SECURITIES & EXCHANGE COMMISSION EDGAR FILING

Jerash Holdings

Form: 10-K

Date Filed: 2019-06-28

Corporate Issuer CIK: 1696558

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

FORM 10-K

(Mark One)
x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended March 31, 2019
or
¨ **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 001-38474

Jerash Holdings (US), Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	81-4701719 (I.R.S. Employer Identification No.)

260 East Main Street, Suite 2706, Rochester, NY, 14604
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (212) 575-9085

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

Title of each Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	JRSH	The Nasdaq Stock Market LLC

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

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ No x

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 x 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 x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth 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 ¨		Accelerated filer	¨
Non-accelerated filer x		Smaller reporting company	x
		Emerging growth company	x

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 7(a)(2)(B) of the Securities Act. x

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

The aggregate market value of the registrant's common stock, par value $0.001 per share, held by non-affiliates of the registrant, as computed by reference to the September 28, 2018 closing price reported by Nasdaq, was approximately $16,271,093.

The number of the registrant's common shares, $0.001 par value per share, outstanding on June 25, 2019 was 11,325,000.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement for its 2019 Annual Meeting of Stockholders are incorporated by reference in Part III of this Annual Report on Form 10-K.

Table of Contents

PART I

Item 1. Business.

Overview

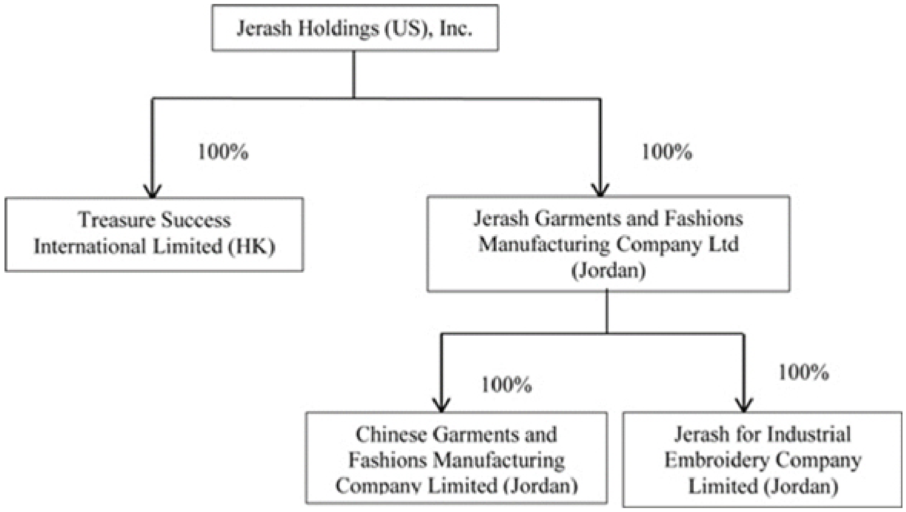
Jerash Holdings (US), Inc. ("Jerash Holdings," the "Company," "we," "us," "our"), through our wholly owned operating subsidiaries (together the "Group"), is principally engaged in the manufacturing and exporting of customized, ready-made sport and outerwear from knitted fabric produced in the Group's facilities in Jordan. Our internet address is http://www.jerashholdings.com. Information available on our website is not a part of, and is not incorporated into, this Annual Report on Form 10-K.

The Group is a manufacturer utilized by many well-known brands and retailers, such as Walmart, Costco, Hanes, Columbia, VF Corporation (which owns brands such as The North Face, Timberland, Jansport, etc.), and PVH Corp. (which owns brands such as Calvin Klein, Tommy Hilfiger, IZOD, Speedo, etc.). The Group's production facilities are made up of four factory units and three warehouses and currently employ approximately 3,600 people. Our employees include local Jordanian workers as well as migrant workers from Bangladesh, Sri Lanka, India, Myanmar, Nepal and Syria. The total annual capacity at Jerash Group's facilities is approximately 8.0 million pieces (average for product categories including t-shirts, polos and jackets).

Organizational Structure

Jerash Holdings is a holding company organized in Delaware in January 2016 with nominal or no assets or operations. Through a series of transactions in May 2017, Jerash Holdings became the direct parent of the operating subsidiaries of Global Trend International Limited ("Global Trend"). Jerash Holdings has the following wholly owned subsidiaries: (i) Jerash Garments and Fashions Manufacturing Co. Ltd. ("Jerash Garments"), an entity formed under the laws of Jordan and a wholly-owned subsidiary of Jerash Holdings, (ii) Treasure Success International Limited ("Treasure Success"), an entity formed under the laws of Hong Kong and a wholly-owned subsidiary of Jerash Holdings, (iii) Chinese Garments and Fashions Manufacturing Co. Ltd. ("Chinese Garments"), an entity formed under the laws of Jordan and a wholly owned subsidiary of Jerash Garments, and (iv) Jerash for Industrial Embroidery Company Limited ("Jerash Embroidery"), an entity formed under the laws of Jordan and a wholly owned subsidiary of Jerash Garments.

This table reflects the Group's organizational structure at March 31, 2019:



Jerash Garments was established in Jordan in November 2000 and operates out of the Group's factory unit in Al Tajamouat Industrial City, a Development Zone in Amman, Jordan. Jerash Garments' principal activities are to house management offices and to operate production lines and sewing, ironing, packing and quality control units, as well as house the Group's trims and finished products warehouses.

Chinese Garments was established in Jordan in June 2013 and operates out of the Group's factory unit in Al Tajamouat Industrial City, a Development Zone in Amman, Jordan. Chinese Garments' principal activities are to house administration, human resources, finance and management offices and to operate additional production lines and sewing, ironing, and packing units, as well as house the Group's trims warehouse.

Jerash Embroidery was established in Jordan in March 2013 and operates out of the Group's factory unit in Al Tajamouat Industrial City, a Development Zone in Amman, Jordan. Jerash Embroidery's principal activities are to perform the cutting and embroidery for the Group's products.

Treasure Success was established in Hong Kong in July 2016 and operates in Hong Kong. Treasure Success's primary activities are to employ sales and merchandising staff and supporting personnel in Hong Kong to support the business of Jerash Garments and its subsidiaries.

Products

As a garment manufacturing group, we excel in manufacturing sport and outerwear. Our products are in the customized, ready-made sport and outerwear segment, and the Group derives all of our revenue from the manufacturing and sales of sport and outerwear, which is the only segment in which we operate. The Group's product offering consists of jackets, polo shirts, crew neck shirts, pants and shorts made from knitted fabric. Our primary product offering is jackets, and in the fiscal years ended March 31, 2019 and 2018, approximately 52% and 48%, respectively, of the Group's total shipped pieces were jackets.

Manufacturing and Production

Our production facilities are located in Al Tajamouat Industrial City, a Development Zone in Amman, Jordan, and are comprised of four factory units and three warehouses. Effective as of January 1, 2019, the government of the Hashemite Kingdom of Jordan converted Al Tajamouat Industrial City into a Development Zone. Following this change, we will continue to operate under benefits similar to the Qualifying Industrial Zone ("QIZ") designation, but are subject to a 5% corporate income tax. Currently, the first factory unit, which the Group owns, employs approximately 1,500 people. Its primary functions are to house the Group's management offices, as well as production lines, the Group's trims warehouse, and sewing, ironing, and packaging units. The second factory unit, which the Group leases, employs approximately 1,400 people. Its primary functions are to house the Group's administrative and human resources personnel, as well as merchandising and accounting departments, as well as additional production lines, the Group's trims and finished products warehouses, and sewing, ironing, packing and quality control units. The third factory unit, which the Group leases, employs approximately 200 people. Its primary functions are to perform the cutting and embroidery for the Group's products. The fourth factory, which the Group leases, currently employs approximately 500 people. Its primary functions are housing additional production lines.

In 2015, we commenced a project to build a 4,800 square foot workshop in the Tafilah Governorate of Jordan, which was previously planned to be a sewing workshop, but has been changed to become a dormitory. This dormitory is expected to be operational in September 2019 and is expected to house workers for the 54,000 square foot workshop in Al-Hasa County.

In calendar year 2018, the Group commenced another project to build a 54,000 square foot workshop in Al-Hasa County in the Tafilah Governorate of Jordan, which is expected to be completed in September 2019. Provided that we satisfy certain employment requirements over certain time periods, we do not anticipate incurring any significant costs for the project, which is being constructed in conjunction with the Jordanian Ministry of Labor and the Jordanian Education and Training Department. In the event we breach our agreement with these government agencies, we will have to pay such agencies 250,000 Jordanian Dinar ("JOD") or $353,000. See Item 2. Properties below for more information regarding this workshop.

Total annual capacity at the Group's existing facilities is approximately 8.0 million pieces (average for product categories including t-shirts, polos and jackets). Our production flow begins in the Group's third factory unit in the cutting department. From there, the product moves to either the Group's first or second factory unit for processing by the sewing unit, finishing department, quality control, and finally the ironing and packing units. If applicable during this process, the product is sent back to the embroidery department at the Group's third factory unit for embroidery.

The Group does not have long term supply contracts or arrangements with our suppliers. Most of the Group's ultimate suppliers for raw materials, such as fabric, zippers and labels, are designated by customers and the Group purchases such materials on a purchase order basis.

Employees

As of March 31, 2019, the Group had an aggregate of approximately 3,000 employees located in Jordan Hong Kong, and in United States of America, all of which are full-time employees.

Customers

The following table outlines the dollar amount and percentage of total sales to the Group's customers for the fiscal years ended March 31, 2018 ("fiscal 2018"), and March 31, 2019 ("fiscal 2019").

	Fiscal Year 2019		**Fiscal Year 2018**	
	Sales (USD, in thousands)	**%**	**Sales (USD, in thousands)**	**%**
VF Corporation[1]	$ 67,523	79.4%	$ 54,614	78.8%
Dynamic Sourcing Ent, Inc.	6,549	7.7%	281	0.4%
Columbia	3,768	4.5%	5,891	8.5%
Onset Time Limited	3,728	4.4%	—	—
United Creations LLC	2,874	3.4%	2,167	3.1%
Classic Fashion Apparel Industry Ltd.	115	0.1%	4,756	6.9%
Philip-Van Heusen	—	—	1,523	2.2%
Others	427	0.5%	64	0.1%
Total	$ 84,984	100.0%	$ 69,296	100.0%

(1) Substantially all of the Group's products are sold under The North Face brand that is owned by VF Corporation.

In fiscal 2018 and fiscal 2019, the Group depended on a few key customers for its sales. Substantially all of the Group's sales in fiscal 2018 and 2019 were to VF Corporation.

The Group established our relationship with VF Corporation in 2012. Substantially all of the Group's products are sold under The North Face Brand that is owned by VF Corporation. Currently, we manufacture primarily outerwear for The North Face. Approximately 79% of the Group's sales in each of fiscal 2019 and 2018, were derived from the sale of the Group's products to VF Corporation. We are not party to any long-term contracts with VF Corporation or the Group's other customers, and our sales arrangements with our customers do not have minimum purchase requirements. As is common in our industry, VF Corporation and our other customers place purchase orders with us after the Group completes detailed sample development and approval processes that we and our customers have agreed upon for their purchase and manufacture of the garments in question. It is through the sample development and approval processes that the Group and VF Corporation and our other customers agree to the purchase and manufacture of the garments in question. For fiscal 2019, VF Corporation issued approximately 10,500 purchase orders to us in amounts ranging from approximately $6 to $365,000. The Group is not substantially dependent on any particular order from VF Corporation.

VF Corporation is in the retail industry, which is subject to substantial cyclical variations. Consequently, there can be no assurance that sales to current customers will continue at the current rate or at all. In addition, our annual and quarterly results may vary, which may cause our profits and the market price of our common stock to decline.

The Group continues to seek to expand and strengthen our relationship with our current customers and other brand names. However, the Group cannot assure you that these brands will continue to buy our products in the same volumes or on the same terms as they did in the past.

Competition

The markets for the manufacturing of sport and outerwear are highly competitive. The competition in the fields in which the Group operates is focused primarily on the price of the product, its quality, and the level of customer service. Our products compete with products of other apparel manufacturers in Israel, Europe, the United States, South and Central America and Asia.

Most competition with other manufacturers in the clothing industry focuses on reducing production costs, reducing supply lead times, design, product quality, and efficiency of supply to the customer. Since production costs depend to a large extent on labor costs, in recent years most production in the industry has been moved to countries where the labor costs are low. Some of the Group's competitors have a lower cost base, longer operating experience, broader customer base and other advantages over us which allow them to compete with us. As described in more detail under "- *Conditions in Jordan*" below, the Group is able to sell our products manufactured at our facilities in Jordan to the United States free from customs duties and import quotas under certain conditions. These favorable terms enable us to remain competitive on the basis of price. In December 2017, the European Union ("EU") extended a free trade agreement to us such that goods manufactured by us in Jordan that are subsequently shipped to EU countries are shipped free of duty.

Conditions in Jordan

The Group's manufacturing facilities are located in Jordan. Accordingly, the Group is directly affected by political, security and economic conditions in Jordan.

From time to time Jordan has experienced instances of civil unrest, terrorism and hostilities among neighboring countries, including Syria and Israel. A peace agreement between Israel and Jordan was signed in 1994. Terrorist attacks, military activity, rioting, or civil or political unrest in the future could influence the Jordanian economy and the Group's operations by disrupting operations and communications and making travel within Jordan more difficult and less desirable. Political or social tensions also could create a greater perception that investments in companies with Jordanian operations involve a high degree of risk, which could adversely affect the market and price for the Group's common stock.

Jordan is a constitutional monarchy, but the King holds wide executive and legislative powers. The ruling family has taken initiatives that support the economic growth of the country. However, there is no assurance that such initiatives will be successful or will continue. The rate of economic liberalization could change, and specific laws and policies affecting manufacturing companies, foreign investments, currency exchange rates and other matters affecting investments in Jordan could change as well.

A proposed tax bill that was part of an economic reform plan backed by the International Monetary Fund and aimed at narrowing Jordan's growing debt contained new taxes on products, such as internet subscriptions, and the elimination of subsidies on bread led to protests throughout Jordan beginning on May 30, 2018. On June 5, 2018, King Abdullah II of Jordan responded to the protests by removing Jordan's prime minister and replacing him with Omar al-Razzaz. Prime Minister Razzaz then withdrew the proposed tax bill from consideration and formed a new cabinet. On June 11, 2018 Saudi Arabia, Kuwait and the United Arab Emirates (the "UAE") pledged $2.5 billion of aid to Jordan (including a deposit into Jordan's central bank), annual budget support for the next five years and development projects. Saudi Arabia, Kuwait and the UAE signed a formal agreement on October 4, 2018 that provided for a $1.1 billion deposit to Jordan's central bank and future annual budget and project finance support as part of the larger $2.5 billion aid package.

Trade Agreements

The Group benefits from exemptions from customs duties and import quotas due to the Group's location in Al Tajamouat Industrial City, a Development Zone in Amman, Jordan, and the free trade agreements with the United States and the EU.

Development Zones are industrial parks that house manufacturing operations in Jordan. Companies operating in Development Zones receive certain tax benefits and are eligible to take advantage of the free trade agreements between the United States and Jordan. Under the trade agreement between Jordan and the U.S., goods produced in Development Zone areas can directly access U.S. markets without tariff or quota restrictions if they satisfy certain criteria. Companies operating in Development Zones are subject to a 5% corporate income tax.

Income Tax Incentives

The Encouragement of Investment Committee of Jordan resolved that Jerash Garments' project is an economically approved project in accordance with the Encouragement of Investment Law number 16 of 1995 and accordingly was granted exemptions from customs duties on the plant's equipment and machinery. Historically, in accordance with the Jordanian Income Tax law, all of Jerash Garments' exports are 100% exempted, provided a specific Declaration in that respect is filed with the Jordanian Customs and Income Tax Departments. This exemption was extended for 5 years until December 31, 2018.

Effective January 1, 2019 the Hashemite Kingdom of Jordan's government changed Jerash Garments' and its subsidiaries' area from a Free Zone to a Development Zone. In accordance with Development Zone law, Jerash Garments and its subsidiaries begin paying corporate income tax in Jordan at a rate of 5%. For more information, see Note 2 - Summary of Significant Accounting Policies - Income Tax.

In addition, Jerash Garments and its subsidiaries are subject to local sales tax of 16%. However, Jerash Garments was granted a sales tax exemption from the Jordanian Investment Commission for the period June 1, 2015 to June 1, 2018 that allowed Jerash Garments to make purchases with no sales tax charge. This exemption was extended to February 15, 2020 and the Company intends to apply to extend the exemption before the expiration date.

Government Regulation

The Group's manufacturing and other facilities in Jordan are subject to various local regulations relating to the maintenance of safe working conditions and manufacturing practices. Management believes that it is currently in compliance in all material respects with all such regulations. The Group is not subject to governmental approval of the Group's products or manufacturing process.

Item 1A. Risk Factors.

The following are factors that could have a significant impact on our operations and financial results and could cause actual results or outcomes to differ materially from those discussed in any forward-looking statements.

Risks Related to Our Business and Our Industry

We rely on one key customer for substantially all of our revenue. We cannot assure you that this customer or any other customer will continue to buy our products in the same volumes or on the same terms.

Our sales to VF Corporation (which owns brands such as The North Face, Timberland, and Jansport), directly and indirectly, accounted for approximately 79% of our total sales in each of fiscal 2018 and fiscal 2019. From an accounting perspective, we are considered the primary obligor in our relationship with VF Corporation. We bear the credit and inventory risk, and we have the right to determine the price and to change our product. Therefore, we present the sales and related manufacturing activities on a gross basis.

We are not party to any long-term contracts with VF Corporation or our other customers, and our sales arrangements with our customers do not have minimum purchase requirements. As is common in our industry, VF Corporation and our other customers place purchase orders with us after we complete detailed sample development and approval processes. It is through these sample development and approval processes that we and VF Corporation agree to the purchase and manufacture of the garments in question. From April 1, 2018 to March 31, 2019, VF Corporation issued approximately 10,500 purchase orders to us in amounts ranging from approximately $6 to $365,000. We are not substantially dependent on any particular order from VF Corporation.

We cannot assure you that our customers will continue to buy our products at all or in the same volumes or on the same terms as they have in the past. The failure of VF Corporation to continue to buy our products in the same volumes and on the same terms as in the past may significantly reduce our sales and our earnings.

A material decrease in the quantity of sales made to our principal customers, a material adverse change in the terms of such sales or a material adverse change in the financial condition of our principal customers could significantly reduce our sales and our earnings.

We cannot assure you that VF Corporation will continue to purchase our merchandise at the same historical rate, or at all, in the future, or that we will be able to attract new customers. In addition, because of our reliance on VF Corporation as our key customer and their bargaining power with us, VF Corporation has the ability to exert significant control over our business decisions, including prices.

Any adverse change in our relationship with VF Corporation and its The North Face brand, or with their strategies or reputation, would have a material adverse effect on our results of operations.

Substantially all of our products are sold under The North Face brand, which is owned by VF Corporation. Any adverse change in our relationship with VF Corporation would have a material adverse effect on our results of operations. In addition, our sales of those products could be materially and adversely affected if either VF Corporation's or The North Face brand's images, reputations or popularity were to be negatively impacted.

If we lose our key customer and are unable to attract new customers, then our business, results of operations and financial condition would be adversely affected.

If our key customer, VF Corporation, fails to purchase our merchandise at the same historical rate, or at all, we will need to attract new customers and we cannot assure you that we will be able to do so. We do not currently invest significant resources in marketing our products, and we cannot assure you that any new investments in sales and marketing will lead to the acquisition of additional customers or increased sales or profitability consistent with prior periods. If we are unable to attract new customers or customers that generate comparable profit margins to VF Corporation, then our results of operations and financial condition could be materially and adversely affected.

If we lose our larger brand and retail nominations or customers, or the customers fail to purchase our products at anticipated levels, our sales and operating results will be adversely affected.

Our results of operations depend to a significant extent upon the commercial success of our larger brand name customers. If we lose our significant brand nominations, our customers fail to purchase our products at anticipated levels, or our relationships with these customers or the brands and retailers they serve diminishes, it may have an adverse effect on our results and we may lose a primary source of revenue. In addition, we may not be able to recoup development and inventory costs associated with these customers and we may not be able to collect our receivables from them, which would negatively impact our financial condition and results of operations.

If the market share of our customers declines, our sales and earnings may decline.

Our sales can be adversely affected in the event that our direct and indirect customers do not successfully compete in the markets in which they operate. In the event that the sales of one of our major customers decline for any reason, regardless of whether it is related to us or to our products, our sales to that customer may also decline, which could reduce our overall sales and our earnings.

Defaults under the Secured Credit Facility could result in a foreclosure on our assets by our lender which would negatively impact our financial condition and results of operations.

We are party to a secured credit facility with Hong Kong and Shanghai Banking Corporation ("HSBC") for up to a minimum of $20,000,000 (the "Secured Credit Facility") to finance the working capital needs of the Company. The Secured Credit Facility consists of (i) an $8,000,000 import credit facility with HSBC entered into on May 29, 2017 and amended on June 19, 2018 and (ii) a $12,000,000 invoice discounting/factoring facility entered into on August 21, 2017 and amended on June 14, 2018. The Secured Credit Facility is guaranteed by us, Jerash Garments, Treasure Success as well as by our significant stockholders Mr. Choi Lin Hung, our chairman, chief executive officer, president, treasurer and a significant stockholder, and Mr. Ng Tsze Lun, a significant stockholder, whose interests may differ from the other stockholders of the Company as a result of their personal guarantees. The Secured Credit Facility is collateralized by a blanket security interest and includes various financial and other covenants. If in the future we default under the Secured Credit Facility, our lender could, among other things, declare our debt to be immediately due and payable. If this were to occur, we would be unable to repay our bank debt in full unless we could sell sufficient assets or obtain new financing through a replacement credit facility or equity transaction. If a new credit facility could be obtained, it is likely that it would have higher interest rates and impose significant additional restrictions and requirements on us. There is no assurance that we would be able to obtain a waiver or amendment from our lender or obtain replacement debt financing or issue sufficient equity securities to refinance these facilities. If we are unable to pay off the facility, our lender could foreclose on our assets, which may negatively impact our financial condition and results of operations.

We may require additional financing to fund our operations and capital expenditures.

As of March 31, 2019, we had cash and cash equivalents of approximately $27.2 million and restricted cash of approximately $0.7 million. There can be no assurance that our available cash, together with resources from our operations, will be sufficient to fund our operations and capital expenditures. In addition, our cash position may decline in the future, and we may not be successful in maintaining an adequate level of cash resources.

We are party to a Secured Credit Facility with HSBC consisting of (i) an $8,000,000 import credit facility with HSBC entered into on May 29, 2017 and amended on June 19, 2018 and (ii) a $12,000,000 invoice discounting/factoring facility entered into on August 21, 2017 and amended on June 14, 2018. As of March 31, 2019, we had incurred $360,401 of indebtedness under the Secured Credit Facility.

Pursuant to a facility letter (the "SCBHK facility") dated June 15, 2018 issued to Treasure Success International Limited by Standard Chartered Bank (Hong Kong) Limited ("SCBHK"), on January 31, 2019, SCBHK offered to provide an import facility of up to $3.0 million to Treasure Success. The SCBHK facility covers import invoice financing and pre-shipment financing under export orders with a combined limit of $3 million. SCBHK charges interest at 1.3% per annum over SCBHK's cost of funds. In consideration for arranging the SCBHK facility, Treasure Success paid SCBHK HKD50,000. The Company was informed by SCBHK on January 31, 2019 that the SCBHK facility has been activated. As of March 31, 2019, there was an outstanding amount of $288,310 in import invoice financing.

In addition, we may be required to seek additional debt or equity financing in order to support our growing operations. We may not be able to obtain additional financing on satisfactory terms, or at all, and any new equity financing could have a substantial dilutive effect on our existing stockholders. If we cannot obtain additional financing, we may not be able to achieve our desired sales growth, and our results of operations would be negatively affected.

We may have conflicts of interest with our affiliates and related parties, and in the past we have engaged in transactions and entered into agreements with affiliates that were not negotiated at arms' length.

We have engaged, and may in the future engage, in transactions with affiliates and other related parties. These transactions may not have been, and may not be, on terms as favorable to us as they could have been if obtained from non-affiliated persons. While an effort has been made and will continue to be made to obtain services from affiliated persons and other related parties at rates and on terms as favorable as would be charged by others, there will always be an inherent conflict of interest between our interests and those of our affiliates and related parties. Through his wholly-owned entity Merlotte, Mr. Choi Lin Hung, our chairman, chief executive officer, president, treasurer and a significant stockholder, has an indirect ownership interest in certain of the companies, including Ford Glory International Limited ("Ford Glory") and Value Plus (Macao Commercial Offshore) Limited ("VPMCO"), with which we have, or in the future may have, such agreements or arrangements. In addition, we have entered into agreements with Victory Apparel, which is wholly-owned by Mr. Choi Lin Hung and Mr. Lee Kian Tjiauw, who are significant stockholders. We expect that the personal guarantees of Mr. Choi and Mr. Ng Tsze Lun, a significant stockholder, will be released in exchange for Treasure Success and Jerash Holdings agreeing to guarantee the amounts under our Secured Credit Facility with HSBC. The release of these guarantees will personally benefit Mr. Choi and Mr. Ng but requires Jerash Holdings and Treasure Success to incur potential liability in connection with their guarantee. Our majority stockholders may economically benefit from our arrangements with related parties. If we engage in related party transactions on unfavorable terms, the Company's operating results will be negatively impacted.

We are dependent on a single product segment comprised of a limited number of products.

Presently, our product offering is limited primarily to outerwear from knitted fabric. A shift in demand from such products may reduce the growth of new business for our products, as well as reduce existing business in those products. If demand in outerwear made from knitted fabric were to decline, we may endeavor to expand or transition our product offerings to other segments of the clothing retail industry. There can be no assurance that we would be able to successfully make such an expansion or transition, or that our sales and margins would not decline in the event we made such an expansion or transition.

Our revenues and cash requirements are affected by the seasonal nature of our business.

A significant portion of our revenues are received during the first six months of our fiscal year, or from April through September. A majority of our VF Corporation orders are derived from winter season fashions, the sales of which occur in the spring and summer and are merchandized by VF Corporation during the autumn months (September through November). As such, the second half of our fiscal year reflect lower sales in anticipation of the spring and summer seasons. In addition, due to the nature of our relationships with customers and our use of purchase orders to conduct our business, our revenues may vary from period to period.

Changes in our product mix and the geographic destination of our products or source of our supplies may impact our cost of goods sold, net income and financial position.

From time to time, we experience changes in the product mix and the geographic destination of our products. To the extent our product mix shifts from higher revenue items, such as jackets, to lower revenue items, such as pants, our cost of goods sold as a percentage of gross revenue will likely increase. In addition, if we sell a higher proportion of products in geographic regions where we do not benefit from free trade agreements or tax exemptions, our gross margins will fall. If we are unable to sustain consistent product mix and geographic destinations for our products, we could experience negative impacts to our financial condition and results of operations.

Our direct and indirect customers are in the clothing retail industry, which is subject to substantial cyclical variations and could have a material adverse effect on our results of operations.

Our direct and indirect customers are in the clothing retail industry, which is subject to substantial cyclical variations and is strongly affected by any downturn or slowdown in the general economy. Factors in the clothing retail industry that may influence our operating results from quarter to quarter include:

- the volume and timing of customer orders we receive during the quarter;
- the timing and magnitude of our customers' marketing campaigns;
- the loss or addition of a major customer or of a major retailer nomination;
- the availability and pricing of materials for our products;
- the increased expenses incurred in connection with introducing new products;
- currency fluctuations;
- political factors that may affect the expected flow of commerce; and
- delays caused by third parties.

In addition, uncertainty over future economic prospects could have a material adverse effect on our results of operations. Many factors affect the level of consumer spending in the clothing retail industry, including, among others:

- general business conditions;
- interest rates;
- the availability of consumer credit;
- taxation; and
- consumer confidence in future economic conditions.

Consumer purchases of discretionary items, including our products, may decline during recessionary periods and also may decline at other times when disposable income is lower. Consequently, our customers may have larger inventories of our products than expected, and to compensate for any downturn they may reduce the size of their orders, change the payment terms, limit their purchases to a lower price range and try to change their purchase terms, all of which may have a material adverse effect on our financial condition and results of operations.

The clothing retail industry is subject to changes in fashion preferences. If our customers misjudge a fashion trend or the price which consumers are willing to pay for our products decreases, our revenues could be adversely affected.

The clothing retail industry is subject to changes in fashion preferences. We design and manufacture products based on our customers' judgment as to what products will appeal to consumers and what price consumers would be willing to pay for our products. Our customers may not be successful in accurately anticipating consumer preferences and the prices that consumers would be willing to pay for our products. Our revenues will be reduced if our customers are not successful, particularly if our customers reduce the volume of their purchases from us or require us to reduce the prices at which we sell our products.

If we experience product quality or late delivery problems, or if we experience financial problems, our business will be negatively affected.

We may from time to time experience difficulties in making timely delivery of products of acceptable quality. Such difficulties may result in cancellation of orders, customer refusal to accept deliveries or reductions in purchase prices, any of which could have a material adverse effect on our financial condition and results of operations. There can be no assurance that we will not experience difficulties with manufacturing our products.

We face intense competition in the worldwide apparel manufacturing industry.

We compete directly with a number of manufacturers of sport and outerwear from knitted fabric. Some of these manufacturers have a lower cost base than us, longer operating histories, larger customer bases, greater geographical proximity to customers and greater financial and marketing resources than we do. Increased competition, direct or indirect, could reduce our revenues and profitability through pricing pressure, loss of market share and other factors. We cannot assure you that we will be able to compete successfully with existing or new competitors, as the market for our products evolves and the level of competition increases. We believe that our business will depend upon our ability to provide apparel products of good quality and meeting our customers' pricing and delivery requirements, as well as our ability to maintain relationships with our major customers. There can be no assurance that we will be successful in this regard.

In addition, our customers operate in an intensely competitive retail environment. In the event that any of our customers' sales decline for any reason, whether or not related to us or to our products, our sales to such customers could be materially reduced, which will have a negative impact on our financial condition and results of operations.

We may not be successful in integrating acquired businesses.

Our growth and profitability could be adversely affected if we acquire businesses or assets of other businesses and are unable to integrate the business or assets into our current business. To grow effectively, we must find acquisition candidates that meet our criteria and successfully integrate the acquired business into ours. If acquired businesses do not achieve expected levels of production or profitability, we are unable to integrate the business or assets into our business, or we are unable to adequately manage our growth following the acquisition, our results of operations and financial condition would be adversely affected.

We have previously experienced material weaknesses in our internal control over financial reporting. If we fail to establish and maintain an effective system of internal control over financial reporting, we may not be able to accurately and timely disclose information about our financial results or prevent fraud. Any inability to accurately and timely disclose financial results could harm our business and reputation and cause the market price of our common stock to decline.

A system of financial controls and procedures is necessary to ensure that information about our financial results is recorded, processed, summarized and reported in an accurate and timely fashion. Effective internal control over financial reporting is necessary for us to provide reliable financial reports and prevent fraud. If we cannot disclose required information or provide reliable financial reports, we may not be able to manage our business as effectively as we would if an effective control environment existed, and our business and reputation may be harmed. Our independent registered public accounting firm previously identified that we had a material weakness because we lacked sufficient personnel with an appropriate level of knowledge of accounting principles generally accepted by the United States of America ("U.S. GAAP") and financial reporting. Although we have taken certain steps to address this deficiency and it is no longer a material weakness, it is possible that we may have a material weakness identified in the future if the controls and procedures we have implemented are inadequate.

Our results of operations are subject to fluctuations in currency exchange rates.

Exchange rate fluctuations between the U.S. dollar and the Jordanian dinar or Hong Kong dollar, as well as inflation in Jordan or Hong Kong, may negatively affect our earnings. A substantial majority of our revenues and a substantial portion of our expenses are denominated in U.S. dollars. However, a significant portion of the expenses associated with our Jordanian or Hong Kong operations, including personnel and facilities-related expenses, are incurred in Jordanian dinar or Hong Kong dollars, respectively. Consequently, inflation in Jordan or Hong Kong will have the effect of increasing the dollar cost of our operations in Jordan and Hong Kong, respectively, unless it is offset on a timely basis by a devaluation of the Jordanian dinar or Hong Kong dollar, as applicable, relative to the U.S. dollar. We cannot predict any future trends in the rate of inflation in Jordan or Hong Kong or the rate of devaluation of the Jordanian dinar or Hong Kong dollar, as applicable, against the U.S. dollar. In addition, we are exposed to the risk of fluctuation in the value of the Jordanian dinar and Hong Kong dollar vis-a-vis the U.S. dollar. There can be no assurance that the Jordanian dinar and Hong Kong dollar will remain effectively pegged to the U.S. dollar. Any significant appreciation of the Jordanian dinar or Hong Kong dollar against the U.S. dollar would cause an increase in our Jordanian dinar or Hong Kong dollar expenses, as applicable, as recorded in our U.S. dollar denominated financial reports, even though the expenses denominated in Jordanian dinar or Hong Kong dollars, as applicable, will remain unchanged. In addition, exchange rate fluctuations in currency exchange rates in countries other than Jordan where we operate and do business may also negatively affect our earnings.

We are subject to the risks of doing business abroad.

All of our products are manufactured outside the United States, at our subsidiaries' production facilities in Jordan. Foreign manufacturing is subject to a number of risks, including work stoppages, transportation delays and interruptions, political instability, foreign currency fluctuations, economic disruptions, expropriation, nationalization, the imposition of tariffs and import and export controls, changes in governmental policies (including U.S. policy towards Jordan) and other factors, which could have an adverse effect on our business. In addition, we may be subject to risks associated with the availability of and time required for the transportation of products from foreign countries. The occurrence of certain of these factors may delay or prevent the delivery of goods ordered by customers, and such delay or inability to meet delivery requirements would have a severe adverse impact on our results of operations and could have an adverse effect on our relationships with our customers.

Our ability to benefit from the lower labor costs in Jordan will depend on the political, social and economic stability of Jordan and in the Middle East in general. We cannot assure you that the political, economic or social situation in Jordan or in the Middle East in general will not have a material adverse effect on our operations, especially in light of the potential for hostilities in the Middle East. The success of the production facilities also will depend on the quality of the workmanship of laborers and our ability to maintain good relations with such laborers in these countries. We cannot guarantee that our operations in Jordan or any new locations outside of Jordan will be cost-efficient or successful.

Our business could suffer if we violate labor laws or fail to conform to generally accepted labor standards or the ethical standards of our customers.

We are subject to labor laws issued by the Jordanian Ministry of Labor for our facilities in Jordan. In addition, many of our customers require their manufacturing suppliers to meet their standards for working conditions and other matters. If we violate applicable labor laws or generally accepted labor standards or the ethical standards of our customers by, for example, using forced or indentured labor or child labor, failing to pay compensation in accordance with local law, failing to operate our factories in compliance with local safety regulations, or diverging from other labor practices generally accepted as ethical, we could suffer a loss of sales or customers. In addition, such actions could result in negative publicity and may damage our reputation and discourage retail customers and consumers from buying our products.

Our products may not comply with various industry and governmental regulations and our customers may incur losses in their products or operations as a consequence of our non-compliance.

Our products are produced under strict supervision and controls to ensure that all materials and manufacturing processes comply with the industry and governmental regulations governing the markets in which these products are sold. However, if our controls fail to detect or prevent non-compliant materials from entering the manufacturing process, our products could cause damages to our customers' products or processes and could also result in fines being incurred. The possible damages, replacement costs and fines could significantly exceed the value of our products and these risks may not be covered by our insurance policies.

We depend on our suppliers for machinery and maintenance of machinery. We may experience delays or additional costs satisfying our production requirements due to our reliance on these suppliers.

We purchase machinery and equipment used in our manufacturing process from third party suppliers. If our suppliers are not able to provide us with maintenance, additional machinery or equipment as needed, we might not be able to maintain or increase our production to meet any demand for our products, which would negatively impact our financial condition and results of operations.

We are a holding company and rely on dividends, distributions and other payments, advances and transfers of funds from our subsidiaries to meet our obligations.

We are a holding company that does not conduct any business operations of our own. As a result, we rely on cash dividends and distributions and other transfers from our operating subsidiaries to meet our obligations. The deterioration of income from, or other available assets of, our operating subsidiaries for any reason could limit or impair their ability to pay dividends or other distributions to us, which in turn could adversely affect our financial condition and results of operations.

Periods of sustained economic adversity and uncertainty could negatively affect our business, results of operations and financial condition.

Disruptions in the financial markets, such as what occurred in the global markets in 2008, may adversely impact the availability and cost of credit for our customers and prospective customers, which could result in the delay or cancellation of customer purchases. In addition, disruptions in the financial markets may have an adverse impact on regional and world economies and credit markets, which could negatively impact the availability and cost of capital for us and our customers. These conditions may reduce the willingness or ability of our customers and prospective customers to commit funds to purchase our services or products, or their ability to pay for our services after purchase. These conditions could result in bankruptcy or insolvency for some customers, which would impact our revenue and cash collections. These conditions could also result in pricing pressure and less favorable financial terms to us and our ability to access capital to fund our operations.

Risks Related to Operations in Jordan

We are affected by conditions to, and possible reduction of, free trade agreements.

We benefit from exemptions from customs duties and import quotas due to our location in Al Tajamouat Industrial City, a Development Zone in Amman, Jordan, and the free trade agreements with the United States. Under the trade agreement between Jordan and the United States, goods produced in Development Zones can directly access U.S. markets without tariff or quota restrictions if they satisfy certain criteria. If there is a change in such benefits or if any such agreements were terminated, our profitability may be reduced.

President Donald Trump expresses antipathy towards existing and proposed trade agreements, has called for greater restrictions on free trade generally, has announced significant increases on tariffs on goods imported into the United States, and has withdrawn the United States from certain trade agreements including the Trans-Pacific Partnership. It remains unclear what specifically President Trump would or would not do with respect to trade agreements, tariffs and duties relating to products manufactured in Jordan. If President Trump takes action or publicly speaks out about the need to terminate or re-negotiate existing free trade agreements on which we rely, or in favor of restricting free trade or increasing tariffs and duties applicable to our products, such actions may adversely affect our sales and have a material adverse impact on our business, results of operations and cash flows.

Our results of operations would be materially and adversely affected in the event we are unable to operate our principal production facilities in Amman, Jordan.

All of our manufacturing process is performed in a complex of production facilities located in Amman, the capital of Jordan. We have no effective back-up for these operations and, in the event that we are unable to use the production facilities located in Amman, Jordan as a result of damage or for any other reason, our ability to manufacture a major portion of our products and our relationships with customers could be significantly impaired, which would materially and adversely affect our results of operation.

Our operations in Jordan may be adversely affected by social and political uncertainties or change, military activity, health-related risks or acts of terrorism.

From time to time Jordan has experienced instances of civil unrest, terrorism and hostilities among neighboring countries, including Syria and Israel. A peace agreement between Israel and Jordan was signed in 1994. Terrorist attacks, military activity, rioting, or civil or political unrest in the future could influence the Jordanian economy and our operations by disrupting operations and communications and making travel within Jordan more difficult and less desirable. In late May 2018, protests about a proposed tax bill began throughout Jordan. On June 5, 2018, King Abdullah II of Jordan responded to the protests by removing and replacing Jordan's prime minister. If political uncertainty rises in Jordan, our business, financial condition, results of operations and cash flows may be negatively impacted.

Political or social tensions also could create a greater perception that investments in companies with Jordanian operations involve a high degree of risk, which could adversely affect the market price of our common stock. We do not have insurance for losses and interruptions caused by terrorist attacks, military conflicts and wars, which could subject us to significant financial losses. The realization of any of these risks could cause a material adverse effect on our business, financial condition, results of operations and cash flows.

We may face interruption of production and services due to increased security measures in response to terrorism.

Our business depends on the free flow of products and services through the channels of commerce. In response to terrorists' activities and threats aimed at the United States, transportation, mail, financial and other services may be slowed or stopped altogether. Extensive delays or stoppages in transportation, mail, financial or other services could have a material adverse effect on our business, results of operations and financial condition. Furthermore, we may experience an increase in operating costs, such as costs for transportation, insurance and security as a result of the activities and potential delays. We may also experience delays in receiving payments from payors that have been affected by the terrorist activities. The United States economy in general may be adversely affected by terrorist activities and any economic downturn could adversely impact our results of operations, impair our ability to raise capital or otherwise adversely affect our ability to grow our business.

We are subject to regulatory and political uncertainties in Jordan.

We conduct substantially all of our business and operations in Jordan. Consequently, government policies and regulations, including tax policies, in Jordan will impact our financial performance and the market price of our common stock.

Jordan is a constitutional monarchy, but the King holds wide executive and legislative powers. The ruling family has taken initiatives that support the economic growth of the country. However, there is no assurance that such initiatives will be successful or will continue. The rate of economic liberalization could change, and specific laws and policies affecting manufacturing companies, foreign investments, currency exchange rates and other matters affecting investments in Jordan could change as well. A significant change in Jordan's economic policy or any social or political uncertainties that impact economic policy in Jordan could adversely affect business and economic conditions in Jordan generally and our business and prospects.

If we violate applicable anti-corruption laws or our internal policies designed to ensure ethical business practices, we could face financial penalties and reputational harm that would negatively impact our financial condition and results of operations.

We are subject to anti-corruption and anti-bribery laws in the United States and Jordan. Jordan's reputation for potential corruption and the challenges presented by Jordan's complex business environment, including high levels of bureaucracy, red tape, and vague regulations, may increase our risk of violating applicable anti-corruption laws. We face the risk that we, our employees or any third parties such as our sales agents and distributors that we engage to do work on our behalf may take action determined to be in violation of anti-corruption laws in any jurisdiction in which we conduct business, including the Foreign Corrupt Practices Act of 1977 ("FCPA"). Any violation of the FCPA or any similar anti-corruption law or regulation could result in substantial fines, sanctions, civil or criminal penalties and curtailment of operations that might harm our business, financial condition or results of operations.

Our stockholders may face difficulties in protecting their interests and exercising their rights as a stockholder of ours because we conduct substantially all of our operations in Jordan and certain of our officers and directors reside outside of the United States.

Certain of our officers and directors reside outside the United States. Therefore, our stockholders may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in any of these jurisdictions based upon U.S. laws, including the federal securities laws or other foreign laws against us, our officers and directors. Furthermore, we conduct substantially all of our operations in Jordan through our operating subsidiaries. Because the majority of our assets are located outside the United States, any judgment obtained in the United States against us or certain of our directors and officers may not be collectible within the United States.

Risk Factors Relating to our Securities

If we fail to comply with the continuing listing standards of the Nasdaq, our common stock could be delisted from the exchange.

If we were unable to meet the continued listing requirements of the Nasdaq Stock Market ("Nasdaq"), our common stock could be delisted from the Nasdaq. Any such delisting of our common stock could have an adverse effect on the market price of, and the efficiency of the trading market for, our common stock, not only in terms of the number of shares that can be bought and sold at a given price, but also through delays in the timing of transactions and less coverage of us by securities analysts, if any. Also, if in the future we were to determine that we need to seek additional equity capital, being delisted from Nasdaq could have an adverse effect on our ability to raise capital in the public or private equity markets.

Our majority stockholders will control the Company for the foreseeable future, including the outcome of matters requiring stockholder approval.

As three of our stockholders beneficially own approximately 71.5% of our outstanding common stock, as of June 25, 2019. Accordingly, our other stockholders do not have any ability to exercise control over us and those majority stockholders will have the ability, acting together, to elect all of our directors and to substantially influence the outcome of corporate actions requiring stockholder approval, such as: (i) a merger or a sale of the Company, (ii) a sale of all or substantially all of our assets; and (iii) amendments to our corporate documents. This concentration of voting power and control could have a significant effect in delaying, deferring or preventing an action that might otherwise be beneficial to our other stockholders and be disadvantageous to our stockholders with interests different from those entities and individuals.

Our stockholders' ownership interest in us may be diluted by exercises of currently outstanding or committed warrants.

There are currently outstanding warrants to purchase shares of our common stock. To the extent these warrants are exercised, our current stockholders' voting power will be diluted, and the value of their investment may decrease. We have granted warrants to purchase up to 71,100 units to designees of the placement agent in connection with a private placement offering that we initially closed on May 15, 2017 and had subsequent closings on August 18, 2017 and September 27, 2017 (the "Private Placement"). Each unit consists of one share of our common stock and one warrant (with each such warrant being immediately exercisable for one-tenth of one share of common stock at an exercise price of $6.25 per share for a period of five years from the issuance date). The private placement agent warrants are exercisable with respect to 48,600 units beginning on July 15, 2017 and expiring on May 15, 2022, 18,000 units beginning on October 18, 2017 and expiring on August 18, 2022, and 4,500 units beginning on November 27, 2017 expiring on September 27, 2022. The private placement agent's warrants are exercisable at a price per unit equal to $5.50.

Also, in connection with the Private Placement, we issued five-year warrants to purchase up to 79,000 shares of our common stock to various accredited investors at an exercise price of $6.25 per share. Such warrants expire on May 15, 2022 with respect to 54,000 warrants, August 18, 2022 with respect to 20,000 warrants, and September 27, 2022 with respect to 5,000 warrants. We have also issued a five-year warrant to our board observer to purchase up to 50,000 shares of common stock. The warrant has an exercise price of $5.00 per share and may be converted by means of a cashless exercise during the term of the warrant. This warrant may be exercised any time until May 15, 2022.

Finally, in connection with our initial public offering, we issued to the underwriter and its affiliates warrants to purchase 57,200 shares of common stock at an exercise price of $8.75 per share and an expiration date of May 2, 2023.

To the extent any of the foregoing warrants are exercised, our stockholders' ownership interest in us will be diluted, which may reduce the market price of our common stock.

Future sales and issuances of our common stock or rights to purchase common stock could result in additional dilution of the percentage ownership of our stockholders and could cause the market price of our common stock to decline.

We may issue additional securities in the future. Pursuant to our 2018 Stock Incentive Plan, we may issue up to 1,484,250 shares of common stock to certain members of management and key employees of the Company.

Future sales and issuances of our common stock or rights to purchase our common stock could result in substantial dilution to our existing stockholders. We may sell common stock, convertible securities and other equity securities in one or more transactions at prices and in a manner as we may determine from time to time. If we sell any such securities, our stockholders may be materially diluted. New investors in any future transactions could gain rights, preferences and privileges senior to those of holders of our common stock.

If securities or industry analysts do not publish research or reports about us, or if they adversely change their recommendations regarding our common stock, our stock price and trading volume of our common stock could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us, our industry and our market. If no analyst elects to cover us and publish research or reports about us, the market for our common stock could be severely limited and our stock price could be adversely affected. In addition, if one or more analysts ceases coverage of us or fails to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. If one or more analysts who elect to cover us issue negative reports or adversely change their recommendations regarding our common stock, the market price of our common stock could decline.

The requirements of being a public company, including compliance with the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the requirements of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act"), may strain our resources, increase our costs and distract management, and we may be unable to comply with these requirements in a timely or cost-effective manner.

We are required to comply with the laws, regulations, requirements and certain corporate governance provisions under the Exchange Act and the Sarbanes-Oxley Act. Complying with these statutes, regulations and requirements will occupy a significant amount of time of our board of directors and management, and will significantly increase our costs and expenses and will make some activities more time-consuming and costly. In connection with becoming a reporting company, we will need to continue:

- instituting a more comprehensive compliance function;
- preparing and distributing periodic and current reports under the federal securities laws;
- establishing and enforcing internal compliance policies, such as those related to insider trading; and
- involving and retaining outside counsel and accountants to a greater degree than before we became a reporting company.

Our ongoing compliance efforts will increase general and administrative expenses and may divert management's time and attention from the development of our business, which may adversely affect our financial condition and results of operations. We incurred approximately $600,000 in costs during the fiscal year ended March 31, 2019 in connection with becoming a public company.

Our lack of experienced accounting staff may impact our ability to report our future financial results on a timely and accurate basis, and we need to retain the services of additional accountants and consultants with the required accounting experience and expertise.

With the exception of our chief financial officer, our accounting and finance staff lacks depth and skill in the application of U.S. GAAP with respect to external financial reporting for Exchange Act reporting companies. We intend to engage the services of additional accounting personnel and expert consultants to assist with our financial accounting and reporting requirements for our internal control over financial reporting and producing timely financial reports. If our accounting and finance staff is unable to maintain our internal control over financial reporting, we may experience difficulty producing reliable and timely financial statements, which could cause investors to lose confidence in our reported financial information, the market price of our stock to decline significantly, reduce the likelihood that we would be able to obtain additional financing on acceptable terms, and harm our business and financial condition.

If we are unable to effectively implement and maintain our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock may decline.

We are required to evaluate our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act beginning with this annual report on Form 10-K for the fiscal year ended March 31, 2019. The process of designing and implementing internal controls over financial reporting may divert our internal resources and take a significant amount of time and expense to complete. If we identify material weaknesses in our internal control over financial reporting, are unable to comply with the requirements of Section 404 in a timely manner or assert that our internal control over financial reporting is ineffective, investors may lose confidence in our reported financial information, which could negatively impact the market for our common stock and cause us to be unable to obtain additional financing on acceptable terms or at all, which could cause harm to our business and financial condition. In addition, as an emerging growth company, we are not required to obtain an auditor attestation of management's evaluation of internal controls over financial reporting once such internal controls are in place. As a result, we may fail to identify and remediate a material weakness or deficiency in our internal control over financial reporting, which may cause our financial statements and related disclosure to contain material misstatements and could cause delays in filing required financial statements and related reports.

The reduced disclosure requirements applicable to emerging growth companies may make our common stock less attractive to investors, which may lead to volatility and a decrease in the market price of our common stock.

For as long as we continue to be an emerging growth company, we may take advantage of exemptions from reporting requirements that apply to other public companies that are not emerging growth companies. Investors may find our common stock less attractive because we may rely on these exemptions, which include 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 non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. If investors find our common stock less attractive as a result of exemptions and reduced disclosure requirements, there may be a less active trading market for our common stock and our stock price may be more volatile or may decrease.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Jerash Garments owns an industrial building of approximately 89,300 square feet in Al Tajamouat Industrial City. The Group leases additional space totaling approximately 258,300 square feet in industrial buildings in Al Tajamouat Industrial City. In addition, the Group leases space for our workers in dormitories located inside and outside of Al Tajamouat Industrial City.

Treasure Success leases its office space in Hong Kong from Ford Glory, pursuant to an agreement effective October 3, 2018 providing for rent in the amount of HK$119,540 (approximately $15,326) per month and having a one-year term with an option to extend the term for an additional year at the same rent. We expect this agreement to be renewed on similar terms.

On December 11, 2018, the Company entered into an agreement through Jerash Garments, one of its subsidiaries in Jordan, to acquire all of the stock of an existing garment manufacturing business in order to operate its fourth manufacturing facility in Al Tajamouat Industrial City located in Amman, Jordan. The facility is expected to add 1.5 to 1.8 million pieces per year to Jerash's current annual capacity. The new facilities are an existing garment manufacturing operation adjacent to Jerash's three largest manufacturing centers. Jerash assumed ownership of all of the machinery and equipment owned by Al-Mutafaweq Co. for Garments Manufacturing Ltd. ("Paramount") through the acquisition. Jerash leases an approximately 100,900 square foot primary garment manufacturing factory and housing accommodations for up to 500 workers located in Al Tajamouat Industrial City. Jerash intends to assume the lease for an approximately 10,800 square foot satellite factory facility from Paramount. Additionally, Jerash has coordinated with the Jordanian Ministry of Industry and Trade, Ministry of Labor and Customs Department to assume the existing compliance certificates and workplace certifications, including the facility's Better Work Jordan credentials. In connection with the closing of this transaction, which occurred as of June 18, 2019, Jerash paid an aggregate of $980,000 to Paramount to acquire all of its stock. Jerash intends to further invest in machinery, dormitory expansion and facility audits to support additional growth at the new facility.

The Group believes the real property that we own and lease is sufficient to conduct the Group's operations as they are currently conducted.

In calendar year 2018, the Group commenced another project to build a 54,000 square foot workshop in Al-Hasa County in the Tafilah Governorate of Jordan, which is expected to be completed in September 2019. This project is a joint project with the Jordanian Ministry of Labor and the Employment and Training Department in Jordan. Pursuant to the agreement between these parties, we guaranteed up to JOD125,000 or $176,000 for this project and agreed to employ at least 500 workers for the first 12 months following the completion of the project. The Ministry of Labor is financing the building of the workshop and the Employment and Training Department will support 50% of the workers' salaries, as well as transportation and social security costs in the first 12 months following the completion of the project. We will use the workshop without rent for the first three years after we commence manufacturing in the workshop, after which time we anticipate entering into a lease agreement for the workshop. In the event that we do not comply with the terms of the agreement, we must pay the Ministry of Labor and the Employment and Training Department JOD250,000 or $353,000.

Item 3. Legal Proceedings.

We are not currently involved in any material legal proceedings. From time-to-time the Group is, and the Group anticipates that we will be, involved in legal proceedings, claims and litigation arising in the ordinary course of our business and otherwise. The ultimate costs to resolve any such matters could have a material adverse effect on the Group's financial statements. We could be forced to incur material expenses with respect to these legal proceedings, and in the event there is an outcome in any that is adverse to us, the Group's financial position and prospects could be harmed.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock has been traded and quoted on the Nasdaq Capital Market under the symbol "JRSH" since May 4, 2018. Before that, our stock was not traded on any stock exchange. As of June 25, 2019, there were 11,325,000 shares of common stock issued and outstanding held by approximately 53 stockholders of record.

Since November 2018, the Board of Directors of Jerash Holdings has declared a quarterly cash dividend payable to holders of its common stock. Subject to the discretion of the Board of Directors and applicable law, we currently expect to continue declaring comparable quarterly cash dividends in the future.

We did not repurchase any of our common stock in the fiscal year ended March 31, 2019.

Item 6. Selected Financial Data.

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion of the Group's financial condition and results of operations should be read in conjunction with the Group's consolidated financial statements and the related notes included elsewhere in this filing.

EXECUTIVE OVERVIEW

Overview

Jerash Holdings is a holding company organized as a corporation in Delaware in January 2016 with nominal or no assets or operations. Through our wholly owned operating subsidiaries, the Group is principally engaged in the manufacturing and exporting of customized, ready-made sport and outerwear from knitted fabric produced in the Group's facilities in Jordan.

The Group is an approved manufacturer by many well-known brands and retailers, such as Walmart, Costco, Hanes, Columbia, VF Corporation (which owns brands such as The North Face, Timberland, Jansport, etc.), and PVH Corp. (which owns brands such as Calvin Klein, Tommy Hilfiger, IZOD, Speedo, etc.). Our production facilities are made up of four factory units and three warehouses and currently employ approximately 3,600 people. Our employees include local Jordanian workers as well as migrant workers from Bangladesh, Sri Lanka, India, Myanmar and Nepal. The total annual capacity at the Group's facilities is approximately 8.0 million pieces (average for product categories including t-shirts, polos and jackets).

Merger

On May 11, 2017, we implemented a merger (the "Merger") via two transactions, the first being an equity contribution whereby the shareholders of Global Trend, contributed 100% of the outstanding capital stock of Global Trend to Jerash Holdings in exchange for an aggregate of 8,787,500 shares of common stock of Jerash Holdings with Global Trend becoming the wholly-owned subsidiary of Jerash Holdings. In the second transaction, Global Trend merged with and into Jerash Holdings with Jerash Holdings being the surviving entity, as a result of which Jerash Holdings became the direct parent of Global Trend's wholly owned operating subsidiaries, Jerash Garments and Treasure Success.

Accounting Treatment of Merger

For accounting purposes, Global Trend is recognized as the accounting acquirer, and Jerash Holdings is the legal acquirer or accounting acquiree. As such, following the Merger, the historical financial statements of Global Trend are treated as the historical financial statements of the combined company. Accordingly, the financial information in this Annual Report on Form 10-K prior to the Merger, including management's discussion and analysis of financial condition and results of operations and the consolidated financial statements and the related notes thereto appearing elsewhere in this filing, reflect the consolidated financial statements of Global Trend, its subsidiaries and its affiliate, which includes as a variable interest entity Victory Apparel Jordan Company Limited ("Victory Apparel"). Victory Apparel was incorporated in Jordan in 2005 and it is a wholly owned subsidiary of Wealth Choice Limited ("WCL"). WCL acquired Global Trend and Jerash Garments from two third-party individuals on March 21, 2012. On March 31, 2006, Victory Apparel purchased all of the property and equipment of Jerash Garments at an industrial building in Al Tajamouat Industrial City purchased by Jerash Garments on July 31, 2000. The land and building were not registered in Victory Apparel's name, and Jerash Garments continued to hold the land and building in its name in trust for Victory Apparel. The declaration of trust was never registered with the Land Registry of Jordan, and on June 30, 2016, Victory Apparel and Jerash Garments dissolved the sale agreement, resulting in the property and equipment being owned free and clear by Jerash Garments. Victory Apparel does not currently have any material assets or operations of its own, and Mr. Choi and Mr. Lee, the Group's significant stockholders who together indirectly own 100% of Victory Apparel through WCL, intend to dissolve the entity.

Seasonality of Sales

A significant portion of our revenues are received during the first six months of our fiscal year. The majority of our VF Corporation orders are derived from winter season fashions, the sales of which occur in Spring and Summer and are merchandized by VF Corporation during the Autumn months (September through November). As such, the second half of our fiscal years reflect lower sales in anticipation of the spring and summer seasons. One of our strategies is to increase sales with other customers where clothing lines are stronger during the spring months. This strategy also reflects our current plan to increase the Group's number of customers to mitigate our current concentration risk with VF Corporation.

Results of Operations

The following table presents certain information from our statement of income for fiscal years 2018 and 2019 and should be read, along with all of the information in this management's discussion and analysis, in conjunction with the consolidated financial statements and related notes included elsewhere in this filing.

(All amounts, other than percentages, in thousands of U.S. dollars)

	Years Ended March 31,					
	2019		2018		Year over Year	
Statement of Income Data:	**Amount**	**As % of Sales**	**Amount**	**As % of Sales**	**Amount**	**%**
Revenue	$ 84,984	100%	$ 69,296	100%	$ 15,688	23%
Cost of goods sold	66,207	78%	51,342	74%	14,865	29%
Gross profit	18,777	22%	17,954	26%	823	5%
Selling, general and administrative expenses	12,428	15%	6,119	9%	6,309	103%
Other income / (expense), net	23	0%	(32)	0%	55	172%
Net income before taxation	$ 6,372	7%	$ 11,803	17%	$ (5,431)	(46)%
Income tax expense	1,260	1%	1,400	2%	(140)	(10)%
Net income	$ 5,112	6%	$ 10,403	15%	$ (5,291)	(51)%

Revenue. Revenue increased by approximately $15.7 million or 23%, to approximately $85.0 million in fiscal 2019 from approximately $69.3 million in fiscal 2018. The growth was mainly the result of the expansion of our business with one of our major customers, particularly, in export product types with higher sales value, such as jackets, the addition of new customers and the continued economic expansion of the U.S., which remains the Group's major export destination. Approximately 83% and 88% of our products were exported to the U.S. in fiscal 2019 and 2018, respectively.

The table below presents our revenues for fiscal years 2018 and 2019 by geographic area.

Revenue by Geographic Area

(All amounts, other than percentages, in thousands of U.S. dollars)

	Years Ended March 31,					
	2019		2018		Year over Year	
Region	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
United States	$ 70,093	83%	$ 61,239	88%	$ 8,854	14%
Jordan	13,693	16%	7,268	11%	6,425	88%
Others	1,198	1%	789	1%	409	52%
Total	$ 84,984	100%	$ 69,296	100%	$ 15,688	23%

Since January 2010, all apparel manufactured in Jordan can be exported to the U.S. without duty imposed, pursuant to the U.S. Customs and Border Protection Jordan Free Trade Treaty entered into in December 2001. This treaty provides substantial competitiveness and benefit for us to expand the Group's garment export business in the U.S. Our sales to the U.S. increased by approximately 14% in fiscal 2019 compared to fiscal 2018. According to the Major Shippers Report issued by the Office of Textiles and Apparel under the U.S. Department of Commerce, U.S. apparel import from Jordan increased by approximately 13.33% from $1.38 billion in the fiscal year ended March 31, 2018 to approximately $1.56 billion in the fiscal year ended March 31, 2019. The Group's sales growth ratio has been exceeding the industrial average growth ratio, and the Group expects it still has plenty of room to expand our garment export business in the U.S., as Jerash accounts for only approximately 5.0% of the total Jordanian garment exports to the U.S., according to data from the Major Shippers Report issued by the U.S. Department of Commerce.

Cost of goods sold. Following the growth in sales revenue, our cost of goods sold increased by approximately $14.9 million or 29%, to approximately $66.2 million in fiscal 2019 from approximately $51.3 million in fiscal 2018. As a percentage of revenues, the cost of goods sold increased by approximately 4% to 78% in fiscal 2019 from 74% in fiscal 2018. The increase in cost of goods sold as a percentage of revenues was primarily attributable to lower priced contract orders compared to fiscal 2018, sample orders for customers and lower profit margin orders intended to seize market share in warm weather products. For the fiscal year ended March 31, 2019, the Company purchased approximately 19%, 12% and 11% of its raw materials from three major suppliers. For the fiscal year ended March 31, 2018 the company purchased approximately 43% and 18% of its raw materials from two major suppliers.

Gross profit margin. Gross profit margin was approximately 22% in fiscal 2019, which decreased by approximately 4% from 26% in fiscal 2018. The decrease in gross profit margin was primarily driven by the higher proportion of the lower priced contract orders compared to fiscal 2018, sample orders for customers and lower profit margin orders intended to seize market share in warm weather products.

Selling, general and administrative expenses. Selling, general and administrative expenses increased by approximately 103% from approximately $6.1 million in fiscal 2018 to approximately $12.4 million in fiscal 2019. The increase was mainly attributable to share-based compensation expense of $3.6 million recognized for stock options issued in fiscal 2019, legal and professional expense in relation to the Company's listing on the Nasdaq such as listing fees, compliance costs, investor relations expenses and expenses incurred for the expansion of business including gaining new customers and expanding our production capacity.

Other income / (expense), net. Other income, net was approximately $23,000 in fiscal 2019 and there was other expense, net of approximately $32,000 in fiscal 2018. The net gain in fiscal 2019 mainly resulted from the impact of variable exchange rates.

Net income before taxation. Net income before taxation for the year ended March 31, 2019 decreased by approximately 46% from approximately $11.8 million to approximately $6.4 million. The decrease was mainly attributable to the increase in selling, administrative and general expenses including share-based compensation expense of approximately $3.6 million, increase in legal and professional fees in relation to the Company's listing on Nasdaq, and the expenses incurred in developing new customers and expanding our production capacity. Decreased gross profit margin, as discussed in cost of goods sold and gross profit margin above, were also a significant driver in the reduction in net income before taxation.

U.S. taxation. On December 22, 2017, the United States enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). Under the provisions of the Tax Act, the U.S. corporate tax rate decreased from 35% to 21%. Additionally, the Tax Act imposes a one-time transition tax on deemed repatriation of historical earnings of foreign subsidiaries. Future foreign earnings are subject to U.S. taxation under the new GILTI regime.

In accordance with the requirements of Staff Accounting Bulletin 118, the Company has completed its accounting for the Act, as discussed below. During the third quarter of fiscal 2019, we completed our accounting for the impact of the transition tax with the finalization of our fiscal year 2018 tax returns, and we determined that the transition tax liability was approximately $1.7 million. Of this amount, $0.2 million was paid during the 2019 fiscal year, $0.1 million is payable within the 2020 fiscal year, and the remaining $1.4 million is payable in years after the 2020 fiscal year. Furthermore, as discussed in the Company's third quarter financial statements, we evaluated the impacts of the GILTI provisions of the Tax Act and the application of Accounting Standards Codification 740, Income Taxes. Under U.S. GAAP, the Company is allowed to make an accounting policy choice of either (1) treating taxes due on future U.S. inclusions in taxable income related to GILTI as a current-period expense when incurred (the "period cost method") or (2) factoring such amounts into the Company's measurement of its deferred taxes (the "deferred method"). We have selected the period cost method as our accounting policy with respect to the new GILTI tax rules, and therefore we have considered the taxes resulting from GILTI as a current-period expense for the 2019 fiscal year.

Jordan taxation. Jerash Garments, Jerash Embroidery, Chinese Garments and Victory Apparel are subject to the regulations of Income Tax Department in Jordan. The corporate income tax rate is 14% for the industrial sector. In accordance with the Investment Encouragement Law, Jerash Garments' export sales to overseas customers are entitled to a 100% income tax exemption for a period of 10 years commencing at the first day of production. This exemption was extended for 5 years to December 31, 2018. Effective January 1, 2019, in accordance to Development Zone law, Jerash Garments and its subsidiaries began paying corporate income tax in Jordan at a rate of 5%. For the year ended March 31, 2019, Jordan income tax was $40,260.

Jerash Garments and its subsidiaries are subject to local sales tax of 16%. However, Jerash Garments was granted a sales tax exemption from the Jordanian Investment Commission for the period June 1, 2015 to June 1, 2018 that allowed Jerash Garments to make purchases with no sales tax charge. This exemption was extended to February 15, 2020 and the Company intends to apply to extend the exemption before the expiration date.

Hong Kong taxation. Treasure Success is registered in Hong Kong with an income tax rate of 8.25% on assessable profits up to HK$2,000,000 and 16.5% on any part of assessable profits over HK$2,000,000. Treasure Success incurred no income tax expense for fiscal 2019 and 2018 due to its operating loss. In accordance with tax legislation in Hong Kong, the accumulated loss can be used to offset future profit for income tax purposes.

Net income. Net income for the year ended March 31, 2019 of approximately $5.1 million decreased by approximately 51% from approximately $10.4 million for the year ended March 31, 2018. The decrease was mainly attributable to the increase in selling, administrative and general expenses including share-based compensation expense of approximately $3.6 million, increases in legal and professional fees relating to the Company's listing on Nasdaq, and the expenses incurred in developing new customers and expanding our production capacity. Decreased gross profit margin, as discussed in cost of goods sold and gross profit margin above, were also a significant driver in the reduction in net income.

Liquidity and Capital Resources

Jerash Holdings is a holding company incorporated in Delaware. As a holding company, we rely on dividends and other distributions from our Jordanian subsidiaries to satisfy our liquidity requirements. Current Jordanian regulations permit the Group's Jordanian subsidiaries to pay dividends to us only out of their accumulated profits, if any, determined in accordance with Jordanian accounting standards and regulations. In addition, our Jordanian subsidiaries are required to set aside at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds. These reserves are not distributable as cash dividends. The Group has relied on direct payments of expenses by the Group's subsidiaries (which generate revenues), to meet the Group's obligations to date. To the extent payments are due in U.S. dollars, the Group has occasionally paid such amounts in Jordanian Dinar to an entity controlled by the Group's management capable of paying such amounts in U.S. dollars. Such transactions have been made at prevailing exchange rates and have resulted in immaterial losses or gains on currency exchange but no other profit.

As of March 31, 2019, we had cash of approximately $27.2 million and restricted cash of approximately $0.7 million compared to cash of approximately $8.6 million and restricted cash of approximately $3.6 million as of March 31, 2018, which was mainly the security deposit for obtaining the credit facilities from HSBC.

Our current assets as of March 31, 2019 were approximately $55.4 million, and our current liabilities were approximately $7.6 million, which resulted in a current ratio of approximately 7.3:1. Our current assets as of March 31, 2018 were approximately $36.9 million, and our current liabilities were approximately $7.9 million, which resulted in a current ratio of approximately 4.7:1. Total equity as of March 31, 2019 and 2018 was approximately $50.3 million and 34.1 million, respectively.

We had net working capital of $47.8 million and $28.9 million as of March 31, 2019 and 2018, respectively. Based on the Group's current operating plan, we believe that cash on hand and cash generated from operation will be sufficient to support our working capital needs for the next 12 months from the date this document is filed.

We have funded our working capital needs from operations. The Group's working capital requirements are influenced by the level of the Group's operations, the numerical and dollar volume of the Group's sales contracts, the progress of execution on the Group's customer contracts, and the timing of accounts receivable collections.

Credit Facilities

HSBC Facility

On May 29, 2017, the Group's wholly owned subsidiary, Treasure Success, entered into a facility letter ("2017 Facility Letter") with Hong Kong and Shanghai Banking Corporation ("HSBC") to provide credit to the Group, which was later amended by an offer letter between HSBC, Treasure Success and Jerash Garments dated June 19, 2018 ("2018 Facility Letter," and together with the 2017 Facility Letter, the "HSBC Facility"). The 2018 Facility Letter, which became effective on January 22, 2019, served to extend the term of the 2017 Facility Letter with some changes to the collateral for the HSBC Facility. Under the terms of the HSBC Facility, the Group has a total credit limit of $8,000,000. The 2018 Facility Letter extends the HSBC Facility through May 1, 2019, and the Group anticipates amending the HSBC Facility to extend the term of the facility with substantially similar terms and that the Group will continue to be able to use the borrowings under the HSBC facility through any negotiation period. The HSBC Facility currently provides us with various credit facilities for importing and settling payment for goods purchased from the Group's suppliers. The available credit facilities as described in greater detail below includes an import facility, import facilities with loan against import, trust receipts, clean import loan, and advances to us against purchase orders. HSBC charges an interest rate of 1.5% per annum over LIBOR or HIBOR, as applicable, for credit related to the release of goods immediately on the Group's documentary credit. LIBOR was 2.56% and HIBOR was 1.75% at March 31, 2019.

HSBC charges a commission of: i) 0.25% for the first $50,000, ii) 0.125% for the balance in excess of $50,000 and up to $100,000 and iii) 0.0625% for balance in excess of $100,000 and an interest rate of 1.5% per annum over LIBOR or HIBOR, as applicable, for credit related to trust receipts whereby HSBC has title to the goods or merchandise released immediately to us. HSBC has approved certain of the Group's suppliers that are eligible to use clean import loans. HSBC charges a commission of: i) 0.25% for the first $50,000, ii) 0.125% for the balance in excess of $50,000 and up to $100,000 and iii) 0.0625% for balance in excess of $100,000 and an interest of 1.5% per annum over LIBOR or HIBOR, as applicable, for credit services related to clean import loans or release of the goods or merchandise based on evidence of delivery or invoice. HSBC will advance up to 70% of the purchase order value in the Group's favor. HSBC charges a handling fee of 0.25% and an interest rate of 1.5% per annum over LIBOR or HIBOR, as applicable, for credit services related to advances.

Previously, the HSBC the Facility was collateralized by the guarantees of us, Jerash Garments, Treasure Success and the personal guarantees of Mr. Choi and Mr. Ng Tsze Lun. Jerash Garments is also required to maintain an account at HSBC for receiving payments from VF Sourcing Asia S.A.R.L. and its related companies. In addition, to secure the Facility Letter, the Group had granted HSBC a charge of $3,000,000 over the Company's deposits. This charge was accounted for as restricted cash in our balance sheet at March 31, 2018. Following the effectiveness of the 2018 Facility Letter, the security collateral of $3,000,000 was released. The Group anticipates that the personal guarantees of Mr. Choi and Mr. Ng will be released during calendar year 2019.

The HSBC Facility is subject to review at any time. HSBC has discretion on whether to renew the HSBC Facility prior to expiration and the Group is currently negotiating an extension of the Facility Letter on similar terms. As of March 31, 2019, $274,980 was outstanding under the Facility Letter. Borrowings under the Facility Letter are due within 120 days of each borrowing date or upon demand by HSBC.

HSBC Factoring Agreement

On June 5, 2017, Treasure Success entered into an Offer Letter - Invoice Discounting / Factoring Agreement and on August 21, 2017, Treasure Success entered into the Invoice Discounting/Factoring Agreement (together, the "2017 Factoring Agreement") with HSBC for certain debt purchase services related to the Group's accounts receivables. On June 14, 2018, Treasure Success and Jerash Garments entered into another Offer Letter - Invoice Discounting / Factoring Agreement with HSBC (the "2018 Factoring Agreement, and together with the 2017 Factoring Agreement, the "HSBC Factoring Agreement"), which amends the 2017 Factoring Agreement. The HSBC Factoring Agreement is effective through May 1, 2019. The Group anticipates amending the HSBC Factoring Agreement to extend the term of the facility with substantially similar terms and that the Group will continue to be able to use the borrowings under the HSBC Factoring Agreement through any negotiation period. Under the current terms of the HSBC Factoring Agreement, the Group may borrow up to $12,000,000. In exchange for advances on eligible invoices from HSBC for the Group's approved customers, HSBC charges a fee to advance such payments at a discounting charge of 1.5% per annum over 2-month LIBOR or HIBOR, as applicable. Such fee accrues on a daily basis on the amount of funds in use. HSBC has final determination of the percentage amount available for prepayment from each of the Group's approved customers. The Group may not prepay an amount from a customer in excess of 85% of the funds available for borrowing. As of March 31, 2019, $85,421 was outstanding under the Factoring Agreement.

HSBC also provides credit protection and debt services related to each of the Group's preapproved customers. For any approved debts or collections assigned to HSBC, HSBC charges a flat fee of 0.35% on the face value of the invoice for such debt or collection. The Group may assign debtor payments that are to be paid to HSBC within 90 days, defined as the maximum terms of payment. The Group may receive advances on invoices that are due within 30 days of the delivery of the Group's goods, defined as the maximum invoicing period.

The advances made by HSBC are collateralized by the guarantees of us, Jerash Garments, Treasure Success and the personal guarantees of Mr. Choi and Mr. Ng Tsze Lun. If the Group fails to pay any sum due to HSBC, HSBC may charge a default interest at the rate of 8.5% per annum over the best lending rate quoted by HSBC on such defaulted amount. In addition, to secure the Factoring Agreement, the Group had granted HSBC a charge of $3,000,000 over the Group's deposits. Following the effectiveness of the 2018 Factoring Agreement, the security collateral of $3,000,000 was released as of January 22, 2019. The Group anticipates that the personal guarantees of Mr. Choi and Mr. Ng will be released during calendar year 2019.

The HSBC Factoring Agreement is subject to the review by HSBC at any time and HSBC has discretion on whether to renew the HSBC Factoring Agreement. Either party may terminate the agreement subject to a 30-day notice period.

SCBHK Facility Letter

Pursuant to the SCBHK facility letter dated June 15, 2018 and issued to Treasure Success International Limited by SCBHK, on January 31, 2019, SCBHK offered to provide an import facility of up to $3.0 million to Treasure Success. The SCBHK facility covers import invoice financing and pre-shipment financing under export orders with a combined limit of $3 million. SCBHK charges interest at 1.3% per annum over SCBHK's cost of funds. In consideration for arranging the SCBHK facility, Treasure Success paid SCBHK HKD50,000. The Company was informed by SCBHK on January 31, 2019 that the SCBHK facility has been activated. As of March 31, 2019, there was an outstanding amount of $288,310 in import invoice financing.

Years ended March 31, 2019 and 2018

The following table sets forth a summary of the Group's cash flows for the fiscal years ended March 31, 2018 and 2019.

(All amounts in thousands of U.S. dollars)

	2019	2018
Net cash provided by operating activities	$ 9,775	$ 5,163
Net cash used in investing activities	(1,601)	(541)
Net cash provided by financing activities	7,466	3,446
Effect of exchange rate changes on cash	(2)	(5)
Net increase in cash	15,638	8,063
Cash and restricted cash, beginning of year	12,196	4,133
Cash and restricted cash, end of year	$ 27,834	$ 12,196
Non-cash financing activities		
Warrants issued to underwriters in connection with the IPO in fiscal 2019 and to placement agent in connection with the private placement in fiscal 2018	$ 161	$ 162
Prepaid stock issuance cost netted with proceeds from the IPO in fiscal 2019 and private placement in 2018	$ 308	$ 239

Operating Activities

Net cash provided by operating activities was approximately $9.8 million in fiscal 2019, compared to net cash provided by operating activities of approximately $5.2 million in fiscal 2018. The increase in net cash provided by operating activities was primarily attributable to the following factors:

- Accounts payable decreased by approximately $1.4 million in fiscal 2019, compared to a decrease of accounts payable of approximately $5.5 million in fiscal 2018, due to improvement on credit terms of certain suppliers.

- Accounts receivable decreased by approximately $1.2 million in fiscal 2019, compared to an increase of approximately $2.5 million in fiscal 2018, due to higher proportion of contract orders in the fourth quarter of 2019 which normally are settled within 30 days.

Investing Activities

Net cash used in investing activities was approximately $1.6 million and $0.5 million for the years ended March 31, 2019 and 2018, respectively. The increase in net cash used in investing activities was mainly attributable to a deposit relating to the Paramount acquisition, as further discussed in Item 2. Properties above.

Financing Activities

Net cash provided by financing activities was approximately $7.5 million for the year ended March 31, 2019 compared to $3.4 million in fiscal 2018. The cash inflow resulted from the net effect of the net proceeds from the initial public offering ("IPO") of the Company's stock on Nasdaq of approximately $8.9 million, and $1.1 million of dividend paid, and $0.3 million, net, for repaying short-term loans under the HSBC Facility Letter and processing import invoice financing under the SBCHK facility.

Non-cash Financing Activities

The Group had non-cash financing activities related to the IPO in fiscal 2019. Expense recognized for warrants issued to the underwriters in connection with the IPO was $160,732. There was also a prepaid stock issuance cost of $308,179 netted with proceeds from the IPO.

There was an aggregate of non-cash financing activities of $401,031 in connection with the private placement in fiscal 2018.

Statutory Reserves

In accordance with the Corporate Law in Jordan, Jerash Holdings' subsidiaries in Jordan are required to make appropriations to certain reserve funds, based on net income determined in accordance with generally accepted accounting principles of Jordan. Appropriations to the statutory reserve are required to be 10% of net income until the reserve is equal to 100% of the entity's share capital. This reserve is not available for dividend distribution. The statutory reserve was $71,699 and $212,739 in fiscal 2018 and 2019, respectively.

The following table provides the amount of the Group's statutory reserves, the amount of restricted net assets, consolidated net assets, and the amount of restricted net assets as a percentage of consolidated net assets, as of March 31, 2018 and 2019.

(All amounts, other than percentages, in thousands of U.S. dollars)

	As of March 31,	
	2019	2018
Statutory Reserves	$ 213	$ 72
Total Restricted Net Assets	$ 213	$ 72
Consolidated Net Assets	$ 50,262	$ 34,057
Restricted Net Assets as Percentage of Consolidated Net Assets	0.42%	0.21%

Total restricted net assets accounted for approximately 0.42% of the Group's consolidated net assets as of March 31, 2019. As the Group's subsidiaries in Jordan are only required to set aside 10% of net profits to fund the statutory reserves, it has reached the maximum amount. We believe the potential impact of such restricted net assets on our liquidity is limited.

Capital Expenditures

We had capital expenditures of approximately $0.8 million and $0.9 million in fiscal 2019 and 2018, respectively, for purchases of equipment in connection with our business activities and to increase capacity. Additions in plant and machinery amounted to approximately $0.6 million and $0.6 million in fiscal 2019 and 2018, respectively, and additions to leasehold improvements amounted to approximately $0.1 million and $0.2 million in fiscal 2019 and 2018, respectively.

In 2015, we commenced a project to build a 4,800 square foot workshop in the Tafilah Governorate of Jordan, which was initially intended to be used as a sewing workshop for Jerash Garments, has been changed to become a dormitory. This dormitory is expected to be operational in September 2019 and is expected to house workers for the 54,000 square foot workshop in Al-Hasa County.

In 2018, the Group commenced another project to build a 54,000 square foot workshop in Al-Hasa County in the Tafilah Governorate of Jordan, which is expected to be completed in September 2019. Provided that we satisfy certain employment requirements over certain time periods, we do not anticipate incurring any significant costs for the project, which is being constructed in conjunction with the Jordanian Ministry of Labor and the Jordanian Education and Training Department. In the event we breach our agreement with these government agencies, we will have to pay such agencies JOD250,000 or $353,000. See Item 2. Properties above for more information regarding this workshop.

On December 11, 2018, the Company entered into an agreement through Jerash Garments to acquire all of the stock of Paramount, an existing garment manufacturing business, in order to operate its fourth manufacturing facility in Al Tajamouat Industrial City in Amman, Jordan. The Group paid approximately $980,000 as of the closing date of the transaction on June 18, 2019.

The Group projected that there will be an aggregate of approximately $15 million of capital expenditures in both the fiscal years ending March 31, 2020 and 2021 for further enhancement of production capacity to meet future sales growth. We expect that our capital expenditures will increase in the future as our business continues to develop and expand. The Group has used cash generated from our subsidiaries' operations to fund our capital commitments in the past and anticipate using such funds and proceeds received from our IPO to fund capital expenditure commitments in the future.

Off-balance Sheet Commitments and Arrangements

We have not entered into any other financial guarantees or other commitments to guarantee the payment obligations of any third parties. In addition, the Group has not entered into any derivative contracts that are indexed to our own shares and classified as shareholders' equity, or that are not reflected in the Group's consolidated financial statements.

For Management's Discussion and Analysis of the fiscal years ended March 31, 2018 and 2017, please see our Annual Report on Form 10-K for the year ended March 31, 2018, filed with the SEC on June 28, 2018.

Critical Accounting Policies

We prepare our financial statements in conformity with U.S. GAAP, which require us to make judgments, estimates and assumptions that affect our reported amount of assets, liabilities, revenue, costs and expenses, and any related disclosures. Although there were no material changes made to the accounting estimates and assumptions in the past two years, we continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from our expectations as a result of changes in our estimates.

We believe that certain accounting policies involve a higher degree of judgment and complexity in their application and require us to make significant accounting estimates. The policies that we believe are the most critical to understanding and evaluating our consolidated financial condition and results of operations are summarized in Note 2– Summary of Significant Accounting Policies in the notes to our audited financial statements.

Recent Accounting Pronouncements

See Note 3 – Recent Accounting Pronouncements in the notes to our audited financial statements for a discussion of recent accounting pronouncements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 8. Financial Statements and Supplementary Data.

FRIEDMAN LLP®

ACCOUNTANTS AND ADVISORS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Jerash Holdings (US), Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Jerash Holdings (US), Inc. and Subsidiaries (collectively, the "Company") as of March 31, 2019 and 2018, and the related consolidated statements of income and comprehensive income, changes in equity and cash flows for each of the years in the two-year period ended March 31, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the two-year period ended March 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

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 consolidated 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 statement. We believe that our audits provide a reasonable basis for our opinion.

/s/ Friedman LLP

We have served as the Company's auditor since 2016.

New York, New York
June 28, 2019

JERASH HOLDINGS (US), INC.,
SUBSIDIARIES AND AFFILIATE
CONSOLIDATED BALANCE SHEETS

	March 31, 2019	March 31, 2018
ASSETS		
Current Assets:		
Cash	$ 27,182,158	$ 8,597,830
Accounts receivable	4,020,369	5,247,090
Accounts receivable- related party	-	50,027
Inventories	21,074,243	20,293,392
Prepaid expenses and other current assets	2,630,727	1,533,868
Advance to suppliers	443,395	1,128,079
Total Current Assets	55,350,892	36,850,286
Restricted cash	652,310	3,598,280
Long-term deposits	810,172	-
Deferred tax assets	81,461	-
Property, plant and equipment, net	2,356,262	2,819,715
Total Assets	**$ 59,251,097**	**$ 43,268,281**
LIABILITIES AND EQUITY		
Current Liabilities:		
Credit facilities	$ 648,711	$ 980,195
Accounts payable	3,378,258	4,776,812
Accrued expenses	1,539,147	1,175,427
Income tax payable	1,164,238	112,000
Other payables	855,527	878,987
Total Current Liabilities	7,585,881	7,923,421
Income tax payable - non-current	1,403,087	1,288,000
Total Liabilities	**8,988,968**	**9,211,421**
Commitments and Contingencies (See Note 13)		
Equity		
Preferred stock, $0.001 par value; 500,000 shares authorized; none issued and outstanding	$ -	$ -
Common stock, $0.001 par value; 30,000,000 and 15,000,000 shares authorized; 11,325,000 shares and 9,895,000 shares issued and outstanding as of March 31, 2019 and March 31, 2018, respectively.	11,325	9,895
Additional paid-in capital	14,956,767	2,742,158
Statutory reserve	212,739	71,699
Retained earnings	34,786,735	30,948,006
Accumulated other comprehensive loss	(14,440)	(24,502)
Total Jerash Holdings (US), Inc.'s Shareholders' Equity	49,953,126	33,747,256
Noncontrolling interest	309,003	309,604
Total Equity	50,262,129	34,056,860
Total Liabilities and Equity	**$ 59,251,097**	**$ 43,268,281**

The accompanying notes are an integral part of these consolidated financial statements.

JERASH HOLDINGS (US), INC.,
SUBSIDIARIES AND AFFILIATE
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	For the Years Ended March 31, 2019	2018
Revenue, net	$ 84,983,661	$ 69,295,698
Cost of goods sold	66,206,652	51,342,020
Gross Profit	18,777,009	17,953,678
Selling, general and administrative expenses	8,834,547	6,002,452
Share-based compensation expenses	3,593,888	116,578
Total Operating Expenses	12,428,435	6,119,030
Income from Operations	6,348,574	11,834,648
Other Income / (Expense):		
Other income / (expense), net	23,802	(31,369)
Total other income / (expense), net	23,802	(31,369)
Net Income before provision for income taxes	6,372,376	11,803,279
Income tax expense	1,260,861	1,400,000
Net Income	5,111,515	10,403,279
Net loss attributable to noncontrolling interest	754	6,838
Net income attributable to Jerash Holdings (US), Inc.'s Common Shareholders	$ 5,112,269	$ 10,410,117
Net Income	$ 5,111,515	$ 10,403,279
Other Comprehensive Income / (Loss):		
Foreign currency translation gain / (loss)	10,215	(16,262)
Total Comprehensive Income	5,121,730	10,387,017
Comprehensive loss attributable to noncontrolling interest	601	6,993
Comprehensive Income Attributable to Jerash Holdings (US), Inc.'s Common Shareholders	$ 5,122,331	$ 10,394,010
Earnings Per Share Attributable to Common Shareholders:		
Basic	$ 0.46	$ 1.07
Diluted	$ 0.45	$ 1.07
Weighted Average Number of Shares		
Basic	11,199,630	9,735,651
Diluted	11,330,310	9,735,651

The accompanying notes are an integral part of these consolidated financial statements.

JERASH HOLDINGS (US), INC., SUBSIDIARIES AND AFFILIATE
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED MARCH 31, 2019

	Preferred Stock		Common Stock		Additional Paid-in Capital	Statutory Reserve	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Equity
	Shares	Amount	Shares	Amount						
Balance at March 31, 2017	-	$ -	8,787,500	$ 8,788	$ 1,091,212	$ 71,699	$ 20,537,889	$ (8,395)	$ 316,597	$ 22,017,790
Reverse recapitalization	-	-	712,500	712	288	-	-	-	-	1,000
Private placement – common stock and warrants issued, net of stock issuance costs of $444,475	-	-	395,000	395	1,534,080	-	-	-	-	1,534,475
Stock-based compensation expense for the warrant issued to the board observer.		-	-	-	116,578	-	-	-	-	116,578
Net income (loss)	-	-	-	-	-	-	10,410,117	-	(6,838)	10,403,279
Foreign currency translation loss	-	-	-	-	-	-	-	(16,107)	(155)	(16,262)
Balance at March 31, 2018	-	-	9,895,000	9,895	2,742,158	71,699	30,948,006	(24,502)	309,604	34,056,860
Common stock issued net of stock issuance costs of $1,387,879	-	-	1,430,000	1,430	8,620,691	-	-	-	-	8,622,121
Share-based compensation expense for the stock options issued under stock incentive plan.	-	-	-	-	3,593,888	-	-	-	-	3,593,888
Warrants issued to the underwriter	-	-	-	-	30	-	-	-	-	30
Net income (loss)	-	-	-	-	-	-	5,112,269	-	(754)	5,111,515
Dividend distribution	-	-	-	-	-	-	(1,132,500)	-	-	(1,132,500)
Statutory reserve	-	-	-	-	-	141,040	(141,040)	-	-	-
Foreign currency translation loss	-	-	-	-	-	-	-	10,062	153	10,215
Balance at March 31, 2019	-	$ -	11,325,000	$ 11,325	$ 14,956,767	$ 212,739	$ 34,786,735	$ (14,440)	$ 309,003	$ 50,262,129

The accompanying Notes are an integral part of these consolidated financial statements.

JERASH HOLDINGS (US), INC.,
SUBSIDIARIES AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended March 31, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 5,111,515	$ 10,403,279
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,255,820	1,216,973
Share-based compensation expense	3,593,888	116,578
Changes in operating assets:		
Accounts receivable	1,229,239	(2,472,680)
Account receivable - related party	50,047	2,293,190
Inventories	(770,720)	(1,151,531)
Prepaid expenses and other current assets	(1,404,198)	(470,441)
Advances to suppliers	685,197	(1,128,320)
Deferred tax assets	(81,461)	-
Changes in operating liabilities:		
Accounts payable	(1,400,533)	(5,472,312)
Accrued expenses	363,037	711,332
Other payables	(23,888)	(282,472)
Income tax payable	1,167,322	1,400,000
Net cash provided by operating activities	9,775,265	5,163,596
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(791,001)	(877,944)
Acquisition deposit	(380,000)	-
Long-term deposits	(430,113)	-
Due from related party	-	336,746
Net cash used in investing activities	(1,601,114)	(541,198)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend distribution	(1,132,500)	-
Proceeds (repay) from short-term loan	(331,876)	980,403
Due from shareholders	-	692,500
Net proceeds from issuance of common stock	8,930,300	-
Warrants issued to the underwriter	30	-
Net proceeds from private placement	-	1,772,845
Net cash provided by financing activities	7,465,954	3,445,748
EFFECT OF EXCHANGE RATES CHANGES ON CASH	(1,747)	(4,797)
NET INCREASE IN CASH	15,638,358	8,063,349
CASH, AND RESTRICTED CASH, BEGINNING OF THE YEAR	12,196,110	4,132,761
CASH, AND RESTRICTED CASH, END OF THE YEAR	$ 27,834,468	$ 12,196,110
CASH, AND RESTRICTED CASH, END OF THE YEAR	27,834,468	12,196,110
LESS: NON-CURRENT RESTRICTED CASH	652,310	3,598,280
CASH, END OF PERIOD	$ 27,182,158	$ 8,597,830
Supplemental disclosure information:		
Cash paid for income tax	$ 175,000	$ -
Cash paid for interest	$ 90,867	$ 27,292
Non-cash financing activities:		
Warrants issued to underwriters in connection with the IPO in fiscal 2019 and placement agent in connection with the private placement in fiscal 2018	$ 160,732	$ 161,926
Prepaid stock issuance cost netted with proceeds from the IPO in fiscal 2019 and the private placement in fiscal 2018	$ 308,179	$ 239,105

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

Jerash Holdings (US), Inc. (“Jerash Holdings”) is a corporation established under the laws of the State of Delaware on January 20, 2016. Jerash Holdings is a parent holding company with no operations.

Global Trend Investment Limited (“GTI”) was a limited company that was incorporated in the British Virgin Islands (“BVI”) on July 5, 2000 and was owned by two individuals and a BVI corporation, Merlotte Enterprise Limited, which was wholly owned by the Chairman of the Board of Jerash Holdings and Jerash Garments and Fashions Manufacturing Company Limited (“Jerash Garments”). Previously, GTI was wholly-owned by Wealth Choice Limited (“WCL”), a BVI corporation, and the Chairman of the Board of Jerash Holdings was also one of the beneficial owners of WCL and its subsidiaries. In September 2016, WCL transferred its ownership in GTI and its subsidiaries to Merlotte Enterprise Limited and an individual shareholder, and in October 2016, the individual shareholder transferred approximately 22% of its shares to another individual shareholder.

Jerash Garments is a wholly owned subsidiary of Jerash Holdings and was the wholly owned subsidiary of GTI prior to the Merger described below. Jerash Garments was established in Amman, the Hashemite Kingdom of Jordan (“Jordan”) as a limited liability company on November 26, 2000 with declared capital of 50,000 Jordanian Dinar (“JOD”) (approximately US$70,500). In February 2019, the Company increased its declared capital to JOD 150,000 (approximately US$212,000).

Jerash for Industrial Embroidery Company (“Jerash Embroidery”) and Chinese Garments and Fashions Manufacturing Company Limited (“Chinese Garments”) were both incorporated in Amman, Jordan as limited liability companies on March 11, 2013 and June 13, 2013, respectively, with declared capital of JOD 50,000 each. Jerash Embroidery and Chinese Garments were initially established under the name of Jerash Garments’ nominated agent but were in fact controlled and fully funded by Jerash Garments. On January 1, 2015, the nominated agent entered into an equity transfer agreement with Jerash Garments, in which the nominated agent agreed to transfer 100% ownership interests of Jerash Embroidery and Chinese Garments to Jerash Garments (the “Equity Transfer”). Subsequent to the Equity Transfer, Jerash Embroidery and Chinese Garments became wholly owned subsidiaries of Jerash Garments. Jerash Garments, Jerash Embroidery and Chinese Garments were effectively controlled by the same controlling shareholders before and after the Equity Transfer. Thus, this transaction is considered a reorganization of entities under common control. The consolidations of Jerash Embroidery and Chinese Garments have been accounted for at their carrying amounts as of the beginning of the first period presented in the accompanying consolidated financial statements.

Victory Apparel (Jordan) Manufacturing Company Limited (“Victory Apparel”) was incorporated as a limited liability company in Amman, Jordan on September 18, 2005 with declared capital of JOD 50,000, as a wholly owned subsidiary of WCL. Jerash Garments is the sole user of the land, building and equipment being held by Victory Apparel and had a lease agreement with Victory Apparel related to the use of these assets before GTI and its subsidiaries were acquired by WCL in March 2012. The land and building were not registered in Victory Apparel’s name, and Jerash Garments continued to hold the land and building in its name in trust for Victory Apparel. The declaration of trust was never registered with the Land Registry of Jordan, and on June 30, 2016, Victory Apparel and Jerash Garments dissolved the sale agreement, resulting in the property and equipment being owned free and clear by Jerash Garments. Victory Apparel has no other operating activities of its own and WCL intends to dissolve the entity.

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS (Continued)

Although Jerash Garments does not own the equity interest of Victory Apparel, our president, chief executive officer, chairman and significant shareholder, Mr. Choi, is also a director of Victory Apparel and controls all decision-making for Victory Apparel along with our other significant shareholder, Mr. Lee Kian Tjiauw, who have the ability to control Victory Apparel's financial affairs. In addition, Victory Apparel's equity at risk is not sufficient to permit it to operate without additional subordinated financial support from Mr. Choi. Based on these facts, we concluded that Jerash Garments has effective control over Victory Apparel due to Mr. Choi's roles at both organizations and therefore Victory Apparel is considered a Variable Interest Entity ("VIE") under Accounting Standards Codification ("ASC") 810-10-05-08A. Accordingly, Jerash Garments consolidates Victory Apparel's operating results, assets and liabilities.

Treasure Success International Limited ("Treasure Success") was incorporated on July 5, 2016 in Hong Kong, China, whose 100% equity interest is registered under the name of the Chairman of the Board of Jerash Holdings, with the primary purpose to employ staff from China to support Jerash Garments' operations. On October 31, 2016, the Chairman of the Board of Jerash Holdings transferred his 100% equity interest of Treasure Success to GTI. Treasure Success was inactive until October 2016. Treasure Success was consolidated as a VIE before October 31, 2016. The transfer was accounted for as a transfer between entities under common control.

On May 11, 2017, the shareholders of GTI contributed 100% of their outstanding capital stock in GTI to Jerash Holdings in exchange for an aggregate of 8,787,500 shares of common stock of Jerash Holdings. Immediately prior to this transaction, Jerash Holdings had 712,500 shares of common stock outstanding with a par value of $0.001 per share. Immediately following this transaction, GTI merged with and into Jerash Holdings, with Jerash Holdings being the surviving entity, as a result of which Jerash Holdings became the direct parent of GTI's wholly owned subsidiaries, Jerash Garments, including its wholly owned subsidiaries, and Treasure Success. The transactions described above are collectively referred to as the "Merger."

The Merger was accounted for as a reverse recapitalization. Under reverse capitalization accounting, GTI is recognized as the accounting acquirer, and Jerash Holdings is the legal acquirer or accounting acquiree. As such, following the Merger, the historical financial statements of GTI and its subsidiaries are treated as the historical financial statements of the combined company.

Consequently, the consolidated financial statements of Jerash Holdings reflect the operations of the accounting acquirer and a recapitalization of the equity of the accounting acquirer.

Jerash Holdings, its subsidiaries and VIE (herein collectively referred to as the "Company" are engaged in manufacturing customized ready-made outerwear from knitted fabric and exporting produced apparel for large brand-name retailers. The Company is diversifying the range of products to include additional pieces such as trousers and urban styling outerwear and different types of natural and synthetic materials and is also expanding its workforce in Jordan with workers from other countries, including Bangladesh, Sri Lanka, India, Myanmar and Nepal.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The Company's consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). The consolidated financial statements include the financial statements of Jerash Holdings and its subsidiaries and VIE. All significant intercompany balances and transactions have been eliminated in consolidation.

In accordance with accounting standards regarding the consolidation of variable interest entities, VIEs are generally entities that lack sufficient equity to finance their activities without additional financial support from other parties or whose equity holders lack adequate decision-making ability. All VIEs with which the Company is involved must be evaluated to determine the primary beneficiary of the risks and rewards of the VIEs. The primary beneficiary is required to consolidate the VIE for financial reporting purposes.

As described in Note 1, management of the Company has concluded that Victory Apparel is a VIE, and that Jerash Garments is considered the primary beneficiary because it absorbs the risks and rewards of Victory Apparel; therefore, Jerash Holdings consolidates Victory Apparel for financial reporting purposes. Noncontrolling interests result from the consolidation of Victory Apparel, which is 100% owned by WCL.

The following table sets forth the carrying amounts of the assets and liabilities of the VIE, Victory Apparel, which was included in the Company's consolidated balance sheets:

	March 31, 2019	March 31, 2018
Current assets	$ 1,316	$ 2,069
Intercompany receivables*	307,687	311,527
Total assets	309,003	313,596
Third party current liabilities	-	(3,992)
Total liabilities	-	(3,992)
Net assets	$ 309,003	$ 309,604

* Receivables from Jerash Garments are eliminated upon consolidation.

Victory Apparel did not generate any income but incurred certain expenses for both years ended March 31, 2019 and 2018. The loss was $754 and $6,838 for the fiscal years ended March 31, 2019 and 2018, respectively.

Use of Estimates

The preparation of the consolidated financial statements, in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 period. The Company’s most significant estimates include allowance for doubtful accounts, valuation of inventory reserve and useful lives of buildings and other property. Actual results could differ from these estimates.

Cash

The Company considers all highly liquid investment instruments with an original maturity of three months or less from the original date of purchase to be cash equivalents. As of March 31, 2019, and 2018, the Company had no cash equivalents.

Restricted Cash

Restricted cash consists of cash used as security deposits to obtain credit facilities from a bank and to secure customs clearance under the requirements of local regulations. The Company is required to keep certain amounts on deposit that are subject to withdrawal restrictions. These security deposits at the bank are refundable only when the bank facilities are terminated. The restricted cash is classified as a non-current asset since the Company has no intention to terminate these bank facilities within one year.

Accounts Receivable

Accounts receivable are recognized and carried at original invoiced amount less an estimated allowance for uncollectible accounts. The Company usually grants credit to customers with good credit standing for a maximum of 90 days and determines the adequacy of reserves for doubtful accounts based on individual account analysis and historical collection trends. The Company establishes a provision for doubtful receivables when there is objective evidence that the Company may not be able to collect amounts due. The allowance is based on management's best estimates of specific losses on individual exposures, as well as a provision on historical trends of collections. The provision is recorded against accounts receivables balances, with a corresponding charge recorded in the consolidated statements of income and comprehensive income. Actual amounts received may differ from management's estimate of credit worthiness and the economic environment. Delinquent account balances are written off against the allowance for doubtful accounts after management has determined that the likelihood of collection is not probable. No allowance was considered necessary as of March 31, 2019 and 2018.

Inventories

Inventories are stated at the lower of cost or net realizable value. Inventories include cost of raw materials, freight, direct labor and related production overhead. The cost of inventories is determined using the First in, First-out ("FIFO") method. The Company periodically reviews its inventories for excess or slow-moving items and makes provisions as necessary to properly reflect inventory value.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, reduced by accumulated depreciation and amortization. Depreciation and amortization expense related to property, plant and equipment is computed using the straight-line method based on estimated useful lives of the assets, or in the case of leasehold improvements, the shorter of the initial lease term or the estimated useful life of the improvements. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. The estimated useful lives of depreciation and amortization of the principal classes of assets are as follows:

	Useful life
Land	Infinite
Property and buildings	15 years
Equipment and machinery	3-5 years
Office and electronic equipment	3-5 years
Automobiles	5 years
Leasehold improvements	Lesser of useful life and lease term

Expenditures for maintenance and repairs, which do not materially extend the useful lives of the assets, are charged to expense as incurred. Expenditures for major renewals and betterments which substantially extend the useful life of assets are capitalized. The cost and related accumulated depreciation or amortization of assets retired or sold are removed from the respective accounts, and any gain or loss is recognized in the consolidated statements of income and comprehensive income.

Impairment of Long-Lived Assets

The Company assesses its long-lived assets, including property and equipment, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Factors which may indicate potential impairment include a significant underperformance relative to the historical or projected future operating results or a significant negative industry or economic trend. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by that asset. If impairment is indicated, a loss is recognized for any excess of the carrying value over the estimated fair value of the asset. The fair value is estimated based on the discounted future cash flows or comparable market values, if available. The Company did not record any impairment loss during the years ended March 31, 2019 and 2018.

Revenue Recognition

The Company adopted ASC 606 in the first quarter of fiscal year 2019 using the modified retrospective approach. ASC 606, Revenue from Contracts with Customers, establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

The Company has assessed the impact of the guidance by reviewing its existing customer contracts and current accounting policies and practices to identify differences that could result from applying the new requirements, including the evaluation of its performance obligations, transaction price, customer payments, transfer of control and principal versus agent considerations. Based on the assessment, the Company concluded that there was no change to the timing and pattern of revenue recognition for its current revenue streams in scope of Topic 606 and therefore there was no material change to the Company's consolidated financial statements upon adoption of ASC 606.

The table below presents the impact of applying the new revenue recognition standard to the components of total revenue within the consolidated statement of income and comprehensive income for the year ended March 31, 2019. The Company evaluated its revenue recognition policy for all revenue streams within the scope of the ASU under previous standards and using the five-step model under the new guidance and concluded that there was no difference in the pattern of revenue recognition:

		Year Ended March 31, 2019	
	As reported	**Financial Results prior to Adoption of Revenue Recognition Standard**	**Impact of Adoption of Revenue Recognition Standard**
Revenue:	$ 84,983,661	$ 84,983,661	$ -

Substantially all of the Company's revenue is derived from product sales, which consist of sales of the Company's customized ready-made outerwear for large brand-name retailers. The Company considers purchase orders to be a contract with a customer. Contracts with customers are considered to be short-term when the time between order confirmation and satisfaction of the performance obligations is equal to or less than one year, and virtually all of the Company's contracts are short-term. The Company recognizes revenue for the transfer of promised goods to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company typically satisfies its performance obligations in contracts with customers upon shipment of the goods. Generally, payment is due from customers within 30 to 60 days of the invoice date, and the contracts do not have significant financing components. Shipping and handling costs associated with outbound freight are not an obligation of the Company.

All of the Company’s contracts have a single performance obligation satisfied at a point in time and the transaction price is stated in the contract, usually as a price per unit. All estimates are based on the Company's historical experience, complete satisfaction of the performance obligation, and the Company's best judgment at the time the estimate is made.

The contract assets are recorded on the Consolidated Balance Sheet as accounts receivable as of March 31, 2019 and March 31, 2018, respectively. For the year ended March 31, 2019 and 2018, there was no revenue recognized from performance obligations related to prior periods. As of March 31, 2019, there was no revenue expected to be recognized in any future periods related to remaining performance obligations.

The Company has one revenue generating reportable geographic segment under ASC Topic 280 “Segment Reporting” and derives its sales primarily from its sales of customized ready-made outerwear. The Company believes disaggregation of revenue by geographic region best depicts the nature, amount, timing, and uncertainty of its revenue and cash flows (see Note 12).

Shipping and Handling

Proceeds collected from customers for shipping and handling costs are included in revenues. Shipping and handling costs are expensed as incurred and are included in operating expenses, as a part of selling, general and administrative expenses. Total shipping and handling expenses were $692,794 and $611,481 for the years ended March 31, 2019 and 2018, respectively.

Income Taxes

The Company is subject to income taxes on an entity basis on income arising in or derived from the tax jurisdiction in which each entity is domiciled. Jerash Holdings was incorporated in the State of Delaware and is subject to Federal income tax in the United States of America. GTI was incorporated in the BVI and is not subject to income taxes under the current laws of BVI. Treasure Success was registered in Hong Kong and has no operating profit for current tax liabilities. Jerash Garments, Jerash Embroidery, Chinese Garments and Victory Apparel are subject to income tax in Jordan, unless an exemption is granted. The corporate income tax rate is 14% for the businesses classified within the industrial sector. In accordance with the Investment Encouragement Law, Jerash Garments' export sales to overseas customers were entitled to a 100% income tax exemption for a period of 10 years commencing at the first day of production. This exemption had been extended for five years until December 31, 2018. Effective January 1, 2019, the Hashemite Kingdom of Jordan government changed some features of its tax incentive programs and Jerash Garments and its subsidiaries are now qualified for incentives applicable to a Development Zone, a change from the previous incentive program relating to Qualifying Industrial Zone (QIZ). In accordance with Development Zone law, Jerash Garments and its subsidiaries are subject to corporate income tax in Jordan at a rate of 5%.

Jerash Garments and its subsidiaries are subject to local sales tax of 16% on purchases. Jerash Garments was granted a sales tax exemption from the Jordanian Investment Commission for the period June 1, 2015 to June 1, 2018 that allowed Jerash Garments to make purchases with no sales tax charge. This exemption has been extended to February 15, 2020, and the Company expects to apply to extend the exemption before the expiration date.

Income Taxes (Continued)

The Company accounts for income taxes in accordance with ASC 740, “Income Taxes,” which requires the Company to use the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between financial statement carrying amounts and the tax bases of existing assets and liabilities and operating loss and tax credit carry forwards. Under this accounting standard, the effect on deferred income taxes of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if it is more likely than not that some portion, or all of, a deferred tax asset will not be realized. Deferred income taxes were immaterial, and accordingly, no deferred tax assets or liabilities were recognized as of March 31, 2019 and 2018.

ASC 740 clarifies the accounting for uncertainty in tax positions. This interpretation requires that an entity recognizes in its financial statements the impact of a tax position, if that position is more likely than not of being sustained upon examination, based on the technical merits of the position. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company has elected to classify interest and penalties related to unrecognized tax benefits, if and when required, as part of income tax expense in the consolidated statements of income and comprehensive income. Jordan income tax returns prior to 2015 are not subject to examination by any applicable tax authorities. No significant uncertainty in tax positions relating to income taxes have been incurred during the years ended March 31, 2019 and 2018.

On December 22, 2017, the “Tax Cuts and Jobs Act” (the “Act”) was enacted. Under the provisions of the Act, the U.S. corporate tax rate decreased from 35% to 21%. Additionally, the Tax Act imposes a one-time transition tax on deemed repatriation of historical earnings of foreign subsidiaries, and future foreign earnings are subject to U.S. taxation under the new Global Intangible Low-Taxed Income (GILTI) regime. Please see further discussion regarding the Company’s accounting for the Tax Act in Note 14.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Currency Translation

The reporting currency of the Company is the U.S. dollar ("US$") and the Company uses the Jordanian Dinar ("JOD") as its functional currency, except Treasure Success, which uses the Hong Kong Dollar ("HKD") as its functional currency. The assets and liabilities of the Company have been translated into U.S. dollars using the exchange rates in effect at the balance sheet date, equity accounts have been translated at historical rates, and revenue and expenses have been translated into U.S. dollars using average exchange rates in effect during the reporting period. Cash flows are also translated at average translation rates for the periods, therefore, amounts related to assets and liabilities reported on the consolidated statements of cash flows will not necessarily agree with changes in the corresponding balances on the consolidated balance sheets. Translation adjustments arising from the use of different exchange rates from period to period are included as a separate component of accumulated other comprehensive income (loss). Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred.

The value of JOD against US$ and other currencies may fluctuate and is affected by, among other things, changes in Jordan's political and economic conditions. Any significant revaluation of JOD may materially affect the Company's financial condition in terms of US$ reporting. The following table outlines the currency exchange rates that were used in creating the consolidated financial statements in this report:

	March 31, 2019	March 31, 2018
Period-end spot rate	US$1=JOD 0.7090	US$1=JOD 0.7094
	US$1=HKD 7.8500	US$1=HKD 7.8490
Average rate	US$1=JOD 0.7091	US$1=JOD 0.7092
	US$1=HKD 7.8420	US$1=HKD 7.8091

Share-based Compensation

The Company measures compensation expense for share-based awards to non-employee contractors and directors based upon the awards' initial grant-date fair value. The estimated grant-date fair value of the award is recognized as expense over the requisite service period using the straight-line method. The fair value of awards to non-employees is then marked-to-market each reporting period until vesting criteria are met.

The Company estimates the fair value of stock options using a Black-Scholes model. This model is affected by the Company's stock price on the date of the grant as well as assumptions regarding a number of highly complex and subjective variables. These variables include the expected term of the option, expected risk-free rates of return, the expected volatility of the Company's common stock, and expected dividend yield, each of which is more fully described below. The assumptions for expected term and expected volatility are the two assumptions that significantly affect the grant date fair value.

Share-Based Compensation (Continued)

- Expected Term: the expected term of a warrant is the period of time that the warrant is expected to be outstanding.

- Risk-free Interest Rate: the Company bases the risk-free interest rate used in the Black-Scholes model on the implied yield at the grant date of the U.S. Treasury zero-coupon issued with an equivalent term to the share-based award being valued. Where the expected term of a share-based award does not correspond with the term for which a zero-coupon interest rate is quoted, the Company uses the nearest interest rate from the available maturities.

- Expected Stock Price Volatility: the Company utilizes comparable public company volatility over the same period of time as the life of the warrant.

- Dividend Yield: Until November 2018, the Board of Directors had not declared, and the Company had not yet paid, any dividends. Accordingly, share-based compensation awards granted prior to November 2018 assumed no dividend yield, while any subsequent share-based compensation awards will be valued using the anticipated dividend yield.

Earnings per Share

The Company computes earnings per share (“EPS”) in accordance with ASC 260, “Earnings per Share” (“ASC 260”). ASC 260 requires companies with complex capital structures to present basic and diluted EPS. Basic EPS is measured as net income divided by the weighted average common shares outstanding for the period. Diluted EPS is similar to basic EPS but presents the dilutive effect on a per share basis of potential common shares (e.g., convertible securities, options and warrants) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential common shares that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS (See Note 11).

Comprehensive Income

Comprehensive income consists of two components, net income and other comprehensive income (loss). The foreign currency translation gain or loss resulting from translation of the financial statements expressed in JOD or HKD to U.S. dollar is reported in other comprehensive income (loss) in the consolidated statements of income and comprehensive income.

Fair Value of Financial Instruments

ASC 825-10 requires certain disclosures regarding the fair value of financial instruments. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-level fair value hierarchy prioritizes the inputs used to measure fair value. The hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Quoted prices in active markets for identical assets and liabilities.
- Level 2 - Quoted prices in active markets for similar assets and liabilities, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Company considers the recorded value of its financial assets and liabilities, which consist primarily of cash, including restricted cash, accounts receivable, other receivables, due from related parties, due from shareholders, accounts payable, accrued expenses, other payables and short-term loan to approximate the fair value of the respective assets and liabilities at March 31, 2019 and 2018 based upon the short-term nature of these assets and liabilities.

Concentrations and Credit Risk

Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash. As of March 31, 2019, and 2018, respectively, $7,121,161 and $4,793,527 of the Company’s cash were on deposit at financial institutions in Jordan, where there currently is no rule or regulation requiring such financial institutions to maintain insurance to cover bank deposits in the event of bank failure. As of March 31, 2019, and 2018, respectively, $20,614,581 and $7,400,111 of the Company’s cash was on deposit at financial institutions in Hong Kong, which are insured by the Hong Kong Deposit Protection Board subject to certain limitations. While management believes that these financial institutions are of high credit quality, it also continually monitors their credit worthiness. As of March 31, 2019, and 2018, respectively, $98,726 and $2,472 of the Company’s cash was on deposit in the United States and are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to $250,000.

Accounts receivable are typically unsecured and derived from revenue earned from customers, and therefore are exposed to credit risk. The risk is mitigated by the Company's assessment of its customers' creditworthiness and its ongoing monitoring of outstanding balances.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations and Credit Risk (Continued)

Customer and vendor concentration risk

Prior to August 2016, substantially all of the Company's sales were made to end-customers, through its affiliate (see Note 9), that are located primarily in the United States (see Note 12). Thereafter, the Company began selling directly to its customers. The Company's operating results could be adversely affected by the U.S. government's policy on exporting business, foreign exchange rate fluctuations, and change of local market conditions. The Company has a concentration of its revenues and purchases with specific customers and suppliers. For the each of the fiscal years ended March 31, 2019 and 2018, one end-customer accounted for 79% of total revenue. Including accounts receivable balances through the Company's affiliates, as of March 31, 2019, one end-customer accounted for 96% of the total accounts receivable balance. As of March 31, 2018, two end-customers separately accounted for 57% and 22% of the total accounts receivable balance

For the fiscal year ended March 31, 2019, the Company purchased approximately 19%, 12% and 11% of its raw materials from three major suppliers. For the fiscal year ended March 31, 2018 the company purchased approximately 43% and 18% of its raw materials from two major suppliers. As of March 31, 2019, accounts payable to three major suppliers separately accounted for 40%, 20% and 14% of the total accounts payable balance. As of March 31, 2018, there was a net prepaid balance to one major supplier totaling $874,591.

A loss of any of these customers or suppliers could adversely affect the operating results or cash flows of the Company.

Risks and Uncertainties

The principal operations of the Company are located in Jordan. Accordingly, the Company's business, financial condition, and results of operations may be influenced by political, economic, and legal environments in Jordan, as well as by the general state of the Jordanian economy. The Company's operations in Jordan are subject to special considerations and significant risks not typically associated with companies in North America. 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, regulatory and social conditions in Jordan. Although the Company has not experienced losses from these situations and believes that it is in compliance with existing laws and regulations including its organization and structure disclosed in Note 1, this may not be indicative of future results.

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS

The Company considers the applicability and impact of all accounting standards updates ("ASUs"). Management periodically reviews new accounting standards that are issued.

New Accounting Pronouncements Recently Adopted

As disclosed in Note 2 – Summary of Significant Accounting Policies – Revenue Recognition above, the Company adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606) effective April 1, 2018 using the retrospective transition method. This new accounting standard outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers. This standard supersedes existing revenue recognition requirements and eliminates most industry-specific guidance from U.S. GAAP. The core principle of the new accounting standard is to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the adoption of this new accounting standard resulted in increased disclosure, including qualitative and quantitative disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Adoption of this standard did not result in significant changes to the Company's accounting policies, business processes, systems or controls, or have a material impact on the Company's financial position, results of operations and cash flows or related disclosures. As such, prior period financial statements were not recast.

On April 1, 2018, we adopted ASU 2016-18, Restricted Cash – A Consensus of the FASB Emerging Issues Task Force, ("ASU 2016-18"), which amends ASC 230, Statement of Cash Flows, to clarify guidance on the classification and presentation of restricted cash in the statement of cash flows using the full retrospective method. Adoption of this standard did not have a material impact on our consolidated financial statements. See our consolidated statements of cash flows for the reconciliation of cash presented in the statements of cash flows to the cash presented on the balance sheet.

In May 2017, the FASB issued ASU 2017-09, Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting ("ASU 2017-09"), which amends the scope of modification accounting for share-based payment arrangements such that an entity would not apply modification accounting if the fair value, vesting conditions and classification of the awards are the same immediately before and after the modification. ASU 2017-09 became effective for the Company beginning April 1, 2018 for both interim and annual reporting periods. The adoption of ASU 2017-09 did not have a material impact on the Company's condensed consolidated financial statements.

New Accounting Pronouncements Not Yet Adopted

In June 2018, the FASB issued ASU 2018-07, Compensation – Stock Compensation, which simplifies the accounting for share-based payments granted to nonemployees for goods and services. Under this ASU, most of the guidance on such payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. This ASU is effective for annual reporting periods beginning after December 15, 2018. Early adoption of this ASU is permitted. The Company does not expect adoption of this ASU to have a material impact on its Consolidated Financial Statements.

In February 2016, the FASB issued ASU 2018-20, Leases (Topic 842), to increase transparency and comparability among organizations by recognizing leases assets and lease liabilities on the balance sheet and disclosing key information about lease transactions. This ASU is effective for annual reporting periods beginning after December 15, 2018, including interim reporting periods within those fiscal years. For all other entities, the amendments in this ASU are effective for fiscal years beginning after December 15, 2019, and interim reporting periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. The Company expects to adopt this standard in the first quarter of the fiscal year ending March 31, 2020.

NOTE 4 – ACCOUNTS RECEIVABLE

The Company's net accounts receivable is as follows:

	As of March 31, 2019	As of March 31, 2018
Trade accounts receivable	$ 4,020,369	$ 5,247,090
Less: allowances for doubtful accounts	-	-
Accounts receivable	$ 4,020,369	$ 5,247,090

As of March 31, 2019, and March 31, 2018 the balance of accounts receivable includes $3 and $470,659, respectively, of factored accounts receivable to be received from Hong Kong and Shanghai Banking Corporation ("HSBC") under the Factoring Agreement (see Note 10).

NOTE 5 – INVENTORIES

Inventories consisted of the following:

	As of March 31, 2019	As of March 31, 2018
Raw materials	$ 11,601,262	$ 11,497,237
Work-in-progress	1,889,329	2,073,509
Finished goods	7,583,652	6,722,646
Total inventory	$ 21,074,243	$ 20,293,392

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consisted of the following:

	As of March 31, 2019	As of March 31, 2018
Land	$ 61,078	$ 61,048
Property and buildings	432,562	432,347
Equipment and machinery	5,560,265	4,918,270
Office and electric equipment	550,738	505,356
Automobiles	367,332	372,084
Leasehold improvements	1,652,038	1,552,108
Subtotal	8,624,013	7,841,213
Construction in progress	200,042	217,494
Less: Accumulated Depreciation and Amortization	(6,467,793)	(5,238,992)
Property and Equipment, Net	$ 2,356,262	$ 2,819,715

Depreciation and amortization expense was $1,255,820 and $1,216,973 for the fiscal years ended March 31, 2019 and 2018, respectively.

The construction in progress account represents costs incurred for constructing a dormitory, which was previously planned to be a sewing workshop. This dormitory is approximately 4,800 square feet, located in the Tafilah Governorate of Jordan, and is expected to be completed in September 2019.

NOTE 7 – EQUITY

Preferred Stock

The Company has 500,000 authorized shares of preferred stock with a par value of $0.001 per share, and with none issued and outstanding as of March 31, 2019 and March 31, 2018. The preferred stock can be issued by the Board of Directors of Jerash Holdings in one or more classes or one or more series within any class, and such classes or series shall have such voting powers, full or limited, or no voting powers, and such designations, preferences, rights, qualifications, limitations or restrictions of such rights as the Board of Directors may determine from time to time.

Common Stock

Prior to September 17, 2018, the Company had 15,000,000 authorized shares of common stock with a par value of $0.001 per share. On September 17, 2018, following approval from its stockholders, the Company filed a certificate of amendment to its certificate of incorporation with the State of Delaware to increase its authorized shares of common stock from 15,000,000 to 30,000,000. The Company had 11,325,000 shares and 9,895,000 shares of common stock outstanding as of March 31, 2019 and March 31, 2018, respectively.

Statutory Reserve

In accordance with the Corporate Law in Jordan, Jerash Garments, Jerash Embroidery, Chinese Garments and Victory Apparel are required to make appropriations to certain reserve funds, based on net income determined in accordance with generally accepted accounting principles of Jordan. Appropriations to the statutory reserve are required to be 10% of net income until the reserve is equal to 100% of the entity's share capital. This reserve is not available for dividend distribution. As of both March 31, 2019 and 2018, the consolidated balance of the statutory reserve was $212,739 and $71,699, respectively.

Dividends

On November 1, 2018, the Board of Directors of Jerash Holdings declared a cash dividend of $0.05 per share of common stock, payable to shareholders of record at the close of business on November 19, 2018. The dividend, equal to $566,250 in the aggregate, was paid on November 27, 2018.

On February 7, 2019, the Board of Directors of Jerash Holdings declared a cash dividend of $0.05 per share of common stock, payable to shareholders of record at the close of business on February 19, 2019. The dividend, equal to $566,250 in the aggregate, was paid on February 27, 2019.

Initial Public Offering

The registration statement on Form S-1 (File No. 333-222596) for the Company's initial public offering (the "IPO") was declared effective on March 14, 2018. On May 2, 2018 the Company issued 1,430,000 shares of common stock at $7.00 per share and received gross proceeds of $10,010,000. The Company incurred underwriting commissions of $477,341, underwriter offering expenses of $250,200 and additional underwriting expenses of $352,159, yielding net proceeds from the IPO of $8,930,300.

NOTE 8 – SHARE- BASED COMPENSATION

Warrants issued for services

From time to time, the Company issues warrants to purchase its common stock. These warrants are valued using a Black-Scholes model and using the volatility, market price, exercise price, risk-free interest rate and dividend yield appropriate at the date the warrants were issued.

Simultaneous with the closing of the IPO, the Company issued to the underwriter and its affiliates warrants to purchase 57,200 shares of common stock ("IPO Underwriter Warrants") at an exercise price of $8.75 per share with an expiration date of May 2, 2023. The shares underlying the IPO Underwriter Warrants were subject to a 180-day lock-up that expired on October 29, 2018.

NOTE 8 – SHARE- BASED COMPENSATION (Continued)

Warrants issued for services (Continued)

During the year ended March 31, 2019, all of the outstanding warrants were fully vested and exercisable.

The fair value of these warrants was estimated as of the grant date using the Black-Scholes model with the following assumptions:

	Common Stock Warrants March 31, 2019
Expected term (in years)	5.0
Risk-free interest rate (%)	1.8-2.8%
Expected volatility (%)	50.3%-52.2%
Dividend yield (%)	0.0%

Warrant activity is summarized as follows:

	Shares	Weighted Average Exercise Price
Warrants outstanding at March 31, 2018	207,210	$ 5.69
Granted	57,200	$ 8.75
Exercised	-	-
Cancelled	-	-
Warrants outstanding at March 31, 2019	264,410	$ 6.35

Stock Options

On March 21, 2018 the Board of Directors adopted the Jerash Holdings (US), Inc. 2018 Stock Incentive Plan (the "Plan"), pursuant to which the Company may grant various types of equity awards. 1,484,250 shares of common stock were reserved for issuance under the Plan. On April 9, 2018, the Board of Directors approved the issuance of 989,500 nonqualified stock options under the Plan in accordance with the Plan at an exercise price of $7.00 per share, and a term of five years. As of March 31, 2019, all of these outstanding stock options were fully vested and exercisable.

NOTE 8 – SHARE- BASED COMPENSATION (Continued)

Stock Options (Continued)

The fair value of these options granted on April 9, 2018 was estimated as of the grant date using the Black-Scholes model with the following assumptions.

	Stock Options March 31, 2019
Expected term (in years)	5.0
Risk-free interest rate (%)	2.6%
Expected volatility (%)	50.3%
Dividend yield (%)	0.0%

On August 3, 2018, the Board of Directors granted the Company's Chief Financial Officer and Head of U.S. Operations a total of 150,000 nonqualified stock options under the Plan in accordance with the Plan at an exercise price of $6.12 per share and a term of ten years. The options vest in three equal six-month installments, with the first two-thirds having vested on August 3, 2018 and February 3, 2019 respectively, the remaining amounts vesting on and August 3, 2019.

The fair value of the options granted on August 3, 2018 was estimated as of the grant date using the Black-Scholes model with the following assumptions:

	Stock Options March 31, 2019
Expected term (in years)	10.0
Risk-free interest rate (%)	2.95%
Expected volatility (%)	50.3%
Dividend yield (%)	0.0%

Stock option activity is summarized as follows:

	Shares	Weighted Average Exercise Price
Stock options outstanding at March 31, 2018	-	-
Granted	1,139,500	$ 6.88
Exercised	-	-
Cancelled	-	-
Stock options outstanding at March 31, 2019	1,139,500	$ 6.88

Total expense related to the stock options issued was $3,593,888 for the year ended March 31, 2019. There were $193,955 of unrecognized compensation costs at March 31, 2019 relating to unvested awards.

NOTE 9 – RELATED PARTY TRANSACTIONS

The relationship and the nature of related party transactions are summarized as follow:

Name of Related Party	Relationship to the Company	Nature of Transactions
Ford Glory International Limited ("FGIL")	Affiliate, subsidiary of Ford Glory Holdings ("FGH")	Sales / Purchases Lease
Value Plus (Macao Commercial Offshore) Limited ("VPMCO")	Affiliate, subsidiary of FGH	Purchases
Yukwise Limited ("Yukwise")	Wholly owned by our President, Chief Executive Officer and Chairman, a significant stockholder	Consulting Services
Multi-Glory Corporation Limited ("Multi-Glory")	Wholly owned by a significant stockholder	Consulting Services

Pursuant to the terms of a sale and purchase agreement between one of the Company's current individual shareholders and Victory City Investments Limited, the ultimate 51% shareholder of FGIL, dated July 13, 2016 (the "Sale and Purchase Agreement"), and effective since August 1, 2016, all rights, interests and benefits of any contracts that FGIL had at that time with any of the Company's customers for products manufactured or to be manufactured by the Company, together with the costs and obligations relating to those contracts were transferred to the Company. Thereafter, the Company has been selling directly to its end-customers and no longer through its affiliate, FGIL.

Related party balances:

a. Accounts receivable – related party:

Accounts receivable from related party in connection with the collection of accounts receivable from end-customers on behalf of the Company due to the support arrangement during the transition period as described below (see a. Sales to related party) consisted of the following:

	As of March 31, 2019	As of March 31, 2018
FGIL	$ -	$ 50,027

NOTE 9 – RELATED PARTY TRANSACTIONS (Continued)

Related party transactions:

a. **Sales to related party:**

Pursuant to the Sale and Purchase Agreement, the Company has all rights, interests and benefits of the sales agreements signed with end-customers since August 2016, together with the costs and obligations of those agreements. During the transition period, the Company's affiliate supported the Company to complete the transition with no additional fees charged. For the year ended March 31, 2019 and March 31, 2018, $0 and $43,997,617 of sales were made with the support from FGIL respectively.

Lease from related party

On October 3, 2018, Treasure Success and FGIL entered into a lease agreement pursuant to which Treasure Success leases its office space in Hong Kong from FGIL by providing for rent in the amount of HK$119,540 (approximately $15,243) per month and having a one-year term with an option to extend the term for an additional year at the same rent.

b. **Consulting agreements**

On January 16, 2018, Treasure Success and Multi-Glory entered into a consulting agreement, pursuant to which Multi-Glory will provide high-level advisory, marketing and sales services to the Company for $300,000 per annum. The agreement renews automatically for one-month terms. The agreement became effective as of January 1, 2018. Total consulting fees under this agreement were $300,000 for the year ended March 31, 2019 and $75,000 for the year ended March 31, 2018.

On January 12, 2018, Treasure Success and Yukwise entered into a consulting agreement, pursuant to which Mr. Choi will serve as Chief Executive Officer and provide a high level of advisory and general management services for $300,000 per annum, with automatic renewal for one-month terms. This agreement became effective as of January 1, 2018. Total advisory and management expenses under this agreement were $300,000 for the year ended March 31, 2019 and $75,000 for year ended March 31, 2018.

c. **Personal Guarantees**

Borrowings under the Credit Facility, as defined below, with HSBC are collateralized by the personal guarantees by Mr. Choi and Mr. Ng Tsze Lun.

NOTE 10 – CREDIT FACILITIES

Pursuant to a letter agreement dated May 29, 2017, Treasure Success entered into an $8,000,000 import credit facility with HSBC (the “2017 Facility Letter”), which was amended pursuant to a letter agreement dated June 19, 2018 (the “2018 Facility Letter”, and together with the 2017 Facility Letter, the “Facility Letter”). In addition, pursuant to an offer letter dated June 5, 2017, which was amended pursuant to a letter agreement dated June 14, 2019, HSBC offered to provide Treasure Success with a $12,000,000 factoring facility for certain debt purchase services related to accounts receivables (the “Factoring Agreement” and, together with the Facility Letter, the “Credit Facilities”). The Credit Facilities are guaranteed by Jerash Holdings, Jerash Garments and Treasure Success, as well as two of the Company’s individual shareholders. In addition, the Credit Facilities required cash and other investment security collateral of $3,000,000. The Credit Facilities provide that drawings under the Credit Facilities are charged interest at the Hong Kong Interbank Offered Rate (“HIBOR”) plus 1.5% for drawings in Hong Kong dollars, and the London Interbank Offered Rate (“LIBOR”) plus 1.5% for drawings in other currencies. In addition, the Credit Facilities also contain certain service charges and other commissions and fees. As of January 22, 2019, the security collateral of $3,000,000 has been released.

Under the Factoring Agreement, HSBC also provides credit protection and debt services related to each preapproved customer. For any approved debts or collections assigned to HSBC, HSBC charges a flat fee of 0.35% on the face value of the invoice for such debt or collection. We may assign debtor payments that are to be paid within 90 days, defined as the maximum terms of payment. We may receive advances on invoices that are due within 30 days of the delivery of our goods, defined as the maximum invoicing period.

The Credit Facilities are subject to review at any time, and HSBC has discretion on whether to renew the Facility Letter. Either party may terminate the Factoring Agreement subject to a 30-day notice period.

As of March 31, 2019, and March 31, 2018, the Company had made $360,401 and $980,195 in withdrawals, respectively, under the Credit Facilities, which are due within 120 days of each borrowing date or upon demand by HSBC. As of March 31, 2019, $85,421 was outstanding under the Factoring Agreement and $274,980 outstanding under the Facility Letter.

On January 31, 2019, Standard Chartered Bank (Hong Kong) Limited (“SCBHK”) offered to provide an import facility of up to $3.0 million to Treasure Success pursuant to a facility letter, dated June 15, 2018. Pursuant to the agreement, SCBHK agreed to finance import invoice financing and pre-shipment financing of export orders up to an aggregate of $3.0 million. The SCBHK facility bears interest at 1.3% per annum over SCBHK’s cost of funds. As of March 31, 2019, the Company had an outstanding amount of $288,310 in import invoice financing.

NOTE 11 – EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share for the fiscal years ended March 31, 2019 and 2018. 57,200 IPO Underwriter Warrants were anti-dilutive for the year ended March 31, 2019 and excluded from the EPS calculation.

	Year Ended March 31, (in $000s except share and per share information)	
	2019	2018
Numerator:		
Net income attributable to Jerash Holdings (US), Inc.'s Common Shareholders	$ 5,112	$ 10,410
Denominator:		
Denominator for basic earnings per share (weighted-average shares)	11,199,630	9,735,651
Dilutive securities – unexercised warrants and options	130,680	-
Denominator for diluted earnings per share (adjusted weighted-average shares)	11,330,310	9,735,651
Basic earnings per share	$ 0.46	$ 1.07
Diluted earnings per share	$ 0.45	$ 1.07

NOTE 12 – SEGMENT REPORTING

ASC 280, "Segment Reporting," establishes standards for reporting information about operating segments on a basis consistent with the Company's internal organizational structure as well as information about geographical areas, business segments and major customers in financial statements for details on the Company's business segments. The Company uses the "management approach" in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company's chief operating decision maker for making operating decisions and assessing performance as the source for determining the Company's reportable segments. Management, including the chief operating decision maker, reviews operation results by the revenue of the Company's products. The Company's major product is outerwear. For the years ended March 31, 2019 and 2018, outerwear accounted for approximately 88.3% and 89.5% of total revenue. Based on management's assessment, the Company has determined that it has only one operating segment as defined by ASC 280.

The following table summarizes sales by geographic areas for the years ended March 31, 2019 and 2018, respectively.

	For the years ended	
	March 31, 2019	March 31, 2018
United States	$ 70,092,992	$ 61,238,605
Jordan	13,693,020	7,267,732
Other countries	1,197,649	789,361
Total	$ 84,983,661	$ 69,295,698

All long-lived assets were located in Jordan as of March 31, 2019 and 2018.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Rent Commitment

The Company leases four manufacturing facilities under operating leases. Operating lease expense amounted to $1,528,500 and $1,274,606 for the years ended March 31, 2019 and 2018, respectively.

Future minimum lease payments under non-cancelable operating leases are as follows:

Twelve months ended March 31,	
2020	$ 867,837
2021	242,836
2022	220,657
2023 and thereafter	176,300
Total	$ 1,507,630

The Company has thirty operating leases for its facilities that require monthly payments ranging between $247 and $15,303. Twenty-five operating leases are renewable on an annual basis.

In addition, in connection with a transaction accounted for as an asset purchase, as further described in Footnote 15 - Subsequent Events of the financial statements, the Company entered into a lease for the primary factory facility and housing accommodations and expects to lease the satellite facility space.

Contingencies

From time to time, the Company is a party to various legal actions arising in the ordinary course of business. The Company accrues costs associated with these matters when they become probable and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. The Company's management does not expect any liability from the disposition of such claims and litigation individually or in the aggregate to have a material adverse impact on the Company's consolidated financial position, results of operations and cash flows.

NOTE 14 – INCOME TAX

	As of March 31, 2019	As of March 31, 2018
Corporate income tax payable	$ 2,567,325	$ 1,400,000

Jerash Garments, Jerash Embroidery, Chinese Garments and Victory Apparel are subject to the regulations of the Income Tax Department in Jordan. The corporate income tax rate is 14% for the industrial sector. In accordance with the Investment Encouragement Law, Jerash Garments' export sales to overseas customers were entitled to a 100% income tax exemption for a period of 10 years commencing at the first day of production. This exemption had been extended for 5 years until December 31, 2018. Effective January 1, 2019, the Hashemite Kingdom of Jordan government has changed some features of Jerash Garments and its subsidiaries area to a Development Zone. In accordance with Development Zone law, Jerash Garments and its subsidiaries began paying corporate income tax in Jordan at a rate of 5%. The effect of the tax exemption on the Company’s 2019 fiscal results is a tax savings of approximately $1,623,717, or $0.14 per share.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”). Under the provisions of the Tax Act, the U.S. corporate tax rate decreased from 35% to 21%. The Tax Act imposes a one-time transition tax on deemed repatriation of historical earnings of foreign subsidiaries, and future foreign earnings are subject to U.S. taxation.

While ASC 740, Income Taxes, requires companies to recognize the effect of tax law changes in the period of enactment, the SEC staff issued Staff Accounting Bulletin 118, which allows companies to record provisional amounts during a measurement period that is similar to the measurement period used when accounting for business combinations. The Company recorded reasonable estimates when possible during the third quarter of the 2018 fiscal year, with the understanding that provisional amounts would be finalized during the measurement period. The Company has completed its accounting for the provisions of the Tax Act as follows:

A. Transition tax: The Company recorded a provisional amount of $1.4 million in fiscal 2018 related to the transition tax for all of its foreign subsidiaries, resulting in an increase in income tax expense of approximately $1.4 million for the year ended March 31, 2018. The income tax payable attributable to the transition tax is due over an 8-year period and began in 2018. During the third quarter of its 2019 fiscal year, the Company completed its accounting for the impact of the transition tax with the finalization of its fiscal year 2018 tax returns, and we determined that the transition tax liability is approximately $1.7 million. Accordingly, the Company recorded a measurement period adjustment with respect to the transition tax of approximately $0.3 million, which had an impact on our effective income tax rate of approximately 4%.

B. During the 2019 fiscal year, the Company made a policy election with respect to the new global intangible low-taxed income (“GILTI”) to account for taxes on GILTI as incurred.

NOTE 14 – INCOME TAX (Continued)

The provision for income taxes for the Company's 2019 and 2018 fiscal years consists of the following:

	3/31/2019	3/31/2018
Domestic and foreign components of income (loss) before income taxes are as follows:		
Domestic	$ (5,205,168)	$ (594,594)
Foreign	11,577,544	12,397,873
Total	$ 6,372,376	$ 11,803,279
The provision (benefit) for income taxes consists of:		
Current tax:		
U.S. federal	$ 1,302,022	$ 1,400.000
U.S. state and local	40	-
Foreign	40,260	-
Total Current Tax	1,342,322	1,400,000
Deferred tax:		
U.S. federal	(81,461)	-
U.S. state and local	-	-
Foreign	-	-
Total deferred tax	(81,461)	-
Total tax	$ 1,260,861	$ 1,400,000
Effective tax rates	19.8%	11.9%

A reconciliation of the effective tax rate is as follows:

	3/31/2019	3/31/2018
Tax at statutory rate	$ 1,338,199	$ 3,723,692
State tax, net of federal benefit	40	-
Non-deductible expenses	692,749	36,778
Transition tax	-	1,400,000
Global Intangible Low-Taxed Income	1,381,950	-
Tax Credits	(31,307)	-
Foreign tax rate differential	(2,391,024)	(3,760,470)
Provision to return adjustments	270,254	-
Total	$ 1,260,861	$ 1,400,000

The Company's deferred tax assets and liabilities at March 31, 2019 and March 31, 2018 consist of the following:

Assets	3/31/2019	3/31/2018
Stock based compensation	$ 81,461	$ -
Deferred tax assets, net	$ 81,461	$ -

As of March 31, 2019, the Company has cumulative book-tax basis differences in its foreign subsidiaries of approximately $20.2 million. The Company has not recorded a U.S. deferred tax liability for the book-tax basis in its foreign subsidiaries as these amounts continue to be indefinitely reinvested in foreign operations. The reversal of this temporary difference would occur upon the sale or liquidation of the Company's foreign subsidiaries, and the estimated impact of the reversal of this temporary difference is approximately $4.2 million.

NOTE 14 – INCOME TAX (Continued)

The Company files income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years prior to December 31, 2016.

At March 31, 2019, the Company believes it has adequately provided for its tax-related liabilities, and that no reserve for unrecognized tax benefits is necessary. No significant change in the total amount of unrecognized tax benefits is expected within the next twelve months. The Company recognizes accrued interest and penalties related to unrecognized tax benefits (if any) in tax expense, as applicable. At March 31, 2019, the Company had no accrual for the payment of interest and penalties.

NOTE 15 – SUBSEQUENT EVENTS

On May 17, 2019, our Board of Directors approved the payment of a dividend of $0.05 per share payable on June 5, 2019 to shareholders of record on May 28, 2019.

On June 18, 2019, the Company closed on a transaction whereby it acquired all of the outstanding shares of Al-Mutafaweq Co. for Garments Manufacturing Ltd. ("Paramount"), a contract garment manufacturer based in Amman, Jordan pursuant to an agreement between Jerash Garments and the shareholder of Paramount dated December 11, 2018. As a result, Paramount became a subsidiary of Jerash Garments, and the Company assumed ownership of all of the machinery and equipment owned by Paramount. Paramount had no other significant assets or liabilities and no operating activities or employees as the time of this acquisition, so this transaction was accounted for as an asset acquisition. $380,000 was prepaid to Paramount as an acquisition deposit as of March 31, 2019, and $600,000 was paid subsequently at the closing of this transaction.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Exchange Act Rule 15d-15(e)) are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Exchange Act, such as this report, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures are also designed with the objective of ensuring 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.

Our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), based on their evaluation of the Company's disclosure controls and procedures as of March 31, 2019, concluded that the Company's disclosure controls and procedures were effective as of that date.

Internal Control Over Financial Reporting

Management's annual report on internal control over financial reporting. Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. 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.

Our management, with the participation of our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), has assessed the effectiveness of our internal control over financial reporting as of March 31, 2019. In making this assessment, management used the criteria set forth in the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework (2013)*.

Based on the assessment using those criteria, management concluded that, as of March 31, 2019, our internal control over financial reporting was effective.

Attestation report of the registered public accounting firm. This Annual Report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Our management's report was not subject to attestation by our independent registered public accounting firm pursuant to the rules of the SEC that permit us to provide only management's report in this Annual Report.

Changes in internal control over financial reporting. There were no changes in our internal control over financial reporting (as the term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

Effective as of January 22, 2019, HSBC's $3,000,000 charge over our deposits was released in connection with the Group's entry into the 2018 Facility Letter and 2018 Factoring Agreement. The 2018 Facility Letter, entered into on June 19, 2018, amended the 2017 Facility Letter to extend it its term and provide for a change in collateral. The 2018 Factoring Agreement, entered into on June 14, 2018, amended the 2017 Facility Letter to extend its term and provide for a change in collateral. For more information about our Secured Credit Facilities, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Credit Facilities" in Item 7 of this Annual Report on Form 10-K.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

In response to this Item, the information set forth in the Company's Proxy Statement for its 2019 Annual Meeting of Stockholders (the "2019 Proxy Statement") to be filed within 120 days following the end of the Company's fiscal year, under the headings "Proposal No. 1 — Election of Directors," "Our Executive Officers," "Delinquent Section 16(a) Reports," and "Corporate Governance Practices and Policies" is incorporated herein by reference.

Item 11. Executive Compensation.

In response to this Item, the information set forth in the 2019 Proxy Statement under the headings "Executive Compensation" and "Corporate Governance Practices and Policies" is incorporated herein by reference.

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

In response to this Item, the information set forth in the 2019 Proxy Statement under the headings "Executive Compensation — Equity Compensation Plan Information" and "Security Ownership of Certain Beneficial Owners and Management" is incorporated herein by reference.

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

In response to this Item, the information set forth in the 2019 Proxy Statement under the headings "Certain Relationships and Related Party Transactions" and "Corporate Governance Practices and Policies — Board and Committee Independence" is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

In response to this Item, the information set forth in the 2019 Proxy Statement under the heading "Proposal No. 2 — Ratification of Appointment of Independent Registered Public Accounting Firm — Matters Relating to the Independent Registered Public Accounting Firm" is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) *Financial Statements*

We have filed the financial statements in Item 8. Financial Statements and Supplementary Data as a part of this Annual Report on Form 10-K.

(b) *Exhibits*

The following is a list of all exhibits filed or incorporated by reference as part of this Annual Report on Form 10-K.

Exhibit Number	Description	Location
2.1	Equity Contribution Agreement, dated as of May 11, 2017, by and among (i) Jerash Holdings (US), Inc., (ii) Merlotte Enterprises Limited, Lee Kian Tjiauw and Ng Tsze Lun, and (iii) Maxim Partners LLC, Dayspring Capital LLC, HSE Capital Partners, LLC, GH Global Enterprises, LLC and Asset Intelligence Limited	Incorporated herein by reference to Exhibit 2.1 to the Company's Form S-1, filed with the SEC on June 27, 2017
2.2	Agreement and Plan of Merger, dated as of May 11, 2017, by and between Global Trend Investments Limited and Jerash Holdings (US), Inc.	Incorporated herein by reference to Exhibit 2.2 to the Company's Form S-1, filed with the SEC on June 27, 2017
3.1	Amended and Restated Certificate of Incorporation	Incorporated herein by reference to Exhibit 3.1 to the Company's Post-Effective Amendment No. 1 to Form S-1, filed with the SEC on September 19, 2018
3.2	Bylaws	Incorporated herein by reference to Exhibit 3.5 to the Company's Form S-1, filed with the SEC on June 27, 2017
4.1	Description of Securities	Filed herewith
10.1†	Securities Purchase Agreement, dated as of May 15, 2017, by and between Jerash Holdings (US), Inc., Lee Kian Tjiauw and the purchasers signatory thereto.	Incorporated herein by reference to Exhibit 10.1 to Amendment No. 4 to the Company's Form S-1, filed with the SEC on October 10, 2017
10.2†	Registration Rights Agreement, dated as of May 15, 2017, by and between Jerash Holdings (US), Inc. and the purchasers signatory thereto	Incorporated herein by reference to Exhibit 10.2 to Amendment No. 4 to the Company's Form S-1, filed with the SEC on October 10, 2017
10.1	Form of Private Placement Warrant	Incorporated herein by reference to Exhibit 10.3 to the Company's Form S-1, filed with the SEC on June 27, 2017
10.2	Letter Agreement for Banking Facilities, dated as of May 29, 2017, by and between The Hongkong and Shanghai Banking Corporation Limited and Treasure Success International Limited	Incorporated herein by reference to Exhibit 10.4 to the Company's Form S-1, filed with the SEC on June 27, 2017
10.3	Letter Agreement for Invoice Discounting / Factoring Agreement, dated as of June 5, 2017, by and between The Hongkong and Shanghai Banking Corporation Limited, Treasure Success International Limited, Choi Lin Hung, Ng Tsze Lun, Jerash Garments and Fashions Manufacturing Company Limited, and Jerash Holdings (US), Inc.	Incorporated herein by reference to Exhibit 10.5 to the Company's Form S-1, filed with the SEC on June 27, 2017

10.4+	Unified Employment Agreement for Expatriate Staff in the Textile, Garment and Clothing Industry between Jerash Garments of Fashions Manufacturing Company Limited and Wei Yang dated as of January 5, 2017	Incorporated herein by reference to Exhibit 10.7 to Amendment No. 3 to the Company's Form S-1, filed with the SEC on September 29, 2017
10.5	Rental Agreement, dated as of October 3, 2018, by and between Ford Glory International Limited and Treasure Success International Limited	Filed herewith
10.6	Guarantee of Mr. Choi Lin Hung and Mr. Ng Tsze Lun dated May 31, 2017	Incorporated herein by reference to Exhibit 10.11 to Amendment No. 3 to the Company's Form S-1, filed with the SEC on September 29, 2017
10.7	Invoice Discounting/Factoring Agreement dated August 21, 2017, by and between The Hongkong and Shanghai Banking Corporation Limited and Treasure Success International Limited	Incorporated herein by reference to Exhibit 10.12 to Amendment No. 3 to the Company's Form S-1, filed with the SEC on September 29, 2017
10.8+	Consulting Agreement, dated January 12, 2018, by and between Treasure Success International Limited and Yukwise Limited	Incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K, filed with the SEC on January 16, 2018
10.9+	Consulting Agreement, dated January 16, 2018, by and between Treasure Success International Limited and Multi-Glory Corporation Ltd.	Incorporated herein by reference to Exhibit 10.18 to the Company's Form S-1, filed with the SEC on January 18, 2018
10.15	Form of Subscription Agreement	Incorporated herein by reference to Exhibit 10.14 to Amendment No. 1 to the Company's Form S-1, filed with the SEC on March 5, 2018
10.10	Form of Underwriter's Warrant	Incorporated herein by reference to Exhibit 10.15 to Amendment No. 2 to the Company's Form S-1, filed with the SEC on March 9, 2018

10.11+	Jerash Holdings (US), Inc. 2018 Stock Incentive Plan	Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on March 23, 2018
10.12+	Form of Option Award Notice and Agreement (Employee)	Incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on March 23, 2018
10.13+	Form of Option Award Notice and Agreement (Consultant)	Incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the SEC on March 23, 2018
10.14+	Employment Agreement dated August 3, 2018 between the Company and Karl Brenza	Incorporated herein by reference to Exhibit 10.21 to the Company's Post-Effective Amendment No. 1 to Form S-1, filed with the SEC on September 19, 2018
10.15+	Stock Option Award Agreement between the Company and Karl Brenza	Incorporated herein by reference to Exhibit 10.22 to the Company's Post-Effective Amendment No. 1 to Form S-1, filed with the SEC on September 19, 2018
10.16+	Employment Agreement dated August 3, 2018 between the Company and Richard J. Shaw	Incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on November 13, 2018
10.17+	Stock Option Award Agreement between the Company and Richard J. Shaw	Incorporated herein by reference to Exhibit 10.23 to the Company's Post-Effective Amendment No. 1 to Form S-1, filed with the SEC on September 19, 2018
10.18	Sale and Purchase Contract, dated December 11, 2018, between Jerash Garments and Fashions Manufacturing Limited and Omar Javed Bhat	Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on January 23, 2019
10.19	Facility Letter between Treasure Success International Limited and Standard Chartered Bank (Hong Kong) Limited	Incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on February 13, 2019
10.20	Standard Chartered Global Master Credit Terms	Incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on February 13, 2019
10.21	Standard Chartered Global Master Trade Terms	Incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on February 13, 2019
10.22	Letter Agreement for Banking Facilities, dated as of June 19, 2018 by and between The Hongkong and Shanghai Banking Corporation Limited, Treasure Success International Limited and Jerash Garments and Fashions Manufacturing Company Limited	Filed herewith
10.23	Letter Agreement for Invoice Discounting / Factoring Agreement, dated as of June 14, 2018, by and between The Hongkong and Shanghai Banking Corporation Limited, Treasure Success International Limited and Jerash Garments and Fashions Manufacturing Company Limited	Filed herewith

21.1	Subsidiaries of Jerash Holdings (US), Inc.	Incorporated herein by reference to Exhibit 21.1 to the Company's Annual Report on Form 10-K, filed with the SEC on June 28, 2018
23.1	Consent of Friedman LLP	Filed herewith
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	Filed herewith
101.INS	XBRL Instance Document	Filed herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase	Filed herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	Filed herewith
101.SCH	XBRL Taxonomy Extension Schema Linkbase	Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase	Filed herewith

+ Indicates a management contract or compensatory plan, contract or arrangement.

Item 16. Form 10-K Summary.

None.

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, thereunto duly authorized.

JERASH HOLDINGS (US), INC.

Date: June 28, 2019

By: /s/ Richard J. Shaw
Name: Richard J. Shaw
Title: Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated below on June 28, 2019.

Signature	Title
/s/ Choi Lin Hung Choi Lin Hung	Chairman, Chief Executive Officer, President and Treasurer (Principal Executive Officer)
/s/ Richard J. Shaw Richard J. Shaw	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
/s/ Wei Yang Wei Yang	Vice President, Secretary, and Director
/s/ Sean Socha Sean Socha	Director
/s/ Gary Haseley Gary Haseley	Director
/s/ Mak Chi Yan Mak Chi Yan	Director

DESCRIPTION OF SECURITIES

The following is a brief description of the common stock, par value $0.001 per share (the “common stock”), of Jerash Holdings (US), Inc. (the “Company”), which is the only security of the Company registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended. This description is not complete, and we qualify it by referring to our amended and restated certificate of incorporation and our bylaws.

Our certificate of incorporation authorizes us to issue 30,500,000 shares of capital stock, divided into two classes:

- 30,000,000 shares of common stock, $0.001 par value per share; and
- 500,000 shares of preferred stock, $0.001 par value per share (“preferred stock”).

Common Stock

Our common stock has one vote per share. The holders of our common stock are entitled to vote on all matters to be voted on by stockholders. The holders of our common stock do not have cumulative voting rights. Our common stock is not liable to further calls or assessment.

Directors are elected by a plurality vote of the shares represented in person or by proxy. All other actions by stockholders will be approved by a majority of votes cast except as otherwise required by law.

The holders of common stock are entitled to receive dividends ratably when, as and if declared by the board of directors out of funds legally available therefor. In the event of our liquidation, dissolution or winding up, the holders of common stock are entitled to share equally and ratably in all assets remaining available for distribution after payment of liabilities and after provision is made for each class of stock, if any, having preference over the common stock. Holders of common stock have no preemptive, subscription, redemption, sinking fund, or conversion rights. The outstanding shares of common stock are validly issued, fully paid and non-assessable.

Effects on our Common Stock if We Issue Preferred Stock

Our board of directors has authority, without further action by the stockholders, to issue up to 500,000 shares of preferred stock in one or more series. Our board of directors has the authority to determine the terms of each series of preferred stock, within the limits of the certificate of incorporation and the laws of the state of Delaware. These terms include the number of shares in a series, dividend rights, liquidation preferences, terms of redemption, conversion rights and voting rights.

The issuance of any preferred stock may negatively affect the holders of our common stock. These possible negative effects include diluting the voting power of shares of our common stock and affecting the market price of our common stock.

Anti-Takeover Effects of Provisions of our Certificate of Incorporation and Bylaws

Preferred Stock

We believe that the availability of the preferred stock under our certificate of incorporation provides us with flexibility in addressing corporate issues that may arise. Having these authorized shares available for issuance allows us to issue shares of preferred stock without the expense and delay of a special stockholders' meeting. The authorized shares of preferred stock, as well as shares of common stock, will be available for issuance without further action by our stockholders, unless action is required by applicable law or the Nasdaq rules or the rules of any stock exchange on which our securities may be listed. The board of directors has the power, subject to applicable law, to issue series of preferred stock that could, depending on the terms of the series, impede the completion of a merger, tender offer or other takeover attempt that some, or a majority, of the stockholders might believe to be in their best interests or in which stockholders might receive a premium for their stock over the then-prevailing market price of the stock.

Exclusive Forum of Certain Actions

Our certificate of incorporation provides that derivative actions brought in the name of the Company, actions against directors, officers and employees for breach of fiduciary duty and other similar actions may be brought only in the Court of Chancery of the State of Delaware. Although we believe this provision benefits the Company and its stockholders by providing increased consistency in the application of Delaware law in the types of lawsuits to which it applies, the provision may have the effect of discouraging lawsuits against us or our directors, officers and employees.

Amendment of Bylaws

Our certificate of incorporation grants our board of directors the power to adopt, amend or repeal our bylaws, except as otherwise set forth in the bylaws.

THIS AGREEMENT is made on the 22nd day of December 2018

BETWEEN:-

(1) Ford Glory International Limited whose registered office is situate at 19/F, Ford Glory Plaza, 37-39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong (the "Landlord"); and

(2) Treasure Success International Limited whose registered office is situate at 19/F, Ford Glory Plaza, 37-39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong (the "Tenant").

RECITAL

A. Pursuant to a lease agreement entered into by the Landlord and the Tenant on October 2, 2016 with a lease term expired on October 2, 2018 (the "Old Lease"), the Landlord and the Tenant both agreed to renew the Old Lease with the terms below and the details in the First Schedule and the Second Schedule.

B. Upon execution of this Lease Agreement, the Old Lease is deemed to be renewed on October 3, 2018, the date the term of this Lease Agreement starts per the First Schedule and Second Schedule.

WHEREBY IT IS AGREED as follows

1. The Landlord lets and the Tenant takes ALL THAT the premises more particularly described and set out in the First Schedule hereto (the "Property") which forms part of the building more particularly described in the First Schedule hereto (the "Building") TOGETHER with all rights easements and appurtenances thereto belonging or usually held and enjoyed therewith for the term (the "Term") and at the rent (the "Rent") more particularly set out in the Second Schedule hereto.

2. The Tenant to the intent that the obligations may continue throughout the Term hereby created agrees with the Landlord as follows:-

   (a) To pay the Landlord the Rent at the time and in manner aforesaid, and to pay all charges for telephone in respect of the Property and to make all necessary deposits for the supply of the said services when required.

(b) If any defects or want of repair shall be found and if the Landlord shall give or leave a notice in writing at the Property requiring the Tenant to amend the same and if the Tenant shall not within 7 days after the service of such notice proceed diligently with the execution of such repairs then to permit the Landlord to enter upon the Property and execute such repairs and the cost thereof (the amount thereof in case of difference to be determined by the Landlord's agent) shall be borne by the Landlord.

(c) To use the Property for office/commercial purposes only.

(d) Not to do or permit to be done in or upon the Property or any part thereof anything which may be or become a nuisance, annoyance, damage or disturbance to the Landlord or the Tenant or occupiers of other property in the neighborhood or anywise against the law or regulations of Hong Kong.

(e) Not to keep or store or cause or permit or suffer to be kept or stored any arms ammunitions gun-powder saltpetres kerosene or hazardous goods in the Property or do or cause to be done or suffer or permit any act deed matter or thing whatsoever which shall amount to a breach or non-observance of the terms and conditions under which the Property is held from the Government.

(f) Not to use the Property or allow the same to be used for illegal or immoral purposes.

(g) Quietly to yield up the Property at the expiration or sooner determination of the tenancy in good clean and tenantable repair fair wear and tear excepted.

(h) To observe and perform and not to contravene any of the terms covenants and conditions contained in the Government Lease under which the Property is held from the Government.

(i) Not to place any box dust bins articles or cause obstruction in the corridor or passage way of the Building or in any place which is not hereby exclusively let to the Tenant.

(j) Not to do anything which may render the insurance of the Property or the Building void or voidable or which may render the premium for such insurance liable to increase and the Tenant shall make payment of any such increased premium.

3. The Landlord hereby agrees with the Tenant as follows:-

(a) That the Tenant paying the Rent hereby stipulated and observing and performing the several stipulation herein contained and on its part to be observed and performed shall peacefully hold and enjoy the Property during the Term without any interruption by the Landlord or any person lawfully claiming through under or in trust for him.

(b) To pay charges for water, gas and electricity in respect of the Property, costs of cleaning, maintenance and repair in respect of any part of the Property, any government assessments, management fees, property taxes or similar charges payable on the Property.

4. PROVIDED ALWAYS and IT IS HEREBY EXPRESSLY AGREED as follows:-

(a) If the Rent hereby stipulated or any part thereof shall remain unpaid for 15 days after becoming payable (whether legally demanded or not) or if the Tenant or other person in whom for the time being the term hereby created shall be vested shall failed to observe or perform any of the conditions herein in any material respect or shall become bankrupt or enter into any composition or arrangement with creditors or suffer any prosecution in respect of the non-payment of any money due to the Government then and in any of the said cases it shall be lawful for the Landlord at any time thereafter to re-enter upon the Property or any part thereof in the name of the whole and thereupon this Agreement shall absolutely determine but without prejudice to any right of action of the Landlord in respect of any breach of the Tenant's terms and conditions herein contained and a written notices served by the Landlord on the Tenant or left at the Property to the effect that the Landlord exercise the power of re-entry hereinbefore contained shall be a full and sufficient exercise of such power notwithstanding any statutory or common law provisions to the contrary.

(b) Any notice required to be served hereunder shall be sufficiently served on the Tenant if delivered to it at its registered office by registered mail. A notice sent by registered mail shall be deemed to be given at the time signed by the receiving party.

(c) For the purposes of this Agreement any act default or omission of the agents servants and customers of the Landlord or the Tenant shall be deemed to be the act default or omission of the Landlord or the Tenant.

5. Within seven (7) days from the date of this Agreement, the Tenant shall pay to the Landlord the Deposit as more particularly set out in the Second Schedule hereto to secure the due observance and performance by the Tenant of the agreements stipulations and conditions contained in this Agreement and on the part of the Tenant to be observed and performed. Upon mutual agreement of both the Landlord and the Tenant, the deposit paid by the Tenant for the Old Lease shall be deemed part of the deposit of this Lease Agreement per the First Schedule. The Deposit shall be retained by the Landlord throughout the Term and the currency of this Agreement without payment of any interest to the Tenant. In the event of any breach or non-observance or non-performance by the Tenant of any of the agreements, stipulations, terms or conditions of this Agreement in any material respect the Landlord shall be entitled (without prejudice to any other right or remedy hereunder) to terminate this Agreement and to deduct from the Deposit the amount of any loss reasonably incurred by the Landlord in consequence of the breach, non-observance or non-performance by the Tenant of this Agreement in which event the Tenant shall as a condition precedent to the continuation of the tenancy hereby created within seven (7) days' written notice by the Landlord or its agent deposit with the Landlord the amount so deducted and if the Tenant shall fail so to do the Landlord shall forthwith be entitled to re-enter on and upon the Property or any part thereof in the name of the whole and to determine this Agreement in which event the Deposit may be forfeited to the Landlord by way of liquidated damages without prejudice to any other right or remedy hereunder. If any deduction is made by the Landlord from the Deposit during the Term the Tenant shall within seven (7) days following demand by the Landlord make a further deposit equal to the amount deducted and failure by the Tenant so to do shall entitle the Landlord to re-enter the Property and to terminate this Agreement. Subject as aforesaid the Deposit shall be refunded to the Tenant by the Landlord without interest within thirty days after the expiration or termination of this Agreement and the delivery of vacant possession to the Landlord and after the settlement of the last outstanding claim by the Landlord against the Tenant in respect of any arrears of Rent and telephone charges and any material breach, non-observance or non-performance of any of the agreements, stipulations, terms and conditions herein contained and on the part of the Tenant to be observed and performed whichever shall be the later.

6. The stamp duty on this Agreement and its counterpart shall be borne by the Landlord and the Tenant in equal shares.

AS WITNESS the hands of the parties hereto the day and year first above written.

SIGNED by	)	Ford Glory International Limited
	)	
	)	
for and on behalf of the Landlord	)	/s/ Ng Tsze Lun
SIGNED by the Tenant	)	
	)	
OR		
SIGNED by	)	Treasure Success International Limited
	)	
	)	
for and on behalf of the Tenant	)	/s/ Choi Lin Hung

FIRST SCHEDULE

The Property:
approximate gross area of 5,977 square feet of 19/F, Ford Glory Plaza, 37-39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong

SECOND SCHEDULE

Term:	1 year with 1 year option of unchanged rent
Period:	3 October 2018 to 2 October 2020
Rent:	HK$119,540 per month (payable on the first day of each and every month inclusive of management fees, rates and government rent) and without any set-off and/or deduction)
Deposit:	HK$239,080

HSBC

Commercial Banking - GP4 Major 1
(CARM 180525)

CONFIDENTIAL
Treasure Success International Limited /
Jerash Garments and Fashions Manufacturing Company Limited
19/F Ford Glory Plaza
37-39 Wing Hong Street
Cheung Sha Wan
Kowloon

19 June 2018

Attn: Mr Samuel Choi

Dear Sir

BANKING FACILITIES

With reference to our recent discussions, we are pleased to confirm our agreement to renewing the following facilities. The facilities will be made available subject to (a) the specific terms and conditions outlined herein; (b) the Bank's Terms and Conditions for Facilities; and (c) the general terms and conditions governing your account(s) with the Bank or (as the case may be) the relationship terms of business. In case of any conflict, the terms of this Facility Letter shall prevail. Definitions contained in the Bank's Terms and Conditions for Facilities apply to this Facility Letter. The Bank shall have an unrestricted discretion to reduce, cancel or suspend, or determine whether or not to permit drawings in relations to, the facilities. The facilities are subject to review at any time and in any event by 1 May 2019, and also subject to the Bank's overriding right of repayment on demand including the right to call for cash cover on demand for prospective and contingent liabilities.

In the event of a renewal of the facilities next year or by 1 May 2019, whichever is earlier, the Bank will issue a renewal notification letter to confirm the continuation of the latest available facilities. A review fee will be advised and this shall be debited automatically from the Borrower(s)'s account within 1 month of the issuance of the renewal notification letter.

BORROWER(S)

Treasure Success International Limited	[TSL]	[Customer No. 741-027148]
Jerash Garments and Fashions Manufacturing Company Limited	[JGL]	[Customer No. 741-023774]

Facilities available to TSL and JGL

Utilization of the facilities below may be made by, TSL and/or JGL.

FACILITIES	**Limit**
(1) Combined Limit for the following facilities within which the following sub-limits apply, provided that the aggregate amount outstanding of such facilities shall at no time exceed the stated combined limit:	USD8,000,00.-
(a) Import Facilities (Usance period up to 120 days)	USD8,000,00.-

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building 1 Queen's Road Central, Hong Kong
Tel: (852) 2822 1111
Web: www.hsbc.com.hk

Incorporated in the Hong Kong SAR with limited liability
Registered at the Hong Kong Companies Registry No. 263876

	Within which	
	(i) Loan Against Import ("LAI") (Maximum Tenor 120 days)	(USD8,000,00.-)
	(ii) Trust Receipts	(USD8,000,00.-)
	Notwithstanding the foregoing, the Bank's overriding right to demand repayment at any time shall not be affected.	
(b)	Post-Shipment Buyer Loans (Maximum tenor 120 days)	USD8,000,00.-
	Notwithstanding the foregoing, the Bank's overriding right to demand repayment at any time shall not be affected.	
(c)	Advance to Manufacturer against Purchase Order (Maximum tenor 120 days)	USD8,000,00.-
	Notwithstanding the foregoing, the Bank's overriding right to demand repayment at any time shall not be affected.	

SECURITY AND OTHER DOCUMENTATION

The Bank will continue to hold the following security document(s) and other document(s):

1. A Guarantee (Unlimited Amount) dated 27 July 2017 from JGL. This Guarantee is supported by an "Assignment of Receivables - General" dated 27 July 2017 granted by JGL.

2. A Guarantee (Unlimited Amount) dated 27 July 2017 from Jerash Holdings (US) Inc together with:

   (a) a certified copy of Board Resolution dated 27 July 2017;

   (b) a Certificate of Incumbency; and

   (c) a Counsel Opinion.

3. A Letter of Undertaking dated 27 July 2017 granted by JGL.

The Bank will continue to require to hold the following security document(s) and other document(s):

4. A Guarantee (Unlimited Amount) from Jerash Holdings (US) Inc together with:

   (a) a certified copy of a Board Resolution, signed sealed by the Secretary or Assistant Secretary of Jill authorising a named person to execute the guarantee;

   (b) a Certificate of Incumbency signed sealed by the Secretary or Assistant Secretary identifying the individual authorized to issue the guarantee.

   (c) a Counsel Opinion.

5. A Guarantee (Unlimited Amount) from TSL.

The Bank agrees to release the following security document(s) and other document(s):

6. A Charge over Securities and Deposits (Unlimited Amount) dated 27 July 2017 granted by TSL.

   A charge over TSL's deposit(s) for USD3,000,000.- or its equivalent in other foreign currencies placed with the Bank.

   This "Charge over Securities and Deposits (Unlimited Amount)" needs to be discharged with the Companies Registry. The related discharge fee (currently HKD190.- per document) will be charged to the debit of the Borrower(s)'s account.

7. A Guarantee (Unlimited Amount) dated 7 September 2017 from Choi Lin Hung and Ng Tsze Lun. This Guarantee(s) will be cancelled after a retention period considered by it (the Bank) to be reasonably appropriate, which is normally six months.

The Bank confirms that the following security document(s) and other document(s) as stated in previous letter dated 29 March 2018 has not yet been obtained and is no longer required:

8. A Guarantee (Unlimited Amount) from Choi Lin Hung and Ng Tsze Lun.

As JGL and Jerash Holdings (US) Inc are incorporated in Jordan and United States of America respectively, the Bank also requires a legal opinion (in form and substance satisfactory to the Bank) from a qualified lawyer in the jurisdiction of JCL's and Jerash Holdings (US) Inc's country of incorporation, confirming the corporate capacity and authority of JGL and Jerash Holdings (US) Inc to enter into the facility(ies)/security, and also confirming that all necessary documents have been or will be properly executed. The legal opinion, together with the properly executed security documents, should be forwarded to the Bank directly by the solicitor.

FURTHER NOTES

Without prejudicing or affecting the Bank's right to suspend, withdraw or make demand in respect of the whole or any part of the facilities made available to the Borrower(s) at any time or determine whether or not to permit drawings in relation to the facilities, the Borrower(s) will, as the case may be:-

1) give the undertakings set out in the Schedule of Further Notes which will remain in full force until the facilities have been repaid in full; and/or

2) make the representations and warranties set out in the Schedule of Further Notes which will be deemed repeated daily until the facilities have been repaid in full; and/or

3) agree to the further conditions as set out in the Schedule of Further Notes.

SCHEDULE OF FACILITIES

IMPORT FACILITIES WITH LOAN AGAINST IMPORT (LAI)

DETAILS

1. For the issuance of Documentary Credits to the Borrower(s)'s suppliers and Import Loan Facilities in either BK Dollars or Foreign Currency, less any usance I credit periods granted by the Borrower(s)'s suppliers.

2. Subject to the Bank's right at any time to demand immediate repayment of all sums owing by the Borrower(s), advances may be made available:

   (a) in respect of sight documentary credits, for a period up to the maximum tenor as stipulated under the heading "Facilities"; and heading

   (b) in respect of usance documentary credits, for a period up to the maximum tenor as stipulated under the heading "Facilities" less the usance period (i.e. the supplier's credit finance period) of the relevant documentary credit, commencing from the date that import documents presented under the usance documentary credit are accepted.

3. The Bank may, on an exceptional basis, and subject to such conditions as it may impose from time to time, accept applications for the issuance of documentary credits relating to goods already received by the Borrower(s) but not paid for. Such conditions include (without limitation):

   (a) evidence of delivery being supported by (i) a cargo receipt showing a date on which the goods are actually received or (ii) transport document(s) showing a date of shipment, with such dates referred to in the cargo receipt or transport document (where applicable) not exceeding 90 days before the issue date of the relevant documentary credit; and

   (b) the maximum tenor of the import loan facilities drawn under the documentary credit shall be up to 120 days, less any usance / credit periods granted by the Borrower(s)'s suppliers.

4. 50% of the debts purchase services proceeds shall be utilized to repay outstanding pre-shipment loans regardless of the due dates of the respective loans.

TRUST RECEIPTS

DETAILS

1. Advances may be made under this Trust Receipt to enable the Borrower(s) to pay import documentary credit, with the associated title documents released to the Borrower(s) against Trust Receipt(s) signed by the Borrower(s).

2. 50% of the debts purchase services proceeds shall be utilized to repay outstanding pre-shipment loans regardless of the due dates of the respective loans.

COMMISSION / FEES

Documentary Credit opening commission for each validity period of six months and Commission in lieu of exchange (to be charged if bills/loans are settled without foreign currency conversion with HSBC) will continue to be charged as follows:

- For the first USD50,000.- or its equivalent	0.25%
- Balance in excess of USD50,000.- and up to USD100,000.- or its equivalent	0.125%
- Balance in excess of USD100,000.- or its equivalent	0.0625%

PRICING

For drawings in HKD

Interest will continue to be charged at Hong Kong Interbank Offered Rate (HIBOR) + 1.5% p.a.

For drawings in USD/CHF/EUR/GBP/JPY

Interest will continue to be charged at London Interbank Offered Rate (LIBOR) + 1.5% p.a.

For details of benchmark interest rates, please refer to the attached Appendix.

POST-SHIPMENT BUYER LOANS

DETAILS

1. A Post-shipment Buyer Loans may be granted to the Borrower(s)'s suppliers for a period up to the maximum tenor as stipulated under the heading "Facilities" (less any usance/credit periods granted by the Borrower(s)'s suppliers), on the conditions that:

   (i) the Bank receives an undertaking that the purchase of goods is a genuine trade transaction and that no other financing has been or will be requested or obtained from the Bank or any other financial institution against the suppliers' invoices financed by the Bank,

   (ii) the Bank receives the original or certified true copy of the pro-forma invoice, the accepted purchase order or such other document acceptable to the Bank, and which clearly stipulates the advance payment terms,

   (iii) the Bank receives written instruction from the Borrower to remit payment directly to the suppliers,

   (iv) the Bank receives and the relevant transport documents acceptable to the Bank, which are marked with the relevant Pre-Shipment Buyer Loan Reference Number and

   (v) the aggregate outstanding amount outstanding is within the above specific limits.

2. The Bank will settle the invoices direct on the respective due dates and the proceeds will be remitted or credited directly to the suppliers' accounts. Notwithstanding the foregoing, the Bank's overriding right to demand repayment at any time shall not be affected.

3. 50% of the debts purchase services proceeds shall be utilized to repay outstanding pre-shipment loans regardless of the due dates of the respective loans.

COMMISSION / FEES

Commission in lieu of exchange (to be charged if bills/loans are settled without foreign currency conversion with HSBC) will continue to be charged as follows:

- For the first USD50,000.- or its equivalent	0.25%
- Balance in excess of USD50,000.- and up to USD100,000.- or its equivalent	0.125%
- Balance in excess of USD100,000.- or its equivalent	0.0625%

A handling commission of 0.25% of the bill amount will continue to be collected upon each drawdown of the Post-shipment Buyer Loans.

PRICING

For drawings in BIM

Interest will continue to be charged at Hong Kong Interbank Offered Rate (HIBOR) + 1.5% p.a.

For drawings in USD/CHF/EUR/GBP/JPY

Interest will continue to be charged at London Interbank Offered Rate (LIBOR) + 1.5% p.a.

For details of benchmark interest rates, please refer to the attached Appendix.

ADVANCE TO MANUFACTURER

DETAILS

1. Up to 70% of Purchase Order value in favour of the Borrower(s) and to be repaid within the maximum tenor as stipulated under the heading “Facilities”. Drawdown of this facility is allowed against presentation of copies of the relevant Purchase Order. Notwithstanding the foregoing, the Bank’s overriding right to demand repayment at any time shall not be affected.

2. 50% of the debts purchase services proceeds shall be utilized to repay outstanding pre-shipment loans regardless of the due dates of the respective loans.

COMMISSION / FEES

Handling fee will continue to be charged at 0.25% at all amounts.

PRICING

For drawings in HKD

Interest will continue to be charged at Hong Kong Interbank Offered Rate (HIBOR) + 1.5% p.a.

For drawings in USD/CHF/EUR/GBP/JPY

Interest will continue to be charged at London Interbank Offered Rate (LIBOR) + 1.5% p.a.

For details of benchmark interest rates, please refer to the attached Appendix.

SCHEDULE OF FURTHER NOTES

This schedule sets out the further points to note for the Borrower(s).

The Borrower(s)'s compliance or otherwise with the following condition(s) precedent, representations, warranties, undertakings or further conditions (as the case may be) will not in any way prejudice or affect the Bank's right to suspend, withdraw or make demand in respect of the whole or any part of the facilities made available to the Borrower(s) at any time or determine whether or not to permit drawings in relation to the facilities. By signing this letter, the Borrower(s) expressly acknowledge that the Bank may suspend, withdraw or make demand for repayment of the whole or any part of the facilities at any time or determine whether or not to permit drawings in relation to the facilities, notwithstanding the fact that the following conditions precedent, representations, warranties, undertakings and further conditions (as the case may be) are included in this letter and whether or not the Borrower(s) have complied with any of them.

Representation and Warranties

None of the Borrower(s), any of its subsidiaries, any director or officer or any employee, agent, or affiliate of the Borrower or any of its subsidiaries is an individual or entity ("**Person**") that is, or is owned or controlled by Persons that are, (i) the subject of any sanctions administered or enforced by the US Department of the Treasury's Office of Foreign Assets Control, the US Department of State, the United Nations Security Council, the European Union, Her Majesty's Treasury, or the Hong Kong Monetary Authority (collectively, "**Sanctions**")**,** or (ii) located, organised or resident in a country or territory that is, or whose government is, the subject of Sanctions, including, without limitation, the Crimea region, Cuba, Iran, North Korea, Sudan and Syria.

Undertakings

1. The Borrower(s) will promptly provide to the Bank any financial or other information that the Bank may, from time to time, reasonably request for the purposes of understanding such Borrower's financial position, business and operations and assessing such Borrower's ability to meet its obligations and liabilities under this Facility Letter.

2. TSL undertakes that Choi Lin Hung and Ng Tsze Lun should maintain no less than 40% *[previously 50%]* of shareholding of TSL.

3. In respect of the Advance to Manufacturer facilities, the Borrower(s) shall (i) procure the purchaser(s) of all goods financed by the Facilities to pay all sale proceeds into the Borrower(s)'s account with the Bank and the Bank shall be entitled to apply such sale proceeds towards any sum due to the Bank from the Borrower(s); and (ii) upon request by the Bank, provide such evidence as may be required by the Bank from time to time to show that the Borrower(s) has/have complied with condition (i).

4. Sanctions: The Borrower(s) will not, directly or indirectly, use the proceeds of the facilities set out in this letter, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person, (i) to fund any activities or business of or with any Person, or in any country or territory, that, at the time of such funding, is, or whose government is, the subject of Sanctions or (ii) in any other manner that would result in a violation of Sanctions by any Person (including any Person participating in the facilities, whether as underwriter, advisor, investor or otherwise).

5. Anti-bribery and corruption: None of the Borrower(s), nor to the knowledge of the Borrower(s), any director, officer, agent, employee, affiliate or other person acting on behalf of the Borrower(s) or any of its/their subsidiaries is aware of or has taken any action, directly or indirectly, that would result in a violation by such persons of any applicable anti-bribery law, including but not limited to, the United Kingdom Bribery Act 2010 (the **"UK Bribery Act")** and the U.S. Foreign Corrupt Practices Act of 1977 (the **"FCPA").** Furthermore, the Borrower(s) and, to the knowledge of the Borrower(s), its/their affiliates have conducted their businesses in compliance with the UK Bribery Act, the FCPA and similar laws, rules or regulations and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith. No part of the proceeds of the facilities set out in this letter will be used, directly or indirectly, for any payments that could constitute a violation of any applicable anti-bribery law.

Further Conditions

Compliance activity: The Bank and other members of the HSBC Group are required to act in accordance with the laws and regulations and comply with requests of public and regulatory authorities operating in various jurisdictions which relate to, amongst other things: (i) the prevention of money laundering, terrorist financing, corruption, tax evasion and the provision of financial and other services to any persons or entities which may be subject to economic or trade sanctions; or (ii) the investigation or prosecution of, or the enforcement against, any person for an offence against any laws or regulations.

The Bank may take, and may instruct members of the HSBC Group to take, any action which the Bank in its sole and absolute discretion considers appropriate to prevent or investigate crime or the potential breach of sanctions regimes or to act in accordance with relevant laws, regulations, sanctions regimes, international guidance, relevant HSBC Group procedures and/or the direction of any public, regulatory or industry body relevant to any member of the HSBC Group. This includes the interception and investigation of any payment, communication or instruction, and the making of further enquiries as to whether a person or entity is subject to any sanctions regime **("Compliance Activity").**

Neither the Bank nor any member of the HSBC Group will be liable to the Borrowers in respect of any loss (whether direct, consequential or loss of profit, data or interest) or delay, suffered or incurred by any party, caused in whole or in part by (i) actions taken, or delays or failure in performing any obligations under this letter by the Bank, or (ii) any steps taken by the Bank or any member of the HSBC Group, pursuant to Compliance Activity.

"HSBC Group" means HSBC Holdings plc, its subsidiaries, related bodies corporate, associated entities and undertakings and any of their branches and member or office of the HSBC Group shall be construed accordingly.

APPENDIX DETAILS OF BENCHMARK RATES

Benchmark	**Applicable Currency**	**Definition of Benchmark**
Hong Kong Interbank Offered Rate (HIBOR) [* and 1]	HKD	"HIBOR" means, in relation to any advance, the applicable Screen Rate at or around 11.00 am Hong Kong time on the proposed date of advance (or such other time or day if the market practice differs in the Hong Kong interbank market, as determined by the Bank), if any such rate is below zero, HIBOR will be deemed to be zero. "Screen Rate" means the Relevant Administrator's Interest Settlement Rate for Hong Kong dollars and for the relevant period displayed on the appropriate page of the Reuters screen provided that (a) if in the Bank's sole determination its funding cost is in excess of HIBOR, the Bank may specify the cost of funding any facility or financial arrangement; or (b) if the screen page is replaced, not available or such service ceases to be available, the Bank may specify another page or service displaying the appropriate rate. "Relevant Administrator" means the Hong Kong Association of Banks or any other person to whom the administrator function of the HIBOR fixing process is transferred from time to time.
London Interbank Offered Rate (LIBOR) [* and 1]	CHF EUR GBP JPY USD	**"LIBOR"** means, in relation to any advance, the applicable Screen Rate at or around 11:00 am London time two Business Days (or such other time or day as determined by the Bank if the market practice differs) before the proposed date of advance and, if any such rate is below zero, LIBOR will be deemed to be zero. **"Business Day"** means a day other than a Saturday or Sunday on which banks are open for general business in London. **"Screen Rate"** means the Relevant Administrator's Interest Settlement Rate for the relevant currency and period displayed on the appropriate page of the Reuters screen provided that (a) if in the Bank's sole determination its funding cost is in excess of LIBOR, the Bank may specify the cost of funding any facility or financial arrangement; or (b) if the screen page is replaced, not available or such service ceases to be available, the Bank may specify another page or service displaying the appropriate rate. **"Relevant Administrator"** means ICE Benchmark Administration Limited or any other person to whom the administrator function of the LIBOR fixing process is transferred from time to time.

Note:

1. Interpolated rates, which refers to rate calculated using linear interpolation method as recommended by the International Swaps and Derivatives Association (ISDA) for a situation where there is no current quote available for below maturities:-

   - LIBOR: 2 weeks, 4 months, 5 months, 7 months, 8 months, 9 months, 10 months and 11 months
   - HIBOR: 4 months, 5 months, 7 months, 8 months, 9 months, 10 months and 11 months

* For tenors where fixing is not published by the relevant administrator and the interpolated rate does not apply, the benchmark rate shall be the rate as specified by the Bank in its sole discretion as its cost of funding the relevant facility or financial arrangement.

TERMS AND CONDITIONS FOR FACILITIES

1. **Interpretation**

These terms and conditions are applicable to banking/credit facilities made available by The Hongkong and Shanghai Banking Corporation Limited (the **"Bank" "HSBC"** or **"we",** which expression shall include its successors and assigns) to the Borrower(s) and shall be read in conjunction with the facility letter, as may be amended from time to time, applicable to the Borrower(s) (together, the **"Facility Letter").**

2. **Accrual of Interest & Other Sums**

All interest and any other amount accruing under the Facility Letter will accrue daily and in each case is calculated on the basis of the actual numbers of days elapsed and a year of 360 days or 365 days, depending on the market practice for the currency (and as may be adjusted in case of a leap year). Notwithstanding any other provision in the Facility Letter, any interest or other amount accruing under the Facility Letter shall be payable on demand.

3. **Availability and Utilisation**

With respect to trade facilities, documents presented to the Bank for drawings must reflect and relate to a genuine transaction. Where documents presented are not in the original form, copies of such documents presented must strictly conform to the original. Please note that drawings without an underlying transaction, or presentation of forged or fraudulent documentation can render companies and/or persons involved liable to prosecution. The Bank may, at its sole and absolute discretion, refuse to allow drawings under a facility if :

(a) the drawee is considered to be unacceptable to the Bank, or

(b) the drawee is not on the Bank's approved list, or

(c) the transaction in question does not meet the Bank's operational requirements in respect of the facilities.

4. **Default Interest**

Interest will be payable on sums which are overdue, drawings which are in excess of agreed limits and amounts demanded and not paid, at the maximum rate stipulated in the Bank's tariff book which is accessible at https://www.commercial.hsbc.com.hk/1/2/commercial/customer-service/tariffs. The Bank will provide the Borrower or such relevant guarantor and/or security provider with a hard copy of the tariff book upon request. Interest at the applicable rate will be payable monthly in arrears to the debit of the Borrower(s)'s current account.

5. **Payment**

All payments shall be made by the Borrower(s), the guarantor(s) and/or the security provider(s) to the Bank without set-off, counterclaim, withholding or condition of any kind. If the Borrower(s), the guarantor(s) or such security provider (where applicable) is compelled by law to make such withholding, the sum payable shall be increased so that the amount actually received by the Bank is the amount it would have received if there had been no withholding.

6. **Security and Disclosure**

6.1 The Bank shall proceed to register (where applicable) in Hong Kong, security provided to the Bank in connection with facilities made available to the Borrower(s) or at the request of the Borrower(s). The costs and expenses, if any, will be charged to the account of the Borrower(s). Where the security provided to the Bank requires registration or filing outside Hong Kong, the Borrower undertakes that it shall, and where applicable, shall procure that such registration or filing of security is attended to and completed in a timely way so as to preserve the security interest of the Bank. The Bank shall be entitled to demand that evidence of such filing and/or registration be provided to it. **All** costs in connection with the aforesaid overseas filing and/or registration (as the case may be) shall be for the account of the Borrower(s).

6.2 By accepting the Facility Letter, the Borrower(s) is deemed to have consented to the Bank providing a copy of the Facility Letter, related security documents, the Borrower's latest statement of account, related documents evidencing the obligations to be guaranteed or secured by a guarantor or third party security provider, information on the outstanding liabilities (whether actual or contingent) or such other information to (a) a guarantor or third party security provider, such guarantor or third party security provider's solicitors and other professional advisers; and (b) whom the bank assigns or transfers (or may potentially assign or transfer) all or part of its rights and obligations under the Facility Letter.

6.3 Without prejudicing the rights of the Bank under other agreements with the Borrower(s), the Bank is entitled to provide any information relating to any of the account(s) of the Borrower(s) held with the Bank and any facilities which the Bank may provide to the Borrower(s) from time to time or the conduct of such account and/or facilities and/or other information concerning the Borrower(s) relationship with the Bank to any other company or office which belongs to or is part of the HSBC Group.

6.4 The Bank shall be entitled to have solicitors of its choice appointed to prepare the necessary documentation relating to the Facility Letter and/or the security to be provided. All their charges and disbursements incurred in this respect will be for the Borrower(s)'s account. Any filing fees and fees incurred in obtaining a legal opinion will also be for Borrower(s)'s account.

6.5 If the Bank is satisfied that all liabilities owed by the Borrower(s) to the Bank have been irrevocably paid in full and that all facilities which might give rise to such liabilities have terminated, subject to the Bank's right to retain any guarantee or security provided to it for such period as the Bank considers (in its sole discretion) necessary, the Bank may, at the request and cost of the Borrower(s) or the relevant guarantor and/or security provider, release, reassign or discharge (as appropriate) such guarantee or security.

7. **Costs and Expenses**

7.1 The Borrower(s) shall promptly on demand pay the Bank the amount of all costs and expenses (including legal fees), stamp duties, taxes, other charges and registration costs incurred by the Bank in connection with the negotiation, preparation and execution of the Facility Letter, security document(s) and/or any documentation relating to the facilities.

7.2 If the Borrower(s) requests an amendment, waiver or consent, the Borrower(s) shall, within three business days of demand, reimburse the Bank for the amount of all costs and expenses (including legal fees) incurred by the Bank in responding to, evaluating, negotiating or complying with that request or amendment.

7.3 The Borrower(s) shall, within three business days of demand, pay to the Bank the amount of all costs and expenses (including legal fees), stamp duties, taxes, other charges and registration costs incurred by the Bank in connection with the enforcement of, or the preservation of any rights under the Facility Letter, security document(s) and/or any documentation relating to the facilities.

7.4 If the effect of or a change in any law or regulation is to increase the cost to the Bank of advancing, maintaining or funding the facility(ies) or to reduce the effective return to the Bank, the Bank may require payment on demand of such amounts as the Bank consider necessary as compensation therefor.

8. **Indemnity**

8.1 Any amount received or recovered by the Bank in respect of any sum expressed to be due to the Bank from the Borrower in a currency other than the currency of denomination in which payment is due (the **"Intended Currency")** shall only constitute a discharge to it to the extent of the amount in the Intended Currency which the Bank is able, in accordance with its usual practice, to purchase with the amount so received or recovered in such other currency on the date of that receipt.

8.2 The Borrower(s) shall pay and, within three business days of demand, indemnify the Bank against any cost, loss or liability that the Bank incurs in relation to or as a result of:

(a) a failure by the Borrower(s) to pay any amount due under this Facility Letter on its due date; or

(b) if this Facility Letter allows prepayment, such loan not being prepaid in accordance with a notice of prepayment given by the Borrower.

9. **Assignment**

The Bank may assign its rights and transfer all or any part of its rights and obligations hereunder or under any Facility Letter to any person by delivering to the Borrower(s) a notice in writing. Such transfer shall take effect as from the effective date as specified in the notice and the Bank shall thereafter be released from such obligations. No assignment or transfer of any right, benefit or obligation in the Facility Letter shall be made by the Borrower(s) in any way.

10. **Pari Passu**

The Borrower(s), the guarantor(s) and security provider(s) (where applicable) shall ensure that at all times the claims of the Bank under the facilities rank at least pari passu with the claims of all other unsecured creditors, except for claims preferred by mandatory provisions of law.

11. **Prima facie**

Any certification or determination by the Bank of a rate or amount under this Facility Letter is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

12. **Section 83 of the Banking Ordinance**

Section 83 of the Banking Ordinance and the related regulations in Hong Kong have imposed on the Bank certain limitations on advances to persons related to HSBC Group. In accepting the Facility Letter, the Borrower(s) should, to the best of its (their) knowledge, advise the Bank whether it is in any way related or connected to the HSBC Group. In the absence of such advice, the Bank will assume that the Borrower(s) is not so related or connected. The Bank would also ask, that if the Borrower(s) become aware that it (they) becomes so related or connected in future, that the Borrower(s) immediately advises the Bank in writing. You may refer to the reference page for information on whether you may be considered as related or connected to the HSBC Group.

13. **Governing Law and Third Party Rights**

13.1 The Facility Letter (including the schedule(s), where applicable), and these terms and conditions shall be governed and construed in accordance with the laws of the Hong Kong Special Administrative Region.

13.2 The Borrower(s) submits to the non-exclusive jurisdiction of the Hong Kong courts.

13.3 No person other than the Bank and the Borrower(s) will have any right under the Contracts (Rights of Third Party) Ordinance to enforce or enjoy the benefit of any of the provisions of the terms and conditions of the Facility Letter.

14. **Process Agent**

Without prejudice to any other mode of service allowed under any relevant law, each Borrower (other than a Borrower incorporated in Hong Kong (if the Borrower is a company) and a Borrower who is domiciled in Hong Kong (if the Borrower is an individual)):

(a) irrevocably appoints the company stated after the Borrower’s signature below as its agent for service of process in relation to any proceedings before the Hong Kong courts in connection with the Facility Letter, security document(s) and /or documentation relating to the facilities; and

(b) agrees that failure by a process agent to notify the relevant Borrower of the process will not invalidate the proceedings concerned.

ACCEPTANCE

Please arrange for the authorised signatories of TSL and JGL, in accordance with the terms of the mandates given to the Bank, to sign and return the duplicate copy of this letter with Appendix to signify the Borrower(s)'s understanding and acceptance of the terms and conditions under which these facilities are granted.

A review fee of HKD15,000.- will be charged to the debit of TSL's account and JCL's account respectively upon receipt of acceptance of this Facility Letter whether or not the facilities are drawn or cancelled by the Borrower(s).

The facilities will remain open for acceptance until the close of business on 10 July 2018 and if not accepted by that date will be deemed to have lapsed.

Yours faithfully

For and on behalf of
The Hongkong and Shanghai Banking Corporation Limited

/s/ Chris Lam
Chris Lam
Senior Vice President

/abz

Encl.

Acceptance and Confirmation

We, Treasure Success International Limited and Jerash Garments and Fashions Manufacturing Company Limited, confirm our acceptance of the offer and all terms and conditions contained above (including the Schedules, Appendix and Terms and Conditions for Facilities attached thereto).

For and on behalf of
Treasure Success International Limited

Signature:	/s/ Choi Lin Hung	Signature:	/s/ Ng Tsze Lun
Name:	Choi Lin Hung	Name:	Ng Tsze Lun
Title:	Director	Title:	Director
Date:	27 June 2018	Date:	27 June 2018

For and on behalf of
Jerash Garments and Fashions Manufacturing Company Limited

Signature:	/s/ Choi Lin Hung	Signature:	/s/ Ng Tsze Lun
Name:	Choi Lin Hung	Name:	Ng Tsze Lun
Title:	Director	Title:	Director
Date:	27 June 2019	Date:	27 June 2018

Process Agent Name: ______________________

Process Agent Address: ______________________

Reference Page

For the purposes of paragraph 12 (section 83 of the Banking Ordinance) of the Terms and Conditions for Facilities, you may be considered as related or connected to the HSBC Group if you are:

(a) a director or employee of a member of the HSBC Group;

(b) a relative of a director or employee of a member of the HSBC Group;

(c) a firm, partnership or non-listed company in which a member of HSBC Group or director of HSBC Group (or such director's relative) is interested as director, partner, manager or agent;

(d) an individual, firm, partnership or non-listed company of which any director of HSBC Group (or such director's relative) is a guarantor;

(e) a firm, partnership or non-listed company which any of the persons listed above is able to control and a person has "control" if such person is:

(i) an indirect controller, that is, in relation to a company, any person in accordance with whose directions or instructions the directors of the company or of another company of which it is a subsidiary are accustomed to act, or

(ii) a majority shareholder controller, that is, in relation to a company, any person who, either alone or with any associate or associates, is entitled to exercise, or control the exercise of, more than 50% of the voting power at any general meeting of the company or of another company of which it is a subsidiary.

"HSBC Group" means HSBC Holdings plc, its subsidiaries, related bodies corporate, associated entities and undertakings and any of their branches and member or office of the HSBC Group shall be construed accordingly.

"Relative" means:

(i) any immediate ascendant, any spouse or former spouse of any such ascendant, and any brother or sister of any such spouse or former spouse;

(ii) any immediate descendant, and any spouse or former spouse of any such descendant;

(iii) any brother or sister, aunt or uncle and any nephew or niece and any first cousin;

(iv) any spouse or former spouse, any immediate ascendant of any such spouse or former spouse, and any brother or sister of any such spouse or former spouse,

and, for the purposes of this definition, any step-child shall be deemed to be the child of both its natural parent and of its step-parent and any adopted child to be the child of the adopting parent, and a spouse shall include anyone living as such.

HSBC

Commercial Banking - GTRF Receivables Finance Division
(CARM 180525, 180124 & CM 180530, 180209)

CONFIDENTIAL

THE DIRECTORS
TREASURE SUCCESS INTERNATIONAL LIMITED
JERASH GARMENTS AND FASHIONS
MANUFACTURING COMPANY LIMITED
19/F FORD GLORY PLAZA
37-39 WING HONG STREET
CHEUNG SHA WAN
KOWLOON

14 June 2018

Dear Sirs

Offer Letter Invoice Discounting / Factoring Agreement

This offer letter supersedes our previous letter of 28 February 2018.

With reference to our recent discussions, we are pleased to advise that we have reviewed and revised the debts purchase services provided to Treasure Success International Limited (**"TSL"**) and Jerash Garments And Fashions Manufacturing Company Limited (**"JGL"**) (previously **TSL** only).

We offer to continue to provide you with the debt purchase services on the terms and subject to conditions set out in this letter as well as the Invoice Discounting / Factoring Agreement among **TSL**, **JGL** and us (incorporating, among other things, our Standard Conditions For Invoice Discounting / Factoring (**"Standard Conditions"**) (together constituting the **"Invoice Discounting / Factoring, Agreement"**)). These services are subject to review at any time and, in any event by 1 May 2019.

This is the Offer Letter referred to in the Invoice Discounting / Factoring, Agreement among **TSL**, **JGL** and us. An expression used in this letter shall have the meaning given to it in the Invoice Discounting / Factoring Agreement, such expression appears there.

A. SERVICES OFFERED BY THE BANK

- Credit Management - we provide services in respect of the collection or debts and/or maintenance of a sales ledger in the manner from time to time determined by the Bank.

- Debt shall be purchased on a disclosed basis as set out in Section E below.

- Credit Protection - we purchase Credit Protected Debts on a Without Recourse basis (Note: please refer in the Standard Conditions on the meaning of "Without Recourse" as used in this Offer Letter).

- Finance - we may give you the benefit of Prepayments.

The Hongkong and Shanghai Banking Corporation Limited
Commercial Banking Hong Kong
GTRF Receivables Finance Division
9/F, HSBC Building MongKok, 673 Nathan Road, MongKok, Kowloon
Tel: 3941 6211 Fax: 3418 4982 SWIFT; HSBCKIIH
Web: www.hsbc.com.hk

B. BASIC TERMS OF ˉFINANCE SERVICE

1.	Funds In Use Limit (FIU Limit):	USD12,000,000.- or its equivalent
2.	Discounting Charge (on Funds In Use):	In respect of each day on which the rate for Discounting Charge is to be determined, such rate to be:- For HKD Financing: at 1.5% per annum over 2 months HIBOR (HongKong Interbank Offered Rate) on such day. For USD Financing at 1.5% per annum over 2 months LIBOR (London Interbank Offered Rate) on such day. For details of benchmark interest rates, please refer to the attached Appendix.
3.	Prepayment Percentage /Funding Limit:	As specified in a Customer Limit Advice issued in respect of the relevant Customer.
4.	Concentration Percentage:	85%
5.	Eligible Debt Grace Period:	Nil

C. BASIC TERMS OF CREDIT PROTECTION SERVICE

1.	Credit Cover Percentage(s) /Credit Cover Limit(s) /Credit Protection Events:	As specified in a Customer Limit Advice issued in respect of the relevant Customer.
2.	First Loss:	As specified in a Customer Limit Advice issued in respect of the relevant Customer. If no First Loss is specified in the Customer Limit Advice, the First Loss of such Customer will be “Nil”.

We may in our own name take out credit insurance and/or appoint Correspondent Factor(s) to collect payment of the Debts.

D. BASIC TERMS APPLICABLE TO ALL SERVICES

1.	Customers:	To be approved by the Bank from time to time and as advised by the Bank to the Client.
2.	Service Charge:	0.35% flat on the face value of the invoice for each Debt.
3.	Maximum Terms of Payment:	90 days unless otherwise specified in a Customer Limit Advice issued in respect of the relevant Customer.
4.	Maximum Invoicing Period:	30 days after the date of delivery of the Good unless otherwise specified in a Customer Limit Advice issued in respect of the relevant Customer.

E. NOTICE OF ASSIGNMENT FOR DEBTS AND COLLECTION

1. The Debts of all Customers will he purchased on a disclosed basis (that is, giving the notices of assignment for the Debts) except as otherwise agreed by us in writing.

2. The Debts shall be collected and paid into the designated account maintained by you with us and held on trust for us. However, we have the overriding right at any time to direct any Debt to be paid directly to us.

F. DOCUMENTS REQUIRED

1. **TSL**, and **JGL** shall provide us with the following documents in each case in the form and substance satisfactory to us;-

   (a) the Invoice Discounting Factoring Agreement made between **JGL** and us;

   (b) a certified extract of your board resolutions approving and authorizing the execution, delivery and performance of this letter mid the Invoice Discounting / Factoring Agreement and designating the Authorized Peron(s) in connection with the Invoice Discounting / Factoring Agreement;

   (c) all security documents referred to in Section G below; [and]

   (d) such other documents, terms or evidence that we may require from time to time.

   No request For any Prepayment may be submitted prior to our receipt of the above documents.

2. The following supporting documents ate required in relation to each Debt:-

   (a) A copy of the confirmed purchase order (if applicable);

   (b) A copy of the invoice endorsed with and/or accompanied by a note in the form approved by us stating our interest as assignee; and

   (c) Evidence of Delivery of the Goods satisfactory to us.

3. If we agree, you may provide us with the lists of the Debts (which shall include the names of Customers, invoices numbers, invoices amounts, due dates or the Debts as well is such other information as required by us) in lieu of the copies of the invoices in respect of the Debts. Notwithstanding this, you shall at any time, upon request, by us, promptly provide us with the copies of the invoices evidencing the Debts.

G. SECURITY AND OTHER DOCUMENTATION

As security for your obligations and liabilities to us under, inter alia, this letter and the Invoice Discounting/ Factoring Agreement, we are holding the following:-

1. The Invoice Discounting / Factoring Agreement executed by **TSL** it supported by Board Minutes both dated 21 August 2017.

   All security document(s) and guarantee(s), if any, given in our favour for securing and/or guaranteeing your obligations and liabilities to us (including, without limitation, the relevant security document(s) and guarantee(s), if any, referred to in any banking facility letter(s) issued by us to you), will continue to apply in full force and effect and to the extent applicable cover debts purchase services extended to you.

In addition, we will require to hold:-

2. A Guarantee (unlimited amount) from **TSL** together with a Board Resolution in substantially the form of that enclosed with this facility letter. We enclose our standard form of Guarantee for your completion and return securing the obligations and liabilities of **JGL** which will be held by us to secure both general banking facilities and debts purchase services extended to **JGL**.

3. A Guarantee (unlimited amount) from Jerash Holdings (US) Inc., together with a Board Resolution in substantially the form of · that unclosed with this facility letter. We enclose our standard form of Guarantee for your completion and return securing the obligations and liabilities of **JGL** which will be held by us to secure both general banking facilities and debts purchase services extended to **JGL**.

   The authorised signatories of Jerash Holdings (US) Inc. should be duly verified by their bankers. Please also let the Bank have a certified copy of Certificate of Incorporation, Articles of Association and List of current directors of Jerash Holdings (US) Inc., for the Bank's records.

   As Jerash Holdings (US) Inc. is incorporated in United States of America, the Bank also requires a Legal Opinion (in form and substance satisfactory to the Bank) from qualified lawyer in the jurisdiction of the Company's incorporation, confirming the corporate capacity and the authority of the Company to enter into the security, and also confirming that all necessary documents have been or will be property executed. The Legal Opinion, together with the properly executed security documents, should be forwarded to the Bank directly by the solicitor.

Upon completion of the above security documentation, we shall release the following documents. Security documents as stated as below will be released after a retention period considered by us to be reasonably appropriate, which is normally 6 months:-

4. The Guarantee (unlimited amount) dated 7 September 2017 from Mr Choi Lin Hung and Mr Ng Lun.

5. A charge over your deposits for USD3,000,000.- placed with us together with a "Charge over Securities and Deposits (Unlimited Amount") both dated 27 July 2017. The Charge over Securities and Deposits, (Unlimited Amount) is required to be discharged at the Companies Registry. Relative filing fees will be for your account.

Please note that all costs and expenses (including legal fees) incurred by us in connection with the extension of these facilities and any matters arising therefrom are to be reimbursed by you on demand.

H. SPECIAL TERMS

1. CONFIRMATION OF SURETY(IES)

   Jerash Holdings (US) Inc, (the "Surety(ies)") confirm(s) by countersigning this letter that their guarantee and security remain in full force and effect and continuo to guarantee or secure the indebtedness referred to in this letter. Furthermore, such liability under the guarantee and security will not be discharged or· affected by the Bank extending, increasing, renewing, or otherwise varying the indebtedness referred to in this letter or by any other act, omission or circumstance. which might discharge the Surety(ies) to any extent.

2. Section 83 of the Banking Ordinance and the related regulations in Hong Kong have imposed on the Bank certain limitations on advances to persons related to HSBC Group. In accepting this Letter, you should, to the best of your knowledge, advise the Bank whether you are in any way related or connected to the HSBC Group. In the absence of such advice, the Bank will assume that you are not so related or connected. The Bank would also ask that if you become aware that you become so related or connected in future, that you immediately advises the Bank in writing. You may refer to the reference page for information on whether you may be considered related or connected to the HSBC Group.

3. Unless expressed in writing from you to the contrary, we may provide any information relating to any of your accounts with us and any facilities we may Provide to you from time to time or their conduct or any other information concerning your relationship with us to any other company or office which at the relevant time belongs to or is part of the HSBC Group.

4. Please note that our standard service charges are stipulated in the Bank's Tariff which is accessible at https://www.commercial.hsbc.com.hk/1/2/commercial/customer-service/tariffs. We will provide you with a hard copy of the Tarff at your Request.

5. This letter is governed by and construed in accordance with the laws of Hong Kong.

6. No person other than you and us will have any right under the Contracts (Rights of Third Parties) Ordinance to enforce or enjoy the benefit of any of the provisions of this letter.

7. As JGL is incorporated in Jordan, we also require a Legal Opinion from a qualified lawyer practising in the jurisdiction of the Company's incorporation, confirming the authority of the Company to enter into facility(ies), and **also** confirming that all necessary documents have been or will be properly executed. The Legal Opinion together with the properly executed by security documents should be forwarded to us directly by such lawyer.

8. Tax Gross Up

   Payments by you shall be made to the Bank without any set-off, counter-claim, withholding or condition of any kind except that if you are compelled by law to make such withholding, the sum payable by you to the Bank shall be increased so that the amount actually received by the Bank is the amount it would have received if there had been no withholding.

9. In the event from time to time that the actual amount of Prepayment (as defined in the Invoice Discounting/ Factoring Agreement) exceeds the Availability, we may, at our sole and absolute discretion, debit such excess amount from your account(s) maintained with us.

10. The first on-site audit shall be conducted in 6 months from the commencement of the facility. (To be deleted)

11. 70% **(previously 50%)** of payment and/or prepayment or the Purchase Price under or pursuant to the invoice Discounting / Factoring Agreement shall, at our discretion, first be applied to pay and settle all sums of money, obligations and liabilities due or owing by you to the Bank due within 7 days in respect of any account whatsoever between you and the Bank (including, but without limitation, all moneys and liabilities owing by you in respect of the Invoice Discounting / Factoring Agreement, all general banking facilities and any other advances and Facilities granted by the Bank to you and all interest thereon).

12. Buyers Consent is obtained to establish change orbiting; to your company.

13. Buyers consent should he obtained for assignment of receivable.

14. The initial Prepayment Shall be subject to the Customer(s) confirming the Notified Debts existing on the Commencement Date. (For **JGL** Only) [New]

15. Audit for **JGL**, to be conducted before the commencement of the Facility. [New]

16. To obtain a legal opinion covering 1) Jordan law legal opinion on enforceability of the various factoring documents; 2) Jordan law legal opinion on capacity and authority in relation to various factoring documents to be entered into with **JGL**. [New]

17. Any Amounts payable to the bank are exclusive of any sales tax, or similar, and that where such tax applies the borrowers (or Sellers) must pay such amount to the tax authority. [New]

18. The Borrowers (or Sellers) and the Guarantors undertaking to indemnify the Bank for foreign taxes in the event that the borrowers (or the Sellers) fail to pay or deduct tax and the tax authority makes a claim against the Bank. [New]

19. The Borrowers (or Sellers) give the Bank the right to ask for evidence of payment or relevant withholding / sales taxes at anytime. [New]

20. Broaden the clause 4.7 of the conditions to encompass all stamp duty, not just amounts demanded by the Bank. [New]

21. **TSL** and **JGL** will be required for so long as these facilities are available to you to comply with the following undertaking(s)covenant(s). Your compliance or otherwise with the following undertaking(s) / covenant(s) will not in any way prejudice or affect our right to suspend, withdraw or make demand in respect of the whole or any part of the facilities made available to you at any time. By signing this letter, you expressly acknowledge that we may suspend, withdraw or make demand for repayment of the whole or any part of the facilities at any time notwithstanding the fact that the following undertaking(s)/covenant(s)are included in this letter and whether or not you are in breach of any such undertaking(s)/covenant(s).

The borrower, **TSL**, hereby undertakes that Mr Choi Lin Hung and Mr Ng Tsze Lun undertake should maintain no less than 40% of shareholding of Treasure Success International Limited.

The Borrower, **JGL**, hereby undertake to:

1) Legal opinion should be obtained from panel law firm on JGL's legality and capacity in obtaining banking facilities from HSBC Hong Kong as a Jordan-incorporated company.

2) Confirmation should be obtained from Big Four tax specialists that HSBC Hong Kong dues not incur any tax obligation in granting facilities to **TSL**.

Please arrange for your authorised signatories to sign and return to us the duplicate copy of this letter with Appendix to signify your understanding and acceptance of the terms and conditions under which debts purchase services are offered. Additionally please arrange for the delivery a certified copy of your Articles of Association for your reference.

This offer will remain open for acceptance until the close of business on July 2018 and if not accepted by that date will be deemed to have lapsed.

We are pleased to be of continued assistance.

Yours faithfully
For and on behalf of
The Hongkong and Shanghai Banking Corporation Limited

/s/ Teddy Young
Teddy Young
Vice President
/na

Encl.

We agree to and accept all the terms and conditions set out above,

For and on behalf of
Treasure Success International Limited

/s/ Choi Lin Hung
Name: Choi Lin Hung
Title: Director

For and on behalf of
Jerash Garments and Fashions Manufacturing Company Limited

/s/ Choi Lin Hung
Name: Choi Lin Hung
Title: Director

CONFIRMATION OF SECURITY(IES)

/s/ Choi Lin Hung
Name: Choi Lin Hung
Title: Chief Executive Officer
Name of Surety(ies) : Jerash Holdings (US) Inc.

APPENDIX: DETAIL$ OF BENCHMARK RATES

Benchmark	Applicable Currency	Definition of Benchmark
Hong Kong Interbank Offered Rate (HIBOR) * and 1	HKD	**"HIBOR"** means, in relation to any advance, the applicable Screen Rate at or around 11:00 am Hong Kong time on the proposed date of advance (or such other time or day if the market practice differs in Hong Kong interbank market, as determined by the Bank), if any such rate is below zero, HIBOR will be deemed to be zero. **"Screen Rate"** means the Relevant Administrator's Interest Settlement Rate for Hong Kong dollars and for the relevant period displayed on the appropriate page of the Reuters screen provided that (a) if the Bank's sole determination its funding cost is in excess of HIBOR, the Bank may specify the cost of funding any facility or financial arrangement; or (b) if the screen page is replaced, not available or such service ceases to be available, the Bank may specify another page or service displaying the appropriate rate. **"Relevant Administration"** means the Hong Kong Association of Banks or any other person to whom the administrator function of the HIBOR fixing process is transferred from time to time.

Benchmark	Applicable Currency	Definition of Benchmark
London Interbank Offered Rate (LIBOR) [* and 1]	USD	**"LIBOR"** means, in relation to any advance, the applicable Screen Rate at or around 11:00 am London time two Business days (or such other time or day as determined by the Bank if the market practice differs) before the proposed date of advance and, if any such rate is below zero, LIBOR will be deemed to be zero. **"Business Day"** means a day other than a Saturday or Sunday on which banks are open for general business in London. **"Screen Rate"** means the Relevant Administrator's Interest Settlement Rate for the relevant currency and period displayed on the appropriate page of the Reuters screen provided that (a) if the Bank's sole determination its funding cost is in excess of LIBOR, the Bank may specify the cost of funding any facility or financial arrangement; or (b) if the screen page is replaced, not available or such service ceases to be available, the Bank may specify another page or service displaying the appropriate rate. **"Relevant Administration"** means the ICE Benchmark Administration Limited or any other person to whom the administrator function of the LIBOR fixing process is transferred from time to time.

Note:

1 Interpolated rates, which refers to rate calculated using linear interpolation method as recommended by The International Swaps and Derivatives Association (ISDA) for situation where there is no current quote available for below maturities:-

- LIBOR: 2 weeks, 4 months, 5 months, 7 months, 8 months, 9 months, 10 months and 11 months
- From 1 April 2014, HIBOR: 4 months, 5 months, 7 months, 8 months, 9 months, 10 months and 11 months

* For tenors where fixing is riot published by the relevant administrator and the interpolated rate does not apply, the benchmark rate shall be the rate as specified by the Bank in its sole discretion as its cost of funding the relevant facility or financial arrangement.

Reference Page

You may be considered as related or connected to the HSBC Group if you are:

(a) a director or employee of a member of the HSBC Group;

(b) a relative of a director or employee of a member of the HSBC Group;

(c) a firm, partnership or non-listed company in which a member of HSBC Group or director of HSBC Group (or such director's relative) is interested as director, partner, manager or agent;

(d) an individual, firm, partnership or non-listed company of which any director of HSBC Group (or such director's relative) is a guarantor;

(e) a firm, partnership or non-listed company which any of the persons listed above is able to control and a person has "control" if such person is:

(i) an indirect controller, that is, in relation to company, any person in accordance with whose directions or instructions the directors of the company or of another company of which it is a subsidiary are accustomed to act, or

(ii) a majority shareholder controller, that is, in relation to a company, any person who, either alone or with any associate or associates, is entitled to exercise, or control the exercise of, more than 50% of the voting power at any general meeting of the company or of another company of which it is a subsidiary.

"HSBC Group" means HSBC Holdings **plc,** its subsidiaries, related bodies corporate, associated entities and undertakings and any of their branches and member or office of the HSBC Group shall be construed accordingly.

"relative" for the purposes of this clause means:

(i) any immediate ascendant, any spouse or former spouse of any such ascendant, and any brother or sister of any such spouse or former spouse;

(ii) any immediate descendant, and any spouse or former spouse of any such descendant;

(iii) any brother or sister, aunt or uncle and any nephew or niece and any first cousin;

(iv) any spouse or former spouse, any immediate ascendant of any such spouse or former spouse, and any brother or sister of any such spouse or former spouse,

and, for the purposes of this definition, any step-child shall be deemed to be the child of both its natural parent and of its step-parent and any adopted child to be the child of the adopting parent, and a spouse shall include anyone living as such.

Exhibit 23.1

FRIEDMAN LLP®

ACCOUNTANTS AND ADVISORS

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (File No. 333-231395) and the Registration Statement on Form S-8 (File No. 333-223916) of our report dated June 28, 2019 relating to the consolidated financial statements of Jerash Holdings (US), Inc. for the years ended March 31, 2019 and 2018, which appears in the annual report on Form 10-K of Jerash Holdings (US) Inc. filed with the Securities and Exchange Commission on June 28, 2019.

/s/ Friedman LLP

New York, New York
June 28, 2019

Exhibit 31.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002**

I, Choi Lin Hung, certify that:

1. I have reviewed this Annual Report on Form 10-K of Jerash Holdings (US), Inc.;

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. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under 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; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal 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 28, 2019

/s/ Choi Lin Hung
Choi Lin Hung
Chairman, Chief Executive Officer, President and Treasurer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002

I, Richard J. Shaw, certify that:

1. I have reviewed this Annual Report on Form 10-K of Jerash Holdings (US), Inc.;

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. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under 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; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal 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 28, 2019

/s/ Richard J. Shaw
Richard J. Shaw
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Jerash Holdings (US), Inc. (the “Company”) on Form 10-K for the fiscal year ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Choi Lin Hung, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) 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 the Company.

Date: June 28, 2019

/s/ Choi Lin Hung
Choi Lin Hung
Chairman, Chief Executive Officer, President and Treasurer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Jerash Holdings (US), Inc. (the “Company”) on Form 10-K for the fiscal year ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Richard J. Shaw, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) 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 the Company.

Date: June 28, 2019

/s/ Richard J. Shaw
Richard J. Shaw
Chief Financial Officer
(Principal Financial and Accounting Officer)