

# SECURITIES & EXCHANGE COMMISSION EDGAR FILING

## Jerash Holdings

**Form: 10-K**

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Corporate Issuer CIK: 1696558

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

FORM 10-K

(Mark One)

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

For the fiscal year ended March 31, 2020

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

81-4701719

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

**277 Fairfield Road, Suite 338, Fairfield, New Jersey 07004**

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (214) 906-0065

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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  Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

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 30, 2019 closing price reported by Nasdaq, was approximately \$18,642,383.50.

The number of the registrant's common shares, \$0.001 par value per share, outstanding on June 29, 2020 was 11,325,000.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's proxy statement for its 2020 Annual Meeting of Stockholders are incorporated by reference in Part III of this Annual Report on Form 10-K.

## Table of Contents

	<b>Page</b>
<b><u>PART I</u></b>	
Item 1. <a href="#">Business</a>	1
Item 1A. <a href="#">Risk Factors</a>	6
Item 1B. <a href="#">Unresolved Staff Comments</a>	16
Item 2. <a href="#">Properties</a>	16
Item 3. <a href="#">Legal Proceedings</a>	16
Item 4. <a href="#">Mine Safety Disclosure</a>	16
<b><u>PART II</u></b>	
Item 5. <a href="#">Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</a>	17
Item 6. <a href="#">Selected Financial Data</a>	17
Item 7. <a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	17
Item 7A. <a href="#">Quantitative and Qualitative Disclosures about Market Risk</a>	25
Item 8. <a href="#">Financial Statements and Supplementary Data</a>	25
Item 9. <a href="#">Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</a>	26
Item 9A. <a href="#">Controls and Procedures</a>	26
Item 9B. <a href="#">Other Information</a>	26
<b><u>PART III</u></b>	
Item 10. <a href="#">Directors, Executive Officers and Corporate Governance</a>	27
Item 11. <a href="#">Executive Compensation</a>	27
Item 12. <a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>	27
Item 13. <a href="#">Certain Relationships and Related Transactions, and Director Independence</a>	27
Item 14. <a href="#">Principal Accounting Fees and Services</a>	27
<b><u>PART IV</u></b>	
Item 15. <a href="#">Exhibits, Financial Statement Schedules</a>	28
Item 16. <a href="#">Form 10-K Summary</a>	30
<a href="#">Signatures</a>	31

## PART I

### Item 1. Business.

#### Overview

Jerash Holdings (US), Inc. ("Jerash Holdings"), through its wholly owned operating subsidiaries and variable interest entity ("VIE") (together the "Group," "we," "us," or "our"), is principally engaged in the manufacturing and exporting of customized, ready-made sport and outerwear from knitted fabric produced in its facilities in the Hashemite Kingdom of Jordan ("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.

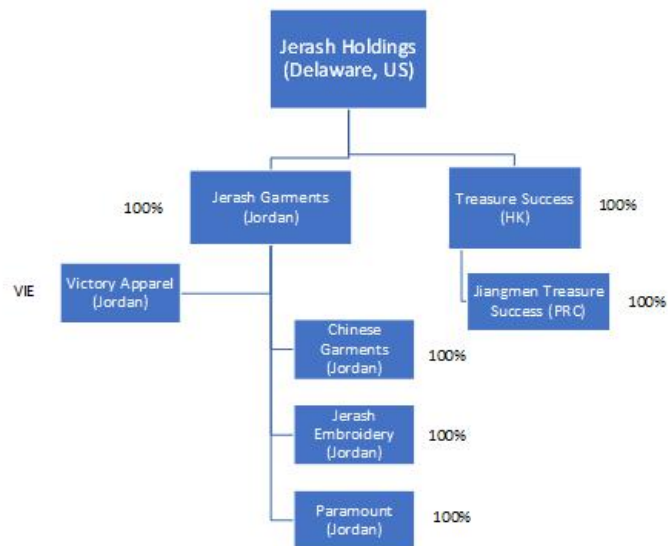
We are a manufacturer utilized by many well-known brands and retailers, such as Walmart, Costco, Hanes, New Balance, G-III, VF Corporation (which owns brands such as The North Face, Timberland, and JanSport), and PVH Corp. (which owns brands such as Calvin Klein, Tommy Hilfiger, IZOD, and Speedo). Our production facilities comprise four factory units, one workshop, and three warehouses and we currently employ approximately 4,100 people. The total annual capacity at our facilities is approximately 8.0 million pieces (average for product categories including t-shirts, polo shirts, pants, shorts, and jackets).

#### Organizational Structure

Jerash Holdings is a holding company organized in Delaware in January 2016. As of the date of this annual report, 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, (ii) Treasure Success International Limited ("Treasure Success"), an entity formed under the laws of Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong" or "HK"), (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, (iv) Jerash for Industrial Embroidery Co., Ltd. ("Jerash Embroidery"), an entity formed under the laws of Jordan and a wholly owned subsidiary of Jerash Garments, (v) Al-Mutafaweq Co. for Garments Manufacturing Ltd. ("Paramount"), an entity formed under the laws of Jordan and a wholly owned subsidiary of Jerash Garments, and (vi) Jiangmen Treasure Success Business Consultancy Co., Ltd. ("Jiangmen Treasure Success"), an entity incorporated under the laws of the People's Republic of China ("China" or the "PRC") and a wholly owned subsidiary of Treasure Success.

In addition, Jerash Garments has a VIE, Victory Apparel (Jordan) Manufacturing Company Limited ("Victory Apparel"), a limited liability company formed under the laws of Jordan. Although Jerash Garments does not own the equity interests of Victory Apparel, Mr. Choi Lin Hung ("Mr. Choi"), our chairman, chief executive officer, president, treasurer, and a significant stockholder, is also a director of Victory Apparel and controls all decision-making for Victory Apparel along with our other significant stockholder, Mr. Lee Kian Tjiau, who has 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 VIE under Accounting Standards Codification 810-10-05-08A. Accordingly, Jerash Garments consolidates Victory Apparel's operating results, assets, and liabilities.

This table reflects our organizational structure as of March 31, 2020:



Jerash Garments was established in Jordan on November 26, 2000 and operates out of our 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 our trims and finished products warehouses. We also operate our workshop in Al-Hasa County (as discussed below) under Jerash Garments.

Chinese Garments was established in Jordan on June 13, 2013 and operates out of our 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 our trims warehouse.

Jerash Embroidery was established in Jordan on March 11, 2013 and operates out of our 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 our products.

Paramount was incorporated in Jordan on October 24, 2004 and operates out of our factory unit in Al Tajamouat Industrial City, a Development Zone in Amman, Jordan. Paramount's principal activities are to manufacture garments per customer orders.

Treasure Success was established in Hong Kong on July 5, 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 and VIE.

Jiangmen Treasure Success was established in Jiangmen City of Guangdong Province in the PRC on August 28, 2019 and operates in the PRC. Jiangmen Treasure Success's primary activities are to provide support in sales and marketing, sample development, merchandising, procurement, and other areas.

Victory Apparel was established as a limited liability company in Amman, Jordan, on September 18, 2005. Victory Apparel has no significant assets or liabilities or other operating activities of its own.

## Products

As a garment manufacturing group, we specialize in manufacturing sport and outerwear. Our products are in the customized, ready-made sport and outerwear segment, and we derive all of our revenue from the manufacturing and sales of sport and outerwear, which is the only segment in which we operate. Our product offering consists of jackets, polo shirts, t-shirts, pants, and shorts made from knitted fabric. Our primary product offering is jackets, and in the fiscal years ended March 31, 2020 and 2019, approximately 50% and 52%, respectively, of our 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 in Al-Hasa County in the Tafilah Governorate of Jordan.

Our production facilities in Al Tajamouat Industrial City comprise 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 continued to operate under benefits similar to the Qualifying Industrial Zone designation, but are subject to 14% corporate income tax plus a 1% social contribution. Currently, the first factory unit, which we own, employs approximately 1,500 people. Its primary functions are to house our management offices, as well as production lines, trims warehouse, and sewing, ironing, and packaging units. The second factory unit, which we lease, employs approximately 1,200 people. Its primary functions are to house our administrative and human resources personnel, merchandising and accounting departments, embroidery, printing, additional production lines, trims and finished products warehouses, and sewing, ironing, packing and quality control units. The third factory unit, which we lease, employs approximately 200 people. Its primary functions are to perform the cutting for our products. The fourth factory unit (under Paramount), which we lease, currently employs approximately 900 people. Its primary functions are to house additional production lines.

Our production facility in Al-Hasa County in the Tafilah Governorate of Jordan comprises a workshop. The workshop currently employs approximately 240 people and its primary functions are to manufacture garment products per customer orders. We commenced the construction of this workshop in 2018, and it was completed and started operation in November 2019. This is a joint project with the Jordanian Ministry of Labor and the Jordanian Education and Training Department. According to our agreement with these government agencies, we will be using this workshop without paying rent until December 2022, after which we anticipate entering into a lease agreement for the workshop with the Jordanian Ministry of Labor for market rent. Provided that we satisfy certain employment requirements over certain time periods, we do not anticipate incurring any significant costs for this project. In the event we breach our agreement with these government agencies, we will have to pay such agencies 250,000 Jordanian Dinar ("JOD") or approximately \$353,000. See "Item 2. Properties" below for more information regarding this workshop.

In 2015, we commenced a project to build a 4,800 square foot workshop in the Tafilah Governorate of Jordan, which was previously intended to be used as a sewing workshop for Jerash Garments, but which we now intend to use as a dormitory. This dormitory is expected to be operational before the end of the fiscal year ended March 31, 2021 ("fiscal 2021") and is expected to house workers for our production facility in Al-Hasa County. This project is expected to cost approximately \$200,000 upon completion.

Total annual capacity at our existing facilities is approximately 8.0 million pieces (average for product categories including t-shirts, polo shirts, pants, shorts, and jackets). Our production flow begins in the cutting department of our factory unit. Then the product is sent to the embroidery department for embroidery if applicable. From there, the product moves to be processed by the sewing unit, finishing department, quality control, and finally the ironing and packing units.

We do not have long term supply contracts or arrangements with our suppliers. Most of our ultimate suppliers for raw materials, such as fabric, zippers, and labels, are designated by customers and we purchase such materials on a purchase order basis.

## Employees

As of March 31, 2020, we had an aggregate of approximately 4,100 employees located in Jordan, Hong Kong, the People's Republic of China, and the 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 our customers for the fiscal years ended March 31, 2020 ("fiscal 2020"), and March 31, 2019 ("fiscal 2019").

	Fiscal Year 2020		Fiscal Year 2019	
	Sales (USD, in thousands)	%	Sales (USD, in thousands)	%
VF Corporation <sup>(1)</sup>	\$ 71,817	77.2%	\$ 67,523	79.4%
Dynamic Design Enterprise, Inc.	9,995	10.7%	6,549	7.7%
New Balance	3,065	3.3%	-	-%
Dick's Sporting Goods	2,148	2.3%	-	-%
G-III	1,460	1.6%	-	-%
ARK Garments	1,153	1.2%	24	0%
United Creations LLC	1,129	1.2%	2,874	3.4%
Columbia	-	-%	3,768	4.5%
Onset Time Limited	-	-%	3,728	4.4%
Others	2,257	2.5%	518	0.6%
Total	\$ 93,024	100.0%	\$ 84,984	100.0%

(1) Substantially all of our products are sold under The North Face brand which is owned by VF Corporation.

In fiscal 2020 and fiscal 2019, we depended on a few key customers for our sales, and substantially all of our sales in fiscal 2020 and 2019 were to one customer, VF Corporation.

We started producing garments for VF Corporation in 2012. Substantially all of the products we manufacture are sold under The North Face Brand which is owned by VF Corporation. Currently, we manufacture primarily outerwear for The North Face. Approximately 77% and 79% of our sales in fiscal 2020 and 2019 were derived from the sale of manufactured products to VF Corporation, respectively. 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 that we and our customers have agreed upon for their purchase of the relevant manufactured garments. It is through the sample development and approval processes that we and VF Corporation and our other customers agree on the purchase and manufacture of the garments. For fiscal 2020, VF Corporation issued approximately 7,400 purchase orders to us in amounts ranging from approximately \$7 to \$380,000. For fiscal 2019, VF Corporation issued approximately 10,500 purchase orders to us in amounts ranging from approximately \$6 to \$365,000.

Our customers are 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.

We continue to seek to expand and strengthen our relationship with our current customers and other brand names. However, we 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 or that we will be successful in expanding our relationship with other brand names.

## Competition

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

Competition with other manufacturers in the clothing industry focuses on reducing production costs, reducing supply lead time, 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 labor costs are low. Some of our competitors have lower cost bases, longer operating histories, larger customer bases, and other advantages over us which allow them to compete with us. As described in more detail under “—*Conditions in Jordan*” below, we are 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. According to the Association Agreement between the European Union (the “EU”) and Jordan, which came into force in May 2002, and the joint initiative on rules of origin reviewed and improved in December 2018 by the EU and Jordan, goods manufactured by us in Jordan that are subsequently shipped to EU countries are shipped free from customs duties.

### **Conditions in Jordan**

Our manufacturing facilities are located in Jordan. Accordingly, we are 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 our 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 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 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.

In December 2019, a novel strain of coronavirus (“COVID-19”) was first identified in Wuhan, China. Less than four months later, on March 11, 2020, the World Health Organization declared COVID-19 a pandemic—the first pandemic caused by a coronavirus. On March 17, 2020, Jordan announced a shutdown of non-essential activities as part of its proactive national efforts to limit the spread of COVID-19 and we suspended the operations of our facilities in Jordan as a result on March 18, 2020. On March 26, 2020, the International Monetary Fund announced that its executive board approved a 48-month arrangement under the Extended Fund Facility with Jordan for an amount of approximately \$1.3 billion to support the country’s economic and financial reform program. The arrangement also provided for spending to contain and treat COVID-19. On April 28, 2020, the World Bank approved a \$20 million project to help Jordan face the health impacts of the COVID-19 outbreak. On April 4, 2020, we resumed operations of our main production facilities in Al Tajamout Industrial City under the condition that only migrant workers, living in dormitories in Al Tajamout Industrial City, are allowed to go to work in our factories under strict hygienic precautionary measures pursuant to an approval from the Jordanian Government dated April 1, 2020. Our Al-Hasa workshop was also allowed to restart operation on April 26, 2020. Eventually, local employees were allowed to resume work on June 1, 2020.



## Trade Agreements

Because of the United States-Jordan Free Trade Agreement, which came into force on December 17, 2001, and was implemented fully on January 1, 2010, and the Association Agreement between the EU and Jordan, which came into force in May 2002, we are able to sell our products manufactured at our facilities in Jordan to the U.S. free from customs duties and import quotas under certain conditions and to EU countries free from customs duties.

## 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, Jordan's government converted the geographical area where Jerash Garments and its subsidiaries and VIE are located from a Free Zone to a Development Zone. Development Zones are industrial parks that house manufacturing operations in Jordan. In accordance with Development Zone law, Jerash Garments and its subsidiaries and VIE began paying corporate income tax in Jordan at a rate of 10% plus 1% social contribution. Effective January 1, 2020, this rate increased to 14% plus 1% social contribution. For more information, see "Note 2—Summary of Significant Accounting Policies—Income Taxes."

In addition, Jerash Garments and its subsidiaries and VIE 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 5, 2021 and we intend to apply to extend the exemption before the expiration date.

## Government Regulation

Our 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. We are not subject to governmental approval of our 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 77% and 79% of our total sales in fiscal 2020 and fiscal 2019, respectively. 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 during the sample development process with customers in which we determine factors including material usage and manufacturing costs before confirming orders. 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 on the purchase and manufacture of the garments in question. From April 1, 2019 to March 31, 2020, VF Corporation issued approximately 7,400 purchase orders to us in amounts ranging from approximately \$7 to \$380,000.

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 Facilities 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 secured credit facilities with Hong Kong and Shanghai Banking Corporation (“HSBC”) for up to \$23,000,000 (the “Secured Credit Facilities”) to finance our working capital needs. The Secured Credit Facilities consist of (i) an \$11,000,000 import credit facility with HSBC entered into on May 29, 2017 and amended on June 19, 2018 and August 12, 2019, 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 Facilities are guaranteed by us, Jerash Garments, and Treasure Success. The Secured Credit Facilities are collateralized by a blanket security interest and includes various financial and other covenants. If in the future we default under the Secured Credit Facilities, 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, 2020, we had cash and cash equivalents of approximately \$26.1 million and restricted cash of approximately \$0.8 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 Secured Credit Facilities with HSBC consisting of (i) an \$11,000,000 import credit facility with HSBC entered into on May 29, 2017 and amended on June 19, 2018 and August 12, 2019, 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, 2020, we had incurred indebtedness of \$235 under the Secured Credit Facilities.

Pursuant to a facility letter (the “SCBHK facility”) dated June 15, 2018 issued to Treasure Success by Standard Chartered Bank (Hong Kong) Limited (“SCBHK”), SCBHK offered to provide an import facility of up to \$3,000,000 to Treasure Success. The SCBHK facility covers import invoice financing and pre-shipment financing under export orders with a combined limit of \$3,000,000. 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. We were informed by SCBHK on January 31, 2019 that the SCBHK facility had been activated. As of March 31, 2020, there was no outstanding amount under the SCBHK facility.

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, 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 Jiangmen V-Apparel Manufacturing Limited, with which we have entered into, or in the future may enter into, agreements or arrangements. In August 2019, HSBC released the personal guarantees of Mr. Choi and Mr. Ng Tsze Lun (“Mr. Ng”), a significant stockholder, in exchange for Treasure Success and Jerash Holdings agreeing to guarantee the amounts under our Secured Credit Facilities with HSBC. The release of these guarantees personally benefited Mr. Choi and Mr. Ng but required Jerash Holdings and Treasure Success to incur potential liability in connection with their guarantee. See also “Note 11—Related Party Transactions.” Our majority stockholders may economically benefit from our arrangements with related parties. If we engage in related party transactions on unfavorable terms, our 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, and 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 revenue and cash requirements are affected by the seasonal nature of our business.***

A significant portion of our revenue is 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 revenue 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 revenue 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 revenue 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.

***Our financial condition, results of operations, and cash flows may be adversely affected by public health epidemics, including COVID-19.***

In December 2019, COVID-19 was first identified in Wuhan, China. Less than four months later, on March 11, 2020, the World Health Organization declared COVID-19 a pandemic—the first pandemic caused by a coronavirus. The outbreak has reached more than 160 countries, including Jordan and the United States, resulting in the implementation of significant governmental measures, including lockdowns, closures, quarantines, and travel bans, intended to control the spread of the virus. On March 17, 2020, the country of Jordan announced a shutdown of non-essential activities as part of its proactive national efforts to limit the spread of COVID-19. On April 4, 2020, we resumed operations of our main production facilities in Al Tajamouat Industrial City under the condition that only migrant workers, living in dormitories in Al Tajamouat Industrial City, are allowed to go to work in the factories under strict hygienic precautionary measures, pursuant to an approval from the Jordanian government dated April 1, 2020. Our Al-Hasa workshop was also allowed to restart operation on April 26, 2020. Eventually, local employees were also resumed work starting June 1, 2020.

Owing to the national shutdown in Jordan between March 18 and March 31, 2020, the shipment of approximately \$1.6 million of our orders which were scheduled to be shipped by March 31, 2020, the end of fiscal 2020, was postponed. We shipped these orders in the first quarter of fiscal 2021. There was also loss of productivity in the shutdown period which negatively impacted our fourth quarter and full year profitability.

Consequently, the COVID-19 outbreak may materially adversely affect our business operations and condition and operating results for fiscal 2021, including but not limited to material negative impact on our total revenue, slower collection of accounts receivables, and additional allowance for doubtful accounts. Because of the significant uncertainties surrounding the COVID-19 outbreak, we cannot reasonably estimate the extent of the business disruption and the related financial at this time.

***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 lower cost bases, longer operating histories, larger customer bases, greater geographical proximity to customers, or greater financial and marketing resources than we do. Increased competition, direct or indirect, could reduce our revenue 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, and our ability to maintain relationships with our major customers. There can be no assurance that we will be successful in this regard.

***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 JOD, Hong Kong dollar, or Chinese Yuan ("CNY"), as well as inflation in Jordan, Hong Kong, or the PRC, may negatively affect our earnings. A substantial majority of our revenue and a substantial portion of our expenses are denominated in U.S. dollars. However, a significant portion of the expenses associated with our Jordanian, Hong Kong, or PRC operations, including personnel and facilities-related expenses, are incurred in JOD, Hong Kong dollars, or CNY, respectively. Consequently, inflation in Jordan, Hong Kong, or the PRC will have the effect of increasing the dollar cost of our operations in Jordan, Hong Kong, or the PRC, respectively, unless it is offset on a timely basis by a devaluation of JOD, Hong Kong dollar, or CNY, as applicable, relative to the U.S. dollar. We cannot predict any future trends in the rate of inflation in Jordan, Hong Kong, or the PRC or the rate of devaluation of JOD, Hong Kong dollar, or CNY, as applicable, against the U.S. dollar. In addition, we are exposed to the risk of fluctuation in the value of JOD, Hong Kong dollar, and CNY vis-a-vis the U.S. dollar. There can be no assurance that JOD or Hong Kong dollar will remain effectively pegged to the U.S. dollar. Any significant appreciation of JOD, Hong Kong dollar, or CNY against the U.S. dollar would cause an increase in our JOD, Hong Kong dollar, or CNY expenses, as applicable, as recorded in our U.S. dollar denominated financial reports, even though the expenses denominated in JOD, Hong Kong dollars, or CNY, 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. policies 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 or 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.***

Because of the United States-Jordan Free Trade Agreement and the Association Agreement between the EU and Jordan, we are able to sell our products manufactured at our facilities in Jordan to the U.S. free from customs duties and import quotas under certain conditions and to EU countries free from customs duties. 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 Jordan.***

All of our manufacturing process is performed in a complex of production facilities located in 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 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 (the "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 us for the foreseeable future, including the outcome of matters requiring stockholder approval.***

Three of our stockholders beneficially own approximately 71.5% of our outstanding common stock, as of June 29, 2020. 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 Group, (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 264,410 outstanding warrants to purchase shares of our common stock. 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.

In connection with the Private Placement, we also 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.

None of the foregoing warrants has been exercised as of the date of this annual report. 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 amended and restated 2018 Stock Incentive Plan, we may issue up to 1,784,250 shares of common stock to certain members of our management and key employees.

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.

***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, 2020. 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 and two pieces of land totaling approximately 181,000 square feet in Al Tajamouat Industrial City. We lease additional space totaling approximately 414,600 square feet in industrial buildings in Al Tajamouat Industrial City. In addition, we lease 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. On October 3, 2019, Treasure Success exercised the option to extend the lease for an additional year at the same rent. We expect this agreement to be renewed on similar terms.

On December 11, 2018, we entered into an agreement through Jerash Garments, one of our subsidiaries in Jordan, to acquire all of the stock of an existing garment manufacturing business in order to operate our fourth manufacturing facility in Al Tajamouat Industrial City located in Amman, Jordan. This acquisition increased Jerash's annual capacity from 6.5 million pieces to 8 million pieces. 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 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. 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.

In 2015, we commenced a project to build a 4,800 square foot workshop in the Tafilah Governorate of Jordan, which was previously intended to be used as a sewing workshop for Jerash Garments, but which we now intend to use as a dormitory. This dormitory is expected to be operational before the end of fiscal 2021 and is expected to house workers for the 54,000 square foot workshop in Al-Hasa County. This project is expected to cost approximately \$200,000 upon completion.

In calendar year 2018, we commenced another project to build a 54,000 square foot workshop in Al-Hasa County in the Tafilah Governorate of Jordan, which started operation in November 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 and us, we guaranteed up to JOD112,500, or \$159,000, 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 financed 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 be using the workshop without paying rent until December 2022, after which time we anticipate entering into a lease agreement for the workshop with the Jordanian Ministry of Labor for market rent. 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.

We believe the real property that we own and lease is sufficient to conduct our operations as they are currently conducted.

## **Item 3. Legal Proceedings.**

We are not currently involved in any material legal proceedings. From time-to-time we are, and we anticipate 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 our financial statements. We could be forced to incur material expenses with respect to these legal proceedings, and in the event that there is an outcome in any that is adverse to us, our 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 29, 2020, there were 11,325,000 shares of common stock issued and outstanding held by approximately 38 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.

For information on securities authorized for issuance under our existing equity compensation plan, see Item 12 under the heading "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

We did not repurchase any of our common stock in the fiscal year ended March 31, 2020.

During the fiscal years ended March 31, 2020 and 2019, we did not have sales of unregistered securities other than those already disclosed in the quarterly reports on Form 10-Q in the fiscal years 2020 and 2019 and current affair reports on Form 8-K.

### 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 our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this filing.*

## EXECUTIVE OVERVIEW

### Overview

Through our wholly owned operating subsidiaries and VIE, we are principally engaged in the manufacturing and exporting of customized, ready-made sport and outerwear from knitted fabric produced in our facilities in Jordan.

We are an approved manufacturer of many well-known brands and retailers, such as Walmart, Costco, Hanes, New Balance, G-III, VF Corporation (which owns brands such as The North Face, Timberland, and JanSport), and PVH Corp. (which owns brands such as Calvin Klein, Tommy Hilfiger, IZOD, and Speedo). Our production facilities are made up of four factory units, one workshop, and three warehouses and currently employ approximately 4,100 people. The total annual capacity at our facilities is approximately 8.0 million pieces (average for product categories including t-shirts, polo shirts, pants, shorts, and jackets).

### Impact of COVID-19 on our business

**Collectability of receivables.** We had accounts receivable of \$5.3 million as of March 31, 2020. Out of this \$5.3 million, \$5.1 million has been received up to June 24, 2020. Some customers, including our major customer VF Corporation, have requested to extend their credit terms for an addition of 20 days to 60 days from their original payment terms. On the other hand, VF Corporation offered to accelerate 50% of its settlements for shipments in April and May 2020.

**Inventory.** We had inventory of \$22.6 million as of March 31, 2020. Most of them are for orders scheduled to be shipped within fiscal 2021.

**Investments.** We acquired two pieces of land in fiscal 2020 for the construction of dormitory and production facility. Due to the ongoing COVID-19 outbreak, the management has decided to hold off the construction until there is a clearer picture on customer demand following the reopening of the U.S. and EU economies.

**Revenue.** For fiscal 2020, there were orders in the amount of approximately \$1.6 million which were originally scheduled to be shipped in the year but were deferred to fiscal 2021 due to the national shutdown in Jordan between March 18 and March 31, 2020. We have shipped these orders as of the date of this annual report. We have been proactively communicating with our existing customers to reconfirm their orders for fiscal 2021. We also managed to start business with some new customers. However, the above is subject to the progress of reopening of economies in the U.S. and the EU that would have significant impact on both order fulfillment and delivery schedules.

**Liquidity/Going Concern.** We had approximately \$26.1 million of cash and cash equivalent as of March 31, 2020. We had net current assets of approximately \$48.1 million with a current ratio of 5.4 to 1. In addition, we had banking facilities with aggregate limits of \$26 million with \$235 outstanding as of March 31, 2020. Given the above, we believe that we will have sufficient financial resources to maintain as a going concern in fiscal 2021.

**Subsequent events.** Our main production facilities in Al Tajamout Industrial City resumed production on April 4, 2020, under the condition that only migrant workers who were living in the dormitory within the same industrial city can go back to work, in addition to some strict hygienic precautionary measures. Our Al-Hasa workshop also restarted operation on April 26, 2020. Eventually, local employees resumed work on June 1, 2020.

#### Seasonality of Sales

A significant portion of our revenue is 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 our 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 2020 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)

Statement of Income Data:	Years Ended March 31,					
	2020		2019		Year over Year	
	Amount	As % of Sales	Amount	As % of Sales	Amount	%
Revenue	\$ 93,024	100%	\$ 84,984	100%	\$ 8,040	9%
Cost of goods sold	75,041	81%	66,207	78%	8,834	13%
Gross profit	17,983	19%	18,777	22%	(794)	(4)%
Selling, general and administrative expenses	10,318	11%	12,428	15%	(2,110)	(17)%
Other (expense) income, net	(21)	0%	23	0%	(44)	(191)%
Net income before taxation	\$ 7,644	8%	\$ 6,372	7%	\$ 1,272	20%
Income tax expense	1,174	1%	1,260	1%	(86)	(7)%
Net income	\$ 6,470	7%	\$ 5,112	6%	\$ 1,358	27%

**Revenue.** Revenue increased by approximately \$8.0 million, or 9%, to approximately \$93.0 million in fiscal 2020 from approximately \$85.0 million in fiscal 2019. 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; and the addition of new customers in the fiscal year. Approximately 96% and 83% of our products were exported to the U.S. in fiscal 2020 and 2019, respectively.

The table below presents our revenue for fiscal years 2020 and 2019 by geographic area.

**Revenue by Geographic Area**

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

Region	Years Ended March 31,					
	2020		2019		Year over Year	
	Amount	%	Amount	%	Amount	%
United States	\$ 89,123	96%	\$ 70,093	83%	\$ 19,030	27%
Jordan	3,738	4%	13,693	16%	(9,955)	(73)%
Others	163	0%	1,198	1%	(1,035)	(86)%
Total	\$ 93,024	100%	\$ 84,984	100%	\$ 8,040	9%

Since January 2010, all apparel manufactured in Jordan can be exported to the U.S. without customs duty being imposed, pursuant to the United States-Jordan Free Trade Agreement entered into in December 2001. This free trade agreement provides us with substantial competitiveness and benefit that allowed us to expand our garment export business in the U.S. Our sales to the U.S. increased by approximately 27% in fiscal 2020 compared to fiscal 2019. According to the Major Shippers Report issued by the Office of Textiles and Apparel under the U.S. Department of Commerce dated May 5, 2020, U.S. apparel import from Jordan increased by approximately 17% from \$1.56 billion in the fiscal year ended March 31, 2019 to approximately \$1.83 billion in the fiscal year ended March 31, 2020. Our sales growth ratio has been exceeding the industrial average growth ratio, and we expect we still have plenty of room to expand our garment export business in the U.S. in the long run, as Jerash accounted for only approximately 5% of the total Jordanian garment exports to the U.S. in fiscal 2020, according to data from the Major Shippers Report issued by the U.S. Department of Commerce. The short-term trend may be substantially impacted by the COVID-19 outbreak in fiscal 2021.

**Cost of goods sold.** Following the growth in sales revenue, our cost of goods sold increased by approximately \$8.8 million, or 13%, to approximately \$75.0 million in fiscal 2020 from approximately \$66.2 million in fiscal 2019. As a percentage of revenue, the cost of goods sold increased by approximately 3% points to 81% in fiscal 2020 from 78% in fiscal 2019. The increase in cost of goods sold as a percentage of revenue was primarily attributable to the absorption of ramp-up expenses of our newly acquired Paramount facility starting in April 2019 and newly set up Al-Hasa workshop that started operation in November 2019, and the manufacturing overheads absorbed as expenses in the period from March 18 to March 31, 2020, due to the shutdown in Jordan amid the COVID-19 outbreak.

For the fiscal year ended March 31, 2020, we purchased approximately 22%, 16%, and 11% of our raw materials from three major suppliers. For the fiscal year ended March 31, 2019, we purchased approximately 19%, 12%, and 11% of our raw materials from three major suppliers.

**Gross profit margin.** Gross profit margin was approximately 19% in fiscal 2020, which decreased by approximately 3% points from 22% in fiscal 2019. The decrease in gross profit margin was primarily driven by the expenses related to ramping up our new production facilities and the fixed cost during the shutdown period from March 18 to March 31, 2020.

**Selling, general and administrative expenses.** Selling, general and administrative expenses decreased by approximately 17% from approximately \$12.4 million in fiscal 2019 to approximately \$10.3 million in fiscal 2020. The decrease was mainly attributable to the decrease in stock-based compensation expenses by \$3.3 million partially offset by an increase of \$0.9 million in professional fees related to land purchase, start-up expenses of new subsidiaries, and miscellaneous staffing expenses resulting from a raise in headcounts in fiscal 2020.

**Other (expense) income, net.** Other expenses, net was approximately \$21,000 in fiscal 2020 and other income, net was \$23,000 in fiscal 2019. The net expenses in fiscal 2020 mainly resulted from the impact of variable exchange rates.

**Net income before taxation.** Net income before taxation for fiscal 2020 increased by approximately 20% from approximately \$6.4 million to approximately \$7.6 million. The increase was mainly attributable to the decrease in stock-based compensation expenses partially offset by a decrease in gross profit in fiscal 2020.

**U.S. taxation.** Income tax expense for fiscal 2020 was approximately \$1.2 million compared to income tax expense of \$1.3 million for fiscal 2019. The effective tax rate was 15.4% and 19.8% for fiscal 2020 and 2019, respectively.

**Jordan taxation.** Jerash Garments, Jerash Embroidery, Chinese Garments, Paramount, 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 five years to December 31, 2018. Effective January 1, 2019, in accordance to Development Zone law, Jerash Garments and its subsidiaries and VIE began paying corporate income tax in Jordan at a rate of 10% plus a 1% social contribution. The tax income tax rate increased to 14% plus a 1% social contribution effective from January 1, 2020. For fiscal 2020, our income tax in Jordan was \$1,229,000.

Jerash Garments and its subsidiaries and VIE 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 5, 2021 and we intend 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 2020 and 2019 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.

**PRC taxation.** Jiangmen Treasure Success was established in the PRC and is subject to an income tax rate of 25%.

**Net income.** Net income for fiscal 2020 was approximately \$6.5 million, a 27% increase from approximately \$5.1 million for fiscal 2019. The increase was mainly attributable to the decrease in stock-based compensation expenses partially offset by a decrease in gross profit in fiscal 2020.

#### **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 our Jordanian subsidiaries and VIE 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 and VIE 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. We have relied on direct payments of expenses by our subsidiaries and VIE (which generate revenue) to meet our obligations to date. To the extent payments are due in U.S. dollars, we have occasionally paid such amounts in JOD to an entity controlled by our 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, 2020, we had cash of approximately \$26.1 million and restricted cash of approximately \$0.8 million compared to cash of approximately \$27.2 million and restricted cash of approximately \$0.7 million as of March 31, 2019, which was mainly the security deposit supporting our duty free import into Jordan at the customs.

Our current assets as of March 31, 2020 were approximately \$59.0 million, and our current liabilities were approximately \$10.9 million, which resulted in a current ratio of approximately 5.4:1. 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. Total equity as of March 31, 2020 and 2019 was approximately \$54.8 million and \$50.3 million, respectively.

We had net working capital of \$48.1 million and \$47.8 million as of March 31, 2020 and 2019, respectively. Based on our 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. Our working capital requirements are influenced by the level of our operations, the numerical and dollar volume of our sales contracts, the progress of execution on our customer contracts, and the timing of accounts receivable collections.

### Credit Facilities

#### **HSBC Facility**

On May 29, 2017, our wholly owned subsidiary, Treasure Success, entered into a facility letter ("2017 Facility Letter") with HSBC to provide credit to us, which was later amended by an offer letter between HSBC, Treasure Success, and Jerash Garments dated June 19, 2018 ("2018 Facility Letter"), and further amended on August 12, 2019 (the "2019 Facility Letter," and together with the 2017 Facility Letter and the 2018 Facility Letter, the "HSBC Facility"). The 2019 Facility Letter extended the term of the HSBC Facility indefinitely, subject to review at any time by HSBC. Pursuant to the HSBC Facility, we have a total credit limit of \$11,000,000.

The HSBC Facility currently provides us with various credit facilities for importing and settling payment for goods purchased from our 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 our documentary credit. LIBOR was 0.3% and HIBOR was 0.9% on June 24, 2020. 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 our 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 our 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 Facility was secured by collateral provided by us, Jerash Garments, Treasure Success, and the personal guarantees of Mr. Choi and Mr. Ng. The personal guarantees were released by HSBC in August 2019. 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.

As of March 31, 2020, there was no amount outstanding under the HSBC Facility. Borrowings under the HSBC Facility are due upon demand by HSBC or within 120 days of each borrowing date.



## 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 our accounts receivable. 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 amended the 2017 Factoring Agreement. The HSBC Factoring Agreement was effective through May 1, 2019. We are negotiating with HSBC to amend the HSBC Factoring Agreement to extend the term of the facility with substantially similar terms and we 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, we may borrow up to \$12,000,000. In exchange for advances on eligible invoices from HSBC for our 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 our approved customers. We may not prepay an amount from a customer in excess of 85% of the funds available for borrowing. As of March 31, 2020, there was \$235 outstanding under the HSBC Factoring Agreement.

HSBC also provides credit protection and debt services related to each of our 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. We may assign debtor payments that are to be paid to HSBC 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 advances made by HSBC were secured by collateral provided by us, Jerash Garments, and Treasure Success, and the personal guarantees of Mr. Choi and Mr. Ng. If we fail 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, we had granted HSBC a charge of \$3,000,000 over our deposits. Following the effectiveness of the 2018 Factoring Agreement, the security collateral of \$3,000,000 was released as of January 22, 2019. HSBC released the personal guarantees of Mr. Choi and Mr. Ng in August 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 by SCBHK, 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. Borrowings under the SCBHK facility are due within 90 days of each invoice or financing date. 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. We were informed by SCBHK on January 31, 2019 that the SCBHK facility had been activated. As of March 31, 2020, there was no amount outstanding under the SCBHK facility.

## Years ended March 31, 2020 and 2019

The following table sets forth a summary of our cash flows for the fiscal years ended March 31, 2020 and 2019.

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

	For the years ended March 31,	
	2020	2019
Net cash provided by operating activities	\$ 6,913	\$ 9,775
Net cash used in investing activities	(4,932)	(1,601)
Net cash (used in) provided by financing activities	(2,913)	7,466
Effect of exchange rate changes on cash	15	(2)
Net (decrease) increase in cash	(917)	15,638
Cash and restricted cash, beginning of year	27,834	12,196
Cash and restricted cash, end of year	\$ 26,917	\$ 27,834
Non-cash financing activities		
Warrants issued to underwriters in connection with the IPO in fiscal 2019	\$ -	\$ 161
Prepaid stock issuance cost netted with proceeds from the IPO in fiscal 2019	\$ -	\$ 308
Right of use assets obtained in exchange for operating lease obligations	\$ 1,624	\$ -

### **Operating Activities**

Net cash provided by operating activities was approximately \$6.9 million in fiscal 2020, compared to net cash provided by operating activities of approximately \$9.8 million in fiscal 2019. The decrease in net cash provided by operating activities was primarily attributable to the following factors:

- accounts receivable increased by approximately \$1.3 million in fiscal 2020, compared to a decrease of accounts receivable of approximately \$1.2 million in fiscal 2019, due to introduction of some new customers whose payment terms are longer than our major customer in fiscal 2019;
- inventory increased by approximately \$1.6 million in fiscal 2020, compared to an increase of approximately \$770,000 in fiscal 2019, due to shipments delayed due to the national shutdown in Jordan from March 18 to March 31, 2020 amid the COVID-19 outbreak;
- income tax payable decreased by approximately \$250,000, compared to an increase of approximately \$1.2 million in fiscal 2019; and
- an increase in deposits paid to suppliers by \$1.7 million, compared to a decrease of approximately \$690,000 in fiscal 2019, due to the preparation for production in fiscal 2021.

### **Investing Activities**

Net cash used in investing activities was approximately \$4.9 million and \$1.6 million for fiscal 2020 and 2019, respectively. The increase in net cash used in investing activities was mainly attributable to the acquisition of our Paramount facility and the increase in plant and machineries for Paramount, the Al-Hasa workshop, and our existing factory units.

### **Financing Activities**

Net cash used in financing activities was approximately \$ 2.9 million for fiscal 2020 compared to net cash provided by \$7.5 million in fiscal 2019. The cash outflow resulted from payments of dividend and repayment of bank borrowings. Net cash provided in fiscal 2019 was primarily from proceeds from our IPO.

### **Non-cash Financing Activities**

We 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 approximately \$1.6 million of rights of use assets obtained in exchange for operating lease obligations in fiscal 2020 pursuant to new financial reporting requirements.

### **Statutory Reserves**

In accordance with the Corporate Law in Jordan, Jerash Holdings' subsidiaries and VIE 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 \$212,739 in both fiscal 2020 and 2019.

The following table provides the amount of our 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, 2020 and 2019.

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

	As of March 31,	
	2020	2019
Statutory Reserves	\$ 213	\$ 213
Total Restricted Net Assets	\$ 213	\$ 213
Consolidated Net Assets	\$ 54,751	\$ 50,262
Restricted Net Assets as Percentage of Consolidated Net Assets	0.39%	0.42%

Total restricted net assets accounted for approximately 0.39% of our consolidated net assets as of March 31, 2020. As our subsidiaries and VIE 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 \$4.7 million and \$0.8 million in fiscal 2020 and 2019, respectively, for purchases of equipment in connection with our business activities and to increase capacity. Additions in plant and machinery amounted to approximately \$1.9 million and \$0.6 million in fiscal 2020 and 2019, respectively, and additions to leasehold improvements amounted to approximately \$1.1 million and \$0.1 million in fiscal 2020 and 2019, respectively. In fiscal 2020, we acquired two pieces of land for an aggregate purchase price of approximately \$1.7 million.

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, but which we now intend to use as a dormitory. This dormitory is expected to be operational before the end of fiscal 2021 and is expected to house workers for the 54,000 square foot workshop in Al-Hasa County. This project is expected to cost approximately \$200,000 upon completion.

In 2018, we commenced another project to build a 54,000 square foot workshop in Al-Hasa County in the Tafilah Governorate of Jordan, which started operation in November 2019 with approximately 240 workers. Provided that we satisfy certain employment requirements over certain time periods, we do not anticipate incurring any significant costs for the project, which was 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 approximately \$353,000. See "Item 2. Properties" above for more information regarding this workshop.

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

On August 7, 2019, we completed a transaction to acquire 12,340 square meters (approximately three acres) of land in Al Tajamouat Industrial City, Jordan, from a third party to construct a dormitory for our employees with aggregate purchase price JOD863,800 (approximately \$1,218,303). Management has revised the plan to construct both dormitory and production facilities on the land in order to capture the increasing demand for our capacity. On February 6, 2020, we completed a transaction to acquire 4,516 square meters (approximately 48,608 square feet) of land in Al Tajamouat Industrial City, Jordan, from a third party to construct a dormitory for our employee with aggregate purchase price JOD313,501 (approximately \$442,162). We expect to spend approximately \$5 million in capital expenditures to build the dormitory and the production facilities. Due to the ongoing COVID-19 outbreak, management has decided to put on hold the construction project to retain financial resources to support our operations, and also to wait and see how the global economy and customer demand recover after the outbreak.

We projected that there will be an aggregate of approximately \$1.2 million of capital expenditures in both the fiscal years ending March 31, 2021 and 2022 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. We have used cash generated from operations of our subsidiaries and VIE to fund our capital commitments in the past and anticipate using such funds 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, we have not entered into any derivative contracts that are indexed to our own shares and classified as stockholders' equity, or that are not reflected in our consolidated financial statements.

For Management's Discussion and Analysis of the fiscal years ended March 31, 2019 and 2018, please see our Annual Report on Form 10-K for the year ended March 31, 2019, filed with the SEC on June 28, 2019.

### **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.**

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders 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, 2020 and 2019, 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, 2020, 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, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the two-year period ended March 31, 2020, 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 29, 2020

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

	March 31,	
	2020	2019
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$ 26,130,411	\$ 27,182,158
Accounts receivable, net	5,335,748	4,020,369
Inventories	22,633,772	21,074,243
Prepaid expenses and other current assets	2,761,877	2,630,727
Advance to suppliers, net	2,116,367	443,395
<b>Total Current Assets</b>	<b>58,978,175</b>	<b>55,350,892</b>
Restricted cash	786,298	652,310
Long-term deposits	253,414	810,172
Deferred tax assets, net	139,895	81,461
Property, plant and equipment, net	6,174,164	2,356,262
Right of use assets	1,147,090	-
<b>Total Assets</b>	<b>\$ 67,479,036</b>	<b>\$ 59,251,097</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities:</b>		
Credit facilities	\$ 235	\$ 648,711
Accounts payable	6,376,320	3,378,258
Accrued expenses	2,245,402	1,539,147
Income tax payable – current	1,088,497	1,164,238
Other payables	929,783	855,527
Operating lease liabilities – current	210,081	-
<b>Total Current Liabilities</b>	<b>10,850,318</b>	<b>7,585,881</b>
Operating lease liabilities – non-current	649,935	-
Income tax payable – non-current	1,227,632	1,403,087
<b>Total Liabilities</b>	<b>12,727,885</b>	<b>8,988,968</b>
<b>Commitments and Contingencies (See Note 15)</b>		
<b>Equity</b>		
Preferred stock, \$0.001 par value; 500,000 shares authorized; none issued and outstanding	\$ -	\$ -
Common stock, \$0.001 par value; 30,000,000 shares authorized; 11,325,000 shares issued and outstanding	11,325	11,325
Additional paid-in capital	15,235,025	14,956,767
Statutory reserve	212,739	212,739
Retained earnings	38,997,177	34,786,735
Accumulated other comprehensive loss	(8,324)	(14,440)
<b>Total Jerash Holdings (US), Inc.'s Stockholder's Equity</b>	<b>54,447,942</b>	<b>49,953,126</b>
Noncontrolling interest	303,209	309,003
<b>Total Equity</b>	<b>54,751,151</b>	<b>50,262,129</b>
<b>Total Liabilities and Equity</b>	<b>\$ 67,479,036</b>	<b>\$ 59,251,097</b>

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

	For the Years Ended March 31,	
	2020	2019
<b>Revenue, net</b>	\$ 93,024,236	\$ 84,983,661
Cost of goods sold	75,040,597	66,206,652
<b>Gross Profit</b>	<u>17,983,639</u>	<u>18,777,009</u>
Selling, general and administrative expenses	10,039,995	8,834,547
Stock-based compensation expenses	278,258	3,593,888
<b>Total Operating Expenses</b>	<u>10,318,253</u>	<u>12,428,435</u>
<b>Income from Operations</b>	<u>7,665,386</u>	<u>6,348,574</u>
<b>Other (Expense) Income:</b>		
Other (expense) income, net	(21,120)	23,802
<b>Total other (expense) income, net</b>	<u>(21,120)</u>	<u>23,802</u>
<b>Net Income before provision for income taxes</b>	<u>7,644,266</u>	<u>6,372,376</u>
Income tax expense	1,174,618	1,260,861
<b>Net Income</b>	<u>6,469,648</u>	<u>5,111,515</u>
Net loss attributable to noncontrolling interest	5,794	754
<b>Net income attributable to Jerash Holdings (US), Inc.'s Common Stockholders</b>	<u>\$ 6,475,442</u>	<u>\$ 5,112,269</u>
<b>Net Income</b>	<u>\$ 6,469,648</u>	<u>\$ 5,111,515</u>
<b>Other Comprehensive Income:</b>		
Foreign currency translation gain	6,116	10,215
<b>Total Comprehensive Income</b>	<u>6,475,764</u>	<u>5,121,730</u>
Comprehensive loss attributable to noncontrolling interest	-	601
<b>Comprehensive Income Attributable to Jerash Holdings (US), Inc.'s Common Stockholders</b>	<u>\$ 6,475,764</u>	<u>\$ 5,122,331</u>
<b>Earnings Per Share Attributable to Common Stockholders:</b>		
Basic	<u>\$ 0.57</u>	<u>\$ 0.46</u>
Diluted	<u>\$ 0.57</u>	<u>\$ 0.45</u>
<b>Weighted Average Number of Shares</b>		
Basic	<u>11,325,000</u>	<u>11,199,630</u>
Diluted	<u>11,443,364</u>	<u>11,330,310</u>
<b>Dividend per share</b>	<u>\$ 0.20</u>	<u>\$ 0.10</u>

**JERASH HOLDINGS (US), INC., SUBSIDIARIES AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED MARCH 31, 2020**

	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						
<b>Balance at March 31, 2018</b>	-	\$ -	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
Stock-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 gain	-	-	-	-	-	-	-	10,062	153	10,215
<b>Balance at March 31, 2019</b>	-	-	11,325,000	11,325	14,956,767	212,739	34,786,735	(14,440)	309,003	50,262,129
Stock-based compensation expense for the stock options issued under stock incentive plan.	-	-	-	-	278,258	-	-	-	-	278,258
Net income (loss)	-	-	-	-	-	-	6,475,442	-	(5,794)	6,469,648
Dividend distribution	-	-	-	-	-	-	(2,265,000)	-	-	(2,265,000)
Foreign currency translation gain	-	-	-	-	-	-	-	6,116	-	6,116
<b>Balance at March 31, 2020</b>	-	\$ -	11,325,000	\$ 11,325	\$15,235,025	\$ 212,739	\$38,997,177	\$ (8,324)	\$ 303,209	\$54,751,151



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

	For the Years Ended March 31,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 6,469,648	\$ 5,111,515
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,516,526	1,255,820
Stock-based compensation expense	278,258	3,593,888
Bad debt expense	6,641	-
Amortization of operating lease right-of-use assets	476,595	-
Changes in operating assets:		
Accounts receivable	(1,315,286)	1,229,239
Account receivable - related party	-	50,047
Inventories	(1,559,418)	(770,720)
Prepaid expenses and other current assets	(519,356)	(1,404,198)
Advances to suppliers	(1,672,853)	685,197
Deferred tax assets	(58,547)	(81,461)
Changes in operating liabilities:		
Accounts payable	2,997,850	(1,400,533)
Accrued expenses	706,205	363,037
Other payables	74,250	(23,888)
Operating lease liabilities	(237,504)	-
Income tax payable	(250,357)	1,167,322
<b>Net cash provided by operating activities</b>	<b>6,912,652</b>	<b>9,775,265</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(4,678,249)	(791,001)
Acquisition deposit	-	(380,000)
Other long-term assets	(253,414)	(430,113)
<b>Net cash used in investing activities</b>	<b>(4,931,663)</b>	<b>(1,601,114)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend distribution	(2,265,000)	(1,132,500)
Proceeds from short-term loan	(648,665)	(331,876)
Net proceeds from short-term loan	235	-
Net proceeds from issuance of common stock	-	8,930,300
Warrants issued to the underwriter	-	30
<b>Net cash (used in) provided by financing activities</b>	<b>(2,913,430)</b>	<b>7,465,954</b>
<b>EFFECT OF EXCHANGE RATES CHANGES ON CASH</b>	<b>14,682</b>	<b>(1,747)</b>
<b>NET (DECREASE) INCREASE IN CASH</b>	<b>(917,759)</b>	<b>15,638,358</b>
<b>CASH, AND RESTRICTED CASH, BEGINNING OF THE YEAR</b>	<b>27,834,468</b>	<b>12,196,110</b>
<b>CASH, AND RESTRICTED CASH, END OF THE YEAR</b>	<b>\$ 26,916,709</b>	<b>\$ 27,834,468</b>
CASH, AND RESTRICTED CASH, END OF THE YEAR	\$ 26,916,709	\$ 27,834,468
LESS: NON-CURRENT RESTRICTED CASH	786,298	652,310
CASH, END OF YEAR	<u>\$ 26,130,411</u>	<u>\$ 27,182,158</u>
<b>Supplemental disclosure information:</b>		
Cash paid for interest	\$ 6,171	\$ 90,867
Income tax paid	\$ 1,483,523	\$ 175,000
<b>Non-cash financing activities:</b>		
Warrants issued to underwriters in connection with the IPO	\$ -	\$ 160,732
Prepaid stock issuance cost netted with proceeds from the IPO	\$ -	\$ 308,179
Right of use assets obtained in exchange for operating lease obligations	\$ 1,623,685	\$ -

**JERASH HOLDINGS (US), INC.,  
SUBSIDIARIES AND AFFILIATE**

**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. Jerash Holdings, and its subsidiaries and Variable Interest Entity (“VIE”) are herein collectively referred to as the “Company.”

Jerash Garments and Fashions Manufacturing Company Limited (“Jerash Garments”) is a wholly owned subsidiary of Jerash Holdings and was established in Amman, the Hashemite Kingdom of Jordan (“Jordan”), as a limited liability company on November 26, 2000 with a declared capital of 150,000 Jordanian Dinar (“JOD”) (approximately US\$212,000) as of March 31, 2020.

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, each with a declared capital of JOD50,000 as of March 31, 2020. Jerash Embroidery and Chinese Garments are wholly owned subsidiaries of Jerash Garments.

Al-Mutafaweq Co. for Garments Manufacturing Ltd. (“Paramount”), was a contract garment manufacturer that was incorporated in Amman, Jordan, as a limited liability company on October 24, 2004 with a declared capital of JOD100,000. On December 11, 2018, Jerash Garments and the sole stockholder of Paramount entered into an agreement pursuant to which Jerash Garments acquired all of the outstanding shares of stock of Paramount. Jerash Garments 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 at the time of this acquisition, so this transaction was accounted for as an asset acquisition. As of June 18, 2019, Paramount became a subsidiary of Jerash Garments. Treasure Success International Limited (“Treasure Success”) was incorporated on July 5, 2016 in Hong Kong, China, for the primary purpose of employing staff from China to support Jerash Garments’ operations and is a wholly-owned subsidiary of Jerash Holdings.

Treasure Success International Limited (“Treasure Success”) was incorporated on July 5, 2016 in Hong Kong, China, for the primary purpose of employing staff from China to support Jerash Garments’ operations and is a wholly-owned subsidiary of Jerash Holdings.

Victory Apparel (Jordan) Manufacturing Company Limited (“Victory Apparel”) was incorporated as a limited liability company in Amman, Jordan, on September 18, 2005 with a declared capital of JOD50,000. Victory Apparel has no significant assets or liabilities or other operating activities of its own.

Although Jerash Garments does not own the equity interest of Victory Apparel, the Company’s president, director, and significant stockholder, Mr. Choi Lin Hung (“Mr. Choi”), is also a director of Victory Apparel and controls all decision-making for Victory Apparel along with another significant stockholder of Jerash Garments, Mr. Lee Kian Tjiauw, who has 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, the Company 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 VIE under Accounting Standards Codification (“ASC”) 810-10-05-08A. Accordingly, Jerash Garments consolidates Victory Apparel’s operating results, assets, and liabilities.

Jiangmen Treasure Success Business Consultancy Company Limited (“Jiangmen Treasure Success”) was incorporated on August 28, 2019 under the laws of the People’s Republic of China in Guangzhou City of Guangdong Province in China with a total registered capital of 3 million Hong Kong Dollars (“HKD”) (approximately \$385,000) to provide support in sales and marketing, sample development, merchandising, procurement, and other areas. Treasure Success, owns 100% of the equity interests in Jiangmen Treasure Success.

The Company is engaged in the manufacturing and exporting of customized, ready-made sport and outerwear from knitted fabric produced in its facilities in Jordan and sold in the United States, Jordan, and other countries.

## 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") and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC").

### Principles of Consolidation

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 VIE, 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 a 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 Mr. Choi, the Company's president, director, and significant stockholder absorbs the risks and rewards of Victory Apparel; therefore, the Company consolidates Victory Apparel for financial reporting purposes. Noncontrolling interests result from the consolidation of Victory Apparel, which is 100% owned by Wealth Choice Limited.

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:

	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Current assets	\$ 1,280	\$ 1,316
Intercompany receivables*	303,692	307,687
Total assets	<u>304,972</u>	<u>309,003</u>
Third party current liabilities	1,763	-
Total liabilities	1,763	-
Net assets	<u>\$ 303,209</u>	<u>\$ 309,003</u>

\* Receivables from Jerash Garments are eliminated upon consolidation.

Victory Apparel was inactive for the year ended March 31, 2020.

### 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 revenue and expenses during the reporting period. The Company's most significant estimates include allowance for doubtful accounts, valuation of inventory reserve, useful lives of buildings and other property and the measurement of stock-based compensation expenses. 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, 2020, and 2019, 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.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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 120 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. Allowance was \$4,641 and nil as of March 31, 2020 and 2019, respectively.

### 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 method. The Company periodically reviews its inventories for excess or slow-moving items and makes provisions as necessary to properly reflect inventory value.

### Advance to Suppliers

Advance to suppliers consists of balances paid to suppliers for services or materials purchased that have not been provided or received. Advance to suppliers for services and materials is short term in nature. Advance to Suppliers is reviewed periodically to determine whether its carrying value has become impaired. The Company considers the assets to be impaired if the collectability of the advance becomes doubtful. The Company uses the aging method to estimate the allowance for uncollectible balances. In addition, at each reporting date, the Company generally determines the adequacy of allowance for doubtful accounts by evaluating all available information, and then records specific allowances for those advances based on the specific facts and circumstances. Allowance was \$2,000 and nil as of March 31, 2020 and 2019, respectively.

### 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:

	<u>Useful life</u>
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, 2020 and 2019.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue Recognition

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 seven to 120 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. Returns and allowances are not a significant aspect of the revenue recognition process as historically they have been immaterial.

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. Historically, sales returns have not significantly impacted the Company's revenue.

The Company does not have any contract assets since the Company has an unconditional right to consideration when the Company has satisfied its performance obligation and payment from customers is not contingent on a future event. For the fiscal year March 31 2020 and 2019, there was no revenue recognized from performance obligations related to prior periods. As of March 31, 2020, 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 14—Segment Reporting").

### Shipping and Handling

Proceeds collected from customers for shipping and handling costs are included in revenue. 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 \$821,805 and \$692,794 for the years ended March 31, 2020 and 2019, 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. Treasure Success was registered in Hong Kong and has no operating profit. Jerash Garments, Jerash Embroidery, Chinese Garments, Paramount, 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 Jordanian government changed some features of its tax incentive programs and Jerash Garments and its subsidiaries and VIE are now qualified for incentives applicable to a Development Zone, a change from the previous incentive program relating to Qualifying Industrial Zone. In accordance with Development Zone law, Jerash Garments and its subsidiaries and VIE were subject to corporate income tax in Jordan at a rate of 10% plus 1% social contribution. Effective January 1, 2020, income rate increased to 14% plus 1% social contribution.

Jerash Garments and its subsidiaries and VIE 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 5, 2021.

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.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)**Income Taxes** (Continued)

ASC 740 clarifies the accounting for uncertainty in tax positions. This interpretation requires that an entity recognize 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. No significant uncertainty in tax positions relating to income taxes were incurred during year ended March 31, 2020 and 2019.

**Foreign Currency Translation**

The reporting currency of the Company is the U.S. dollar ("US\$" or "\$"). The Company uses JOD as its functional currency in Jordanian companies, HKD in Treasure Success, and Chinese Yuan ("CNY") in Jiangmen Treasure Success as functional currency of each abovementioned entity. The assets and liabilities of the Company have been translated into US\$ 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 US\$ 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 or 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:

	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Period-end spot rate	US\$1=JOD0.7090	US\$1=JOD0.7090
	US\$1=HKD7.7529	US\$1=HKD7.8500
	US\$1=CNY7.0896	
Average rate	US\$1=JOD0.7090	US\$1=JOD0.7091
	US\$1=HKD7.8163	US\$1=HKD7.8420
	US\$1=CNY6.9642	

**Stock-Based Compensation**

The Company measures compensation expense for stock-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 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.

- **Expected Term:** the expected term of a warrant or a stock option is the period of time that the warrant or stock option 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 stock-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 or stock option.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Stock-Based Compensation (Continued)

- Dividend Yield: Until November 2018, the board of directors of Jerash Holdings (the “Board of Directors”) had not declared, and the Company had not yet paid, any dividends. Accordingly, stock-based compensation awards granted prior to November 2018 assumed no dividend yield, while any subsequent stock-based compensation awards are 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 13—Earnings per Share”).

### Comprehensive Income

Comprehensive income consists of two components, net income and other comprehensive income. The foreign currency translation gain or loss resulting from translation of the financial statements expressed in JOD or HKD or CNY to US\$ is reported in other comprehensive income 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, credit facilities, accounts payable, accrued expenses, income tax payable, other payables, and operating lease liabilities to approximate the fair value of the respective assets and liabilities at March 31, 2020 and 2019 based upon the short-term nature of these assets and liabilities.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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, 2020, and 2019, respectively, \$6,894,641 and \$7,121,161 of the Company's cash was 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, 2020, \$125,830 of the Company's cash was on deposit at financial institutions in China, 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, 2020, and 2019, respectively, \$19,847,852 and \$20,614,581 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, 2020, and 2019, respectively, \$48,386 and \$98,726 of the Company's cash was on deposit in the United States and are insured by the Federal Deposit Insurance Corporation 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.

#### Customer and vendor concentration risk

The Company's sales are made primarily in the United States. Its operating results could be adversely affected by U.S. government policies on exporting business, foreign exchange rate fluctuations, and change of local market conditions. The Company has a concentration of its revenue and purchases with specific customers and suppliers. For the fiscal year ended March 31, 2020, two end-customers accounted for 77% and 11%, respectively, of the Company's total revenue. For the fiscal year ended March 31, 2019, one end-customer accounted for 79% of the Company's total revenue. As of March 31, 2020, four end-customers accounted for 42%, 20%, 20%, and 14% of the Company's total accounts receivable balance. As of March 31, 2019, one end-customer accounted for 96% of the Company's total accounts receivable balance.

For the fiscal year ended March 31, 2020, the Company purchased approximately 22%, 16%, and 11% of its raw materials from three major suppliers, respectively. For the fiscal year ended March 31, 2019, the Company purchased approximately 19%, 12%, and 11% of its raw materials from three major suppliers, respectively. As of March 31, 2020, accounts payable to the Company's three major suppliers accounted for 39%, 16%, and 10% of the total accounts payable balance, respectively. As of March 31, 2019, accounts payable to the Company's three major suppliers accounted for 40%, 20%, and 14% of the total accounts payable balance, respectively.

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.

The Company adopted ASU No. 2016-02—Leases (Topic 842), as of April 1, 2019, using a modified retrospective transition method permitted under ASU No. 2018-11. This transition approach provides a method for recording existing leases only at the date of adoption and does not require previously reported balances to be adjusted. In addition, the Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Company to carry forward the historical lease classification. Adoption of the new standard resulted in the recording of additional lease assets and lease liabilities of approximately \$1.4 million and \$0.9 million, respectively, as of April 1, 2019. The standard did not materially impact consolidated net earnings and had no impact on cash flows. (See “Note 7—Leases”).

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This ASU is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. This ASU requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This ASU requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of the Company’s portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. This ASU is effective for interim and annual periods beginning after December 15, 2019, and early adoption is permitted. The Company will adopt ASU 2016-13 and its related amendments effective April 1, 2020, and there was no material effect on its consolidated financial statements for the adoption of this standard.

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740)—Simplifying the Accounting for Income Taxes. ASU 2019-12 is intended to simplify accounting for income taxes. It removes certain exceptions to the general principles in Topic 740 and amends existing guidance to improve consistent application. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years, with early adoption permitted. The Company does not expect adoption of the new guidance to have a significant impact on its consolidated financial statements.

### NOTE 4 – ACCOUNTS RECEIVABLES

Accounts receivable consisted of the following:

	As of March 31, 2020	As of March 31, 2019
Trade accounts receivable	\$ 5,340,389	\$ 4,020,369
Less: allowances for doubtful accounts	4,641	-
Accounts receivables, net	<u>\$ 5,335,748</u>	<u>\$ 4,020,369</u>

### NOTE 5 – INVENTORIES

Inventories consisted of the following:

	As of March 31, 2020	As of March 31, 2019
Raw materials	\$ 12,499,301	\$ 11,601,262
Work-in-progress	1,541,716	1,889,329
Finished goods	8,592,755	7,583,652
Total inventory	<u>\$ 22,633,772</u>	<u>\$ 21,074,243</u>

**NOTE 6 – ADVANCE TO SUPPLIERS**

Advance to suppliers consisted of the following:

	<b>As of March 31, 2020</b>	<b>As of March 31, 2019</b>
Advance to suppliers	\$ 2,118,367	\$ 443,395
Less: allowances for doubtful accounts	2,000	-
Advance to suppliers, net	<u>\$ 2,116,367</u>	<u>\$ 443,395</u>

**NOTE 7 – LEASES**

The Company has 31 operating leases for manufacturing facilities and offices. Some leases include one or more options to renew, which is typically at the Company's sole discretion. The Company regularly evaluates the renewal options, and, when it is reasonably certain of exercise, it will include the renewal period in its lease term. New lease modifications result in remeasurement of the right of use ("ROU") assets and lease liability. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Effective April 1, 2019, the Company adopted the new lease accounting standard using a simplified retrospective transition method which allowed the Company not to recast comparative periods presented in its unaudited condensed consolidated financial statements. In addition, the Company elected the package of practical expedients, which allowed the Company to not reassess whether any existing contracts contain a lease, to not reassess historical lease classification as operating or finance leases, and to not reassess initial direct costs. The Company has not elected the practical expedient to use hindsight to determine the lease term for its leases at transition. The Company combines the lease and non-lease components in determining the ROU assets and related lease obligation. Adoption of this standard resulted in the recording of operating lease ROU assets and corresponding operating lease liabilities as disclosed below and had no impact on accumulated deficit as of March 31, 2020. ROU assets and related lease obligations are recognized at commencement date based on the present value of remaining lease payments over the lease term.

All of the Company's leases are classified as operating leases and primarily include office space and manufacturing facilities.

Supplemental balance sheet information related to operating leases was as follows:

	<b>March 31, 2020</b>
Right-of-use assets	<u>\$ 1,147,090</u>
Operating lease liabilities - current	\$ 210,081
Operating lease liabilities - non-current	649,935
Total operating lease liabilities	<u>\$ 860,016</u>

The weighted average remaining lease terms and discount rates for all of operating leases were as follows as of March 31, 2020:

Remaining lease term and discount rate:

Weighted average remaining lease term (years)	3.6
Weighted average discount rate	4.06%

During the fiscal 2020 and 2019, the Company incurred total operation lease expenses of \$1,963,831 and \$1,528,500 respectively.

**NOTE 7 – LEASES** (Continued)

The following is a schedule, by fiscal years, of maturities of lease liabilities as of March 31, 2020:

2021	\$ 448,886
2022	317,113
2023	223,571
2024	171,282
2025	82,831
Thereafter	-
Total lease payments	<u>1,243,683</u>
Less: imputed interest	(96,593)
Less: prepayments	<u>(287,074)</u>
Present value of lease liabilities	<u>\$ 860,016</u>

**NOTE 8 – PROPERTY, PLANT AND EQUIPMENT, NET**

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

	<b>As of March 31, 2020</b>	<b>As of March 31, 2019</b>
Land <sup>(1)</sup>	\$ 1,831,192	\$ 61,078
Property and buildings	432,562	432,562
Equipment and machinery <sup>(2)</sup>	7,630,255	5,560,265
Office and electric equipment	793,405	550,738
Automobiles	480,687	367,332
Leasehold improvements	2,765,610	1,652,038
Subtotal	<u>13,933,711</u>	<u>8,624,013</u>
Construction in progress <sup>(3)</sup>	194,752	200,042
Less: Accumulated depreciation and amortization <sup>(4)</sup>	<u>(7,954,299)</u>	<u>(6,467,793)</u>
Property and equipment, net	<u>\$ 6,174,164</u>	<u>\$ 2,356,262</u>

(1) On August 7, 2019 and February 6, 2020, the Company, through Jerash Garments, closed transactions to purchase 12,340 square meters (approximately three acres) and 4,516 square meters (approximately 48,608 square feet) of land in Al Tajamouat Industrial City, Jordan (the "Jordan Properties"), from third parties to construct a factory and a dormitory for the Company's employees, respectively. The aggregate purchase price of the Jordan Properties was JOD1,177,301 (approximately US\$1.7 million).

(2) On June 18, 2019, the Company closed a transaction whereby it acquired all of the outstanding shares of Paramount, a contract manufacturer based in Amman, Jordan. 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 at the time of acquisition, so this transaction was accounted for as an asset acquisition. \$980,000 was paid in cash to acquire all of the machinery and equipment from Paramount and the machinery and equipment were transferred to the Company.

(3) The construction in progress account represents costs incurred for constructing dormitory, which was previously planned to be a sewing workshop. This dormitory is approximately 4,800 square feet in the Tafilah Governorate of Jordan, and is expected to be operational before the end of fiscal 2021.

(4) Depreciation and amortization expenses were \$1,516,526 and \$1,255,820 for the fiscal years ended March 31, 2020 and 2019, respectively.

## **NOTE 9 – EQUITY**

### **Preferred Stock**

The Company had 500,000 shares of preferred stock authorized with a par value of \$0.001 per share, and with none issued and outstanding as of March 31, 2020 and March 31, 2019. 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 shares of common stock authorized 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 common stock outstanding as of March 31, 2020 and 2019.

### **Statutory Reserve**

In accordance with the Corporate Law in Jordan, Jerash Garments, Jerash Embroidery, Chinese Garments, Paramount, 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. In addition, PRC companies are required to set aside at least 10% of their after-tax net profits each year, if any, to fund the statutory reserves until the balance of the reserves reaches 50% of their registered capital. The statutory reserves are not distributable in the form of cash dividends to the Company and can be used to make up cumulative prior year losses.

### **Dividends**

On February 5, 2020, November 4, 2019, July 29, 2019, and May 17, 2019, the Board of Directors declared a cash dividend of \$0.05 per share of common stock, respectively. The cash dividends of \$566,250 were paid in full on February 26, 2020, November 26, 2019, August 19, 2019, and June 5, 2019, respectively.

On February 7, 2019 and November 1, 2018, the Board of Directors declared a cash dividend of \$0.05 per share of common stock, respectively. The cash dividends of \$566,250 were paid in full on February 27, 2019 and November 27, 2018, respectively.

### **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 10 – STOCK-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.

The fair value of these warrants was estimated as of the grant date using the Black-Scholes model with the major assumptions that expected terms is five years; risk-free interest rate is 1.8-2.8%; and the expected volatility is 50.3-52.2%. There were 264,410 warrants outstanding as of March 31, 2020 and 2019 with a weighted average exercise price of \$6.35. All of the outstanding warrants were fully vested and exercisable as of March 31, 2020 and 2019.

### **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 of the Company were reserved for issuance under the Plan. In addition, on July 19, 2019, the Board of Directors approved the amendment and restatement of the Plan, which was approved by the Company’s stockholders at its annual meeting of stockholders on September 16, 2019. The amended and restated Plan increased the number of shares reserved for issuance under the Plan by 300,000, to 1,784,250, among other changes.

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. The fair value of these options was estimated as of the grant date using the Black-Scholes model with the major assumptions that expected terms is five years; risk-free interest rate is 2.6%; and the expected volatility is 50.3%. All these outstanding options were fully vested and exercisable on issue date.

**NOTE 10 – STOCK-BASED COMPENSATION** (Continued)

On August 3, 2018, the Board of Directors granted the Company's then 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 10 years. The fair value of these options was estimated as of the grant date using the Black-Scholes model with the major assumptions that expected terms is 10 years; risk-free interest rate is 2.95%; and the expected volatility is 50.3%. All these outstanding options were fully vested and exercisable in August, 2019.

On November 27, 2019, the Board of Directors granted the Company's Chief Financial Officer 50,000 nonqualified stock options under the amended and restated Plan in accordance with the amended and restated Plan at an exercise price of \$6.50 per share and a term of 10 years. As of March 31, 2020, there was \$42,151 remaining amount to vest.

The fair value of the options granted on November 27, 2019 was \$126,454. It is estimated as of the grant date using the Black-Scholes model with the following assumptions:

	<b>Stock Options March 31, 2020</b>
Expected term (in years)	10.0
Risk-free interest rate (%)	1.77%
Expected volatility (%)	48.59%
Dividend yield (%)	3.08%

All stock option activities are summarized as follows:

	<b>Shares</b>	<b>Weighted Average Exercise Price</b>
Stock options outstanding at March 31, 2019	1,139,500	\$ 6.88
Granted	50,000	6.50
Exercised	-	-
Cancelled	-	-
Stock options outstanding at March 31, 2020	1,189,500	\$ 6.87

Total expense related to the stock options issued was \$278,258 for the year ended March 31, 2020. There were \$42,151 of unrecognized compensation costs at March 31, 2020 relating to unvested awards.

**NOTE 11 – RELATED PARTY TRANSACTIONS**

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

<b>Name of Related Party</b>	<b>Relationship to the Company</b>	<b>Nature of Transactions</b>
Ford Glory International Limited ("FGIL")	Affiliate, subsidiary of Ford Glory Holdings ("FGH"), which is 49% indirectly owned by the Company's President, Chief Executive Officer and Chairman, a significant stockholder	Operating Lease
Yukwise Limited ("Yukwise")	Wholly owned by the Company's 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
Jiangmen V-Apparel Manufacturing Limited	Affiliate, subsidiary of FGH	Operating Lease

**NOTE 11 – RELATED PARTY TRANSACTIONS** (Continued)

**a. Related party lease and purchases agreement**

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 for a monthly rent in the amount of HKD119,540 (approximately \$15,253) and for a one-year term with an option to extend the term for an additional year at the same rent. On October 3, 2019, Treasure Success exercised the option to extend the lease for an additional year at the same rent.

On August 31, 2019, Jiangmen Treasure Success and Jiangmen V-Apparel Manufacturing Limited entered into a lease agreement, which was a replacement of a previous lease agreement between Treasure Success and Jiangmen V-Apparel Manufacturing Limited dated August 15, 2019, pursuant to which Treasure Success leases its office space in Jiangmen, China from Jiangmen V-Apparel Manufacturing Limited for a monthly rent in the amount of CNY6,200 (approximately \$891). The lease has a 10-year term with a clause to increase the rental amount by 5% annually between the third and fifth years of the lease term and the rental amount will be reviewed by and negotiated between both parties according to the market rental rate.

On July 15, 2019, the Company, through Treasure Success, entered into an agreement to purchase office space together with certain parking spaces from FGIL for an aggregate purchase price of HKD63,000,000 (approximately \$8.1 million). Pursuant to the agreement, Treasure Success paid an initial deposit of HKD6,300,000 (approximately \$0.8 million) upon signing the agreement. On October 31, 2019, this agreement was terminated pursuant to its terms because the conditions precedent to closing under the agreement were not met. As a result of the termination, on November 7, 2019, FGIL repaid in full, without interest, the deposit Treasure Success paid at the time the agreement was signed.

**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 years ended March 31, 2020 and 2019.

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 high-level advisory and general management services for \$300,000 per annum. The agreement renews automatically 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 years ended March 31, 2020 and 2019.

## NOTE 11 – RELATED PARTY TRANSACTIONS (Continued)

### c. Personal Guarantees

Borrowings under the Credit Facilities, with HSBC were previously secured by the personal guarantees of Mr. Choi and Mr. Ng Tsze Lun (“Mr. Ng”). These guarantees were released as of August 12, 2019. (See “Note 12—Credit Facilities”).

## NOTE 12 – CREDIT FACILITIES

Pursuant to a letter agreement dated May 29, 2017, Treasure Success entered into an \$8,000,000 import credit facility with Hong Kong and Shanghai Banking Corporation (“HSBC”) (the “2017 Facility Letter”), which was amended pursuant to a letter agreement between HSBC, Treasure Success, and Jerash Garments dated June 19, 2018 (the “2018 Facility Letter”), and increased to \$11,000,000 pursuant to a letter agreement dated August 12, 2019 (the “2019 Facility Letter,” and together with the 2018 Facility Letter and 2017 Facility Letter, the “HSBC Facility”).

In addition, 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 Company’s accounts receivables. On June 14, 2018, Treasure Success and Jerash Garments entered into another Offer Letter-Invoice Discounting/Factoring Agreement with HSBC, which amended the 2017 Factoring Agreement (the “2018 Factoring Agreement, and together with the 2017 Factoring Agreement, the “HSBC Factoring Agreement,” and together with the HSBC Facility, the “HSBC Credit Facilities”). Pursuant to the HSBC Factoring Agreement, HSBC offered to provide Treasure Success with a \$12,000,000 factoring facility for certain debt purchase services related to Treasure Success’s accounts receivables.

The HSBC Credit Facilities are guaranteed by Jerash Holdings, Jerash Garments, and Treasure Success. In addition, the HSBC Credit Facilities required cash and other investment security collateral of \$3,000,000 and were secured by the personal guarantees of Mr. Choi and Mr. Ng. As of January 22, 2019, the security collateral of \$3,000,000 had been released. HSBC also released the personal guarantees of Mr. Choi and Mr. Ng on August 12, 2019. The HSBC Credit Facilities provide that drawings under the HSBC Credit Facilities are charged interest at the Hong Kong Interbank Offered Rate plus 1.5% for drawings in HKD, and the London Interbank Offered Rate plus 1.5% for drawings in other currencies. In addition, the HSBC Credit Facilities also contain certain service charges and other commissions and fees.

Under the HSBC Factoring Agreement, HSBC also provides credit protection and debt services related to each of the Company’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 Company may assign debtor payments that are to be paid to HSBC within 90 days, defined as the maximum terms of payment. The Company may receive advances on invoices that are due within 30 days of the delivery of its goods, defined as the maximum invoicing period.

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

As March 31, 2020, and 2019, the Company had made \$235 and \$360,401 in withdrawals, under the HSBC Credit Facilities, which are due within 120 days of each borrowing date or upon demand by HSBC. As of March 31, 2020, \$235 was outstanding under the HSBC Factoring Agreement. As of March 31, 2019, \$85,421 was outstanding under the HSBC Factoring Agreement and \$274,980 outstanding under the HSBC Facility.

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 March 31, 2020 and 2019, the Company had an outstanding amount of \$0 and \$288,310, respectively, in import invoice financing under the SCBHK facility.



## NOTE 13 – EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share for the fiscal years ended March 31, 2020 and 2019. 57,200 IPO Underwriter Warrants, 50,000 stock options to the Company's Chief Financial Officer were anti-dilutive for the year ended March 31, 2020 and excluded from the EPS calculation.

	Year Ended March 31, (in \$000s except share and per share information)	
	2020	2019
Numerator:		
Net income attributable to Jerash Holdings (US), Inc.'s Common Stockholders	\$ 6,475	\$ 5,112
Denominator:		
Denominator for basic earnings per share (weighted-average shares)	11,325,000	11,199,630
Dilutive securities – unexercised warrants and options	118,364	130,680
Denominator for diluted earnings per share (adjusted weighted-average shares)	11,443,364	11,330,310
Basic earnings per share	\$ 0.57	\$ 0.46
Diluted earnings per share	\$ 0.57	\$ 0.45

## NOTE 14 – 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, 2020 and 2019, outerwear accounted for approximately 85.0% and 88.3% 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, 2020 and 2019, respectively.

	For the years ended March 31,	
	2020	2019
United States	\$ 89,123,214	\$ 70,092,992
Jordan	3,737,608	13,693,020
Other countries	163,414	1,197,649
Total	\$ 93,024,236	\$ 84,983,661

99.9% of long-lived assets were located in Jordan as of March 31, 2020

## NOTE 15 – COMMITMENTS AND CONTINGENCIES

### Commitments

On August 28, 2019, a new entity, Jiangmen Treasure Success, was incorporated under the laws of the People's Republic of China in Jiangmen City, Guangdong Province, China, with a total registered capital of HKD3 million (approximately \$385,000). The Company's subsidiary, Treasure Success, is required to contribute HKD3 million (approximately \$385,000) as paid-in capital in exchange for 100% ownership interest in Jiangmen Treasure Success. As of March 31, 2020, Treasure Success had made capital contribution of HKD1.3 million (approximately \$167,000). Pursuant to Jiangmen Treasure Success's organizational documents, the Company is required to complete the capital contribution before December 31, 2029.

**NOTE 15 – COMMITMENTS AND CONTINGENCIES** (Continued)**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 would not have a material adverse impact on the Company's consolidated financial position, results of operations and cash flows.

**NOTE 16 – INCOME TAX**

Jerash Garments, Jerash Embroidery, Chinese Garments, Paramount, 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 five years until December 31, 2018. 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. Effective January 1, 2019, Jordanian 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 and VIE began paying corporate income tax in Jordan at a rate of 10% plus a 1% social contribution. Effective January 1, 2020, this rate increased to 14% plus a 1% social contribution.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was enacted. The Tax Act imposed tax on previously untaxed accumulated earnings and profits ("E&P") of foreign subsidiaries (the "Toll Charge"). The Toll Charge is based in part of the amount of E&P held in cash and other specific assets as of December 31, 2017. The Toll Charge can be paid over an eight-year period, starting in 2018, and will not accrue interest. Additionally, under the provisions of the Tax Act, for taxable years beginning after December 31, 2017, the foreign earnings of Jerash Garments and its subsidiaries are subject to U.S. taxation at the Jerash Holdings level under the new Global Intangible Low-Taxed Income ("GILTI") regime.

Income tax payable consisted of the following:

	<b>As of March 31, 2020</b>	<b>As of March 31, 2019</b>
Income tax payable – current	\$ 1,088,497	\$ 1,164,238
Income tax payable – non-current	1,227,632	1,403,087
	<u>\$ 2,316,129</u>	<u>\$ 2,567,325</u>

**NOTE 16 – INCOME TAX** (Continued)

The provision for income taxes consisted of the following:

	For the years ended March 31,	
	2020	2019
<b>Domestic and foreign components of income (loss) before income taxes</b>		
Domestic	\$ (1,811,749)	\$ (5,205,168)
Foreign	9,456,015	11,577,544
Total	<u>\$ 7,644,266</u>	<u>\$ 6,372,376</u>
	For the years ended March 31,	
	2020	2019
<b>Provision (benefit) for income taxes</b>		
<u>Current tax:</u>		
U.S. federal	\$ 4,002	\$ 1,302,022
U.S. state and local	50	40
Foreign	1,229,000	40,260
Total Current Tax	<u>1,233,052</u>	<u>1,342,322</u>
<u>Deferred tax:</u>		
U.S. federal	(58,434)	(81,461)
U.S. state and local	-	-
Foreign	-	-
Total deferred tax	<u>(58,434)</u>	<u>(81,461)</u>
Total tax	<u>\$ 1,174,618</u>	<u>\$ 1,260,861</u>
Effective tax rates	<u>15.4%</u>	<u>19.8%</u>

A reconciliation of the effective tax rate was as follows:

	For the years ended March 31,	
	2020	2019
Tax at statutory rate	\$ 1,605,296	\$ 1,338,199
State tax, net of federal benefit	40	40
Non-deductible expenses	29	692,749
Non-taxable income	(10,151)	(17,416)
Global Intangible Low-Taxed Income	1,130,422	1,381,950
Tax Credits	(808,407)	(31,307)
Foreign tax rate differential	(804,026)	(2,426,493)
Valuation Allowance	57,413	52,885
Provision to return adjustments	4,002	270,254
Total	<u>\$ 1,174,618</u>	<u>\$ 1,260,861</u>

The Company's deferred tax assets and liabilities at March 31, 2020 and 2019 consisted of the following:

	As of	As of
	March 31, 2020	March 31, 2019
<b>Deferred tax assets</b>		
Stock based compensation	\$ 139,895	\$ 81,461
Net operating losses carried forward	148,220	90,807
Less: valuation allowance	(148,220)	(90,807)
Deferred tax assets, net	<u>\$ 139,895</u>	<u>\$ 81,461</u>

Deferred tax assets are reduced by a valuation allowance when it is considered more likely than not that some portion or all of the deferred tax assets will not be realized. As of March 31, 2020 and 2019, the allowance for deferred tax assets was \$148,220 and \$90,807, respectively.

## NOTE 17 – SUBSEQUENT EVENTS

As of March 31, 2020, the Company had cumulative book-tax basis differences in its foreign subsidiaries of approximately \$20.5 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 \$4.3 million.

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.

On May 15, 2020, the Board of Directors approved the payment of a dividend of \$0.05 per share payable on June 2, 2020 to stockholders of record as of the close of business on May 26, 2020.

In March 2020, the outbreak of COVID-19 (coronavirus) caused by a novel strain of the coronavirus was recognized as a pandemic by the World Health Organization, and the outbreak has become increasingly widespread all over the world, including in each of the areas in which the Company operates. The Company temporarily closed its manufacturing facilities from March 18, 2020 to April 3, 2020. As the situation was controlled and improved gradually in April and May, the Company's manufacturing facilities in Jordan have been resumed step by step, and reached full capacity since June 1, 2020. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There was no significant negative impact for the fiscal year ended March 31, 2020, but the management expects a short-term decline in fiscal 2021. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Company is unable to estimate the impact on the Company's financial condition and operations in the long run.

**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 our disclosure controls and procedures as of March 31, 2020, concluded that our 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, 2020. 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, 2020, 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, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information.**

None.

### PART III

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

In response to this Item, the information set forth in our Proxy Statement for our 2020 Annual Meeting of Stockholders (the “2020 Proxy Statement”) to be filed within 120 days following the end of our 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 2020 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.

The following table provides information regarding shares outstanding and available for issuance under our existing equity compensation plans.

##### Equity Compensation Plan Information

Plan Category	(a)	(b)	(c)
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	1,453,910	\$ 6.77	594,750
Equity compensation plans not approved by security holders	-	\$ -	-
Total	<u>1,453,910</u>	<u>\$ 6.77</u>	<u>594,750</u>

For additional information concerning our equity compensation plans, see the discussion in “Note 10—Stock-Based Compensation.”

The remainder of the information required by this Item is set forth in the 2020 Proxy Statement under the headings “Executive Compensation—Equity Compensation Plan Information” and “Security Ownership of Certain Beneficial Owners and Management” and is hereby 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 2020 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 2020 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
3.1	<a href="#"><u>Amended and Restated Certificate of Incorporation</u></a>	<a href="#"><u>Incorporated herein by reference to Exhibit 3.1 to the Post-Effective Amendment No. 1 to Form S-1, filed with the SEC on September 19, 2018</u></a>
3.2	<a href="#"><u>Amended and Restated Bylaws</u></a>	<a href="#"><u>Incorporated herein by reference to Exhibit 3.1 to the Form 8-K, filed with the SEC on July 24, 2019</u></a>
4.1	<a href="#"><u>Specimen Certificate for Common Stock</u></a>	<a href="#"><u>Incorporated herein by reference to Exhibit 4.1 to the Form S-1, filed with the SEC on June 27, 2017</u></a>
4.2	<a href="#"><u>Description of Securities</u></a>	<a href="#"><u>Incorporated herein by reference to Exhibit 4.1 to the Form 10-K, filed with the SEC on June 28, 2019</u></a>
10.1	<a href="#"><u>Form of Private Placement Warrant</u></a>	<a href="#"><u>Incorporated herein by reference to Exhibit 10.3 to the Form S-1, filed with the SEC on June 27, 2017</u></a>
10.2	<a href="#"><u>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</u></a>	<a href="#"><u>Incorporated herein by reference to Exhibit 10.4 to the Form S-1, filed with the SEC on June 27, 2017</u></a>
10.3	<a href="#"><u>Letter Agreement for Banking Facilities, dated 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</u></a>	<a href="#"><u>Incorporated herein by reference to Exhibit 10.22 to the Form 10-K, filed with the SEC on June 28, 2019</u></a>
10.4	<a href="#"><u>Letter Agreement for Banking Facilities, dated August 12, 2019, by and between Hongkong and Shanghai Banking Corporation Limited, Treasure Success International Limited and Jerash Garments and Fashions Manufacturing Company Limited</u></a>	<a href="#"><u>Incorporated herein by reference to Exhibit 10.1 to the Form 8-K, filed with the SEC on August 26, 2019</u></a>
10.5	<a href="#"><u>Letter Agreement for Invoice Discounting/Factoring Agreement, dated 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.</u></a>	<a href="#"><u>Incorporated herein by reference to Exhibit 10.5 to the Form S-1, filed with the SEC on June 27, 2017</u></a>
10.6	<a href="#"><u>Letter Agreement for Invoice Discounting/Factoring Agreement dated August 21, 2017, by and between The Hongkong and Shanghai Banking Corporation Limited and Treasure Success International Limited</u></a>	<a href="#"><u>Incorporated herein by reference to Exhibit 10.12 to the Form S-1/A, filed with the SEC on September 29, 2017</u></a>

10.7	<a href="#">Facility Letter, dated June 15, 2018, by and between Treasure Success International Limited and Standard Chartered Bank (Hong Kong) Limited</a>	<a href="#">Incorporated herein by reference to Exhibit 10.2 to the Form 10-Q, filed with the SEC on February 13, 2019</a>
10.8	<a href="#">Standard Chartered Global Master Credit Terms</a>	<a href="#">Incorporated herein by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q, filed with the SEC on February 13, 2019</a>
10.9	<a href="#">Standard Chartered Global Master Trade Terms</a>	<a href="#">Incorporated herein by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q, filed with the SEC on February 13, 2019</a>
10.10+	<a href="#">Unified Employment Agreement for Expatriate Staff in the Textile, Garment and Clothing Industry between Jerash Garments and Fashions Manufacturing Company Limited and Wei Yang dated as of May 1, 2020</a>	<a href="#">Filed herewith</a>
10.11	<a href="#">Rental Agreement, dated as of October 3, 2018, by and between Ford Glory International Limited and Treasure Success International Limited</a>	<a href="#">Incorporated herein by reference to Exhibit 10.5 to Form 10-K, filed with the SEC on June 28, 2019</a>
10.12+	<a href="#">Consulting Agreement, dated January 12, 2018, by and between Treasure Success International Limited and Yukwise Limited</a>	<a href="#">Incorporated herein by reference to Exhibit 10.1 to the Form 8-K, filed with the SEC on January 16, 2018</a>
10.13+	<a href="#">Consulting Agreement, dated January 16, 2018, by and between Treasure Success International Limited and Multi-Glory Corporation Ltd.</a>	<a href="#">Incorporated herein by reference to Exhibit 10.18 to the Form S-1, filed with the SEC on January 18, 2018</a>
10.14	<a href="#">Form of Underwriter's Warrant</a>	<a href="#">Incorporated herein by reference to Exhibit 10.15 to Amendment No. 2 to the Form S-1, filed with the SEC on March 9, 2018</a>
10.15+	<a href="#">Amended and Restated 2018 Stock Incentive Plan</a>	<a href="#">Incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the SEC on September 19, 2019</a>
10.16+	<a href="#">Form of Option Award Notice and Agreement (Employee)</a>	<a href="#">Incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K, filed with the SEC on March 23, 2018</a>
10.17+	<a href="#">Form of Option Award Notice and Agreement (Consultant)</a>	<a href="#">Incorporated herein by reference to Exhibit 10.3 to the Current Report on Form 8-K, filed with the SEC on March 23, 2018</a>
10.18+	<a href="#">Employment Agreement dated November 27, 2019 by and between Jerash Holdings and Gilbert K. Lee</a>	<a href="#">Incorporated herein by reference to Exhibit 10.1 to the Form 8-K, filed with the SEC on December 2, 2019</a>
10.19+	<a href="#">Option Award Agreement dated November 27, 2019 by and between Jerash Holdings and Gilbert K. Lee</a>	<a href="#">Incorporated herein by reference to Exhibit 10.2 to the Form 8-K, filed with the SEC on December 2, 2019</a>
10.20+	<a href="#">Form of Indemnification Agreement</a>	<a href="#">Incorporated herein by reference to Exhibit 10.2 to the Form 8-K, filed with the SEC on June 15, 2020</a>
14.1	<a href="#">Code of Ethics</a>	<a href="#">Filed herewith</a>
21.1	<a href="#">Subsidiaries of Jerash Holdings (US), Inc.</a>	<a href="#">Filed herewith</a>



23.1	<a href="#">Consent of Friedman LLP</a>	<a href="#">Filed herewith</a>
31.1	<a href="#">Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>	<a href="#">Filed herewith</a>
31.2	<a href="#">Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>	<a href="#">Filed herewith</a>
32.1*	<a href="#">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</a>	<a href="#">Furnished herewith</a>
32.2*	<a href="#">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</a>	<a href="#">Furnished herewith</a>
101.INS	XBRL Instance Document	Filed herewith
101.SCH	XBRL Taxonomy Extension Schema Linkbase	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase	Filed herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase	Filed herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	Filed herewith
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	Filed herewith

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

\* In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 34-47986, the certifications furnished in Exhibits 32.1 and 32.2 herewith are deemed to accompany this Form 10-K and will not be deemed filed for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act or the Exchange Act.

**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 29, 2020

By: /s/ Gilbert K. Lee  
Name: Gilbert K. Lee  
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 29, 2020.

<u>Signature</u>	<u>Title</u>
<u>/s/ Choi Lin Hung</u> Choi Lin Hung	Chairman, Chief Executive Officer, President and Treasurer (Principal Executive Officer)
<u>/s/ Gilbert K. Lee</u> Gilbert K. Lee	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
<u>/s/ Wei Yang</u> Wei Yang	Vice President, Secretary, and Director
<u>/s/ Bill Korn</u> Bill Korn	Director
<u>/s/ Ibrahim H. Saif</u> Ibrahim H. Saif	Director
<u>/s/ Mak Chi Yan</u> Mak Chi Yan	Director

## Unified Employment Agreement for Expatriate Workers in the Textile, Garment and Clothing Industry

Issued pursuant to Article 15 of the Collective Agreement No. 39/2013 signed on 28/5/2013 between the Jordan Garments, Accessories and Textiles Exporters' Association, the Association of Owners of Garment Factories and Workshops, and the General Trade Union of Workers in Textile, Garment and Clothing Industries

Jordan Garments, Accessories and Textiles Exporters' Association  
The Association of Owners of Garment Factories and Workshops  
The General Trade Union of Workers in Textile, Garment and Clothing Industries

### First Party

Employer: Jerash Garments & Fashions Manufacturing Co. Ltd  
Represented by Mr. / Ms.: Ala'a Nawaf Awaisheh  
Address: Al-Tajamouat Industrial Estate – Sahab  
Telephone: [\*]

### Second Party

Employee: Wei Yang  
Date of Birth (Day/ Month/ Year) :1 Oct 1982  
Nationality: Chinese  
Passport number: [\*]  
Address: Abdun -Amman  
Telephone: [\*]

Both parties hereby agreed that the Second Party (hereinafter referred to as the "Employee") will be employed by the First Party (hereinafter referred to the "Employer"), under the supervision and management of the First Party in return for a wage and in accordance with the following terms and conditions:

#### 1. The Employment Agreement:

The agreement shall be drafted in Arabic and the Employee's native language and three original copies shall be signed by both the Employer and the Employee. Both parties shall maintain one original copy of the agreement.

#### 2. Term of Employment:

Both parties agreed that the duration of this employment agreement is 3 years, wherein the term of employment shall commence on the date of the Employee's arrival in the Hashemite Kingdom of Jordan (hereinafter referred to as "Jordan") taking into consideration the issuance of work permits according to the procedures followed by the Ministry of Labour. The employer shall fulfill the legal requirements related to the issuance of residency and work permits.

#### 3. Job Description and Location of Employment:

- a. The Employee shall be employed in the profession of Deputy General Manager and shall be committed to performing his/her duties and responsibilities as required by the nature of the work and according to the instructions issued by the Employer or his/her representative.
- b. The Employee's workplace shall be at the Employer's enterprise in the administration area. The Employer has the right to relocate the Employee to other branches of the enterprise within Jordan, provided that the Employee shall be informed in writing one week prior to the date of relocation, without prejudice to the Employee's financial entitlements, and after receiving approval from the Ministry of Labour.

#### 4. Employment and Travel Arrangements

- a. The Employer shall complete the recruitment process including the Employee's travel arrangements. The Employee shall not be subject to any charges or fees except for the official fees incurred in his/her home country. The Employee confirms his/her awareness that he/she is not obliged to pay any fees to any party other than the official fees in his/her home country.
- b. The Employer shall:
  1. Make the proper reception and transportation arrangements from the point of the Employee's arrival in Jordan to his/her place of employment free of any charges.
  2. Provide the Employee with a free plane ticket from the Employee's home country to Jordan upon employment, in addition to a free return plane ticket to the Employee's home country either at the end of the contract or at the termination of the employment relationship, subject to section 4/b/3 of this agreement.
  3. If the Employee terminates the employment relationship illegally before completing one full year of employment, the Employer shall not be obliged to cover the full cost of the return plane ticket to the Employee's home country. In this situation, the Employer shall cover a proportion of the cost of the return plane ticket which shall be equivalent to the proportion of the total term of employment completed by the Employee.

#### 5. Wage and Working time/Employer's Obligation

In return for his/her services, the employer shall provide the employee with the following commitments and benefits:

- a. **Salary:** The Employee shall be paid a monthly salary of 3,900 Jordanian Dinar (JOD), subject to the terms of the Collective Agreements for the Textile, Garment and Clothing Industry, including the provisions of annual increases and bonuses stipulated in those agreements and subject to the stipulated tax and social insurance deductions and any other deductions in accordance with the law.
- b. **In-kind compensation:** The Employer shall provide the Employee with food and accommodation as follows:
  1. Three daily meals of reasonable quantity and quality, providing adequate nutrition.
  2. Free transportation to and from the Employee's place of residence and the location of employment, providing that the place of residence is one kilometer away or more from the premises of the factory, subject to the terms of the Collective Agreements for the Textile, Garment and Clothing Industry.
  3. Shared accommodation shall comply with the relevant legislation governing worker dormitory standards in Jordan.
  4. In-kind compensation shall be valued according to the Collective Agreements' terms on attainment of equality in the payment and calculation of wages (No. 47/2014 submitted to the Ministry of Labour on 9/11/2014).
- c. **Working hours:** The normal working hours shall be 8 hours per day or 48 working hours per week, excluding the time allocated for meal and rest breaks.
- d. **Payment:** The Employee's salary and any overtime payments shall be paid on a monthly basis within the first 7 days of the following month in cash or by electronic bank transfer.

## 6. Overtime and Bonuses

- a. Overtime work (if any) is voluntary. If the Employee agrees to work overtime, it shall be calculated as follows:
  1. If the Employee works overtime on weekdays after the normal working hours, he/she shall be compensated at a minimum rate of 125% of the regular wage.
  2. If the Employee works overtime on weekend or religious and official holidays, he/she shall be compensated at a minimum rate of 150% of the regular wage.
- b. Bonuses
  1. The Employee shall be informed about the amount of attendance and production bonuses and the method of payment of these bonuses.
  2. The amount of bonuses shall be marked clearly in the Employee's monthly payslip.

## 7. Statement of Earnings and Overtime

The Employer shall provide the Employee with a detailed monthly statement of earnings including the Employee's name, salary, allowances, wage increases and any other benefits as well as deductions stipulated by the law, the number of overtime hours worked by the Employee and the amount of compensation for overtime work.

## 8. Leave

- a. **Annual leave:** The Employee is entitled to 14 days fully paid annual leave. The annual leave will be increased to 21 days per year if the Employee remains in service with the Employer for more than 5 consecutive years. Weekends and religious and official holidays are not considered annual leave. The Employee shall be paid for unused annual leave, if any, no later than the date that he/she completes two years of service, calculated on the basis of the most recent monthly salary received.
- b. **Medical leave:** The Employee is entitled to 14 days fully paid medical leave per year, supported by a medical report issued by a doctor who has been approved by the Employer. Medical leave may be renewed for a further 14 fully paid days during the same year if the Employee is an in-patient in a hospital or with the support of a report issued by an approved medical committee.
- c. **Weekly leave:** The Employee is entitled to one fully paid weekly day of rest, which is Friday unless the nature of the work requires otherwise.

## 9. Social Security

The provisions of the Social Security Law, its amendments, and the regulations and instructions issued pursuant thereto shall be applied with regard to social security contributions, entitlements and occupational injuries.

## 10. Healthcare

The Employer shall:

- a. Make arrangements for a preliminary medical examination, as well as routine medical examinations in accordance with the Instructions for Workers' Medical Examinations, issued pursuant to the Labour Law of Jordan, as well as the official form issued by the Ministry of Labour for the purpose of these examinations.
- b. Provide the Employee with services to diagnose and treat any acute illnesses (illnesses with an abrupt onset lasting for a short term) free of any charges to the Employee, and this includes the cost of medication.

## 11. Work Permits, Residency Permits and Identification Documents

The Employer shall:

- a. Not withhold any of the Employee's identification documents including the passport, residency permit and work permit.
- b. Obtain annual work and residency permits for the Employee for the duration of employment, free of any charges to the Employee, even if the contract is prematurely terminated.

## **12. Non-discrimination**

- a. The Employer shall not discriminate between the Employee and other employees on the basis of race, colour, sex, religion, political opinion, nationality or social origin, subject to section 13/b of this agreement.
- b. The addendum of the Collective Bargaining Agreement with the General Trade Union of Workers in Textile, Garment and Clothing Industries on Attainment of Equality in the Payment and Calculation of Wages (No. 47/2014 submitted to the Ministry of Labour on 9/11/2014) shall be implemented.

## **13. Union Organization and Collective Bargaining**

- a. An Employee who wishes to join the General Trade Union of Workers in Textile, Garment and Clothing Industries shall complete the membership form attached to this agreement and submit it to the Employer after the work permit is issued, under the condition that the membership form is written in a language understood by the worker.
- b. The Employer shall:
  1. Respect the rights of the Employee to freedom of association and collective bargaining as stipulated in the Labour Law of Jordan and its amendments, including the right to join the General Trade Union of Workers in Textile, Garment and Clothing Industries without harassment, interference or retaliation.
  2. If the Employee is a member of the General Trade Union of Workers in Textile, Garment and Clothing Industries, provide the union with the name of the worker and his/her passport number in the first month of every year for the duration of the employment relationship.

## **14. Provision of Information to the Employee's Embassy**

The Employer shall provide the Embassy of the Employee's country in Jordan with the name of the Employee and his/her passport number in the first month of every year for the duration of the employment relationship.

## **15. Disciplinary Measures**

- a. The Employer may take disciplinary measures against the Employee or impose fines on the Employee in accordance with the list of penalties which has been approved by the Minister of Labour or his/her authorized representative.
- b. The Employer shall inform the Employee about the conditions set out in the factory by-laws which have been approved by the Minister of Labour or his/her authorized representative.

## **16. Confidentiality**

The Employee undertakes not to disclose any confidential information regarding commercial, financial or technical information at the Employer's enterprise for any reason during the employment relationship and after its termination. The Employer has the right to terminate the employment of the Employee if he/she discloses any such information and may seek compensation from the Employee for losses arising from such disclosure. Confidential information includes all non-public information pertaining to commercial, financial or technical aspects of the Employer's business that, if disclosed, might be of use to the Employer's competitors.

## **17. Termination of the Employment Agreement**

- a. The employment relationship may be terminated under any of the following conditions:
  - i. If both parties mutually agree to terminate the employment relationship.
  - ii. If the term of employment has ended, or the work itself has ended.

- iii. If the Employee dies or acquires a disability or injury which prevents him/her from carrying out the duties of his/her position, as proven by a report issued by a medical authority.
  - iv. If the Employee's age exceeds the retirement age specified in the Social Security Law of Jordan, unless both parties mutually agree to continue the employment relationship.
- b. If the Employer terminates the employment agreement before the term of employment has ended, or the Employee terminates the employment agreement for one of the reasons set out in Article 29 of the Labour Law of Jordan, the Employee shall be entitled to all the rights and dues specified in the contract, including salary, benefits and other amounts due to the Employee in accordance with the law, in addition to an amount equivalent to the total value of the Employee's wages for the remainder of the term of employment, provided that the contract has not been terminated in accordance with Article 28 of the Labour Law of Jordan.
- c. If the Employee terminates the employment agreement under circumstances which do not fall under the provisions of Article 29 of the Labour Law of Jordan, the Employer may seek compensation for losses or damages incurred as a result of the termination of the contract, the value of which shall be determined in a court of competent authority, provided that the compensation does not exceed half of the total value of the Employee's wages for the remainder of the term of employment.

#### **18. Termination Settlement**

Upon termination of the employment relationship, the Employee will be entitled to a prompt settlement of all outstanding payments, including salary and overtime payments, which should be completed within seven days of the Employee's final day of employment. The Employer shall provide the Employee with accommodation and meals until his/her travel proceedings are completed.

#### **19. Death**

The Employer and the Employee agree that in the event of the death of the Employee during the period of employment,

- a. The Employer shall notify the Embassy of the Employee's home country within 24 hours and cover the costs of the body's repatriation to his/her home country.
- b. The Employer shall pay all outstanding dues owed to the Employee to the Employee's lawful heirs or any authorized person with an official power of attorney certified by the government of the Employee's home country. The Employer shall inform the Embassy of the Employee's home country about any such payment.

#### **20. Dispute Settlement**

- a. All dispute settlement procedures shall be in line with the Labour Law of Jordan and the Collective Agreements for the Textile, Garment and Clothing Industry.
- b. The courts of the Hashemite Kingdom of Jordan shall have the authority to solve any disputes arising in relation to the application, interpretation or execution of this agreement. Claims related to terms or conditions of this employment agreement shall be filed before the courts of competent authority in the place of employment.

#### **21. Declaration**

The Employer and Employee hereby declare that they fully understand the provisions of this employment agreement. Both parties sign and retain a copy of this employment agreement.

#### ***Signature of Employer***

/s/ Ala'a Nawaf Awaisheh

\_\_\_\_\_  
Date: 1/5/2020 (Day/Month/Year)

#### ***Signature of Employee***

/s/ Wei Yang

\_\_\_\_\_  
Date: 1/5/2020 (Day/Month/Year)

**JERASH HOLDINGS (US), INC.****CODE OF CONDUCT AND ETHICS****Introduction**

This Code of Conduct and Ethics (this “**Code**”) of Jerash Holdings (US), Inc. (the “**Company**”) applies to the Company’s employees, officers and directors (collectively, “**personnel**”). The Company’s agents and representatives, including consultants, are also required to comply with this Code.

Although this Code covers a wide range of business practices and procedures and sets forth the basic principles of conduct and ethics to which all Company personnel are subject, it does not attempt to cover every issue that may arise. Therefore, Company personnel are expected at all times to conduct themselves honestly, ethically, to act in the best interests of the Company, and to deal with one another truthfully about matters affecting the Company. The Company further expects that all personnel will actively seek to avoid even the appearance of improper or unethical behavior.

Any person who violates the standards established in this Code may be subject to disciplinary action, which could include termination of employment. If you have any questions about this Code or its application, you should ask your supervisor, senior management or the Company’s legal counsel how to handle the situation. *If you become involved in a situation or learn of facts that you believe may violate or lead to a violation of this Code or any applicable law, rule or regulation, whether by yourself or any other person associated with the Company, you are required to follow the guidelines described in the section titled “Compliance Procedures.”*

If a law, rule or regulation conflicts with any provision of this Code, you must comply with the applicable law, rule or regulation.

**Compliance with Laws, Rules and Regulations**

Obedying the law, both in letter and in spirit, is the foundation on which the Company’s ethical standards and reputation are built. All Company personnel must respect and obey the laws, rules and regulations of the cities, states and countries in which the Company operates. When in doubt regarding the application of any specific law, rule or regulation, Company personnel are required to seek advice from supervisors, senior management or the Company’s legal counsel.

From time to time, the Company may hold information and training sessions to promote compliance with this Code and applicable laws, rules and regulations, including insider trading laws.

**Conflicts of Interest**

A “conflict of interest” exists when a person’s private interests interferes in any way with the interests of the Company. A conflict of interest can arise when an employee, officer or director of the Company takes an action or has an interest that may make it difficult to perform his or her Company work or duties objectively and/or effectively. A conflict of interest may also arise when an employee, officer or director, or a member of any such person’s family, receives a personal benefit as a result of such person’s position with the Company. Any such conflicts of interest are prohibited under this Code.

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It is almost always a conflict of interest for Company personnel to work simultaneously for a competitor, customer or supplier of the Company. Company personnel are not allowed to work for or provide information to any actual or potential competitor. Company personnel should avoid any direct or indirect business connection with any Company customer, supplier or competitor, except when acting on the Company's behalf.

Any person who becomes aware of an actual or potential conflict of interest (whether such conflict of interest relates to such person's own situation or involves another person), is required to bring it to the attention of his or her supervisor or senior management in accordance with the procedures described in the section titled "Compliance Procedures."

#### **Insider Trading**

Company personnel who have access to confidential information are not permitted to use or share that information for stock trading purposes, if an active market develops in the Company's stock, or for any other purpose, except in connection with the conduct of the Company's business. All non-public information (i.e., information not contained in reports filed by the Company with the Securities and Exchange Commission) about the Company should be considered confidential information. To use non-public information for personal financial benefit or to "tip" or provide any such information, directly or indirectly, to another person who might use such information to buy or sell Company stock is not only unethical but also illegal and is prohibited in all circumstances.

#### **Corporate Opportunities**

Company personnel owe a duty to the Company to advance the Company's legitimate interests when the opportunity to do so arises. As such, Company personnel are prohibited from taking for themselves individually any opportunity that could benefit the Company without first obtaining the Company's consent. In addition, Company personnel may not use any Company property, information, or position for improper personal gain, and Company personnel may not compete with the Company, whether directly or indirectly.

#### **Competition and Fair Dealing**

The Company seeks to outperform its competitors fairly and honestly and seeks its competitive advantages through superior performance and products, not through unethical or illegal business practices. Stealing or misappropriating proprietary information belonging to third parties, possessing trade secrets or other confidential information that was obtained without the owner's consent, or inducing such disclosures by past or present persons associated with other companies is prohibited. Company personnel must respect the rights of and deal fairly with the Company's customers, suppliers, competitors and employees. Company personnel must not take unfair advantage of any third party through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or otherwise.

To maintain the Company's reputation, compliance by Company personnel with all applicable Company quality processes and safety requirements is essential. The Company's quality processes require that the Company's products and services be designed to meet the Company's obligations.

The purpose of business entertainment and gifts in a commercial setting is to create goodwill and foster sound working relationships, not to gain unfair advantage with suppliers and customers. No gift or entertainment should ever be offered, given, provided or accepted unless it: (1) is not a cash gift, (2) is consistent with customary business practices, (3) is not excessive in value, (4) cannot be construed as a bribe or payoff, and (5) does not violate any law, rule or regulation. Company personnel are required to discuss with their supervisor or senior management any gift or proposed gift that may not be appropriate under this Code.

#### **Discrimination and Harassment**

The diversity of the Company's employees is a tremendous asset. The Company is firmly committed to providing equal opportunity in all aspects of employment and will not tolerate any illegal discrimination or harassment or any kind. Examples of behavior that will not be tolerated include, but are not limited to, derogatory comments based on race, ethnicity, sexual preference and unwelcome sexual advances.

#### **Health and Safety**

The Company strives to provide its personnel with a safe and healthful work environment. Each employee is responsible for maintaining a safe and healthy workplace by following safety and health rules and practices and reporting accidents, injuries and unsafe equipment, practices or conditions. Violence and threatening behavior are not permitted. Company personnel should report to work in condition to perform their duties, free from the influence of illegal drugs or alcohol. The use of illegal drugs or alcohol in the workplace is prohibited.

#### **Recordkeeping**

The Company requires honest and accurate recording and reporting of information so that it may make responsible business decisions. For example, only the true and actual number of hours worked by employees should be reported.

All of the Company's books, records, accounts and financial statements must be maintained in reasonable detail, must appropriately reflect the Company's transactions and must conform both to applicable legal requirements and to the Company's system of internal controls. No unrecorded or "off the books" thuds or assets are permitted.

Business records and communications often become public. As a result, exaggeration, derogatory remarks, guesswork, or inappropriate characterizations of people and companies that can be misunderstood should all be avoided. This applies, without limitation, to email, internal memos, letters, and formal reports.

All Company records may be retained or destroyed only in accordance with the Company's record retention policies as may be in effect from time to time. In the event of actual or potential litigation or governmental investigation, Company personnel are prohibited from destroying any Company records and are required to immediately consult with senior management or the Company's legal counsel.

### **Confidentiality**

Company personnel must maintain and protect the confidentiality of the proprietary and confidential information of the Company and its suppliers and customers, except when disclosure is explicitly authorized or required by applicable law, rule or regulation or approved by senior management. Proprietary and confidential information includes all non-public information that, if disclosed, might be of use to competitors, or harmful to the Company or its customers, including, but not limited to, intellectual property, trade secrets, patents, trademarks, and copyrights, as well as business, marketing and service plans or data, customer lists, supplier lists, financial information, manufacturing ideas or processes, designs, blueprints, databases, records, salary information, and all other non-public data and reports. Such information also includes proprietary and confidential information that suppliers and customers have entrusted to the Company. Company personnel have an obligation to preserve proprietary and confidential information even after they are no longer employed by or affiliated with the Company. Any unauthorized use or distribution of any proprietary or confidential information violates this Code and any unauthorized use or distribution of such information could also be illegal and result in civil or criminal penalties.

### **Protection and Proper Use of Company Assets**

Company personnel must protect the Company's assets and ensure the efficient use of such assets. Theft, carelessness, and waste have a direct impact on the Company's profitability. Any suspected incident of fraud or theft must be immediately reported for investigation. Company equipment may not be used for non-Company purposes, although incidental personal use may be permitted in certain circumstances with Company approval.

### **Payments to Government Personnel**

The U.S. Foreign Corrupt Practices Act prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain business. It is strictly prohibited to make illegal payments to government officials of any country.

In addition, the U.S. government has a number of laws, rules and regulations regarding business gratuities that may be accepted by U.S. government personnel. The promise, offer or delivery to an official or employee of the U.S. government of a gift, favor or other gratuity in violation of these laws, rules and regulations not only violate this Code but could also be a criminal offense. State and local governments, as well as foreign governments, may have similar rules. Please refer to the Company's Anti-Corruption Policy for more details.

### **Waivers of the Code of Business Conduct and Ethics**

A waiver of this Code for corporate officers may be made only by the Company's Board of Directors or a Board Committee and must be disclosed promptly if and as required by applicable rules of the Securities and Exchange Commission.

## **Reporting any Illegal or Unethical Behavior**

Employees are encouraged to talk to supervisors, managers or other appropriate personnel about any observed illegal or unethical behavior and when they are in doubt about the best course of action in a particular situation. It is the policy of the Company not to allow retaliation for good faith reports by Company personnel of misconduct by others. Employees are required to fully cooperate in internal investigations of misconduct.

Company personnel may also report any concerns regarding accounting, internal accounting controls or auditing matters or any violation of this Code online at [www.jerashholdings.com](http://www.jerashholdings.com) or by mail to Jerash Holdings (US), Inc., 277 Fairfield Road, Suite 338, Fairfield, NJ 07004. Reports in any of the foregoing manners may be made on an anonymous basis. Reports made via email must reference the Company on the cover page.

Please refer to the Company's Whistleblower Policy for more details.

## **Compliance Procedures**

All Company personnel must actively work to ensure prompt and consistent action against any violation of this Code. When reporting a potential violation of this Code, Company personnel should follow the below steps:

- ***Make sure you have all available facts.*** In order to reach the right resolution, the Company must be as fully informed as possible.
- ***Ask yourself: What specifically am I being asked to do? Does it seem unethical or improper?*** This will enable you to focus on the specific question you are faced with, and the alternatives you have. Use your judgment and common sense; if something seems unethical or improper, it probably is.
- ***Clarify your responsibility and role.*** In most situations, there is shared responsibility. Are your colleagues and supervisors informed? It may help to get others involved and discuss the situation.
- ***Discuss the situation with your supervisor or with senior management.*** This is the basic guidance for all situations. Supervisors or senior management will generally be more knowledgeable about the question and will appreciate being brought into the decision- making process.
- ***Seek help from Company resources.*** In the event that you believe that it is not appropriate to discuss an issue with your supervisor, or where you do not feel comfortable approaching your supervisor with your question, you should discuss it with senior management or the Company's legal counsel. If you prefer to write, you may address your concerns to: President, Jerash Holdings (US), Inc., 277 Fairfield Road, Suite 338, Fairfield, NJ 07004; or to the Company's outside legal counsel, Hunter Taubman Fischer & Li LLC, 1450 Broadway, 26th Floor, New York, NY 10018, Attn.: Ying Li, Esq.

- **Good faith reports of violations of this Code may be made without fear of retaliation.** If your situation requires that your identity be kept secret, the Company will endeavor to protect your anonymity. The Company does not permit retaliation of any kind against employees for good faith reports of violations of this Code. You may also use the Company's website or any of the other reporting mechanisms described in the section titled "Reporting any Illegal or Unethical Behavior" to report violations of this Code.
- **When in doubt, ask first.** If you are unsure of what to do in any situation, seek guidance **before you act.**

*Adopted on January 16, 2018*

## Subsidiaries of the Registrant

<b>Subsidiaries</b>	<b>Place of Incorporation</b>
Treasure Success International Limited	Hong Kong
Jerash Garments and Fashions Manufacturing Co., Ltd.	Jordan
Chinese Garments and Fashions Manufacturing Co., Ltd.	Jordan
Jerash for Industrial Embroidery Company Limited	Jordan
Al-Mutafaweq Co. for Garments Manufacturing Ltd.	Jordan
Jiangmen Treasure Success Business Consultancy Co., Ltd.	PRC

<b>Variable Interest Entity</b>	<b>Place of Incorporation</b>
Victory Apparel Jordan Company Limited	Jordan

# FRIEDMAN LLP<sup>®</sup>

ACCOUNTANTS AND ADVISORS

## CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Amendment No.1 to 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 29, 2020 relating to the consolidated financial statements of Jerash Holdings (US), Inc. for the years ended March 31, 2020 and 2019, which appears in the annual report on Form 10-K of Jerash Holdings (US) Inc. filed with the Securities and Exchange Commission on June 29, 2020.

/s/ Friedman LLP

New York, New York  
June 29, 2020

One Liberty Plaza, 165 Broadway, 21<sup>st</sup> Floor, New York, NY 10006 p 212.842.7000

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

I, Choi Lin Hung, certify that:

1. I have reviewed this 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(s) 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) 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 registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 29, 2020

/s/ Choi Lin Hung

Choi Lin Hung  
Chairman of the Board of Directors,  
Chief Executive Officer, President, and  
Treasurer (Principal Executive Officer)



**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Gilbert K. Lee, certify that:

1. I have reviewed this 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(s) 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) 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 registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 29, 2020

/s/ Gilbert K. Lee

Gilbert K. Lee

Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

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

The undersigned hereby certifies, in his capacity as an officer of Jerash Holdings (US), Inc. (the "Company"), for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

(1) The Annual Report of the Company on Form 10-K for the fiscal year ended March 31, 2020 (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 29, 2020

/s/ Choi Lin Hung

Choi Lin Hung

Chairman of the Board of Directors, Chief Executive Officer,  
President, and Treasurer (Principal Executive Officer and  
Director)

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of a separate disclosure document.

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

The undersigned hereby certifies, in his capacity as an officer of Jerash Holdings (US), Inc. (the "Company"), for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

(1) The Annual Report of the Company on Form 10-K for the fiscal year ended March 31, 2020 (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 29, 2020

/s/ Gilbert K. Lee

Gilbert K. Lee

Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of a separate disclosure document.