
<b>Hong Zhiwang</b>	31	Director	March 13, 2019
<b>Li Weilin (1)(2)(3)</b>	44	Independent Director	April 26, 2024
<b>Alex. P. Hamilton (1)(2)(3)</b>	53	Independent Director	May 10, 2021
<b>Xiao Jiangping (Gary) (1)(2)(3)</b>	47	Independent Director	May 12, 2021

- (1) Member of the Audit Committee
- (2) Member of the Compensation Committee
- (3) Member of the Nominating and Corporate Governance Committee

##### **Hong Zhida, Chairman, CEO, President and Secretary**

Hong Zhida received his Bachelor's Degree in Electronic Information Science and Technology from Sun Yat-sen University in July 2013. From June 2014 to present, he served as the Director of China Huiying Joint Supply Chain Group Co. Ltd. He was responsible for assisting the company's chairman to plan development strategy. From September 2013 to May 2014, he served as Head of Membership Department of the Guangzhou Haifeng Chamber of Commerce. In that position he was responsible for the membership management of the institution. Mr. Hong's extensive experience in the Company which demonstrates his familiarity with the Company's overall operations and governance structure led to the conclusion that he should serve as a director.

### **Huang Chao, Chief Financial Officer and Treasurer**

Huang Chao earned two bachelor's degrees, one in marketing from Shaoguan University, China in 2014 and the other in international logistics and trade finance from University of Northampton, United Kingdom in 2015. He earned his master's degree in finance and investment management from University of Liverpool, United Kingdom in 2016 to broaden and deepen his knowledge in the accounting and finance field. After his graduation in 2016, he was appointed as a secretary to Chairman in Addentax Group Corp. He handles all Company's filings to ensure the Company complies with regulations and advising on good corporate governance practice. Huang Chao interacts with the directors, general manager of each business unit, various regulatory and professional bodies such as the SEC, auditors and attorneys to ensure the compliance. His management experiences, and profound knowledge in finance make him well positioned for his role as Chief Financial Officer and Treasurer.

### **Li Weilin, Independent Director**

Li Weilin has been serving as the information and network center director in Xinhua College of Sun Yat-sen University since 2005. Since 2015, Mr. Li has been serving as the chief of senior engineer of Computer Application & Technology program in Guangdong Polytechnic College. From March 2019 to May 2021, Mr. Li was appointed independent director, a compensation committee member, an audit committee member and the chairperson of the nominating and corporate governance committee of Addentax Group Corp. Mr. Li is experienced in the field of network & system safety, image processing, data mining, business intelligence, big data management and network physical system. Mr. Li obtained a bachelor's degree in Computer Science & Technology and a master's degree in Software Engineering from Sun Yat-sen University, China in 2005 and 2011, respectively. We believe Mr. Li is qualified to be an independent director due to his extensive experience in information technology and his prior experience in the Company which demonstrates his familiarity with the Company's operations and governance structure.

### **Hong Zhiwang, Director**

Hong Zhiwang earned his bachelor's degree in Automation Engineering from Beijing Institute of Technology University Zhuhai Campus, China in 2014. Mr. Hong has been the brand marketing manager at Addentax Group Corp. since 2018 and is responsible for e-commerce marketing covering design website, brand marketing, market investigation and development, and expanding marketing channels to develop new clients, designing the company's logo and registering copyrights. In 2014, he was the PDM Software Engineer for Hongfan Computer & Technology Co., Ltd. and was responsible for developing software, on-site inspection and guidance and software maintenance, in assistance of ERP to manage the system and create brand new demands design and in charge of R&D of PLM System, surface model design and function model development, structure development and communications technology development. He brings to the Board deep brand marketing experience.

### **Alex P. Hamilton, Independent Director**

Alex Hamilton obtained his B.A. in Economics from Brandeis University in 1994. Mr. Hamilton served as the CFO and Board member of CBD biotech has been the Chief Financial Officer of CBD Biotech Inc. other entrepreneurial pursuits include founding and severing as its CEO. Mr. Hamilton also founded Hamilton Strategy in November 2014, and has served as its chief executive officer since. From November 2013 to November 2014, Mr. Hamilton was the president of Kei Advisors. Mr. Hamilton was also the Co-Founder of Donald Capital LLC, and has served as its president. Mr. Hamilton is currently a managing director of investment banking at craft capital management. From December 2020 to July 2021, Mr. Hamilton served as an independent director and the chairman of the audit committee of Wunong Net Technology Company Limited (Nasdaq: WNW). Mr. Hamilton's prior public company experience led to the conclusion that he should serve as a director.

The Board has determined that Mr. Hamilton satisfies the definition of "independent director" in accordance with Rule 5605(a)(2) of the Marketplace Rules of The Nasdaq Stock Market, Inc. and Section 10(A)(m)(3) of the Securities Exchange Act of 1934, as amended. Mr. Hamilton has accepted our appointment to be our independent director, effective on the Appointment Effective Date.

### **Xiao Jiangping (Gary), Independent Director**

Gary Xiao has been the CFO at deGiulio Kitchen Design, Inc since August 2023. He previously served as CFO at Big Red Rooster Flow, LLC from June 2021 to August 2023. From July 2019 until April 2021, he served as VP of Finance & Accounting for Hilco IP Merchant Bank. From March 2017 until March 2019, he served as CFO for Professional Diversity Network, Inc.(Nasdaq: IPDN). From June 2013 until April 2016, he served as the CFO and Controller of Petstages Inc. Mr. Xiao has also been an independent director for several public companies. Since November 2021, Mr. Xiao has been an independent board director and the chairman of audit committee of Embrace Change Acquisition Corp (NASDAQ: EMCG), a special purpose acquisition company, or SPAC. From July 2019 to November 2021, Mr. Xiao served as an independent board director and audit committee chair of Takung Art Co. Ltd. (NYSE: TKAT). He received a master's degree in business administration from the Ross School of Business at the University of Michigan and a bachelor's degree in accounting from Tsinghua University.

The Board has determined that Mr. Xiao satisfies the definition of “independent director” in accordance with Rule 5605(a)(2) of the Marketplace Rules of The Nasdaq Stock Market, Inc. and Section 10(A)(m)(3) of the Securities Exchange Act of 1934, as amended. Mr. Hamilton has accepted our appointment to be our independent director, effective on the Appointment Effective Date.

### **Board Committees**

Our board of directors has established standing committees in connection with the discharge of its responsibilities. These committees include an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. Our board of directors has adopted written charters for each of these committees.

#### **Audit Committee**

The Audit Committee consists of (i) Alex P. Hamilton, who is the Chairman of the Audit Committee, (ii) Li Weilin, and (iii) Xiao Jiangping (Gary). Each member of the Audit Committee meets the requirements for independence, including the enhanced requirements applicable to audit committee members, and can read and understand fundamental financial statements in accordance with the applicable rules and regulations of the SEC and the Nasdaq listing standards. In arriving at this determination, the Board has examined each Audit Committee member's professional experience and the nature of their employment in the corporate finance sector. The Board has also determined that Mr. Hamilton qualifies as an “audit committee financial expert,” as defined under applicable SEC and Nasdaq listing standards.

The Audit Committee operates pursuant to a written charter that is available on the Company's website at: <https://www.addentax.com/government>.

According to its charter, the Audit Committee consists of at least three members, each of whom shall be a non-employee director who has been determined by the Board to meet the independence requirements of NASDAQ, and also Rule 10A-3(b)(1) of the SEC, subject to the exemptions provided in Rule 10A-3(c). We do not have a website containing a copy of the Audit Committee Charter. The Audit Committee Charter describes the primary functions of the Audit Committee, including the following:

- Overseeing the Company's accounting and financial reporting processes;
- Overseeing audits of the Company's financial statements;
- Discussing policies with respect to risk assessment and risk management, and discussing the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures;
- Reviewing and discussing with management the Company's audited financial statements and reviewing with management and the Company's independent registered public accounting firm the Company's financial statements prior to the filing with the SEC of any report containing such financial statements;

- Recommending to the board that the Company’s audited financial statements be included in its annual report on Form 10-K for the last fiscal year;
- Meeting separately, periodically, with management, with the Company’s internal auditors (or other personnel responsible for the internal audit function) and with the Company’s independent registered public accounting firm;
- Being directly responsible for the appointment, compensation, retention and oversight of the work of any independent registered public accounting firm engaged to prepare or issue an audit report for the Company;
- Taking, or recommending that the board take, appropriate action to oversee and ensure the independence of the Company’s independent registered public accounting firm; and
- Reviewing major changes to the Company’s auditing and accounting principles and practices as suggested by the Company’s independent registered public accounting firm, internal auditors or management.

### **Compensation Committee**

The Compensation Committee evaluates, recommends, and approves policy relating to compensation and benefits of the Company’s officers and employees. The Compensation Committee is directly responsible for, among other matters:

- reviewing and approving, or recommending to the board of directors to approve the compensation of our CEO and other executive officers and directors reviewing key employee compensation goals, policies, plans and programs;
- administering incentive and equity-based compensation;
- reviewing and approving employment agreements and other similar arrangements between us and our executive officers; and
- appointing and overseeing any compensation consultants or advisors.

The Compensation Committee consists of (i) Li Weilin, who is the Chairperson of the Compensation Committee (ii) Alex P. Hamilton, and (iii) Xiao Jiangping (Gary). The Board has determined that Li Weilin, Alex P. Hamilton and Xiao Jiangping (Gary) are independent under the applicable Nasdaq listing standards, including the enhanced requirements applicable to compensation committee members, and all current members qualify as a “non-employee director” as defined in Rule 16b-3 promulgated under the Exchange Act. The Board has determined that each of the members of the Compensation Committee is an “outside director” as that term is defined in Section 162(m) of the Revenue Code, or Section 162(m).

The Compensation Committee operates pursuant to a written charter that is available on the Company’s website at: <https://www.addentax.com/government>.

The Compensation Committee may delegate its responsibilities under its charter to one or more subcommittees as it deems appropriate from time to time. The Compensation Committee may also employ a compensation consultant, independent legal counsel or other adviser to assist in the evaluation of the compensation of the Company’s executive officers and its other duties.

### **Corporate Governance and Nominating Committee**

The Nominating Committee is responsible for making recommendations to the Board regarding candidates for directorship, and the structure and composition of the Company’s Board and committees of the Board. The Nominating Committee is directly responsible for, among other matters:

- selecting or recommending for selection candidates for directorships;
- evaluating the independence of directors and director nominees;
- reviewing and making recommendations regarding the structure and composition of our board and the board committees;
- developing and recommending to the board corporate governance principles and practices;
- reviewing and monitoring the Company’s Code of Business Conduct and Ethics; and
- overseeing the evaluation of the Company’s management.

The Nominating Committee consists of: (i) Xiao Jiangping (Gary), who is the Chairman of the Nominating Committee, (ii) Alex P. Hamilton, and (iii) Li Weilin. The Board has determined that Xiao Jiangping (Gary), Li Weilin and Alex P. Hamilton are independent under the applicable rules and regulations of Nasdaq.

The Nominating Committee operates pursuant to a written charter that is available on the Company's website at: <https://www.addentax.com/government>.

### **Board Leadership Structure and Role in Risk Oversight**

The Board currently consists of five directors. Mr. Hong Zhida holds the positions of chief executive officer and chairman of the board of the Company. The board believes that Mr. Hong Zhida's services as both chief executive officer and chairman of the board is in the best interest of the Company and its shareholders. Mr. Hong Zhida possesses detailed and in-depth knowledge of the issues, opportunities and challenges facing the Company in its business and is thus best positioned to develop agendas that ensure that the Board's time and attention are focused on the most critical matters relating to the business of the Company. His combined role enables decisive leadership, ensures clear accountability, and enhances the Company's ability to communicate its message and strategy clearly and consistently to the Company's shareholders, employees and customers.

The board has not designated a lead director. Given the limited number of directors comprising the Board, the independent directors call and plan their executive sessions collaboratively and, between meetings of the Board, communicate with management and one another directly. Under these circumstances, the directors believe designating a lead director to take on responsibility for functions in which they all currently participate might detract from rather than enhance performance of their responsibilities as directors.

Management is responsible for assessing and managing risk, subject to oversight by the board of directors. The board oversees our risk management policies and risk appetite, including operational risks and risks relating to our business strategy and transactions. Various committees of the board assist the board in this oversight responsibility in their respective areas of expertise.

### **Code of Ethics**

In September 2018, we adopted a Code of Ethical Business Conduct that applies to, among other persons, members of our board of directors, our Company's officers including our Chief Executive Officer, employees, consultants and advisors. As adopted, our Code of Business Conduct and Ethics sets forth written standards that are designed to deter wrongdoing and to promote:

1. honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
2. full, fair, accurate, timely, and understandable disclosure in reports and documents that we file with, or submit to, the SEC and in other public communications made by us;
3. compliance with applicable governmental laws, rules and regulations;
4. the prompt internal reporting of violations of the Code of Ethical Business Conduct to an appropriate person or persons identified in the Code of Ethical Business Conduct; and
5. accountability for adherence to the Code of Ethical Business Conduct.

Our Code of Code of Ethical Business Conduct requires, among other things, that all of our company's senior officers commit to timely, accurate and consistent disclosure of information; that they maintain confidential information; and that they act with honesty and integrity.

In addition, our Code of Ethical Business Conduct emphasizes that all employees, and particularly senior officers, have a responsibility for maintaining financial integrity within our company, consistent with generally accepted accounting principles, and federal and state securities laws. Any senior officer, who becomes aware of any incidents involving financial or accounting manipulation or other irregularities, whether by witnessing the incident or being told of it, must report it to our Company. Any failure to report such inappropriate or irregular conduct of others is to be treated as a severe disciplinary matter. It is against our Company policy to retaliate against any individual who reports in good faith the violation or potential violation of our company's Code of Ethical Business Conduct by another.

### Recovery of Erroneously Awarded Compensation

The Company has adopted a clawback policy in connection with recovery of erroneously awarded compensation.

### Family Relationships

Mr. Hong Zhida, an executive officer of the Company, and Mr. Hong Zhiwang, a director of the Company, are brothers. Apart from this, there are no family relationships between any director or executive officer of the Company.

### Involvement in Certain Legal Proceedings

None.

### Insider Trading Arrangements and Policies

We have a written **insider** trading policy that applies to our directors, officers, employees and contractors, including our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. We intend to disclose future amendments to such policy, or any waivers of its requirements, applicable to any principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions or our directors on our website identified above or in a current report on Form 8-K that we would file with the SEC.

Our directors and executive officers may adopt written plans, known as Rule 10b5-1 plans, in which they will contract with a broker to buy or sell shares of our Common Stock on a periodic basis. Under a Rule 10b5-1 plan, a broker executes trades pursuant to parameters established by the director or officer when entering into the plan, without further direction from them. The director or officer may amend a Rule 10b5-1 plan in some circumstances and may terminate a plan at any time. Our directors and executive officers also may buy or sell additional shares outside of a Rule 10b5-1 plan when they are not in possession of material non-public information subject to compliance with the terms of our **insider** trading policy.

## Item 11. Executive Compensation

The following tables set forth certain information about compensation paid, earned or accrued for services by our Executive Officer for the fiscal years ended March 31, 2025 and 2024:

### Summary Compensation Table

Summary Compensation Table Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Non-Qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Totals (\$)
<b>Hong Zhida</b> <b>(CEO)</b>	2025	\$17,229	0	0	0	0	0	0	\$17,229
	2024	\$17,229	0	0	0	0	0	0	\$17,229
<b>Huang Chao</b> <b>(CFO)</b>	2025	\$31,579	0	0	0	0	0	0	\$31,579
	2024	\$31,579	0	0	0	0	0	0	\$31,579

There are no current employment agreements between the Company and its officers.

Mr. Hong Zhida is the Company's Chief Executive Officer, President and Secretary. Mr. Hong's compensation is \$1,436 per month. Mr. Hong may be entitled to options from time to time as authorized and approved by the Compensation Committee or the Board of Directors.

Mr. Huang Chao as the Company's Chief Financial Officer and Treasurer. On April 15, 2019, the Company entered into an employment agreement with Mr. Chao. Mr. Chao's compensation is \$2,631 per month. Mr. Chao may be entitled to options from time to time as authorized and approved by the Compensation Committee or the Board of Directors.



## Narrative Disclosure to Summary Compensation Table

There are no annuity, pension or retirement benefits proposed to be paid to the officer or director or employees in the event of retirement at normal retirement date pursuant to any presently existing plan provided or contributed to by the Company or any of its subsidiaries, if any.

### Stock Option Plan

On May 28, 2024, our Board adopted our 2024 Equity Incentive Plan (the “2024 Equity Incentive Plan”), which was approved by our shareholders at our annual shareholders meeting on June 28, 2024. The 2024 Equity Incentive Plan gives us the ability to grant stock options, stock appreciation rights (SARs), restricted stock and other stock-based awards to officers, directors (including independent directors), employees or consultants of our company or of any subsidiary of our company and to non-employee members of our advisory board or our Board or the board of directors of any of our subsidiaries. The Board and the Compensation Committee believe the ability to grant restricted stock, stock options and make other stock-based awards under the Plan is an important factor in attracting, stimulating and retaining qualified and distinguished personnel with proven ability and vision to serve as employees, officers, consultants or members of the Board or advisory board of our company and our subsidiaries, and to chart our course towards continued growth and financial success.

### Grants of Plan-Based Awards

To date, there have been no grants or plan-based awards.

### Outstanding Equity Awards

To date, there have been no outstanding equity awards.

### Option Exercises and Stock Vested

To date, there have been no options exercised by our named officers.

## Compensation of Directors

### Summary Compensation Table

Name and Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Non-Qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Totals (\$)
<i>Alex P. Hamilton</i> (Independent Director)	2025	\$ 15,000	0	0	0	0	0	0	\$ 15,000
	2024	\$ 15,000	0	0	0	0	0	0	\$ 15,000
<i>Li Weilin</i> (Independent Director)	2025	\$ 15,000	0	0	0	0	0	0	\$ 15,000
	2024	\$ 0	0	0	0	0	0	0	\$ 0
<i>Xiao Jiangping (Gary)</i> (Independent Director)	2025	\$ 15,000	0	0	0	0	0	0	\$ 15,000
	2024	\$ 15,000	0	0	0	0	0	0	\$ 15,000

Mr. Li Weilin has entered into an independent director agreement with the company, pursuant to which Mr. Li will receive annual cash compensation of \$15,000 payable quarterly in advance on the first business day of each calendar quarter.

Mr. Alex P. Hamilton has entered into an independent director agreement with the Company, pursuant to which Mr. Hamilton will receive annual cash compensation of \$15,000 payable quarterly in advance on the first business day of each calendar quarter.

Mr. Xiao Jiangping (Gary) has entered into an independent director agreement with the Company, pursuant to which Mr. Xiao will receive annual cash compensation of \$15,000 payable quarterly in advance on the first business day of each calendar quarter.

### Pension, Retirement or Similar Benefit Plans

There are no arrangements or plans in which we provide pension, retirement or similar benefits for directors or executive officers. We have no material bonus or profit sharing plans pursuant to which cash or non-cash compensation is or may be paid to our directors or executive officers, except that stock options may be granted at the discretion of the board of directors or a committee thereof.

## Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth, as of June 29, 2025, certain information concerning the beneficial ownership of our Common Stock by (i) each stockholder known by us to own beneficially five percent or more of our outstanding Common Stock or series a common stock; (ii) each director; (iii) each named executive officer; and (iv) all of our executive officers and directors as a group, and their percentage ownership and voting power. The column entitled “Percentage Ownership of Shares of Common Stock” is based on a total of 10,090,963 shares of our issued and outstanding Common Stock.

The information presented below regarding beneficial ownership of our voting securities has been presented in accordance with the rules of the Securities and Exchange Commission and is not necessarily indicative of ownership for any other purpose. Under these rules, a person is deemed to be a “beneficial owner” of a security if that person has or shares the power to vote or direct the voting of the security or the power to dispose or direct the disposition of the security. A person is deemed to own beneficially any security as to which such person has the right to acquire sole or shared voting or investment power within sixty (60) days through the conversion or exercise of any convertible security, warrant, option, or other right. More than one (1) person may be deemed to be a beneficial owner of the same securities. The percentage of beneficial ownership by any person as of a particular date is calculated by dividing the number of shares beneficially owned by such person, which includes the number of shares as to which such person has the right to acquire voting or investment power within sixty (60) days, by the sum of the number of shares outstanding as of such date. Consequently, the denominator used for calculating such percentage may be different for each beneficial owner. Except as otherwise indicated below and under applicable community property laws, we believe that the beneficial owners of our common stock listed below have sole voting and investment power with respect to the shares shown.

<b>Name and Address <sup>(1)</sup></b>	<b>Number of Shares Beneficially Owned</b>	<b>Percentage Ownership of Shares of Common Stock</b>
<b>Directors and Officers</b>		
Hong Zhida	245,894	2.50%
Hong Zhiwang	50,118	0.51%
Huang Chao	2,572	0.03%
Alex. P. Hamilton	-	-
Li Weilin	-	-
Xiao Jiangping (Gary)	-	-
<b>All Officers and Directors (six persons)</b>	<b>298,584</b>	<b>3.04%</b>
<b>Owner of more than 5% of Class</b>		
Alto Opportunity Master Fund, SPC - Segregated Master Portfolio B <sup>(2)</sup>	646,542 <sup>(3)</sup>	6.41%

(1) Except as otherwise set forth below, the address of each beneficial owner is c/o Addentax Group Corp., Kingkey 100, Block A, Room 4805, Luohu District, Shenzhen City, China 518000.

(2) Ayrton Capital LLC, the investment manager to Alto Opportunity Master Fund, SPC - Segregated Master Portfolio B, has discretionary authority to vote and dispose of the shares held by Alto Opportunity Master Fund, SPC - Segregated Master Portfolio B and may be deemed to be the beneficial owner of these shares. Waqas Khatri, in his capacity as Managing Member of Ayrton Capital LLC, may also be deemed to have investment discretion and voting power over the shares held by Alto Opportunity Master Fund, SPC - Segregated Master Portfolio B. Ayrton Capital LLC and Mr. Khatri each disclaim any beneficial ownership of these shares. The address of Ayrton Capital LLC is 55 Post Rd West, 2nd Floor, Westport, CT 06880.

(3) Based solely on the ownership disclosed in the holder’s Schedule 13G/A, filed with the SEC on February 13, 2025.

**Item 13. Certain Relationships, Related Transactions and Director Independence**

Name of Related Parties	Relationship with the Company
Zhida Hong	President, CEO, and a director of the Company
Hongye Financial Consulting (Shenzhen) Co., Ltd.	A company controlled by CEO, Mr. Zhida Hong
Bihua Yang	A legal representative of XKJ
Dewu Huang	A legal representative of YBY, ceased to be related party at August 31, 2024 when YBY was disposed of.
Jinlong Huang	Management of HSW

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

Hongye Financial Consulting (Shenzhen) Co., Ltd. provided guarantee to the consideration receivable of transfer of a debt security to a third party.

The Company had the following related party balances at the end of the years:

Amount due from related party	2025	2024
Hong Zhida (1)	2,856,262	2,154,759
Bihua Yang (2)	1,426,867	858,133
	<u>\$ 4,283,129</u>	<u>\$ 3,012,892</u>
Related party borrowings	2025	2024
Hongye Financial Consulting (Shenzhen) Co., Ltd.	\$ 39,174	\$ 170,967
Dewu Huang (3)	-	864,599
Jinlong Huang	122,420	111,179
	<u>\$ 161,594</u>	<u>\$ 1,146,745</u>

- (1) The increase of related party from Hong Zhida was short term loan to Hong Zhida, which is interest free and would be repaid in one year.
- (2) The increase of related party debt from Yang Bihua was mainly due to the cash paid in advance to Yang Bihua. During year ended March 31, 2025, the Company received financial support of approximately \$0.8 million from Yang Bihua and provided a short term loan of approximately \$1.3 million to Yang Bihua.
- (3) The Company received financial support from Huang Dewu to fund company's daily operation. The decrease is because YBY was disposed of in August 2024.

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

**Item 14. Principal Accountant Fees and Services**

The following table sets forth fees billed, or expected to be billed, to us by our independent registered public accounting firm for the years ended March 31, 2025 and 2024, for (i) services rendered for the audit of our annual financial statements and the review of our quarterly financial statements; (ii) services rendered that are reasonably related to the performance of the audit or review of our financial statements that are not reported as "audit fees;" (iii) services rendered in connection with tax preparation, compliance, advice and assistance; and (iv) all other services:

ACCOUNTING FEES AND SERVICES	2025	2024
Audit fees	\$ 120,000	\$ 120,000
Audit-related fees	-	-
Tax fees	-	-
All other fees	-	-
<b>Total</b>	<u>\$ 120,000</u>	<u>\$ 120,000</u>

Audit fees consist of fees incurred for professional services rendered for the audit of financial statements, for reviews of our fiscal year end financial statements included in our quarterly reports on Form 10-Q and for services that are normally provided in connection with statutory or regulatory filings or engagements. The aggregate fees in connection with services rendered by Pan-China Singapore PAC was \$120,000 for both years ended March 31, 2025 and 2024.

Our Board pre-approves all services provided by our independent auditors. All of the above services and fees were reviewed and approved by the Board either before or after the respective services were rendered.

Our Board has considered the nature and amount of fees billed by our independent auditors and believes that the provision of services for activities unrelated to the audit is compatible with maintaining our independent auditors' independence.



## PART IV

### Item 15. Exhibits, Financial Statement Schedules.

The following exhibits are included as part of this report by reference:

Exhibit Number		Filed or Furnished Herewith	Incorporated by Reference			
			Form	Exhibit	Date	File No.
3.1	<a href="#">Articles of Incorporation</a>		S-1	3.1	8/5/2015	333-206097
3.2	<a href="#">Certificate of Amendment Pursuant to NRS 78.386 and 78.390, effectuating the two for one forward stock split and increasing the authorized shares of common stock of Addentax Group Corp. from 75,000,000 to 150,000,000</a>		8-K	3.1	7/21/2016	333-206097
3.3	<a href="#">Certificate of Amendment Pursuant to NRS 78.385 and 78.390, increasing the authorized shares of common stock of Addentax Group Corp. to 1,000,000,000</a>		S-1	3.3	4/18/2019	333-230943
3.4	<a href="#">Certificate of Change Pursuant to NRS 78.209, effectuating the 20-for-1 reverse stock split and decreasing the authorized shares of common stock of Addentax Group Corp. from 1,000,000,000 to 50,000,000</a>		8-K	3.1	3/5/2019	333-206097
3.5	<a href="#">Amended and Restated Bylaws</a>		8-K	3.1	3/15/2019	333-206097
3.6	<a href="#">Certificate of Amendment to the Amended and Restated Articles of Incorporation increasing the authorized shares of common stock of Addentax Group Corp. to 250,000,000</a>		8-K	3.1	3/23/2023	001-41478
3.7	<a href="#">Amendment to the Articles of Incorporation, as amended, of Addentax Group Corp. for 1-for-10 Reverse Stock Split</a>		8-K	3.1	6/30/2023	001-41478
3.9	<a href="#">Stamped copy of the Certificate of Amendment to the Articles of Incorporation, as amended, of Addentax Group Corp. for 1-for-10 Reverse Stock Split</a>		8-K	3.2	6/30/2023	001-41478
3.10	<a href="#">Stamped copy of Certificate of Correction to the Certificate of Amendment to the Articles of Incorporation, as amended, of Addentax Group Corp. for 1-for-10 Reverse Stock Split</a>		8-K	3.3	6/30/2023	001-41478
4.1	<a href="#">Description of Securities.</a>	X				
4.2	<a href="#">Form of Senior Secured Convertible Note</a>		8-K	4.1	1/4/2023	
4.3	<a href="#">Form of PIPE Warrant</a>		8-K	10.2	1/4/2023	
4.4	<a href="#">Form of Placement Agent Warrant</a>		8-K	10.8	1/4/2023	
10.1	<a href="#">Form of Subscription Agreement</a>		S-1	99.1	8/5/2015	333-206097
10.2	<a href="#">Sale and Purchase Agreement for the Acquisition of 100% of the shares and assets of Yingxi Industrial Chain Group Co., Ltd.; Dated December 26, 2016</a>		8-K	10.3	12/28/2016	333-206097
10.3	<a href="#">Sale and Purchase Agreement for the Acquisition of 100% of the shares and assets of Yingxi Industrial Chain Group Co., Ltd.; Dated March 6, 2017</a>		8-K	10.4	3/7/2017	333-206097
10.4	<a href="#">Independent Director Agreement with Mr. Alex P. Hamilton</a>		8-K	10.1	5/10/2021	333-206097
10.5	<a href="#">Independent Director Agreement with Mr. Li Weilin</a>		8-K	10.1	4/29/2024	001-41478
10.6	<a href="#">Independent Director Agreement with Xiao Jiangping (Gary)</a>		8-K	10.1	5/13/2021	333-206097
10.7	<a href="#">Securities Purchase Agreement dated January 4, 2023</a>		8-K	10.1	1/4/2023	001-41478
10.8	<a href="#">Form of Amendment No. 1 to Securities Purchase Agreement dated January 10, 2023</a>		8-K	10.1	1/10/2023	001-41478
10.9	<a href="#">Form of Registration Rights Agreement</a>		8-K	10.3	1/4/2023	001-41478
10.10	<a href="#">Form of Security and Pledge Agreement</a>		8-K	10.4	1/4/2023	001-41478
10.11	<a href="#">Form of Guaranty Agreement</a>		8-K	10.5	1/4/2023	001-41478
10.12	<a href="#">Form of Voting Agreement</a>		8-K	10.6	1/4/2023	001-41478
10.13	<a href="#">Form of Placement Agency Agreement dated January 4, 2023</a>		8-K	10.7	1/4/2023	001-41478
10.14	<a href="#">Form of Private Placement Agreement dated April 29, 2024</a>		8-K	10.1	4/29/2024	001-41478
10.15	<a href="#">Form of Private Placement Agreement dated April 29, 2024</a>		8-K	10.2	4/29/2024	001-41478
10.16	<a href="#">Form of Securities Purchase Agreement dated January 8, 2025</a>		8-K	10.1	1/13/2025	001-41478
10.17	<a href="#">2024 Equity Incentive Plan</a>	X				
14.1	<a href="#">Code of Ethics</a>		10-K/A	14.1	9/21/2018	333-206097
19.1	<a href="#">Insider Trading Policy</a>	X				
21.1	<a href="#">Subsidiaries of the Registrant.</a>	X				
31.1	<a href="#">Certification of Chief Executive Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a).</a>	X				
31.2	<a href="#">Certification of Chief Financial Officer pursuant to Securities</a>	X				

32.1	<a href="#"><u>Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a). Certifications by the Chief Executive Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(b) or 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002.</u></a>	X				
32.2	<a href="#"><u>Certifications by the Chief Financial Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(b) or 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002.</u></a>	X				
97.1	<a href="#"><u>Policy Relating to Recovery of Erroneously Awarded Compensation</u></a>		8-K	99.1	10/25/2023	001-41478
101.INS	Inline XBRL Instance Document +					
101.SCH	Inline XBRL Taxonomy Extension Schema Document +					
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document +					
101.DEF	Inline XBRL Taxonomy Extension Definitions Linkbase Document +					
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document +					
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document +					
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)					

X Filed herewith

#### Item 16. 10-K Summary

As permitted, the registrant has elected not to supply a summary of information required by Form 10-K.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: June 30, 2025

### ADDENTAX GROUP CORP.

By: /s/ Hong Zhida

Name: Hong Zhida

Title: President, Chief Executive Officer, Secretary and Director

Pursuant to the requirements of the Securities Act of 1933, this report has been signed below by the following persons on behalf of the registrant and in the capacities on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Hong Zhida</u> Hong Zhida	CEO, President, Secretary and Director (Principal Executive Officer)	June 30, 2025
<u>/s/ Huang Chao</u> Huang Chao	CFO and Treasurer (Principal Financial and Accounting Officer)	June 30, 2025
<u>/s/ Hong Zhiwang</u> Hong Zhiwang	Director	June 30, 2025
<u>/s/ Li Weilin</u> Li Weilin	Independent Director	June 30, 2025
<u>/s/ Alex P. Hamilton</u> Alex P. Hamilton	Independent Director	June 30, 2025
<u>/s/ Xiao Jiangping (Gary)</u> Xiao Jiangping (Gary)	Independent Director	June 30, 2025

## DESCRIPTION OF CAPITAL STOCK

We have authorized capital stock consisting of 250,000,000 shares of common stock, \$0.001 par value per share.

As of the date of this annual report on Form 10-K, we had 10,090,963 shares of our common stock outstanding.

The following description of our capital stock is a summary only and is subject to and qualified in its entirety by reference to the applicable provisions of the Nevada Revised Statutes, and our charter and Bylaws. You should refer to, and read this summary together with, our Articles of Incorporation and Bylaws, each as amended and restated to date, to review all of the terms of our capital stock. Our Articles of Incorporation and amendments thereto are incorporated by reference as exhibits to our Form 10-K.

### Common Stock

Each share of our common stock is entitled to equal dividends and distributions per share with respect to the common stock when, as and if declared by our Board of Directors. No holder of any shares of our common stock has a preemptive right to subscribe for any of our securities, nor are any shares of our common stock subject to redemption or convertible into other securities. Upon liquidation, dissolution or winding-up of the Company, and after payment to our creditors and preferred stockholders, if any, our assets will be divided pro rata on a share-for-share basis among the holders of our common stock. Each share of our common stock is entitled to one vote on all stockholder matters. Shares of our common stock do not possess any cumulative voting rights.

The presence of the persons entitled to vote a majority of the outstanding voting shares on a matter before the stockholders constitute the quorum necessary for the consideration of the matter at a stockholders' meeting.

Except as otherwise required by law, the Articles of Incorporation, or any certificate of designations, (i) at all meetings of stockholders for the election of directors, a plurality of votes cast are sufficient to elect such directors; (ii) any other action taken by stockholders are be valid and binding upon the Company if the number of votes cast in favor of the action exceeds the number of votes cast in opposition to the action, at a meeting at which a quorum is present, except that adoption, amendment or repeal of the Bylaws by stockholders requires the vote of a majority of the shares entitled to vote; and (iii) broker non-votes and abstentions are considered for purposes of establishing a quorum but not considered as votes cast for or against a proposal or director nominee. Each stockholder has one vote for every share of stock having voting rights registered in his or her name, except as otherwise provided in any preferred stock designation setting forth the right of preferred stock stockholders.

The common stock does not have cumulative voting rights, which means that the holders of 51% of the common stock voting for election of directors can elect 100% of our directors if they choose to do so.

### Anti-Takeover Provisions Under The Nevada Revised Statutes

Certain provisions of Nevada law, and our Articles of Incorporation and our Bylaws (subject, where applicable as described below, our opting out of certain provisions of Nevada law), contain provisions that could make the following transactions more difficult: acquisition of us by means of a tender offer; acquisition of us by means of a proxy contest or otherwise; or removal of our incumbent officers and directors. It is possible that these provisions could make it more difficult to accomplish or could deter transactions that stockholders may otherwise consider to be in their best interest or in our best interests, including transactions that might result in a premium over the market price for our shares.

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These provisions, summarized below, are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our Board of Directors. We believe that the benefits of increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging these proposals because negotiation of these proposals could result in an improvement of their terms.

#### Business Combinations

Sections 78.411 to 78.444 of the Nevada revised statutes (the “NRS”) prohibit a Nevada corporation from engaging in a “combination” with an “interested stockholder” for three years following the date that such person becomes an interested stockholder and place certain restrictions on such combinations even after the expiration of the three-year period. With certain exceptions, an interested stockholder is a person or group that owns 10% or more of the corporation’s outstanding voting power (including stock with respect to which the person has voting rights and any rights to acquire stock pursuant to an option, warrant, agreement, arrangement, or understanding or upon the exercise of conversion or exchange rights) or is an affiliate or associate of the corporation and was the owner of 10% or more of such voting stock at any time within the previous three years.

A Nevada corporation may elect not to be governed by Sections 78.411 to 78.444 by a provision in its Articles of Incorporation. We do not have such a provision in our Articles of Incorporation, as amended, pursuant to which we have elected to opt out of Sections 78.411 to 78.444; therefore, these sections apply to us.

#### Control Shares

Nevada law also seeks to impede “unfriendly” corporate takeovers by providing in Sections 78.378 to 78.3793 of the NRS that an “acquiring person” shall only obtain voting rights in the “control shares” purchased by such person to the extent approved by the other stockholders at a meeting. With certain exceptions, an acquiring person is one who acquires or offers to acquire a “controlling interest” in the corporation, defined as one-fifth or more of the voting power. Control shares include not only shares acquired or offered to be acquired in connection with the acquisition of a controlling interest, but also all shares acquired by the acquiring person within the preceding 90 days. The statute covers not only the acquiring person but also any persons acting in association with the acquiring person.

A Nevada corporation may elect to opt out of the provisions of Sections 78.378 to 78.3793 of the NRS. We do not have a provision in our Articles of Incorporation pursuant to which we have elected to opt out of Sections 78.378 to 78.3793; therefore, these sections apply to us.

#### Removal of Directors

Section 78.335 of the NRS provides that 2/3rds of the voting power of the issued and outstanding shares of the Company are required to remove a Director from office. As such, it may be more difficult for stockholders to remove Directors due to the fact the NRS requires greater than majority approval of the stockholders for such removal.

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**Kingkey 100, Block A, Room 4805  
Luohu District, Shenzhen City, China 518000**

**2024 EQUITY INCENTIVE PLAN  
OF ADDENTAX GROUP CORP.**

**SECTION 1. Overview**

**1.1 Purpose.** The purpose of the 2024 Equity Incentive Plan (the “Plan”) is to advance and promote the interests of Addentax Group Corp. (the “Corporation”) and its Subsidiaries as defined under sub-section 1.2(mm) by providing employees, independent directors, consultants and advisors of the Corporation or its Subsidiaries with an incentive to achieve corporate objectives, to attract and retain employees, independent directors, consultants and advisors of outstanding competence and to provide such individuals with an equity interest in the Corporation through the acquisition of Common Stock and by providing for payments to such individuals based on the appreciation in value or value of such Common Stock. The Plan is intended to be construed as an employee benefit plan that satisfies the requirements for exemption from the restrictions of Section 16(b) of the Securities Exchange Act of 1934, as amended, pursuant to the applicable rules promulgated thereunder.

**1.2 Definitions.** The following definitions are applicable to the Plan:

(a) “Affiliate” means each of the following: (a) any Subsidiary; (b) any Parent; (c) any corporation, trade or business (including, without limitation, a partnership or limited liability company) which is directly or indirectly controlled 50% or more (whether by ownership of stock, assets or an equivalent ownership interest or voting interest) by the Corporation; (d) any corporation, trade or business (including, without limitation, a partnership or limited liability company) which directly or indirectly controls 50% or more (whether by ownership of stock, assets or an equivalent ownership interest or voting interest) of the Corporation; and (e) any other entity in which the Corporation or any of its Affiliates has a material equity interest and which is designated as an “Affiliate” by resolution of the Committee; provided that the Common Stock subject to any Award constitutes “service recipient stock” for purposes of Section 409A of the Code or otherwise does not subject the Award to Section 409A of the Code.

(b) “Applicable Laws” means the legal requirements relating to the Plan and the Awards under applicable provisions of the Code, the laws, rules, regulations and government orders of the United States and the PRC, the rules of any applicable share exchange or national market system, and the laws and the rules of any jurisdiction applicable to Awards granted to residents therein.

(c) “Award” means Options, Restricted Stock, Stock Appreciation Rights (SARs), Other Stock-Based Award or any combination thereof, granted under the Plan.

(d) “Award Agreement” means the written agreement by which an Award shall be evidenced.

(e) “Beneficiary” means the beneficiary or beneficiaries designated in accordance with Section 7.8 hereof to receive the amount, if any, payable under the Plan upon the death of a Participant.

(f) “Book Value” means, as of any given date, on a per share basis (i) the stockholders’ equity in the Corporation as of the last day of the immediately preceding fiscal year as reflected in the Corporation’s consolidated balance sheet, subject to such adjustments as the Committee shall specify at or after grant, divided by (ii) the number of then outstanding shares of Common Stock as of such year-end date, as adjusted by the Committee for subsequent events.

(g) “Board” means the Board of Directors of the Corporation.

(h) “Change in Control” means the occurrence of any of the following (i) the sale, lease, transfer, conveyance or other disposition, in one or a series of related transactions, of all or substantially all of the assets of the Corporation to any person or group; (ii) a transaction or series of transactions pursuant to which any person or group (other than the Corporation or an affiliate thereof) is or becomes the beneficial owner, directly or indirectly, of more than 50% of the voting shares of the Corporation, including by way of merger, consolidation or otherwise; (iii) a merger, consolidation or other business combination (a “Business Combination”) other than a Business Combination in which holders of the Shares immediately prior to the Business Combination have substantially the same proportionate ownership of the common stock, of the surviving corporation immediately after the Business Combination as immediately before; (iv) the approval by the holders of shares of Shares of a plan of complete liquidation of the Corporation, other than a merger of the Corporation into any subsidiary or a liquidation as a result of which persons who were stockholders of the Corporation immediately prior to such liquidation have substantially the same proportionate ownership of shares of common stock, of the surviving corporation immediately after such liquidation as immediately before; or (v) within any twenty-four (24) month period, the incumbent directors shall cease to constitute at least a majority of the Board or the board of directors of any successor to the Corporation; provided, however, that any director elected to the Board, or nominated for election, by a majority of the incumbent directors then still in office, shall be deemed to be an incumbent director for purposes of this paragraph (e), but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of an individual, entity or “group” other than the Board (including, but not limited to, any such assumption that results from paragraphs (i), (ii), (iii), or (iv) of this definition).

Notwithstanding the foregoing, solely for the purpose of determining the timing of any payments pursuant to any Award constituting a “deferral of compensation” subject to Code Section 409A, a Change of Control shall be limited to a “change in the ownership of the Corporation,” a “change in the effective control of the Corporation,” or a “change in the ownership of a substantial portion of the assets of the Corporation” as such terms are defined in Section 1.409A-3(i)(5) of the U.S. Treasury Regulations.

(i) “Code” means the Internal Revenue Code of 1986, as amended from time to time.

(j) “Committee” means the committee appointed pursuant to Section 1.3 hereof or if no such Committee is appointed, the Board.

(k) “Common Stock” means the common stock, \$0.001 par value per share, of the Corporation.

(l) “Corporation” means Addentax Group Corp.

(m) “Effective Date” means the date specified by the Board in its resolution adopting the Plan, subject to the approval of the Plan by a majority of the votes cast by the stockholders of the Corporation at the next annual or special meetings of stockholders. Any grants made under the Plan prior to such approval shall be effective when made (unless otherwise specified by the Committee at the time of grant), but shall be conditioned on, and subject to, such approval of the Plan by such stockholders.

(n) “Eligible Individual” means any Key Employee, independent directors, consultant or advisor of the Corporation or any Subsidiary.

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(o) “Exchange Act” means the Securities Exchange Act of 1934, as amended. References to a particular section of, or rule under, the Exchange Act include references to successor provisions.

(p) “Fair Market Value” shall be determined as of the last business day for which the prices or quotes discussed in this sentence are available prior to the Grant Date and shall mean (i) the closing selling price per share on that date of the Common Stock on the principal national securities exchange on which the Common Stock is traded, if the Common Stock is then traded on a national securities exchange; or (ii) the closing bid price per share last quoted on that date by an established quotation service for over-the-counter securities, if the Common Stock is not then traded on a national securities exchange.

(q) “Incentive Stock Option” means an Option to purchase Common Stock that qualifies as an incentive stock option within the meaning of Section 422 of the Code.

(r) “Immediate Family” means, with respect to a particular Participant, the Participant’s spouse, children and grandchildren.

(s) “Key Employee” means any employee of the Corporation or any of its Subsidiaries, including any officer or director who is also an employee, who, in the judgment of the Committee, is considered important to the future of the Corporation. Nothing shall limit the Board from designating all or substantially all employees as eligible for grants.

(t) “Mature Shares” means Shares for which the holder thereof has good title, free and clear of all liens and encumbrances, and which such holder either (i) has held for at least six (6) months or (ii) has purchased from the open market.

(u) “Non-Employee Director” means a member of the Board who qualifies as a “Non-employee Director” as defined in Rule 16b-3(b)(3) of the Exchange Act, or any successor definition adopted by the Board.

(v) “Non-qualified Stock Option” means an Option to purchase Common Stock that does not qualify as an Incentive Stock Option.

(w) “Option” means an Incentive Stock Option or a Non-qualified Stock Option.

(x) “Option Price” means the purchase price per Share of an Option.

(y) “Option Term” means the period beginning on the Grant Date of an Option and ending on the expiration date of such Option, as specified in the Award Agreement for such Option and as may, in the discretion of the Committee, and consistent with the provisions of the Plan, be extended from time to time.

(z) “Other Stock-Based Award” means an Award under Section 5 of this Plan that is valued in whole or in part by reference to, or is payable in or otherwise based on, Common Stock, including, without limitation, a restricted stock unit or an Award valued by reference to an Affiliate.

(aa) “Participant” means an Eligible Individual who has been granted an Award or a Permitted Transferee.

(bb) “Permitted Transferee” means in connection with a transfer made for bona fide estate planning purposes, either during a Participant’s lifetime or on death by will or intestacy, to his or her Immediate Family, or any other relative approved unanimously by the Board of Directors of the Company, or any custodian or trustee of any trust, partnership or limited liability company for the benefit of, or the ownership interests of which are owned wholly by, such Participant or any such family members.

(cc) “Plan” means this 2024 Equity Incentive Plan of Addentax Group Corp., as the same may be amended from time to time.

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(dd) “PRC” means the People’s Republic of China.

(ee) “Restricted Stock” means Shares which are subject to forfeiture if the Participant does not satisfy the Restrictions specified in the Award Agreement applicable to such Restricted Stock.

(ff) “Restricted Period” means the period of time shares of Restricted Stock are subject to the Restrictions specified in the Award Agreement applicable to such Restricted Stock.

(gg) “Restrictions” means those restrictions and conditions placed upon Restricted Stock as determined by the Board in accordance with Section 4.2 hereof.

(hh) “Rule 16b-3” means Rule 16b-3 of the SEC under the Exchange Act, as amended from time to time, together with any successor rule.

(ii) “SEC” means the Securities and Exchange Commission.

(jj) “Section 16 Participant” means a Participant who is subject to potential liability under Section 16(b) of the Exchange Act with respect to transactions involving equity securities of the Corporation.

(kk) “Share” means a share of Common Stock.

(ll) “Stock Appreciation Right” or “SAR” means a right granted under the Plan in connection with an Option, or separately, to receive the appreciation in value of Shares.

(mm) “Subsidiary” means, for purposes of grants of Incentive Stock Options, a corporation as defined in Section 424(f) of the Code (with the Corporation treated as the employer corporation for purposes of this definition) and, for all other purposes, a corporation or other entity with respect to which the Corporation (i) in the case of a corporation, owns, directly or indirectly, fifty percent (50%) or more of the then outstanding common stock or (ii) in the case of any other entity, has a fifty percent (50%) or more ownership interest.

(nn) “10% Owner” means a person who owns capital stock (including stock treated as owned under Section 424(d) of the Code) possessing more than ten percent (10%) of the combined voting power of all classes of capital stock of the Corporation or any Subsidiary where “voting power” means the combined voting power of the then outstanding securities of a corporation entitled to vote generally in the election of directors.

**1.3 Administration.** The Plan shall be administered by the Committee, which, unless otherwise determined by the Board, shall consist of two or more directors of the Corporation, all of whom qualify as Non-Employee Directors. The number of members of the Committee shall from time to time be increased or decreased, and shall be subject to such conditions, in each case as the Board deems appropriate to permit transactions in Shares pursuant to the Plan to satisfy such conditions of Rule 16b-3 as then in effect. In the event that the Compensation Committee of the Board (the “Compensation Committee”) meets the requirements set forth in this Section 1.3 hereof, such Compensation Committee shall be the Committee hereunder unless otherwise determined by the Board.

A majority of the members of the Committee shall constitute a quorum. The Committee may act at a meeting, including a telephonic meeting, by action of a majority of the members present, or without a meeting by unanimous written consent.

Subject to the express provisions of the Plan, the Committee shall have full and final authority and discretion as follows:

(i) to select the Participants from Eligible Individuals;

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(ii) to grant Options and/or Restricted Stock to Participants in such combination and in such amounts as it shall determine and to determine the terms and conditions applicable to each such Award, including the benefit payable under any SAR, and whether or not specific Awards shall be identifiable with other specific Awards, and if so whether they shall be exercisable cumulatively with, or alternatively to, such other specific Award;

(iii) to determine the amount, if any, that a Participant shall pay for Restricted Stock, the nature of the Restrictions applicable to the Restricted Stock, and the duration of the Restricted Period applicable to the Restricted Stock;

(iv) to determine the actual amount earned by each Participant with respect to such Awards, the terms and conditions of all Award Agreements (which need not be identical) and with the consent of the Participant, to amend any such Award Agreement at any time, among other things, to permit transfers of such Awards to the extent permitted by the Plan, except that consent of the Participant shall not be required for any amendment which (A) does not adversely affect the rights of the Participant or (B) is necessary or advisable (as determined by the Committee) to carry out the purpose of the Award as a result of any change in applicable law;

(v) to determine consistent with the Code whether an Option that is granted to a Participant is a Non-qualified Stock Option or an Incentive Stock Option, the number of Shares to be covered by each such Option and the time or times when and the manner in which each Option shall be exercisable;

(vi) to amend any Incentive Stock Option with the consent of the Participant so as to make it a Non-qualified Stock Option;

(vii) to cancel, with the consent of the Participant, any outstanding Award(s) and to grant new Award(s) in substitution therefor;

(viii) to grant a SAR in connection with the grant of an Option or separately;

(ix) to accelerate the exercisability (including exercisability within a period of less than one year after the Grant Date) of, and to accelerate or waive any or all of the terms and conditions applicable to, any Award or any group of Awards for any reason and at any time, including in connection with a termination of his/her capacity as an independent director, employment or consultancy;

(x) subject to the provisions of the Plan, to extend the time during which any Award or group of Awards may be exercised;

(xi) to treat all or any portion of any period during which a Participant is on military leave or on an approved leave of absence from the Corporation or a Subsidiary as a period of employment or service of such Participant by the Corporation or any Subsidiary for purposes of accrual of his or her rights under his or her Awards;

(xii) to interpret the Plan and make all determinations necessary or advisable for the administration of the Plan including the establishment, amendment or revocation from time to time of guidelines or regulations for the administration of the Plan, to cause appropriate records to be established, and to take all other actions considered necessary or advisable for the administration of the Plan; and

(xiii) to take any other action with respect to any matters relating to the Plan for which it is responsible.

All decisions, actions or interpretations of the Committee on all matters relating to the Plan or any Award Agreement shall be final, binding and conclusive upon all parties. No member of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Award.

**1.4 Participation.** The Committee may, in its discretion, grant Awards to any Eligible Individual, whether or not he or she has previously received an Award. Participation in the Plan shall be limited to those Key Employees, independent directors, consultants and advisors who have received written notification from the Committee, or from a person designated by the Committee, that they have been selected to participate in the Plan. No such Eligible Individuals shall at any time have the right to be a Participant unless selected by the Committee pursuant to the Plan. No Participant, having been granted an Award, shall have the right to an additional Award in the future unless such Award is granted by the Committee.

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**1.5 Maximum number of Shares Available for Awards.** Subject to adjustment in accordance with Section 5.2 hereof, the maximum number of Shares for which grants under the Plan shall be available is 1,345,000. The maximum number of Shares of stock that may be issued pursuant to the exercise of Incentive Stock Options is 1,345,000 Shares.

In the event any Awards granted under the Plan shall be forfeited, terminate or expire, the number of Shares subject to such Award, to the extent of any such forfeiture, termination or expiration, shall thereafter again be available for grant under the Plan. The Common Stock distributed under the Plan may be authorized and unissued shares, shares held in the treasury of the Corporation, or shares purchased on the open market by the Corporation (at such time or times and in such manner as it may determine). The Corporation shall be under no obligation to acquire Common Stock for distribution to Participants before such Common Stock is due and distributable.

**1.6 Jurisdictional Considerations.** In order to assure the viability of Awards granted to Participants employed in various jurisdictions, the Committee may provide for such special terms as it may consider necessary or appropriate to accommodate differences in local law, tax policy or custom applicable in the jurisdiction in which the Participant resides or is employed. Moreover, the Committee may approve such supplements to, or amendments, restatements or alternative versions of, the Plan as it may consider necessary or appropriate for such purposes without thereby affecting the terms of the Plan as in effect for any other purpose; provided, however, that no such supplements, amendments, restatements or alternative versions shall increase the Share limitations contained in Section 1.5 of the Plan. Notwithstanding the foregoing, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate any Applicable Laws.

**1.7 General Conditions to Grants.** The Grant Date of an Award shall be the date on which the Committee grants the Award or such later date as specified in advance by the Committee. All Awards shall be evidenced by an Award Agreement and any terms and conditions of an Award not set forth in the Plan shall be set forth in the Award Agreement related to that Award or in the Participant's employment or other agreement with the Corporation or any Subsidiary.

## **SECTION 2. Options**

**2.1 Awards of Options.** Subject to the provisions of the Plan, the Committee shall determine and designate from time to time those Eligible Individuals to whom Incentive Stock Options or Non-qualified Stock Options, or both, shall be granted and the number of Shares to be granted to each such Eligible Individual; provided, however, that only Key Employees may receive Incentive Stock Options and the aggregate fair market value (determined at the time the Option is granted) of the shares with respect to which any incentive stock options are exercisable for the first time by any Key Employee during any calendar year under all incentive stock option plans of the Corporation and any Subsidiary shall not exceed one hundred thousand dollars (\$100,000) or such other limit set forth in Section 422 of the Code (the "Limitations of the Code"). If the aggregate fair market value of such shares exceeds the Limitations of the Code, the excess Shares will be treated as Non-qualified Options under this Plan. In reducing the number of Incentive Stock Options to meet the Limitations of the Code, the most recently granted Incentive Stock Options shall be reduced first. If a reduction of simultaneously granted Options is necessary to meet the Limitations of the Code, the Committee may designate which Shares are to be treated as Shares acquired pursuant to an Incentive Stock Option. In the event that any Incentive Stock Options granted under the Plan fail to meet the requirements for Incentive Stock Options as set forth in the Code, such Incentive Stock Options will be treated as Non-qualified Stock Options under the Plan. In determining the Eligible Individuals who will be granted Options under the Plan, the Committee may consider such individuals' responsibilities, service, present and future value to the Corporation or any Subsidiary and other factors it considers relevant.

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**2.2 Terms and Conditions of Options.** Except as otherwise provided in a Participant's employment or other agreement with the Corporation or any Subsidiary or in an Award Agreement, each Option shall be subject to the following express terms and conditions and to such other terms and conditions as the Committee may deem appropriate as set forth in the Award Agreement or the Participant's employment or other agreement with the Corporation or any Subsidiary:

(a) **Option Term.** Each Option shall expire on the fifth (5th) anniversary of the Grant Date or on such earlier date as may be specified in the Participant's Award Agreement or employment or other agreement with the Corporation or any Subsidiary. The Committee may extend such Option Term; provided, however, that (i) such extension shall not in any way disqualify the Option as an Incentive Stock Option and (ii) the Option Term, including any such extensions, shall not exceed ten (10) years. The Option Term of Incentive Stock Options granted to 10% Owners shall not exceed five (5) years.

(b) **Option Price.** The Option Price per Share shall be determined by the Committee no later than the Grant Date of any Option; provided, however, (i) the Option Price shall not be less than the Fair Market Value of a Share on the Grant Date, and (ii) in the case of an Incentive Stock Option granted to a 10% Owner, the Option Price shall not be less than one hundred ten percent (110%) of the Fair Market Value of a Share on the Grant Date (but in no event less than the par value of a Share). The Option Price may be denominated in U.S. Dollars, Chinese Renminbi or other local currency as determined by the Committee.

(c) **Exercise of Option.** The exercisability of an Option shall be determined by the Committee. Subject to acceleration or early expiration as provided elsewhere in the Plan or in a Participant's employment or other agreement with the Corporation or any Subsidiary, the vesting of any Option granted under the Plan shall be subject to the Participant remaining as an independent director or in the employ of or maintaining a consultancy with the Corporation or any of its Subsidiaries and shall vest (i) in five (5) equal installments of twenty percent (20%) of the amount granted, with the first installment vesting on the March 31 next following the Grant Date and each other installment vesting on each of the next four March 31 dates thereafter or (ii) in such other amounts over such period of time after the Grant Date as the Committee may designate.

(d) **Disqualifying Disposition.** The Award Agreement shall require any Participant who is granted an Incentive Stock Option to notify the Corporation of any disposition of such Shares issued upon the exercise of such Incentive Stock Option under the circumstances described in Section 421(b) of the Code (relating to certain disqualifying dispositions) (a "Disqualifying Disposition") within ten (10) business days after such Disqualifying Disposition.

(e) **Payment of Purchase Price upon Exercise.** The purchase price as to which an Option shall be exercised shall be paid to the Corporation at the time of exercise either (i) in cash, certified check or wire transfer denominated in U.S. Dollars, Chinese Renminbi or other local currency, (ii) in such other consideration as the Committee deems appropriate, including, but not limited to, loans from the Corporation or a third party and cashless exercise, (iii) subject to the approval of the Committee, in Mature Shares already owned by the Participant having a total fair market value, as determined by the Committee, equal to the purchase price, or a combination of cash (denominated in U.S. Dollars, Chinese Renminbi or other local currency) and Mature Shares having a total fair market value, as so determined, equal to the purchase price, (iv) subject to the approval of the Committee, in its sole discretion, by delivering a properly executed exercise notice in a form approved by the Committee, together with an irrevocable notice of exercise and irrevocable instructions to a broker to promptly deliver to the Corporation the amount of applicable sale or loan proceeds sufficient to pay the purchase price for such Shares, together with the amount of federal, state and local withholding taxes payable by Participant by reason of such exercise, (v) or (v) a combination of the foregoing.

(f) **Exercise in the Event of Termination.** Unless otherwise provided in a Participant's employment or other agreement with the Corporation or any Subsidiary or Award Agreement, the following provisions shall apply upon termination of a Participant's capacity as an independent director, employment or consultancy with the Corporation or any Subsidiary:

(i) **Upon Termination For Any Reason Other Than Due to Death.** If a Participant's capacity as an independent director, employment or consultancy with the Corporation or any Subsidiary shall terminate for any reason other than by reason of his or her death, such Participant may exercise his or her Options, to the extent that such Participant shall have been entitled to do so on the date of such termination, at any time, or from time to time, but not later than (x) the expiration date specified in Subsection 2.2(a) hereof or (y) three (3) months after the date of such termination, whichever date is earlier and any portion of any Option granted hereunder that is not vested and exercisable as of the date of the Participant's termination of his/her capacity as an independent director, employment or consultancy shall automatically expire and be forfeited as of such date of termination.

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(ii) Upon Termination Due to Death. In the event a Participant's capacity as an independent director, employment or consultancy shall terminate by reason of his or her death, such Participant's Beneficiary, heirs or estate may exercise his or her Options, to the extent that such Participant, if such Participant had not died, would have been entitled to do so within the calendar year following such Participant's death, at any time, or from time to time, but not later than (x) the expiration date specified in Subsection 2.2(a) hereof or (y) one year after the date of death, whichever is earlier and any portion of any Option granted hereunder that would not have vested and been exercisable within the calendar year following such Participant's death if such Participant had not died shall automatically expire and be forfeited as of the date of such Participant's death.

(g) Transferability of Stock Options. No Option granted under the Plan shall be transferable other than by will or by the laws of descent and distribution of the jurisdiction wherein the Participant is domiciled at the time of his or her death, and during the lifetime of the Participant, shall be exercisable only by the Participant or his or her guardian or legal representative.

(h) Investment Representation. Each Award Agreement for an Option shall provide (or be deemed to provide) that, upon demand by the Committee for such a representation, the Participant (or any person acting under Subsection 2.2(e) hereof) shall deliver to the Committee, at the time of any exercise of an Option or portion thereof, a written representation that the Shares to be acquired upon such exercise are to be acquired for investment and not for resale or with a view to the distribution thereof. Upon such demand, delivery of such representation prior to the delivery of any Common Stock issued upon exercise of an Option and prior to the expiration of the Option Term shall be a condition precedent to the right of the Participant or such other person to purchase any Common Stock. In the event certificates for Common Stock are delivered under the Plan with respect to which such an investment representation has been obtained, the Committee may cause a legend or legends to be placed on such certificates to make appropriate reference to such representations and to restrict transfer in the absence of compliance with applicable federal, state or other governmental securities laws.

(i) Participants to Have No Rights as Shareholders. No Participant shall have any rights as a shareholder with respect to any Common Stock subject to his or her Option prior to the date of issuance to him or her of such Common Stock.

(j) Other Option Provisions. The Committee may require a Participant to agree, as a condition to receiving an Option under the Plan, that part or all of any Options previously granted to such Participant under the Plan or any prior plan of the Corporation be terminated.

**2.3 Exercise of Options.** An Option shall be exercised by the delivery to the Corporation during the Option Term of (x) written notice of intent to purchase a specific number of Shares subject to the Option and (y) payment in full of the Option Price of such specific number of Shares, pursuant to subsection 2.3(e).

### **SECTION 3. Stock Appreciation Rights**

**3.1 Award of Stock Appreciation Rights.** Subject to the provisions of the Plan, the Committee shall determine and designate from time to time those Eligible Individuals to whom SARs shall be granted and the number of Shares to be granted to each such Eligible Individual. When granted, SARs may, but need not, be identified with a specific Option (including any Option granted on or before the Grant Date of the SARs) in a number equal to or different from the number of SARs so granted. If SARs are identified with Shares subject to an Option, then, unless otherwise provided in the applicable Award Agreement, the Participant's associated SARs shall terminate upon (x) the expiration, termination, forfeiture or cancellation of such Option, or (y) the exercise of such Option.

**3.2 Strike Price.** The strike price ("Strike Price") of any SAR shall equal, for any SAR that is identified with an Option, the Option Price of such Option, or for any other SAR, 100% of the Fair Market Value of a Share on the Grant Date of such SAR; except that the Committee may (x) specify a higher Strike Price in the Award Agreement or (y) provide that the benefit payable upon exercise of any SAR shall not exceed a percentage of Fair Market Value of a Share on such Grant Date as the Committee shall specify.

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**3.3 Vesting of SARs.** Unless otherwise specified in the applicable Award Agreement or in the Participant's employment or other agreement with the Corporation or any Subsidiary, (x) each SAR not identified with any other Award shall become exercisable with respect to 20% of the Shares subject thereto on each of the first five March 31 dates following the Grant Date of such SAR or in such other amounts and over such other time period as may be determined by the Committee and (y) each SAR which is identified with any other Award shall become exercisable as and to the extent that the Option with which such SAR is identified may be exercised.

**3.4 Exercise of SARs.** SARs shall be exercised by delivery to the Corporation of written notice of intent to exercise a specific number of SARs. Unless otherwise provided in the applicable Award Agreement or a Participant's employment or other agreement with the Corporation or any Subsidiary, the exercise of SARs that are identified with Shares subject to an Option shall result in the cancellation or forfeiture of such Option, to the extent of such exercise and any such Shares so canceled or forfeited shall not thereafter again become available for grant under the Plan. The benefit for each SAR shall be equal to (x) the Fair Market Value of the Share on the date of such exercise, minus (y) the Strike Price of such SAR. Such benefit shall be payable in cash (subject to applicable withholding), except that the Committee may provide in the applicable Award Agreement that benefits may be paid wholly or partly in Shares.

**3.5 No Rights as Shareholders.** No Participant shall have any rights as a shareholder with respect to any Common Stock subject to his or her SAR.

**3.6 Exercise in the Event of Termination.** Unless otherwise provided in a Participant's employment or other agreement with the Corporation or any Subsidiary or Award Agreement, the following provisions shall apply upon termination of a Participant's capacity as an independent director, employment or consultancy with the Corporation or any Subsidiary:

(i) Upon Termination For Any Reason Other Than Due to Death. If a Participant's capacity as an independent director, employment or consultancy with the Corporation or any Subsidiary shall terminate for any reason other than by reason of his or her death, such Participant may exercise his or her SARs, to the extent that such Participant shall have been entitled to do so on the date of such termination, at any time, or from time to time, but not later than (x) the expiration date specified in Subsection 2.2(a) hereof or (y) three (3) months after the date of such termination, whichever date is earlier, and any SARs granted hereunder that are not vested and exercisable as of the date of the Participant's termination of his/her capacity as an independent director, employment or consultancy shall automatically expire and be forfeited as of such date of termination.

(ii) Upon Termination Due to Death. In the event a Participant's capacity as an independent director, employment or consultancy shall terminate by reason of his or her death, such Participant's Beneficiary, heirs or estate may exercise his or her SARs, to the extent that such Participant, if such Participant had not died, would have been entitled to do so within the calendar year following such Participant's death, at any time, or from time to time, but not later than (x) the expiration date specified in Subsection 2.2(a) hereof or (y) one year after the date of death, whichever is earlier and any SARs granted hereunder that would not have vested and been exercisable within the calendar year following such Participant's death if such Participant had not died shall automatically expire and be forfeited as of the date of such Participant's death.

## **SECTION 4. Restricted Stock**

**4.1 Awards of Restricted Stock.** Restricted Stock awarded under the Plan shall be subject to certain Restrictions as provided below. All Restrictions imposed on any such Award of Restricted Stock shall be made by and at the discretion of the Committee, subject to the provisions of the Plan, and are binding on the Corporation and the Participants, their Beneficiaries and legal representatives.

**4.2 Restricted Period/Restrictions.** At the time each Award of Restricted Stock is granted, the Committee (i) shall establish a Restricted Period within which Restricted Stock awarded to the Participants may not be sold, assigned, transferred, made subject to gift, or otherwise disposed of, mortgaged, pledged or otherwise encumbered, if any and (ii) may impose such other Restrictions on any Restricted Stock as it may deem advisable.

**4.3 Rights as Stockholders.** Except for the conditions outlined in Section 4.2 hereof, and the forfeiture conditions described in Section 4.5 hereof, each Participant shall have all rights of a holder of Common Stock, including the right to receive all dividends or other distributions made or paid in respect of such Shares and the right to vote such Shares at regular or special meetings of the stockholders of the Corporation.

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**4.4 Delivery of Shares.** The certificates for any Restricted Stock awarded to an Eligible Individual under the Plan shall be held (together with a stock power executed in blank by the Eligible Individual) in escrow by the Secretary of the Corporation under the Participant's name in an account maintained by the Corporation until such Shares of Restricted Stock become nonforfeitable or are forfeited. At the conclusion of the Restricted Period or the expiration or attainment of such other Restrictions imposed on any Restricted Stock granted to a Participant, or upon the prior approval of the Committee as described in Section 4.5 hereof, and subject to the satisfaction of the Corporation's withholding obligations described in Section 5.7 hereof, certificates representing such Shares of Restricted Stock shall be delivered to the Participant, or the Beneficiary or legal representative of the Participant, free of the Restrictions set forth in the Award Agreement pursuant to Section 4.2 hereof.

**4.5 Termination of a Participant's Capacity as an Independent Director, Employment or Consultancy.** Unless otherwise provided in the Award Agreement or in the Participant's employment or other agreement with the Corporation or any Subsidiary, the following provisions shall apply upon termination of a Participant's capacity as an independent director, employment or consultancy with the Corporation or any Subsidiary:

(i) Upon Termination for any Reason other than Due to Death. If a Participant's capacity as an independent director, employment or consultancy with the Corporation or any Subsidiary is terminated, except termination due to death, all Restricted Stock awarded under the Plan which are then subject to a Restricted Period or other Restrictions will be forfeited and become the property of the Corporation on the date of such termination. However, the Committee may, if it, in its sole discretion, determines that the circumstances warrant such action, approve the release of all or any part of the Restricted Stock that would otherwise be forfeited pursuant to this Section, upon such conditions as it shall determine.

(ii) Upon Termination Due to Death. If a Participant's capacity as an independent director, employment or consultancy with the Corporation or a Subsidiary is terminated due to death, all Shares of Restricted Stock awarded under the Plan which are then subject to a Restricted Period or other Restrictions and which would have been released, if the Participant had not died, within the calendar year following the Participant's death shall be released on the date of such termination as if with respect to such Shares the Restricted Period had ended and the other Restrictions had lapsed and certificates representing such Shares of Restricted Stock shall be delivered to the Participant's Beneficiary or legal representative free from such Restrictions as soon as practicable following such termination and all other Shares of Restricted Stock that would not have been released, if the Participant had not died, within the calendar year following the Participant's death will be forfeited and become the property of the Corporation on the date of such termination.

**4.6 Section 83(b) Elections.** A Participant who files an election permitted under Section 83(b) of the Code with the Internal Revenue Service to include the Fair Market Value of any Restricted Stock in gross income while they are still subject to a Restricted Period or other Restrictions shall notify the Corporation of such election within ten (10) days of making such election and promptly furnish the Corporation with a copy of such election, together with the amount of any federal, state, local or other taxes required to be withheld to enable the Corporation to claim an income tax deduction with respect to such election.

## **SECTION 5. Other Stock-Based Awards**

### **5.1 Administration.**

(i) Other awards of Shares and other awards that are valued in whole or in part by reference to, or are otherwise based on, Shares ("Other Stock-Based Awards"), including, without limitation, performance shares, convertible preferred stock (to the extent a series of preferred stock has been or may be created by, or in accordance with a procedure set forth in, the Corporation's articles of incorporation), convertible debentures, warrants, exchangeable securities and Share awards or options valued by reference to Fair Market Value, Book Value or performance of the Corporation or any Subsidiary, Affiliate or division, may be granted either alone or in addition to or in tandem with Options, Stock Appreciation Rights, Restricted Stock, granted under the Plan and/or cash awards made outside of the Plan.

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(ii) Subject to the provisions of the Plan, the Committee shall have authority to determine the persons to whom and the time or times at which such award shall be made, the number of Shares to be awarded pursuant to such awards, and all other conditions of the awards. The Committee may also provide for the grant of Shares upon the completion of a specified performance period. The provisions of Other Stock-Based Awards need not be the same with respect to each recipient.

**5.2 Terms and Conditions.** Other Stock-Based Awards made pursuant to this Section 5 shall be subject to the following terms and conditions:

(i) Subject to the provisions of the Plan and the award agreement, Shares subject to awards made under this Section 5 may not be sold, assigned, transferred, pledged or otherwise encumbered prior to the date on which the Shares are issued, or, if later, the date on which any applicable restriction, performance or deferral period lapses.

(ii) Subject to the provisions of the Plan and the award agreement and unless otherwise determined by the Committee at grant, the recipient of an award under this Section 5 shall be entitled to receive, currently or on a deferred basis, interest or dividends or interest or dividend equivalents with respect to the number of shares covered by the award, as determined at the time of the award by the Committee, in its sole discretion, and the Committee may provide that such amounts (if any) shall be deemed to have been reinvested in additional Stock or otherwise reinvested.

(iii) Any award under Section 5 and any Shares covered by any such award shall vest or be forfeited to the extent so provided in the award agreement, as determined by the Committee, in its sole discretion.

(iv) In the event of the Participant's or death, or in cases of special circumstances, the Committee may, in its sole discretion, waive in whole or in part any or all of the remaining limitations (if any) imposed with respect to any or all of an award pursuant to this Section 5.

(v) Each award under this Section 5 shall be confirmed by, and subject to the terms of, an agreement or other instrument by the Corporation and by the Participant.

(vi) Shares issued on a bonus basis under this Section 5 may be issued for no cash consideration.

## **SECTION 6 Change in Control Provisions**

**6.1 Benefits.** In the event of a Change in Control of the Corporation, and except as otherwise provided by the Committee in an award agreement or in a written employment agreement between the Corporation and a Participant, a Participant's unvested Award shall vest and a Participant's Award shall be treated in accordance with one of the following methods as determined by the Committee in its sole discretion:

- (a) Awards, whether or not then vested, shall be continued, assumed, have new rights substituted therefor, as determined by the Committee in its sole discretion, and restrictions to which any shares of Restricted Stock or any other Award granted prior to the Change in Control are subject shall not lapse upon a Change in Control and the Restricted Stock or other Award shall, where appropriate in the sole discretion of the Committee, receive the same distribution as other Common Stock on such terms as determined by the Committee; provided that, the Committee may, in its sole discretion, decide to award additional Restricted Stock or other Award in lieu of any cash distribution. Notwithstanding anything to the contrary herein, for purposes of Incentive Stock Options, any assumed or substituted Option shall comply with the requirements of Treasury Regulation § 1.424-1 (and any amendments thereto).
  - (b) The Committee, in its sole discretion, may provide for the purchase of any Awards by the Corporation or an Affiliate for an amount of cash equal to the excess of the Change in Control Price (as defined below) of the shares of Common Stock covered by such Awards, over the aggregate exercise price of such Awards. For purposes of this Section 6.1, "Change in Control Price" shall mean the highest price per share of Common Stock paid in any transaction related to a Change in Control of the Corporation.
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- (c) The Committee may, in its sole discretion, provide for the cancellation of any Awards without payment, if the Change in Control Price is less than the Fair Market Value of such Award on the date of grant.
- (d) Notwithstanding anything else herein, the Committee may, in its sole discretion, provide for accelerated vesting or lapse of restrictions, of an Award at the time of grant or at any time thereafter.

## **SECTION 7. General Provisions**

**7.1 General Creditor Status.** Participants shall have no right, title or interest whatsoever in or to any investments which the Corporation may make to aid it in meeting its obligations under the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Corporation and any Participant, Beneficiary, legal representative or any other person. To the extent that any person acquires a right to receive payments from the Corporation under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Corporation. All payments to be made hereunder shall be paid from the general funds of the Corporation and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth in the Plan; provided, however, that in its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Common Stock or pay cash; provided, further, however, that, unless the Committee otherwise determines with the consent of the affected Participant, the existence of such trusts or other arrangements shall be consistent with the “unfunded” status of the Plan.

**7.2 Certain Adjustments to Shares.** In the event of any change in the Common Stock by reason of any stock dividend, recapitalization, reorganization, spin-off, split-off, merger, consolidation, stock split, reverse stock split, combination or exchange of shares, or any rights offering to purchase Common Stock at a price substantially below fair market value, or of any similar change affecting the Common Stock of or by the Corporation, the number and kind of Shares available for Awards under the Plan and the number and kind of Shares subject to a Restricted Period or other Restrictions or subject to Options in outstanding Awards and the Option Price or purchase price per Share thereof shall be appropriately adjusted consistent with such change in such manner as the Committee may deem equitable to prevent substantial dilution or enlargement of the rights granted to, or available for, the Participants hereunder. Any adjustment of an Incentive Stock Option pursuant to this Section shall be made only to the extent not constituting a “modification” within the meaning of Section 424(h)(3) of the Code, unless the holder of such Option shall agree otherwise. The Committee shall give notice to each Participant of any adjustment made pursuant to this Section and, upon notice, such adjustment shall be effective and binding for all purposes of the Plan.

**7.3 Successor Corporation.** The obligations of the Corporation under the Plan shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Corporation, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Corporation. The Corporation agrees that it will make appropriate provision for the preservation of Participants’ rights under the Plan in any agreement or plan which it may enter into or adopt to effect any such merger, consolidation, reorganization or transfer of assets.

**7.4 No Claim or Right Under the Plan.** Neither the Plan nor any action taken thereunder shall be construed as giving any employee, independent directors, consultant or advisor any right to be retained in the employ of or by the Corporation.

**7.5 Awards Not Treated as Compensation Under Benefit Plans.** No Award shall be considered as compensation under any employee benefit plan of the Corporation, except as specifically provided in any such plan or as otherwise determined by the Board.

**7.6 Listing and Qualification of Common Stock.** The Corporation, in its discretion, may postpone the issuance or delivery of Common Stock upon any exercise of an Option or pursuant to an Award of Restricted Stock until completion of such stock exchange listing or other qualification of such shares under any state, federal or other governmental law, rule or regulation as the Corporation may consider appropriate, and may require any Participant, Beneficiary or legal representative to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of the shares in compliance with applicable laws, rules and regulations.

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**7.7 Withholding Taxes.** The Corporation may make such provisions and take such steps as it may deem necessary or appropriate for the withholding of all federal, state and local taxes required by law to be withheld, including, without limitation, taxes required to be withheld under the tax laws, rules and regulations and governmental orders of PRC, with respect to Awards granted pursuant to the Plan, including, but not limited to, (i) accepting a remittance from the Participant in cash, or in the Committee's discretion in Mature Shares (ii) deducting the amount required to be withheld from any other amount then or thereafter payable by the Corporation or Subsidiary to a Participant, Beneficiary or legal representative or from any Shares due to the Participant under the Plan, (iii) requiring a Participant, Beneficiary or legal representative to pay to the Corporation the amount required to be withheld as a condition of releasing Common Stock or (iv) any combination of the foregoing. In addition, subject to such rules and regulations as the Committee shall from time to time establish, Participants shall be permitted to satisfy federal, state and local taxes, if any, imposed upon the payment of Awards in Common Stock at a rate up to such Participant's maximum marginal tax rate with respect to each such tax by (i) irrevocably electing to have the Corporation deduct from the number of Shares otherwise deliverable in payment of an Award such number of Shares as shall have a value equal to the amount of tax to be withheld, (ii) delivering to the Corporation such portion of the Common Stock delivered in payment of the Award as shall have a value equal to the amount of tax to be withheld, or (iii) delivering to the Corporation such number of Mature Shares or combination of Mature Shares and cash as shall have a value equal to the amount of tax to be withheld.

**7.8 Non-transferability/Designation and Change of Beneficiary.**

(a) An Award granted hereunder shall not be assignable or transferable other than by will or by the laws of descent and distribution of the jurisdiction wherein the Participant is domiciled at the time of his or her death and may be exercised during the Participant's lifetime only by the Participant or his or her guardian or legal representative.

(b) Each Participant shall file with the Committee a written designation of one or more persons as the Beneficiary who shall be entitled to receive the amount, if any, payable under the Plan upon his or her death. A Participant may, from time to time, revoke or change his or her Beneficiary designation without the consent of any prior Beneficiary by filing a new designation with the Committee. The last such designation received by the Committee shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Committee prior to the Participant's death, and in no event shall it be effective as of a date prior to such receipt.

**7.9 Payments to Persons Other Than A Participant.** If the Committee shall find that any person to whom any amount is payable under the Plan is unable to care for his or her affairs because of illness or accident, or is a minor, or has died, then any payment due to such person or his or her estate (unless a prior claim therefor has been made by a duly appointed legal representative) may, if the Committee so directs the Corporation, be paid to his or her spouse, a child, a relative, an institution maintaining or having custody of such person, or any other person deemed by the Committee to be a proper recipient on behalf of such person otherwise entitled to payment. Any such payment shall be a complete discharge of the liability of the Committee and the Corporation therefor.

**7.10 Designated Participants.**

(a) If the Committee determines in its sole discretion that an appointment is necessary or desirable to comply with the regulatory requirements in the PRC, it may appoint the Corporation, a Subsidiary or any other institution or organization registered outside of the PRC (a "Trustee") to hold the interest and exercise the rights granted under the Plan of any Participant (a "Designated Participant") who either is a national of and ordinary resident in the PRC or is otherwise designated by the Committee as a Designated Participant. In relation to any such appointment, the Trustee will undertake to do the following for and on behalf of the Designated Participant, subject at all times to the Committee's supervision:

- (i) execute the relevant Award Agreement with the Corporation;
  - (ii) hold the Award (a "Designated Award") for the benefit of the Designated Participant;
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(iii) take such actions as the Designated Participant may instruct from time to time in connection with the Designated Award or otherwise in relation to the Designated Participant's beneficial interest under the Plan or under the Award Agreement, including taking such actions as may be necessary to exercise the Designated Award under the terms of Section 2.2(c) of the Plan and making payment under the terms of Section 2.2(e) of the Plan; and

(iv) after deducting its costs, fees and expenses as contemplated under subsection 5.10(d), hold, or at the Designated Participant's direction remit to the Designated Participant, the net proceeds of sales or other transactions involving the Designated Award or, as applicable, shares of Common Stock underlying such Award.

(b) Without limiting the scope of its authorities under Section 2.1 or any other provision of the Plan, the Committee may at any time impose restrictions on the method of exercise of a Designated Award, such that upon exercise of the Designated Award, the Designated Participant (or the Trustee acting on the Designated Participant's behalf) does not receive Shares and receives solely cash, in the amount and denomination determined under Section 2.2(e).

(c) An appointment of a Trustee pursuant to the terms of this Section to hold the interest and exercise the rights for the benefit of the Designated Participant shall terminate at such time as the Committee determines in its sole discretion that such appointment is no longer necessary or desirable in order to comply with regulatory requirements in the PRC.

(d) The Trustee may deduct from the proceeds of sales or other transactions involving the Designated Award or, as applicable, Shares underlying such Award, any costs, fees and expenses of the Trustee in relation to its appointment under this Section. The Trustee will, under no circumstances, otherwise require the Designated Participant to compensate it for any of its costs, fees, expenses or losses.

**7.11 No Liability of Committee Members.** No member of the Committee shall be personally liable by reason of any contract or other instrument executed by such member or on his or her behalf in his or her capacity as a member of the Committee nor for any mistake of judgment made in good faith, and the Corporation shall indemnify and hold harmless each employee, officer or director of the Corporation to whom any duty or power relating to the administration or interpretation of the Plan may be allocated or delegated, against any cost or expense (including counsel fees) or liability (including any sum paid in settlement of a claim with the approval of the Board) arising out of any act or omission to act in connection with the Plan unless arising out of such person's own fraud or bad faith. The indemnification provided for in this Section 5.11 shall be in addition to any rights of indemnification such Committee member has as a director or officer pursuant to law, under the Certificate of Incorporation or By-Laws of the Corporation.

**7.12 Amendment or Termination.** Except as to matters that in the opinion of the Corporation's legal counsel require stockholder approval, any provision of the Plan may be modified as to a Participant by an individual agreement approved by the Committee. The Board may, with prospective or retroactive effect, amend, suspend or terminate the Plan or any portion thereof at any time; provided, however, that (i) no amendment that would materially increase the cost of the Plan to the Corporation may be made by the Board without the approval of the stockholders of the Corporation and (ii) no amendment, suspension or termination of the Plan shall deprive any Participant of any rights to Awards previously made under the Plan without his or her written consent. Subject to earlier termination pursuant to the provisions of this Section, and unless the stockholders of the Corporation shall have approved an extension of the Plan beyond such date, the Plan shall terminate and no further Awards shall be made under the Plan after the tenth (10th) anniversary of the Effective Date of the Plan.

**7.13 Governing Law.** The Plan shall be governed by and construed in accordance with the laws of the State of Nevada, without reference to the principles of conflicts of law thereof.

**7.14 Non-uniform Determinations.** The Committee's determinations under the Plan need not be uniform and may be made by the Committee selectively among persons who receive, or are eligible to receive, Awards whether or not such persons are similarly situated. Without limiting the generality of the foregoing, the Committee shall be entitled, to enter into non-uniform and selective Award Agreements as to (a) the identity of the Participant, (b) the terms and provisions of Awards, and (c) the treatment of termination of his/her capacity as an independent director, employment or consultancies.

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**7.15 Clawback Policy.** All Awards (including on a retroactive basis) granted under the Plan are subject to the terms of any Corporation forfeiture, incentive compensation recoupment, clawback or similar policy as it may be in effect from time to time, as well as any similar provisions of applicable laws, as well as any other policy of the Corporation that may apply to the Awards, such as anti-hedging or pledging policies, as they may be in effect from time to time. In particular, these policies and/or provisions shall include, without limitation, (i) any Corporation policy established to comply with applicable laws (including, without limitation, Section 304 of the Sarbanes-Oxley Act and Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act), and/or (ii) the rules and regulations of the applicable securities exchange or inter-dealer quotation system on which the shares of Stock or other securities are listed or quoted, and these requirements shall be deemed incorporated by reference into all outstanding Award Agreements.

**7.16 Section 409A of the Code.**

(a) Notwithstanding any provision of this Plan to the contrary, all Awards made under this Plan are intended to be exempt from or, in the alternative, comply with Section 409A of the Code and the authoritative guidance thereunder, including the exceptions for stock rights and short-term deferrals. The Plan shall be construed and interpreted in accordance with such intent. Each payment under an Award shall be treated as a separate payment for purposes of Section 409A of the Code.

(b) If a Participant is a “specified employee” (as such term is defined for purposes of Section 409A of the Code) at the time of his termination of service, no amount that is nonqualified deferred compensation subject to Section 409A of the Code and that becomes payable by reason of such termination of service shall be paid to the Participant (or in the event of the Participant’s death, the Participant’s representative or estate) before the earlier of (x) the first business day after the date that is six months following the date of the Participant’s termination of service, and (y) within 30 days following the date of the Participant’s death. For purposes of Section 409A of the Code, a termination of service shall be deemed to occur only if it is a “separation from service” within the meaning of Section 409A of the Code, and references in the Plan and any Award Agreement to “termination of service” or similar terms shall mean a “separation from service.” If any Award is or becomes subject to Section 409A of the Code, unless the applicable Award Agreement provides otherwise, such Award shall be payable upon the Participant’s “separation from service” within the meaning of Section 409A of the Code. If any Award is or becomes subject to Section 409A of the Code and if payment of such Award would be accelerated or otherwise triggered under a Change of Control, then the definition of Change of Control shall be deemed modified, only to the extent necessary to avoid the imposition of any additional tax under Section 409A of the Code, to mean a “change in control event” as such term is defined for purposes of Section 409A of the Code.

(c) Any adjustments made pursuant to Article XV to Awards that are subject to Section 409A of the Code shall be made in compliance with the requirements of Section 409A of the Code, and any adjustments made pursuant to Article XV to Awards that are not subject to Section 409A of the Code shall be made in such a manner as to ensure that after such adjustment, the Awards either (x) continue not to be subject to Section 409A of the Code or (y) comply with the requirements of Section 409A of the Code.

**7.17 No Illegal Transactions.** The Plan and all Awards granted pursuant to it are subject to all applicable laws and regulations. Notwithstanding any provision of the Plan or any Award, Participants shall not be entitled to exercise or receive benefits under, any Award, and the Corporation shall not be obligated to deliver any Shares or deliver any benefits to a Participant, if such exercise or delivery would constitute a violation by the Participant or the Corporation of any applicable law or regulation.

**7.18 Severability.** If any part of the Plan is declared by any court of governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any other part of the Plan. Any Section or part of a Section so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Section to the fullest extent possible while remaining lawful and valid.

**7.19 No Funding.** The Plan shall be unfunded. The Corporation shall not be required to establish any special or separate fund or to make any other segregation of funds or assets to ensure the payment of any Award. Prior to receipt of Shares or a cash distribution pursuant to the terms of an Award, such Award shall represent an unfunded unsecured contractual obligation of the Corporation and the Participant shall have no greater claim to the Shares underlying such Award or any other assets of the Corporation or Affiliate than any other unsecured general creditor.

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**ADDENTAX GROUP CORP.  
INSIDER TRADING POLICY  
and Guidelines with Respect to  
Certain Transactions in Company Securities**

In order to take an active role in the prevention of insider trading violations by its directors, officers and other employees, as well as by other related individuals, Addentax Group Corp. (the “Company”) has adopted the policies and procedures described in this Memorandum.

**Applicability of Policy**

This Policy applies to all transactions in the Company’s securities, including shares of common stock, options for shares of common stock and any other securities the Company may issue from time to time, such as preferred shares, warrants and convertible debentures, as well as to derivative securities relating to the Company’s shares, whether or not issued by the Company, such as exchange-traded options. It applies to all directors, officers and all other employees of, or consultants or contractors to, the Company, as well as family members of such persons, and others, in each case where such persons have or may have access to Material Nonpublic Information (as defined below). This group of people, and members of their immediate families, and members of their households, who are sometimes referred to as “Designated Insiders,” are collectively referred to in this Policy as “Insiders.” This Policy also applies to any person who receives Material Nonpublic Information from any Insider.

Any person who possesses Material Nonpublic Information regarding the Company is an Insider for so long as the information is not publicly known. Any employee can be an Insider from time to time, and would be subject to this Policy.

**Compliance Officer**

The Company has appointed Mr. Hong Zhida, as the Company’s Insider Trading Compliance Officer. Please contact he/her (or anyone that he/she has designated to field questions) with questions as to any of the matters discussed in this Policy.

**Statement of Policy**

**General Policy**

It is the policy of the Company to oppose the unauthorized disclosure of any nonpublic information acquired in the workplace and the misuse of Material Nonpublic Information in securities trading.

**Specific Policies**



**1. Trading on Material Nonpublic Information.** No director, officer or other employee of, or consultant or contractor to, the Company, and no member of the immediate family or household of any such person, shall engage in any transaction involving a purchase or sale of the Company's securities, including any offer to purchase or offer to sell, during any period commencing with the date that he or she possesses Material Nonpublic Information concerning the Company, and ending at the open of business on the second full Trading Day following the date of public disclosure of that information, or at such time as such nonpublic information is no longer material. As used herein, the term "Trading Day" shall mean a day on which the NASDAQ Stock Market is open for trading. A Trading Day begins at the time trading begins on such day. This restriction on trading does not apply to transactions made under a trading plan that has been adopted pursuant to Rule 10b5-1(c) promulgated under the Securities Exchange Act of 1934, as amended, and that has been approved in writing by the Company (an "approved Rule 10b5-1 trading plan").

**2. Tipping.** No Insider shall disclose ("tip") Material Nonpublic Information to any other person (including family members) where such information may be used by such person to his or her profit by trading in the securities of companies to which such information relates, nor shall such Insider or related person make recommendations or express opinions on the basis of Material Nonpublic Information as to trading in the Company's securities.

**3. Confidentiality of Nonpublic Information.** Nonpublic information relating to the Company is the property of the Company and the unauthorized disclosure of such information is forbidden. In the event any director, officer or other employee receives any inquiry from outside the Company, such as from a stock analyst, for information (particularly financial results and/or projections) that may be Material Nonpublic Information, the inquiry should be referred to the Company's Compliance Officer, who is responsible for coordinating and overseeing the release of such information to the investing public, analysts and others in compliance with applicable laws and regulations.

**4. Blackout Period.** All Section 16 Persons and Designated Insiders (contact the Compliance Officer if you are unsure whether you fall into either of these categories) must refrain from engaging in transactions involving a purchase or sale of the Company's securities, including any offer to purchase or offer to sell, during the period in any fiscal quarter commencing two weeks prior to the end of the fiscal quarter and ending at the open of market on the second full Trading Day following the date of public disclosure of the financial results for the prior fiscal quarter or year. This is a particularly sensitive period of time for transactions in the Company's shares from the perspective of compliance with applicable securities laws. This sensitivity is due to the fact that directors, officers and certain other employees will, during that period, often possess Material Nonpublic Information about the expected financial results for the quarter. All Section 16 Persons and Designated Insiders of the Company are prohibited from trading during the Blackout Period. The prohibition against trading during the Blackout Period encompasses the fulfillment of "limit orders" by any broker for a Section 16 Person or



Designated Insider, and the brokers with whom any such limit order is placed must be so instructed at the time it is placed.

**5. Trading Window.** The “Trading Window” is that period of a fiscal quarter during which the Section 16 Persons and Designated Insiders of the Company are not precluded (assuming they do not possess Material Nonpublic Information) from trading in the Company’s securities as described in Paragraph 2 below.

The safest period for trading in the Company’s securities, assuming the absence of Material Nonpublic Information, is generally the first 20 days of the Trading Window. However, even during the Trading Window any person possessing Material Nonpublic Information concerning the Company should not engage in any transactions in the Company’s securities until such information has been known publicly for at least one full Trading Day. This trading restriction does not apply to transactions made under an approved Rule 10b5-1 trading plan. Each person is individually responsible at all times for compliance with the prohibitions against insider trading.

**6. Pre-clearance of Trades.** The Company has determined that all Section 16 Persons and Designated Insiders of the Company should refrain from trading in the Company’s securities, even during the Trading Window, without first complying with the Company’s “pre-clearance” process. Each Section 16 Person and Designated Insider should contact the Company’s Insider Trading Compliance Officer prior to commencing any trade in the Company’s securities. The Company may also find it necessary, from time to time, to require compliance with the pre-clearance process from certain other employees who have access to Material Nonpublic Information. A Section 16 Person or Designated Insider wishing to trade pursuant to an approved Rule 10b5-1 trading plan need not seek pre-clearance from the Company’s Insider Trading Compliance Officer before each such trade takes place; however, such person must obtain Company approval of the proposed Rule 10b5-1 trading plan before adopting it.

**7. Prohibition Against Margining of Company Securities.** No Section 16 Person of the Company shall margin, or make any offer to margin, any of the Company’s securities as collateral to purchase the Company’s securities or the securities of any other issuer at any time. Notwithstanding the previous sentence, this paragraph is not meant to, and shall not be construed so as to, affect the ability of any Section 16 Person of the Company, from using his or her Company’s securities as collateral to securitize a bona fide loan.

**8. Prohibition Against Short Sales.** No Section 16 Person or other employee of the Company shall, directly or indirectly, sell any equity security of the Company if the person selling the security or his principal (1) does not own the security sold, or (2) if owning the security, does not deliver it against such sale (a “short sale against the box”) within 20 days thereafter, or does not within five days after such sale deposit it in the mails or other usual channels of transportation. Generally, a short sale, as defined in this Policy, means any transaction whereby one may benefit from a decline in the Company’s





share price. While employees who are not executive officers or directors are not prohibited by law from engaging in short sales of the Company's securities, the Company believes it is inappropriate for employees to engage in such transactions.

**9. Prohibition Against Trading in Derivative Securities.** No Section 16 Person or other employee of the Company shall purchase or sell, or make any offer to purchase or offer to sell, derivative securities relating to the Company's securities, whether or not issued by the Company, such as exchange traded options to purchase or sell the Company's securities (so called "puts" and "calls"). This paragraph is not meant to, and shall not be construed as to, affect the ability of the Company to grant options to officers, directors and employees under employee benefit plans or agreements adopted by the Board of Directors or the ability of officers, directors and employees to exercise such options and sell the underlying shares, provided that any such sale is otherwise in accordance with this Policy.

**10. Prohibition Against Internet Disclosure.** It is inappropriate for any unauthorized person to disclose Company information on the Internet and more specifically in forums (chat rooms) where companies and their prospects are discussed. Examples of such forums include but are not limited to Yahoo! Finance, Silicon Investor and Motley Fool. The posts in these forums are typically made by unsophisticated investors who are sometimes poorly informed, and generally are carelessly stated or, in some cases, malicious or manipulative and intended to benefit their own stock positions. Accordingly, no director, officer, employee, consultant or contractor or other party related to the Company may discuss the Company or Company-related information in such a forum regardless of the situation. Despite any inaccuracies that may exist (and often there are many), posts in these forums can result in the disclosure of material non-public information and may bring significant legal and financial risk to the Company and are therefore prohibited, without exception. Any post that is made by any person with access to Material Nonpublic Information, or information supplied by any such person for someone else to post, will be treated as a violation of this Policy.

#### **Potential Criminal and Civil Liability and/or Disciplinary Action**

**1. Liability for Insider Trading.** Pursuant to federal and state securities laws, Insiders may be subject to criminal and civil fines and penalties as well as imprisonment for engaging in transactions in the Company's securities at a time when they have knowledge of Material Nonpublic Information regarding the Company.

**2. Liability for Tipping.** Insiders may also be liable for improper transactions by any person (commonly referred to as a "tippee") to whom they have disclosed Material Nonpublic Information regarding the Company or to whom they have made recommendations or expressed opinions on the basis of such information as to trading in the Company's securities. The Securities and Exchange Commission (the "SEC") has imposed large penalties even when the disclosing person did not profit from the trading.



The SEC, the stock exchanges and the Financial Industry Regulatory Authority, Inc. use sophisticated electronic surveillance techniques to uncover insider trading.

**3. Possible Disciplinary Actions.** Employees of the Company who violate this Policy shall also be subject to disciplinary action by the Company, which may include ineligibility for future participation in the Company's equity incentive plans or termination of employment.

**4. Individual Responsibility.** Every person subject to this Policy has the individual responsibility to comply with this Policy against insider trading, and appropriate judgment should be exercised in connection with any trade in the Company's securities. An Insider may, from time to time, have to forego a proposed transaction in the Company's securities even if he or she planned to make the transaction before learning of Material Nonpublic Information and even though the Insider believes he or she may suffer an economic loss or forego anticipated profit by waiting.

### **Applicability of Policy to Inside Information Regarding Other Companies**

This Policy and the restrictions and guidelines described herein also apply to Material Nonpublic Information relating to other companies, including the Company's customers, vendors or suppliers ("business partners"), when that information is obtained in the course of employment with, or other services performed for, the Company. Civil and criminal penalties, and termination of employment, may result from trading on inside information regarding the Company's business partners. All directors, officers and other employees should treat Material Nonpublic Information about the Company's business partners with the same care required for information related directly to the Company.

### **Definition of Material Nonpublic Information**

It is not possible to define all categories of material information. However, information should be regarded as material if there is a reasonable likelihood that it would be considered important to an investor in making an investment decision regarding the purchase or sale of the Company's securities. In this regard, there are various categories of information that are particularly sensitive and, as a general rule, should always be considered material. Examples of such information include:

#### **Financial Related Events**

- Financial results
- Projections of future earnings or losses
- Stock splits
- New equity or debt offerings
- Impending bankruptcy or financial liquidity problems
- Creation of a material direct or contingent financial obligation

#### **Corporate Developments**



- Pending or proposed merger or acquisition
- Disposition or acquisition of significant assets
- Significant litigation exposure due to actual or threatened litigation
- Major changes in senior management
- Material agreement not in the ordinary course of business (or termination thereof)

Nonpublic information is information that has not been previously disclosed to the general public and is otherwise not available to the general public. Either positive or negative information may be material.

### **Certain Exceptions**

For purposes of this Policy, the Company considers that the exercise of stock options for cash under the Company's option plans or the purchase of shares under the Company's employee share purchase plan (but not the sale of any such shares), if any, is exempt from this Policy, since the other party to the transaction is the Company itself and the price does not vary with the market but is fixed by the terms of the option agreement or the plan.

### **Additional Information - Directors and Officers**

Directors and officers of the Company must also comply with the reporting obligations and limitations on short-swing transactions set forth in Section 16 of the Exchange Act. The practical effect of these provisions is that officers and directors who purchase and sell the Company's securities within a six-month period must disgorge all profits to the Company whether or not they had knowledge of any Material Nonpublic Information. Under these provisions, and so long as certain other criteria are met, neither the receipt of an option under the Company's option plans, nor the exercise of that option, nor the purchase of shares under the Company's employee share purchase plan, if any, is deemed a purchase under Section 16(b); however, the sale of any such shares is a sale under Section 16.

Persons subject to the reporting requirements of Section 16 must file their statements of change in ownership on Form 4 before the end of the second business day following such change in ownership and, within 45 days of the end of the fiscal year, file their annual statement of beneficial ownership, if necessary. These reports will be made available on our corporate website and are publicly accessible on the SEC's website at [www.sec.gov](http://www.sec.gov).

### **Inquiries**

Please direct your questions as to any of the matters discussed in this Policy to the Company's Insider Trading Compliance Officer.

A handwritten signature in black ink, appearing to be "H. G. Lee", is written over a horizontal line.

### Subsidiaries of the Registrant

Addentax Group Corp. was incorporated in the State of Nevada on October 28, 2014. The company operates through its wholly owned subsidiaries.

Company name	Place/date of incorporation	Principal activities
Yingxi Industrial Chain Group Co., Ltd. ("Yingxi Seychelles")	Seychelles / August 04, 2016	Investment holding
Yingxi Industrial Chain Investment Co.,Ltd. ("Yingxi HK")	Hong Kong / July 28, 2016	Investment holding
Qianhai Yingxi Textile Garments Co., Ltd. ("WFOE")	Guangdong Province, China /November 29, 2016	Investment holding
Shenzhen Qianhai Yingxi Industrial Chain Services Co., Ltd ("YX")	Guangdong Province, China /January 29, 2016	Investment holding
Dongguan Heng Sheng Wei Garments Co., Ltd ("HSW")	Guangdong Province, China /May 15, 2009	Garment Manufacturing Business
Dongguan Yushang Clothing Co., Ltd ("YS")	Guangdong Province, China /July 03, 2019	Garment Manufacturing Business
Shenzhen Xin Kuai Jie Transportation Co., Ltd ("XKJ")	Guangdong Province, China /September 28, 2001	Logistics Business
Shenzhen Yingxi Peng Fa Logistic Co., Ltd., ("PF")	Guangdong Province, China /November 16, 2020	Logistics Business
Dongguan Aotesi Garments Co., Ltd., ("AOT")	Guangdong Province, China /October 17, 2022	Garment Manufacturing Business
Dongguan Hongxiang Commercial Co., Ltd., ("HX")	Guangdong Province, China /March 18, 2020	Property Management and Subleasing business

**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Hong Zhida, certify that:

1. I have reviewed this annually report on Form 10-K of Addentax Group Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 30, 2025

*/s/ Hong Zhida*

Hong Zhida

President, Chief Executive Officer, Secretary and Director  
(Principal Executive Officer)

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**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Huang Chao, certify that:

1. I have reviewed this annually report on Form 10-K of Addentax Group Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 30, 2025

/s/ Huang Chao

Huang Chao  
Chief Financial Officer and Treasurer  
(Principal Financial Officer)

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

The undersigned, Hong Zhida, Chief Executive Officer, of Addentax Group Corp., hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the annually report on Form 10-K of Addentax Group Corp. for the year ended March 31, 2025 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Addentax Group Corp.

Dated: June 30, 2025

/s/ Hong Zhida

Hong Zhida

President, Chief Executive Officer, Secretary and Director  
(Principal Executive Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Addentax Group Corp. and will be retained by Addentax Group Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

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

The undersigned, Huang Chao, Chief Financial Officer, of Addentax Group Corp., hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the annually report on Form 10-K of Addentax Group Corp. for the year ended March 31, 2025 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Addentax Group Corp.

Dated: June 30, 2025

/s/ Huang Chao

Huang Chao

Chief Financial Officer, Treasurer

(Principal Financial Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Addentax Group Corp. and will be retained by Addentax Group Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

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