

Risk Factors Comparison 2024-06-28 to 2023-06-28 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text** Section

Risks Related to Our Business and Our Industry We rely on one key customer for most 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 Vans), directly and indirectly, accounted for approximately **67 % and** ~~60 % and 67 %~~ of our total sales in fiscal **2024 and** ~~2023 and fiscal 2022~~, respectively. From an accounting perspective, we are considered the principal in our arrangement with VF Corporation. We bear the inventory risk before the specified goods are transferred to a customer, 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, ~~2021 to March 31, 2022~~, VF Corporation issued approximately 9, 500 purchase orders to us in amounts ranging from approximately \$ 5 to \$ 684, 000. From April 1, 2022 to March 31, 2023, VF Corporation issued approximately 10, 500 purchase orders to us in amounts ranging from approximately \$ 6 to \$ 372, **000. In fiscal 2024, VF Corporation issued approximately 3, 400 purchase orders to us in amounts ranging from approximately \$ 7 to \$ 268**, 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 **owned** ~~The North Face and Timberland~~ brands, or with their strategies or reputation, would have a material adverse effect on our results of operations. Most of our products are sold under The North Face ~~and~~, **Timberland**, **and Vans** brands, which are 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 the image, reputation, or popularity of either VF Corporation, The North Face, ~~or~~ **Timberland**, **or Vans** 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 name 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 these customers, these 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. **Our A natural disaster, catastrophe, pandemic, or other unexpected events could adversely affect our financial condition conditions and business results of operations. The occurrence of one or more unexpected events including war, acts of terrorism or violence, civil unrest, epidemics or pandemics, fires, tornadoes, hurricanes, earthquakes, floods, and cash flows other forms of severe weather in fiscal 2020 and 2021 were the countries or regions in which we do business could adversely affected -- affect our operations and financial performance by the COVID-19 pandemic.** 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, were 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 factory was also allowed to restart operation on April 26, 2020. Eventually, local employees were also allowed to resume 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 first quarter and full year profitability in fiscal 2021. In fiscal 2022, our production facilities resumed full operation with additional medical and hygienic measures in place. The COVID-19 pandemic did not materially adversely affect our business operations and condition and operating results for fiscal 2023 and 2024. The Company currently expects that its operation results for the fiscal year ending March 31, 2024-2025 would not be significantly impacted by the COVID-19 pandemic. However, in there-- the event is still significant uncertainty around the breadth and duration of a business disruptions related to the COVID-19 pandemic, as well as its impact on the U. S. and international economies. Given the dynamic nature of these circumstances, should there be resurgence of COVID-19 cases or a globally-- global outbreak of a similar pandemic and should the U. S. government or the Jordan government implement new restrictions to contain the spread, the Company's business would could be negatively impacted if the U. S. government or the Jordan government imposes new restrictions to curb the spread. We may require additional financing to fund our operations and capital expenditures. As of March 31, 2023-2024, we had cash and cash equivalents of approximately \$ 17.12, 8.4 million and restricted cash of approximately \$ 1.6 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. 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, 2022, there was no outstanding amount under the SCBHK facility. In June 2022, we were informed by SCBHK that the facility was cancelled due to persistently low usage and zero loan outstanding. Pursuant to the DBS facility letter dated January 12, 2022, DBS Bank (Hong Kong) Limited ("DBSHK") provided a bank facility of up to \$ 5.0 million to Treasure Success, which was amended pursuant to a facility letter dated January 4, 2024. Pursuant to the amended agreement, DBSHK agreed to finance cargo receipt, trust receipt, account payable financing, and certain type of import and export invoice financing up to an aggregate of \$ 5.0 million, with certain financial covenants. The DBSHK facility bears interest at 1.5% per annum over Hong Kong Interbank Offered Rate ("HIBOR") for HKD bills and 1.1% to 1.3% per annum over DBSHK's cost of funds for foreign currency bills. The facility is guaranteed by Jerash Holdings and became available to the Company on June 17, 2022. 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 Enterprise Limited, Mr. Choi, our chairman, chief executive officer, president, treasurer, and a significant stockholder, has an indirect ownership interest in Jiangmen V- Apparel Manufacturing Limited, with which we have entered into, or in the future may enter into, agreements or arrangements. See also "Note 11 — Related Party Transactions." If we engage in related party transactions on unfavorable terms, our operating results will be negatively impacted. We are dependent on a product segment comprised of a limited number of products. Presently, we generate revenue primarily from manufacturing and exporting sportswear and outerwear. 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 sportswear and outerwear 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. 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 sportswear and outerwear. 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 **have entered into joint ventures with third parties, and we may not continue to do so in the future. This may subject us to various risks, including limited decision-making authority, reliance on our joint venture partners' financial condition, the risk of disputes with our joint venture partners, and the risk of failing to achieve profitability through such business. As of the date of this annual report, we have entered into two joint ventures with third parties. Please refer to "Item 1. Business — Organizational structure" for more information. Once we enter into any joint ventures, we will have limited decision-making authority and we may face the risk of disputes with our joint venture partners. This includes potential deadlocks in making major decisions and restrictions on our ability to exit the joint venture. Any disputes that arise between us and any of our joint venture partners may result in litigation or arbitration. We may also face risks associated with the financial condition of our joint venture partners, including the risk of bankruptcy and / or failure to fund their share of required capital contributions. As a result, we may be successful in integrating acquired businesses exposed to liabilities that exceed our share of any joint venture. Our growth joint venture partners may also have business interests or goals that are inconsistent with ours and may profitability could be able to take actions contrary to our policies or objectives. In specific circumstances, we may be liable for the actions of any joint venture partners. Any of these situations may have a material adverse -- adverse effect on affected if we acquire businesses or our assets of other businesses and are unable to integrate the business or assets into our current, financial condition, and results of operations. Furthermore, we cannot assure that we may succeed in doing business through these two joint ventures. To grow effectively, we must find acquisition candidates that meet our -- or any future joint ventures criteria and successfully integrate the acquired business into ours. If acquired businesses the two joint ventures do not achieve expected levels of production or profitability, we are will not be unable -- able to integrate the business or assets into our business, or we are unable to adequately manage our growth following the acquisition establishment of such business, and our results of operations and financial condition would be adversely affected. Our results of operations are subject to fluctuations in currency exchange rates. Exchange rate fluctuations between the U. S. dollar and Jordanian Dinar (" 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 Almost 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. **See " — Risks Related to Operations in Jordan — Our operations in Jordan may be adversely affected by social and political uncertainties or change, military actions, health- related risks, acts of terrorism or other geopolitical instability. "** 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. Former President Donald Trump expressed antipathy towards trade agreements, and took a starkly protectionist approach that included withdrawal and renegotiation of trade agreements and trade wars with China and U. S. allies alike. President Joe Biden has expressed no desire to withdraw from existing agreements, presumably indicating that his policy will be less protectionist than former President Donald Trump's. On the other hand, President Biden's Buy American plan will make it harder for foreign manufacturers to sell goods in the U. S. and his insistence on strong labor provisions in trade agreements will likely prevent them from being implemented or protect U. S. industries when they are. It remains unclear what specifically President Biden would or would not do with respect to trade agreements, tariffs, and duties relating to products manufactured in Jordan. If President Biden 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-actions, health-related risks, or acts of terrorism, or other geopolitical instability. 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.

Furthermore, global markets have recently experienced volatility and disruption following the escalation of geopolitical tensions, including the military conflict between Russia and Ukraine and the conflict in the Gaza Strip. Specifically, Russian military forces initiated a full-scale invasion of Ukraine on February 24, 2022, leading to sustained conflict and disruption. See “ — Risk Factors Relating to our Securities — We are currently operating in a period of economic uncertainty and capital market disruption, which has been significantly impacted by geopolitical instability due to the ongoing military conflict between Russia and Ukraine. Our business, financial condition, and results of operations could be materially adversely affected by any negative impact on the global economy and capital markets resulting from the conflict in Ukraine or any other geopolitical tensions.” Additionally, on October 7, 2023, Hamas militants and members of other terrorist organizations infiltrated Israel's southern border from the Gaza Strip and conducted a series of terror attacks on civilian and military targets, leading to a declaration of war by Israel. Subsequently, there have been disruptions in the region. The intensity and duration of the current Israel-Hamas war and the larger regional conflict are difficult to predict, as are the economic implications on our business and operations, the global supply chain, and global geopolitical stability. While we do not have any employees, staff, consultants, operations, materials, or equipment located in Israel, Ukraine, Russia, or Belarus, all of our manufacturing processes are performed in a complex of production facilities located in Jordan. This situation could adversely affect our business or the services being provided to us due to concerns about conflict in the Palestinian territories. For example, when Hamas launched its attack on October 7, 2023, it had an unfavorable impact on the Jordanian street and the country's national security. Despite bilateral cooperation between Jordan and the United States that may contribute to assisting the conflicting parties in ultimately achieving peace and security, we cannot assure that our business operations will not be adversely impacted by such disputes. Any of the aforementioned factors could affect our business, prospects, financial condition, and operating results. The extent and duration of military action, sanctions, and resulting market disruptions are impossible to predict, but could be substantial. 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. 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. **As of the date of this annual report, 114,110 shares of common stock remain available for issuance under our amended and restated 2018 Stock Incentive Plan.** 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 occupies a significant amount of time of our board of directors and management, significantly increases our costs and expenses, and makes some activities more time-consuming and costly. As a reporting company, we are:

- 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. **During the course of the audit of internal controls, we may not be able to report our consolidated financial statements, we identified material weaknesses in results accurately. Any inability to report and file our internal control over financial results accurately reporting. If we are unable to effectively implement and maintain timely could harm our business and adversely affect the trading price of our common stock. We have been required to evaluate our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, our ability to accurately and timely report our financial results or prevent fraud may be adversely affected, and investor confidence and the market price of our common stock may be adversely**

impacted. We have been required to evaluate our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act beginning with the annual report on Form 10-K for the fiscal year ended March 31, 2019. The process of designing and implementing internal controls over financial reporting may divert our internal resources and take a significant amount of time and expense to complete. In connection with the preparation and external audit of our consolidated financial statements for the fiscal year ended March 31, 2023, we identified certain material weaknesses in our internal control over financial reporting and have formulated plans for remedial measures. **Although some remedial measures that we implement may not fully address the material weaknesses in our internal control over financial reporting and we may not be able to conclude that the material weaknesses have been implemented fully remedied.** Failure to correct the material weaknesses and other control deficiencies or failure to discover and address any other control deficiencies could result in inaccuracies in our consolidated financial statements and could also impair our ability to comply with applicable financial reporting requirements and make related regulatory filings on a timely basis. As a result, our business, financial condition, results of operations, and prospects, as well as the trading price of our common stock, may be materially and adversely affected. Due to the material weaknesses in our internal control over financial reporting as described above, our management concluded that our internal control over financial reporting was **not still effective ineffective** as of March 31, 2023 **2024**. This could adversely affect the market price. **See “Item 9A. Controls and Procedures.” However, our management team cannot guarantee that our internal controls and disclosure controls and procedures will prevent all possible errors. Because of the inherent limitations in all control systems, no system of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the possibility that judgments in decision-making can be faulty and subject to simple error or common stock mistake. Furthermore, controls can be circumvented by individual acts of some persons, by collusion of two or more persons, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, measures of control may become inadequate because of changes in conditions or the degree of compliance with policies or procedures may deteriorate. Because of inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected. We incur and will continue to incur increased costs and demands upon management as a loss result of being investor confidence in the reliability of our reporting processes. 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 public company decrease in the market price of our common stock. For as long as As a public company listed in the United States, we incur, and will continue to incur, now that we have ceased to be an “emerging growth company,” significant legal, accounting, and we may take advantage of exemptions from reporting requirements that apply to other costs. These costs could negatively affect our financial results. In addition, changing laws, regulations, and standards relating to corporate governance and public companies that disclosure, including regulations implemented by the SEC and Nasdaq, may increase legal and financial compliance costs and make some activities more time-consuming. These laws, regulations, and standards are subject 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 varying interpretations 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, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. We are committed to comply with evolving laws, regulations, and standards, and this investment may result in increased general and administrative expenses and a diversion of management’s time and attention from revenue-generating activities to compliance activities. If we do not comply with new laws, regulations, and standards, regulatory authorities may initiate legal proceedings against us and our business may be harmed. Failure to comply with these rules might also make it more difficult for us to obtain some types of insurance, including director and officer liability insurance, and we might be forced to accept reduced disclosure requirements, policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these events could also may be a less active trading market -- make it more difficult for our common stock us to attract and retain qualified persons to serve on our stock price may be more volatile or our may decrease board of directors, on committees of our board of directors or as members of senior management**. We are currently operating in a period of economic uncertainty and capital market disruption, which has been significantly impacted by geopolitical instability due to the ongoing military conflict between Russia and Ukraine. Our business, financial condition, and results of operations could be materially adversely affected by any negative impact on the global economy and capital markets resulting from the conflict in Ukraine or any other geopolitical tensions. U. S. and global markets are experiencing volatility and disruption following the escalation of geopolitical tensions and the start of the military conflict between Russia and Ukraine. On February 24, 2022, a full-scale military invasion of Ukraine by Russian troops was reported. Although the length and impact of the ongoing military conflict is highly unpredictable, the conflict in Ukraine could lead to market disruptions, including significant volatility in commodity prices, credit and capital markets, and supply chain interruptions. The military conflict in Ukraine has led to sanctions and other penalties being levied by the United States, European Union, and other countries against Russia. Additional potential sanctions and penalties have also been proposed and / or threatened. Russian military actions and the resulting sanctions could adversely affect the global economy and financial markets and lead to instability and lack of liquidity in capital markets, potentially making it more difficult for us to obtain additional funds. In addition, in managing an organization operating globally, we are subject to the risks and challenges related to the potential to subject our business to materially adverse

consequences should the situation escalate beyond its current scope, including, among other potential impacts, the geographic proximity of the situation relative to the Middle East, where a material portion of our business is conducted. Although our business has not been materially impacted by the ongoing military conflict between Russian and Ukraine to date, it is impossible to predict the extent to which our operations, or those of our suppliers and manufacturers, will be impacted in the short and long term, or the ways in which the conflict may impact our business. The extent and duration of the military action, sanctions, and resulting market disruptions are impossible to predict, but could be substantial. Any such disruptions may also magnify the impact of other risks described in this annual report. We may be adversely affected by the effects of inflation and a potential recession. Inflation has the potential to adversely affect our liquidity, business, financial condition, and results of operations by increasing our overall cost structure, particularly if we are unable to achieve commensurate increases in the prices we charge our customers. The existence of inflation in the economy has resulted in, and may continue to result in, higher interest rates and capital costs, shipping costs, supply shortages, increased costs of labor, weakening exchange rates, and other similar effects. As a result of inflation, we have experienced and may continue to experience, cost increases. In addition, poor economic and market conditions, including a potential recession, may negatively impact market sentiment, decreasing the demand for sportswear and outerwear, which would adversely affect our operating income and results of operations. If we are unable to take effective measures in a timely manner to mitigate the impact of the inflation as well as a potential recession, our business, financial condition, and results of operations could be adversely affected.