GOBI JSC AND ITS SUBSIDIARIES

(Business entity incorporated in Mongolia)

Consolidated Financial Statements
for the year ended 31 December 2024

(With Independent Auditors' Report Thereon)

CONTENTS

General information

Chairman	Ts. Baatarsaikhan (effective from February 2025)
Members of Board of Directors	Ts. Baatarsaikhan D. Khulan B. Amarsaikhan Ts. Orgilbold N. Munkhbat
Independent members of Board of Directors	A. Jargalmaa D. Gerelmaa D. Khurelbaatar B. Tseenyam
Secretary	M. Selenge
Principal Bankers	Khan Bank of Mongolia Golomt Bank of Mongolia Xac Bank of Mongolia Trade and Development Bank of Mongolia Arig Bank The Bank of America Corporation Deutsche Bank AG China Construction Bank Corporation
Registered address	Industrial street, 3rd khoroo, Khan-Uul District, Ulaanbaatar-17062, Mongolia
Independent Auditors	KPMG AUDIT LLC #602, Blue Sky Tower, Peace Avenue 17, 1st Khoroo, Sukhbaatar District, Ulaanbaatar 14240, Mongolia

Management's Responsibility Statement

Gobi JSC's management is responsible for the preparation of the consolidated financial statements.

The consolidated financial statements of Gobi JSC and its subsidiaries (the "Group") have been prepared to comply with IFRS Accounting Standards. The Group's management is responsible for ensuring that these consolidated financial statements present fairly the state of affairs of the Group's financial position as at 31 December 2024 and the financial performance and cash flows for the year then ended on that date.

The Group's management has responsibility for ensuring that the Group keeps proper accounting records which disclose with reasonable accuracy the financial position of the Group and which enable them to ensure that the consolidated financial statements comply with the requirements set out in Note 2 to Note 4 thereto.

The Group's management also has general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Group's management considers that, in preparing the consolidated financial statements, including explanatory notes, they have used appropriate policies, consistently applied and supported by reasonable and prudent judgement and estimates, and all applicable accounting standards have been followed.

The consolidated financial statements of the Group for the year ended 31 December 2024 were authorised for issuance by the Group's management.

GOBI
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УЛААНБААТАР ХОТ
"ГОВЬ" ХУВЬЦААТ КОМПАНИ

B. Amarsaikhan
Chief Executive Officer

D. Sodgerel
Director of Accounting

Ulaanbaatar,
Mongolia

Date: 21 March 2025

KPMG Audit LLC
#602, Blue Sky Tower, Peace Avenue,
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Independent Auditors' Report

To: The Shareholders and Board of Directors of Gobi Joint Stock Company

Opinion

We have audited the consolidated financial statements of Gobi JSC (the "Parent Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Mongolia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matters, Continued

Revenue recognition

Refer to Note 24.1 to the consolidated financial statements and the accounting policies in Note 2.12.

Area of focus	How our audit addressed the area of focus
Under International Standards on Auditing there is a presumed fraud risk relating to revenue recognition. We have determined this to apply to the occurrence of the wholesale revenue because of the pressure the management may feel to achieve the planned results and the management has an incentive to manipulate wholesale revenue. Due to these factors, we have considered wholesale revenue recognition to be a key audit matter relevant to our audit of the consolidated financial statements.	Our audit procedures over revenue included, among others: - We tested selected controls management has in place over the sales and revenue recognition process, focusing on controls over the existence, accuracy and timing of revenue recognition. - We assessed the revenue recognition policies adopted by the Group by making inquiries of management and inspecting a sample of sales contracts to understand the delivery terms of the transactions so as to assess the Group's timing of revenue recognition with reference to the requirements of the prevailing accounting standards. - We assessed whether revenue was recognized in the appropriate accounting period and in accordance with the terms of the sales contracts by comparing a sample of sales transactions recorded around the year end with relevant underlying documents, which included goods dispatch notes or documentation indicating the customers' acknowledgment of delivery of the goods sold. - We performed audit procedures over sales between the Group and its customers such as customer confirmations. - We performed subsequent credit note review and customer verification of existence. - We searched and tested the unusual journal entries to the sales account recorded outside the regular sales process.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements, Continued

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements, Continued

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Pyung-Sik Kong, and the General Director of the audit firm is Soyolmaa Gungaanyambuu.

КЭЙ ПИ ЭМ ЖИ АУДИТ ХХК
KPMG AUDIT LLC
KPMG AUDIT LLC
УЛААНБААТАР ХОТ
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KPMG Audit LLC
Ulaanbaatar, Mongolia
21 March 2025

Signed by:

Soyolmaa Gungaanyambuu
General Director

Approved by:

PS Kong

Pyung-Sik Kong
Partner

This report is effective as at 21 March 2025, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any. Furthermore, this report is intended solely for the use of the shareholders of the Group. To the fullest extent permitted by law, we do not assume responsibility towards or accept liability to any other party in relation to the contents of this report.

GOBI JSC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024
(IN THOUSANDS OF MONGOLIAN TUGRUGS)

	Notes	31 Dec 2024	31 Dec 2023 (restated*)	1 Jan 2023 (restated*)
ASSETS				
Current assets				
Cash and cash equivalents	5	4,326,046	9,491,111	9,034,919
Prepayments and advances	7	3,512,304	3,173,680	2,318,495
Trade and other receivables	6	9,404,878	8,030,908	3,318,986
Inventories	8	122,708,175	142,521,277	128,791,463
Right to returned goods assets		-	-	17,227
		139,951,403	**163,216,976**	**143,481,090**
Non-current assets				
Property, plant and equipment	9	146,412,229	111,731,120	119,914,402
Right-of-use assets	10	2,780,438	2,109,746	731,724
Deferred tax assets	23.3	5,661,214	9,276,559	14,879,483
Other non-current assets	12	11,472,217	7,930,958	1,587,295
		166,326,098	**131,048,383**	**137,112,904**
Total Assets		**306,277,501**	**294,265,359**	**280,593,994**
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	13	37,867,812	38,880,126	20,969,192
Contract liabilities	13.1	2,129,778	1,672,424	1,983,898
Refund liabilities		-	-	26,503
Lease liabilities	14	1,103,295	964,376	777,988
Corporate income tax payable	23.2	381,026	1,801,506	3,683,126
Borrowings	15	211,265,887	232,559,514	129,853,617
		252,747,798	**275,877,946**	**157,294,324**
Non-current liabilities				
Lease liabilities	14	1,922,734	1,321,948	112,069
Borrowings	15	36,210,000	9,830,059	95,686,234
Long-term other payables	16	-	17,036,260	30,984,941
Deferred tax liability	23.3	13,939,844	7,883,775	8,206,834
		52,072,578	**36,072,042**	**134,990,078**
Total Liabilities		**304,820,376**	**311,949,988**	**292,284,402**
Equity				
Share capital	17	780,113	780,113	780,113
Revaluation reserve	20	43,777,386	20,514,269	21,507,631
Foreign currency translation reserve	22	(12,119,789)	(10,662,273)	(11,436,010)
Accumulated losses		(30,980,585)	(28,316,738)	(22,542,142)
Total Equity		**1,457,125**	**(17,684,629)**	**(11,690,408)**
Total Liabilities and Equity		**306,277,501**	**294,265,359**	**280,593,994**

**See Note 2.2.2 and Note 21*

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

GOBI JSC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024
(IN THOUSAND OF MONGOLIAN TUGRUGS)

	Notes	2024	2023
Revenue	24.1	247,026,317	255,650,516
Cost of sales	24.2	(138,552,341)	(131,011,345)
Gross profit		**108,473,976**	**124,639,171**
Other income	26.1	3,649,691	6,525,518
Selling and distribution expenses	24.4	(53,217,129)	(73,593,361)
Administrative expenses	24.5	(24,908,151)	(19,733,240)
Reversal of impairment loss on financial assets	30.1	-	9,266
Other expenses	26.2	(6,919,419)	(6,980)
Operating profit		**27,078,968**	**37,840,374**
Finance income	25	4,465,583	229,734
Finance costs	27	(33,118,100)	(38,046,985)
Profit (loss) before income tax		**(1,573,549)**	**23,123**
Income tax expense	23	(2,083,660)	(6,791,081)
Loss for the year		**(3,657,209)**	**(6,767,958)**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Revaluation of property, plant and equipment	20	32,341,972	-
Tax impact on revaluation of property, plant and equipment	20	(8,085,493)	-
Items that are or may be reclassified subsequently to profit or loss			
Foreign operations – foreign currency translation differences	22	(1,457,516)	773,737
Other comprehensive income for the year		**22,798,963**	**773,737**
Total comprehensive income (loss) for the year		**19,141,754**	**(5,994,221)**
Losses per share - Basic (in MNT)	19	**(5)**	**(9)**

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

GOBI JSC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024
(IN THOUSAND OF MONGOLIAN TUGRUGS)

	Notes	Share capital	Revaluation surplus	Foreign currency translation reserve	Accumulated losses	Total equity
Balance as at 1 January 2023		**780,113**	**44,568,540**	**(11,436,010)**	**(28,084,878)**	**5,827,765**
Effect of accounting policy change (Note 2.2.2 and Note 21)	21	-	(23,060,909)	-	5,542,736	(17,518,173)
Restated balance at 1 January 2023		**780,113**	**21,507,631**	**(11,436,010)**	**(22,542,142)**	**(11,690,408)**
Total comprehensive income:						
Net loss for the year		-	-	-	(6,767,958)	(6,767,958)
Other comprehensive income	22	-	-	773,737	-	773,737
Transactions with owners:						
Transfers to retained earnings	20	-	(993,362)	-	993,362	-
Balance as at 31 December 2023		**780,113**	**20,514,269**	**(10,662,273)**	**(28,316,738)**	**(17,684,629)**
Balance as at 1 January 2024		**780,113**	**20,514,269**	**(10,662,273)**	**(28,316,738)**	**(17,684,629)**
Total comprehensive income:						
Net loss for the year		-	-	-	(3,657,209)	(3,657,209)
Other comprehensive income	20, 22	-	24,256,479	(1,457,516)	-	22,798,963
Transactions with owners:						
Transfers to retained earnings	20	-	(993,362)	-	993,362	-
Balance as at 31 December 2024		**780,113**	**43,777,386**	**(12,119,789)**	**(30,980,585)**	**1,457,125**

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

GOBI JSC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024
(IN THOUSAND OF MONGOLIAN TUGRUGS)

	Notes	2024	2023
Cash flows from operating activities			
Loss for the year		(3,657,209)	(6,767,958)
Adjustments for:			
Depreciation and amortization	24.3	14,554,268	12,643,029
Income tax expense	23	2,083,660	6,791,081
Interest expense	15.2	28,966,791	30,257,198
Interest income	25	(21,032)	(229,734)
Unwinding of discount on subsidized loans	27	3,000,620	4,418,776
Unrealised foreign exchange rate loss		1,103,637	1,176,462
Reversal of impairment on financial assets	30.1	-	(9,266)
Impairment allowance / (reversal) on inventories, net	8	197,117	(166,906)
Loss from disposal of property, plant and equipment	26.2	60,004	6,980
		46,287,856	**48,119,662**
Changes in:			
Change in accounts and other receivables		(6,518,867)	(3,548,120)
Change in prepayments and advances		1,358,657	(6,148,480)
Change in inventories		19,615,985	(13,562,908)
Change in right to returned goods		-	17,227
Change in trade and other payables		(5,048,402)	(11,962,418)
Change in refund liabilities		-	(26,503)
Change in contract liabilities		457,354	(311,474)
		56,152,583	**12,576,986**
Income taxes paid	23.2	(1,918,219)	(3,392,836)
Interest paid	15.2	(24,506,337)	(27,329,645)
Net cash flows (used in)/ from operating activities		**29,728,027**	**(18,145,495)**
Cash flows from investing activities			
Interest received	25	21,032	229,734
Proceeds from sale of property, plant and equipment		25,055	1,359,228
Acquisition of property, plant and equipment	9	(15,206,659)	(4,642,753)
Acquisition of intangible assets	12.1	(5,889,178)	(1,249,934)
Net cash flows used in investing activities		**(21,049,750)**	**(4,303,725)**
Cash flows from financing activities			
Proceeds from borrowings including related party loans	15.2	1,248,559,876	1,153,263,480
Proceeds from issuance of bond	15.2	10,982,346	-
Repayment of borrowings including related party loans	15.2	(1,270,804,301)	(1,130,151,838)
Advances provided to related parties	28.3	-	(18,950,000)
Payment of advances provided to related parties	28.3	-	18,950,000
Payments of lease liabilities	15.2	(1,098,962)	(965,391)
Payment of dividends	18	(355)	(280)
Net cash flows from (used in) financing activities		**(12,361,396)**	**22,145,971**
Net decrease in cash and cash equivalents		**(3,683,119)**	**(303,249)**
Exchange difference on translating foreign operations		(1,457,516)	773,737
Effects of exchange rate changes on cash		(24,430)	(14,296)
Cash and cash equivalents, at the beginning of the year	5	**9,491,111**	**9,034,919**
Cash and cash equivalents, at the end of the year	5	**4,326,046**	**9,491,111**

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

1. Corporate information

Gobi JSC (hereinafter referred to as the "Company") was established in 1981 under the laws of Mongolia. 87.33% of the Company is owned by Tavan Bogd Holdings LLC, registered in Mongolia, and the remaining 12.67% is owned by other small shareholders. As at 31 December 2024, Gobi JSC had a total of 25,151 shareholders.

The place of business of the Company is GOBI JSC Building, which is located at Industrial Street, 3rd Khoroo, Khan-Uul District, 17062, Ulaanbaatar, Mongolia. The Company and its subsidiaries (together referred to as the "Group") engage operations in Mongolia, People's Republic of China, United States of America, Federal Republic of Germany, and the United Kingdom.

The Company was registered to the General Authority of State Registration and issued with the State Registration Certificate with the entity's registration No: 2076357.

The Group is primarily engaged in manufacturing and selling of finished and semi-finished goods such as knitwear, sewn and woven products, and provision of related services such as dry cleaning. The Group's operating income is disclosed in detail in Note 24.1. The subsidiaries of the Company are disclosed in Note 11.

The executive management of the Group authorised the issuance of the consolidated financial statements on 21 March 2025.

2. Summary of material accounting policies

2.1 Statement of compliance

The consolidated financial statements have been prepared and presented in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

2.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties. Certain properties are measured at revalued amount or fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

These consolidated financial statements are presented in thousands and in Mongolian Tugrugs ("MNT"), which is the Group's functional currency, unless otherwise indicated.

2.2.1 Going concern

The total sales revenue of the Group in 2024 amounted to MNT 247 billion, representing a 3% decrease compared to the previous year. Domestic sales increased by MNT 16.4 billion (11%), reaching MNT 163.4 billion, primarily due to the recovery in tourism. Despite the drop in net sales compared to 2023, the Group's net profit increased by 46%. Gobi JSC's net loss in 2025 is expected to decrease from this year and is considered achievable based on the growth trend. Net sales in the domestic market are expected to increase, along with sales in the global market. The domestic market overperformed in 2024, driven by tourist sales, with a total of 120,000 tourists choosing Gobi for shopping out of 809,000 tourists who visited Mongolia. As of January 2025, the number of tourists in Mongolia increased by 19% compared to the same period in the previous year. Given the anticipated continuation of this growth, sales from tourist purchases in the domestic market are expected to rise. By 2030, Mongolia aims to attract 2 million tourists, which will have a favourable impact on the Group's domestic market. In the global market, sales are expected to increase in 2025 due to the Group's ongoing efforts to promote its brand internationally in recent years. This includes the addition of digital sales channels such as Macy's, Nordstrom, and Otto, as well as collaboration with the renowned international marketing firm. Furthermore, investments made in 2024 to enhance production productivity will reduce production costs, thereby increasing gross profit margins. Profitability is also expected to improve due to the reduced share of the ODM market in total sales, which carries lower gross profit margins. In terms of operational expenses, the Group has decided to reduce financing costs and minimize overhead expenses by focusing on more efficient inventory management and accurate production planning.

2. Summary of material accounting policies (continued)

2.2 Basis of preparation (continued)

2.2.1 Going concern (continued)

The Group believes this strategy is a proper strategy for long-term, sustainable growth in the global market. On 23 January 2025, Gobi JSC received a letter from its ultimate controlling party, Tavan Bogd Holdings LLC, confirming that Tavan Bogd Holdings LLC will continue to provide financial support to Gobi JSC, so as to enable Gobi JSC to continue as a going concern and meet its liabilities as they fall due for at least twelve months from the reporting date of Gobi JSC's 31 December 2024 financial statements. Tavan Bogd Holdings LLC also confirmed not to seek, recall or demand repayment of amounts owed to the entities within the Tavan Bogd Holdings LLC and will continue to provide further funds to cover any cash short fall that may arise. The Group has prepared the consolidated financial statements on a going concern basis, which management has assessed as being appropriate.

2.2.2 Changes in accounting policies

Previously, land rights within property, plant and equipment were stated at their revalued amounts, being their fair value at the date of revaluation less subsequent accumulated impairment losses. The Group are in the opinion that the adoption of cost model for this class of property, plant and equipment would result in the financial statements providing more reliable and relevant information on the Group's financial position and financial performance including using more uniform accounting policies for similar assets within Tavan Bogd Holdings Group. Accordingly, the Group has changed its accounting policy for this class of property, plant and equipment with effect from 1 January 2023, which is to measure them at cost, being their cost less accumulated impairment losses (Note 2.6).

In addition, the Group adopted the accounting policy to transfer a relevant portion of the revaluation reserve to retained earnings as the asset is depreciated. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property's revaluation reserve is transferred directly to retained earnings. The Group are in the opinion that the adoption of this policy would result in the financial statements providing more reliable and relevant information on the Group's financial position and financial performance including using more uniform accounting policies for similar assets within Tavan Bogd Holdings Group. Accordingly, the Group has changed its accounting policy with effect from 1 January 2023 (Note 2.6).

In the course of the above accounting policy changes, which are applied retrospectively, comparative information has been restated. A summary of the quantitative impact of the restatements, including a third statement of financial position as of 1 January 2023, is presented in Note 21.

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has right, to variable returns from its involvements with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Although the investee does not have a majority of the voting rights to influence, the investee is considered to influence if the voting rights held by the Company have a real ability to influence the related activities of the investee.

2. Summary of material accounting policies (continued)

2.3 Basis of consolidation (continued)

The following factors are used to assess whether the Company's voting rights have an impact on the financier's operations:

- The extent of the Company's voting rights and the distribution, dispersal of the voting rights of other shareholders
- Ability to exercise the voting rights of the Company and other shareholders
- Voting rights agreed upon in other agreements
- Other factors that the Company's voting rights may affect current related activities voting rights

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expense of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

The subsidiaries profit or loss and other comprehensive income are attributable to the shareholders of Group and non-controlling interest. The subsidiaries total comprehensive income is attributed to the Group’s shareholders and non-controlling interests, even if the non-controlling interest has a negative balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

All intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.3.1 Changes in the Group’s ownership interests in existing subsidiaries

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Group.

When the Group loses control of a subsidiary, the gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred another category of equity as specified/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments: Acceptance and Measurement*, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2.4 Inventories

Inventories are measured at the lowest of purchase and/or production cost, calculated by means of the weighted average cost method, and net realisable value. Purchase cost includes related ancillary costs for purchases in the period. Production cost includes directly attributable costs and a portion of indirect costs reasonably attributable to the products. The net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Where necessary, an allowance for obsolescence is established for materials or products, in view of their expected use and realisable value.

2. Summary of material accounting policies (continued)

2.5 Prepayments and advances

Prepayments and advances represent expenses not yet incurred and goods not yet received respectively but already paid in cash. Prepayments and advances are initially recorded as assets and measured at the amount of cash paid. Subsequently, prepaid expenses are charged to profit or loss as they are consumed in operations or expire over time and advances are reclassified to the related assets for which the cash was paid when the goods are received.

Prepayments are classified in the consolidated statement of financial position as current assets when it the Group expects to realise the asset within twelve months after the reporting period. Otherwise, prepayments are classified as non-current assets. At the end of the reporting period, the Group reviews the carrying amounts of its prepayments to determine whether there is any indication that those prepayments may be impaired.

2.6 Property, plant and equipment

Land rights held by the Group are initially recognised as property, plant and equipment of the Group at cost at the date of acquisition. The Group pays an annual land commission fee to the Government upon acquisition of the land rights which are insignificant. Land rights are not depreciated and measured at cost. Construction in progress as described below, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment are initially measured at cost. The cost of a property, plant and equipment comprises:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- Any costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the accounting policy stated in Note 2.16. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

At the end of each reporting period, property, plant and equipment, other than buildings, are measured using the cost model and carried at cost less any subsequent accumulated depreciation and impairment losses.

Buildings, measured using the revaluation model, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by independent professional appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from that which would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of buildings is charged to other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is charged to profit or loss to the extent of the decrease previously charged.

A decrease in carrying amount arising on the revaluation of buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation surplus relating to a previous revaluation of that asset.

2. Summary of material accounting policies (continued)

2.6 Property, plant and equipment (continued)

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Group transfer a relevant portion of the revaluation reserve to retained earnings as the asset is depreciated. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property's revaluation reserve is transferred directly to retained earnings. An annual transfer from the properties revaluation reserve to retained earnings is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the assets at cost.

Subsequent expenditures relating to property, plant and equipment that have already been recognised are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group.

All other subsequent expenditures are recognised as expenses in the period in which those are incurred. Depreciation is recognised as to write-off the cost or valuation of assets (other than land and construction in progress) less their residual values over their useful lives, using the straight-line method, on the following basis:

Property, plant and equipment useful life:

Building	10 – 40 years
Plant and equipment	10 years
Furniture and fixtures	2 – 10 years
Vehicles	10 years
Leasehold improvement	2 – 5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.7 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset that has an indefinite useful life and is purchased separately is measured at cost less any impairment losses.

The useful life of the intangible assets is 2 to 10 years.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gain or losses arising from deprecation of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when asset is derecognised.

2. Summary of material accounting policies (continued)

2.8 Impairment of property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

An impairment loss is recognised if the carrying amount of an asset or its cash-generating units exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (groups of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss, other than impairment of goodwill is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization if no impairment loss had been recognise.

2.9 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value excepts for the trade receivable arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2.10 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

2. Summary of material accounting policies (continued)

2.10 Financial assets (continued)

2.10.1 Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- The Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

The Group's financial assets consist of financial assets at amortised cost.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is initially recorded using the effective interest method for debt instruments measured at amortised cost and at FVTOCI. For credit-impaired financial assets at either origination or at the time of purchase, the interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset.

Financial assets that are subsequently credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the finical assets. In the event, the financial asset is no longer credit-impaired, the calculation does not revert back to gross basis. Interest income is recognised in profit or loss and is included in the "finance income" line item.

2. Summary of material accounting policies (continued)

2.10 Financial assets (continued)

2.10.2 Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime expected credit losses ("ECL") for trade receivables. Except for those which had been determined as credit impaired under IFRS 9, trade receivables have been assessed individually with outstanding significant balances not secured and exceeding MNT 400 million, the remaining balances are grouped based on past due analysis.

The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money *w*here appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Forward-looking information considered includes the prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relates to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

2. Summary of material accounting policies (continued)

2.10 Financial assets (continued)

2.10.2 Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

A financial instrument is determined to have low credit risk if:
- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has an external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying a significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- The significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event (see (ii) above);
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; and
- Lack of an active market for the financial asset due to financial difficulties.

(iv) Write-off policy

The Group writes-off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written-off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

2. Summary of material accounting policies (continued)

2.10 Financial assets (continued)

2.10.2 Impairment of financial assets (continued)

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default and (i.e the magnitude of the loss if there is a default) the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

Loans and receivables that are at risk at the reporting date are stated at the carrying amount of the financial asset.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2.10.3 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

2.11 Financial liabilities and equity

2.11.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity under the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2.11.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received net of direct issue costs.

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary share are recognised as a deduction from equity, net of any tax effects.

2. Summary of material accounting policies (continued)

2.11 Financial liabilities and equity (continued)

2.11.2 Equity instruments (continued)

(ii) Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as deduction from equity.

Repurchased shares are classified as treasury shares and are presented in the statement of changes in equity as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

(iii) Retained earnings (Accumulated losses)

Retained earnings (Accumulated losses) represent accumulated profit or loss attributable to equity holders of the Parent Company after deducting dividends declared. Retained earnings (Accumulated losses) may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

(iv) Contribution by owners of the Group

Capital contributions from shareholders, being either cash or other non-monetary assets, which are non-reciprocal (i.e. no financial obligation), are accounted for directly in equity at fair value of the contributed assets.

(v) Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Parent Company's net investment in a foreign subsidiary.

2.11.3 Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method. The Group financial liabilities consist of financial instruments measure at amortised cost using the effective interest method.

2.11.3.1 Financial liabilities measured subsequently at amortised cost

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of financial liability.

2.11.3.2 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.12 Revenue recognition

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e., when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

2. Summary of material accounting policies (continued)

2.12 Revenue recognition (continued)

A performance obligation represents a good or service (or a bundle of goods or service) that is distinct or service of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer. The Group recognises revenue when the performance obligation is satisfied and in particular when it transfers control of a product or service to a customer.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e., only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

The Group's income consists of the following main sources:

a) Sale of goods;
b) Service income;
c) Other revenue

2.12.1 Sale of goods

Sales of goods refers to sales of cashmere, knitwear, sewn and woven products to wholesalers and to retail customers.

Sales to wholesalers are recognised when control of the products is transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the sales channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to a specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract or the group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Sales to retail customers are recognised when control of the products is transferred, being at the point the customers purchase the goods at the retail shops. Payment of the transaction price is due immediately when the customer purchases products.

2. Summary of material accounting policies (continued)

2.12 Revenue recognition (continued)

2.12.1 Sale of goods (continued)

It is the Group's policy to sell its products to the retail customer with a right of return within 24 hours and the wholesale customers up to certain limits stated in the contracts. Therefore, a contract liability (refund liability) and a right to the returned good assets (included in current assets) are recognised for the products expected to be returned.

The estimated amount of variable consideration is included in the transaction price only to the extent that probably such inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

2.12.2 Service income

Service income mainly refers to dry cleaning and sewing services provided to related parties and other customers.

Revenue is recognized over time as the performance of the Group creates or enhances an asset that the customer controls as the Group performs.

The progress towards complete satisfaction of a performance obligation is measured based on the output method, which is to recognise revenue based on direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

2.12.3 Other revenue

Other revenue mainly comprises the sale of raw materials and semi-finished products to domestic customers.

Other revenue is recognised when customers obtain control of products being the raw materials when the goods are dispatched from the Group's warehouse. Invoices are generated and revenue is recognised at that point in time. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer.

The Group recognises other revenue when the performance obligation is satisfied and in particular when it transfers control of a product or service to a customer and in particular when the goods have been shipped to the customer's specific location (delivery).

2.12.4 Assets and liabilities arising from the right of return

Right of return assets

Right of return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent level of returns over previous years.

Refund liabilities

Refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

2. Summary of material accounting policies (continued)

2.13 Leases

2.13.1 Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for some time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such a contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

2.13.2 The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component based on the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of stores and warehouses that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of a right-of-use asset includes:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred by the Group; and
- An estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property or inventory as a separate line item on the consolidated financial statements.

Refundable rental deposits

Refundable rental deposits paid are accounted for under IFRS 9 Financial Instruments and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

2. Summary of material accounting policies (continued)

2.13 Leases (continued)

2.13.2 The Group as a lessee (continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- Fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- Payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment;
- The lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease liabilities are presented as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- The consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

2. Summary of material accounting policies (continued)

2.13 Leases (continued)

2.13.2 The Group as a lessee (continued)

Lease modifications (continued)

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component based on the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Operating lease payments are recognised as an expense on a straight-line basis over lease term. Contingent rentals arising under operating leases are recognised as an expense lease, such incentives are recognised as a liability.

2.13.3 The Group as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.14 Foreign currencies

In preparing the financial statements of each group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

Currencies other than MNT are regarded as foreign currencies and transactions denominated in foreign currencies are translated into MNT at the exchange rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into MNT at exchange rates prevailing at the date of the consolidated statement of financial position. Exchange differences arising from the changes in exchange rate subsequent to dates of the transactions for monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss in the period in which they arise.

Non-monetary assets and liabilities denominated in foreign currency are translated at the exchange rates prevailing at the date of the transaction.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Mongolian Tugrugs using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used.

Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

2.15 Expense recognition

Expenses in the consolidated statement of profit or loss and other comprehensive income are presented using the function of expense method. Costs of sales are expenses incurred that are associated with the goods sold. Operating expenses are costs attributable to administrative, marketing, selling and other business activities of the Group.

2. Summary of material accounting policies (continued)

2.16 Borrowing costs

The Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying assets as part of the cost of that asset. Other borrowing costs are recognised in expense as incurred. A qualifying asset is an asset that requires a substantial period of time to get ready for its intended use or sale.

To the extent that the Group borrows funds specifically for the purpose of obtaining asset, the Group determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. The Group immediately recognizes other borrowing costs as an expense. To the extent that the Group borrow funds generally and uses them for the purpose of obtaining a qualifying asset, the Group determines the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on the asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowing made specifically for the purpose of obtaining a qualifying asset.

2.17 Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

State pension plans

Employee benefits of the Group include statutory social insurance payments to the State Social Insurance Scheme of Mongolia. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense as incurred.

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of amount of the obligation.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

When some or all of the economic benefits required to settle a provision are expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

Provisions are reviewed at the end of the reporting period and adjusted to reflect the current best estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision should be reversed.

2.19 Contingent liabilities and assets

Contingent liabilities and assets are not recognised because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

2. Summary of material accounting policies (continued)

2.20 Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the respective assets. All other borrowing costs are recognised in profit or loss using the effective interest method.

2.21 Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalisation, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented is adjusted retrospectively.

2.22 Related parties

A related party transaction is a transfer of resources, services or obligations between the Group, parent of the Group and a related party, regardless of whether a price is charged. A person or a close member of that person's family is related to the Group if that person:

- Has control or joint control over the Group; or
- Has significant influence over the Group; or
- Is a member of the key management personnel of the reporting group or a parent of the Group

An entity is related to the Group if any of the following conditions apply:

- The entity and reporting entity are members of the same group which means that each parent, subsidiary and fellow subsidiary is related to each other;
- One entity is an associate or joint venture of the other entity or an associate or joint venture of a member of a group of which the other entity is a member;
- Both entities are joint ventures of the same third parties;
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- The entity has a post-employment benefit plan for employee benefits for the Group or one of the Group's related party.
- The entity is controlled or jointly controlled by a person who is a related party as identified above and a person that has control or joint control over the reporting entity has significant influence over the entity or is a member of the key management personnel of the entity or a parent of the entity.

2.23 Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

2.23.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2. Summary of material accounting policies (continued)

2.23 Taxation (continued)

2.23.2 Deferred tax

Deferred tax is recognised, using the asset-liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax liability is recognised for all taxable temporary differences. A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilised. However, deferred tax is not recognised for the following temporary differences: taxable temporary differences arising on the initial recognition of goodwill, or the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit or loss nor taxable income.

The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group recognises a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries and associates, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and the carrying amount is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis.

The preparation of consolidated financial statements in accordance with IFRS Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses of the reporting period. Due to the inherent uncertainty in making those estimates, actual results reported in future periods may be based upon amounts that differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2.23.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2. Summary of material accounting policies (continued)

2.24 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The operating segments' operating results are regularly reviewed by the Group's chief operating decision maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

2.25 Government grants

Government grants are transfers of resource to the Group by a government entity in return for compliance with certain past or future conditions related to the Group's operating activities – e.g. a government subsidy. The Group recognizes the grants in the form of a waiver of expenses – e.g. government subsidized low interest loans, as government grant. Such grants are recognized in profit or loss on a systematic basis as the Group recognizes as expenses the costs the grant is intended to compensate.

Below-market interest rate loan is initially recognized and subsequently measured in accordance with IFRS 9. IFRS 9 required loans at below-market rates to be initially measures at fair value – e.g. the present value of the expected future cash flows discounted at a market-related interest rate. The benefit that is government grant is measured as the difference between the fair value of the loan on initial recognition and the amount received, which is accounted for according to the nature of the grant.

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of consolidated financial statements in accordance with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses of the reporting period. Due to the inherent uncertainty in making those estimates, actual results reported in future periods may be based upon amounts that differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3.1 Critical accounting judgements

3.1.1 Useful life of land and depreciation

The Group's land situated in Mongolia is held under a lease term of 15 to 60 years.

The Land Law of Mongolia provided a legal basis for Mongolian legal entities holding land rights.

The Group paid an upfront fee when the Group first signed the land agreement. Historically, the Group successfully renewed the lease upon expiry at minimal cost, if any. The executive management of the Group finds that the Group can continue to renew the land at minimal cost, if any, and can continue to take possession of the land indefinitely. The land is stated at cost less accumulated impairment and is not depreciated.

3.1.2 Tax system in Mongolia

The Government of Mongolia continues to reform the business and commercial infrastructure in its transition to a market economy. As a result, the laws and regulations affecting businesses continue to change rapidly.

Taxes are subject to review and investigation by a number of authorities who are enabled by law to impose fines and penalties. While the Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the above facts may create tax risks for the Group.

3.1.3 Determine method to estimate variable consideration and assessing the constraint

Certain contracts for the sale of goods include a right of return that gives rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to be used in estimating the variable consideration for the sale of goods with the right of return, given the large number of customers' contracts that have similar characteristics.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

As at 31 December 2024, the revenue amount to MNT 247,026,317 thousand net of returns and discounts for an amount of MNT 11,360,745 thousand (31 December 2023 the revenue amount to MNT 255,650,516 thousand net of returns and discounts for an amount of MNT 17,310,811 thousand).

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

3.2 Key sources of estimation uncertainty

The following are the key assumptions used in the estimation uncertainty at the end of the reporting period involving the significant amounts recognised in the consolidated financial statements.

3.2.1 Calculation of loss allowance

The Group estimated the impairment allowance for doubtful accounts related to its receivables based on its assessment of individual characteristics of each customer and by the economic conditions and the related industry in Mongolia.

In these cases, judgement used was based on the best available facts and circumstances including but not limited to, the length of relationship with the counterparty and the counterparty's current credit status based on credit reports and known market factors. The Group used judgement to record specific allowances for counterparties against amounts due to reduce the expected collectible amounts. These specific allowances are re-evaluated and adjusted as additional information received impacts the amounts estimated.

The amounts and timing of recorded expenses for any period would differ if different judgements were made or different estimates were utilized. An increase in the allowance for doubtful accounts would increase the recognized operating expenses and decrease current assets.

As at 31 December 2024, the carrying amount of trade and other receivables is MNT 9,404,878 thousand, net of loss allowance of MNT 1,761,809 thousand (31 December 2023 the carrying amount of trade and other receivables is MNT 8,030,908 thousand, net of loss allowance of MNT 1,761,809 thousand).

3.2.2 Inventory provision for obsolete and slow moving items

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. The estimates and associated assumptions are based on historical experience and actual results may differ from the estimation.

The Group's accounting policy is based upon the ageing of inventory, with a percentage provision applied which reflects the actual historical rate of losses made.

The management believes that the assumptions and judgements used are appropriate in determining the valuation of inventories.

As at 31 December 2024, the carrying amount of inventories is MNT 122,708,175 thousand net of provision for inventories of MNT 2,387,704 thousand (31 December 2023: the carrying amount of inventories is MNT 142,521,277 thousand net of provision for inventories of MNT 2,190,587 thousand).

3.2.3 Estimating net realisable value of inventories

The net realisable value of inventories represents the estimated selling price for inventories less all estimated costs of necessary to make the sale. Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. While the Group believes that the estimates are reasonable and appropriate, significant differences in the actual experience or significant changes in estimates may materially affect the profit or loss and equity.

3.2.4 Useful lives of property, plant and equipment

As described in Note 2.6, the Group reviews the estimated useful lives of property, plant and equipment at the end of the reporting period and adjusts if necessary, taking into consideration the usage patterns, the age of the assets and the technological advances. No revisions were made to the useful lives at end of the current reporting period. Possible changes in these estimates may significantly affect profit for the year. Management believes that the current useful lives reflect the economic lives of property, plant and equipment.

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

3.2 Key sources of estimation uncertainty (continued)

3.2.5 Fair value measurement of buildings

Buildings are measured at revalued amounts for financial reporting purposes. Revaluation shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Group engages third party qualified appraiser to perform the valuation. Possible change in these changes could result in revisions to the value of buildings.

Information about the valuation techniques and inputs used in determining the fair value of buildings are disclosed in Note 9.2.

3.2.6 Deferred income taxes

In calculating deferred income taxes, the Group considers factors such as tax rates, non-deductible expenses, changes in tax law, and management's expectations of future results. The Group estimates deferred income taxes based on temporary differences between the income and losses reported in its consolidated financial statements and its taxable income and losses as determined under the applicable tax laws. The tax effects of these temporary differences are recorded as deferred tax assets or liabilities in the consolidated financial statements.

The Group does not recognise deferred tax assets where management does not expect such assets to be realised based upon current forecasts. In the event that actual results differ from these estimates, adjustments are made in future periods in these estimates, and changes in the amount of the deferred tax assets recognised may be required, which could materially impact the financial position and the income for the period.

Total deferred tax assets recognised in the Group's consolidated statement of financial position amounted to MNT 5,661,214 and MNT 9,276,559 thousand thousand as at 31 December 2024 and 2023, respectively.

Total deferred tax liabilities recognised in the Group's consolidated statement of financial position amounted to MNT 13,939,844 thousand and MNT 7,883,775 thousand as at 31 December 2024 and 2023, respectively, see Note 2.23 and Note 23.3.

4. Application of new accounting standards or amendments for 2024 and forthcoming requirements

4.1 New standards and amendments to IFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied a number of new standards or amendments to IFRS Accounting Standards issued by the International Accounting Standards Board ('IASB') that are mandatorily effective for an accounting periods that begins on or after 1 January 2024.

Effective date	New accounting standards or amendments
1 January 2024	• Non-current Liabilities with Covenants – Amendments to IAS 1 • Classification of Liabilities as Current or Non-current – Amendments to IAS 1 • Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 • Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The application of the new and amendments to IFRS Accounting Standards in the current year has had no material impact on the Group's financial positions and performance for the current year and on the disclosures set out in these financial statements, except for Non-current Liabilities with Covenants – Amendments to IAS 1. Non-current liabilities subject to future covenants are disclosed in Note 15.

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

4. Application of new accounting standards or amendments for 2024 and forthcoming requirements (continued)

4.2 New standards and amendments to IFRS Accounting Standards that have been issued but are not yet effective

A number of new accounting standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted. However, the Group has not yet adopted the following new or amended accounting standards in preparing these consolidated financial statements.

Effective date	New accounting standards or amendments
1 January 2025	• Lack of Exchangeability – Amendments to IAS 21
1 January 2026	• Classification and measurement of financial instruments – Amendments to IFRS 9 and IFRS 7 • Annual improvements to IFRS Accounting Standards – Volume 11
1 January 2027	• IFRS 18 Presentation and Disclosure in Financial Statements • IFRS 19 Subsidiaries without Public Accountability: Disclosures
Available for optional adoption/ effective date deferred indefinitely	• Sales or Contributions of assets between an investor and its Associates or Joint Venture – Amendments to IFRS 10 and IAS 28

The above new and amended accounting standards are not expected to have a significant impact on the Group's financial statements, except for IFRS 18 Presentation and Disclosure in Financial Statements.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS 1 *Presentation of Financial Statements* applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statements of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit sub-total. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Group is in the process of assessing the impact of the new standard, particularly with respect to the structure of the Group's statement of profit or loss, statement of cash flows and the additional disclosure required MPMs. The Group is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as 'other'.

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

5. Cash and cash equivalents

	2024	2023
Cash on hand	42,827	31,550
Cash in bank	4,283,219	9,459,561
	4,326,046	**9,491,111**

The Group considers that its cash and cash equivalents have low credit risk.

6. Trade and other receivables

	2024	2023
Trade receivables	7,743,698	7,553,053
Loss allowance	(1,640,363)	(1,640,363)
	6,103,335	**5,912,690**
Receivables from related parties (see Note 28.2)	70,162	129,632
Other receivables (Note 6.2)	3,352,827	2,110,032
Loss allowance	(121,446)	(121,446)
	9,404,878	**8,030,908**

6.1 Trade receivables

The average credit period on sales of goods is 30-90 days within pre-approved credit limits. No interest is charged on overdue trade receivables. Before accepting any new customers, the management of the Group assesses the potential client's credit quality and defines credit limits by each customer.

The Group estimated the impairment allowance for doubtful accounts related to its receivables based on its assessment of individual characteristics of each customer and by the economic conditions and the related industry in Mongolia.

In these cases, judgement used was based on the best available facts and circumstances including but not limited to, the length of relationship with the counterparty and the counterparty's current credit status based on credit reports and known market factors. The Group used judgement to record specific allowances for counterparties against amounts due to reduce the expected collectible amounts. These specific allowances are re-evaluated and adjusted as additional information received impacts the amounts estimated.

The Group writes-off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation, has entered into bankruptcy proceedings, or when the trade receivables are over ten years past due, whichever occurs earlier. None of the trade receivables that have been written-off was subject to enforcement activities.

As the Group's historical trade receivable default experience does not show significant different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's customer base.

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

6. Trade and other receivables (continued)

6.2 Other receivables

	2024	2023
VAT receivables	1,236,901	1,272,263
Receivables from employees	1,085,306	432,179
Others	1,030,620	405,590
	3,352,827	**2,110,032**

7. Prepayments and advances

	2024	2023
Advance payments to vendors	2,114,485	1,288,446
Prepaid expense	1,397,819	1,885,234
	3,512,304	**3,173,680**

8. Inventories

	2024	2023
Raw materials	31,346,563	35,591,584
Work in progress	11,993,582	20,703,068
Finished goods	69,897,920	74,816,715
Consumables	11,843,122	13,207,219
Goods in transit	14,692	393,278
	125,095,879	**144,711,864**
Allowance for obsolete and slow-moving items	(2,387,704)	(2,190,587)
	122,708,175	**142,521,277**

Raw materials include raw cashmere, de-haired cashmere, and cashmere yarns. The cost of inventories charged to the cost of sales during the year amounted to MNT 132.4 billion (31 December 2023: MNT 124.1 billion).

Movement in the allowance for obsolete and slow-moving items:

	2024	2023
Balance at beginning of the year	2,190,587	2,357,493
Addition to allowance for obsolete and slow-moving items (Note 24.5)	362,506	594,422
Reversal of allowance (Note 24.5)	(165,389)	(761,328)
Balance at the end of the year	**2,387,704**	**2,190,587**

Inventories with a carrying amount of MNT 157.0 billion (2023: MNT 138.0 billion) has been pledged as collateral for borrowings (see Note 15.1).

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

9. Property, plant and equipment

	Land rights (Restated)	Buildings (Restated)	Plant and Equipment (Restated)	Furniture and fixtures	Vehicles	Construction in progress	Leasehold improvement	Total
Cost and revaluation:								
1 January 2023	**464,442**	**75,129,464**	**113,474,665**	**6,194,637**	**2,178,921**	**18,371**	**622,574**	**198,083,074**
Additions	138,178	1,289,639	408,471	1,602,039	187,493	240,679	776,254	4,642,753
Disposals	(22,727)	(1,297,944)	(105,994)	(514,521)	-	-	-	(1,941,186)
Transfers within PPE	-	18,368	(10,706)	10,706	-	(18,368)	-	-
31 December 2023	**579,893**	**75,139,527**	**113,766,436**	**7,292,861**	**2,366,414**	**240,682**	**1,398,828**	**200,784,641**
Additions	-	2,631,793	9,817,327	1,644,140	140,000	973,399	-	15,206,659
Revaluation								
- Elimination against gross carrying amount	-	(9,980,649)	-	-	-	-	-	(9,980,649)
- Revaluation increases	-	32,341,972	-	-	-	-	-	32,341,972
Disposals	-	-	(218,234)	(652,891)	(231,728)	-	(45,998)	(1,148,851)
Transfers within PPE	-	155,492	70,986	14,201	-	(240,679)	-	-
Effect of movements in exchange rate	-	-	52	(72,366)	(5,566)	-	-	(77,880)
31 December 2024	**579,893**	**100,288,135**	**123,436,567**	**8,225,945**	**2,269,120**	**973,402**	**1,352,830**	**237,125,892**
Accumulated depreciation:								
1 January 2023	**-**	**5,382,231**	**66,932,611**	**4,172,977**	**1,072,543**	**-**	**608,310**	**78,168,672**
Depreciation charge for the year	-	2,556,768	7,720,968	950,466	204,333	-	27,292	11,459,827
Disposals	-	(34,896)	(81,719)	(458,363)	-	-	-	(574,978)
Transfers within PPE	-	-	(12,129)	12,129	-	-	-	-
31 December 2023	**-**	**7,904,103**	**74,559,731**	**4,677,209**	**1,276,876**	**-**	**635,602**	**89,053,521**
Depreciation charge for the year	-	2,655,334	8,322,758	1,390,168	209,241	-	158,155	12,735,656
Revaluation								
- Elimination against gross carrying amount	-	(9,980,649)	-	-	-	-	-	(9,980,649)
Disposals	-	-	(218,235)	(614,198)	(225,635)	-	(5,724)	(1,063,792)
Transfers within PPE	-	-	(5,570)	5,570	-	-	-	-
Effect of movements in exchange rate	-	-	63	(25,570)	(5,566)	-	-	(31,073)
31 December 2024	**-**	**578,788**	**82,658,747**	**5,433,179**	**1,254,916**	**-**	**788,033**	**90,713,663**
Carrying amount:								
1 January 2023	**464,442**	**69,747,233**	**46,542,054**	**2,021,660**	**1,106,378**	**18,371**	**14,264**	**119,914,402**
31 December 2023	**579,893**	**67,235,424**	**39,206,705**	**2,615,652**	**1,089,538**	**240,682**	**763,226**	**111,731,120**
31 December 2024	**579,893**	**99,709,347**	**40,777,820**	**2,792,766**	**1,014,204**	**973,402**	**564,797**	**146,412,229**

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

9. Property, plant and equipment (continued)

9.1 Assets pledged as security

As at 31 December 2024, property, plant and equipment with a total carrying amount of MNT 109.3 billion (31 December 2023: total carrying amount of MNT 67.8 billion) has been pledged as collateral for borrowings (see Note 15.1).

9.2 Revaluation of the Group's buildings

The Group's buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses. The revaluation of the Group's buildings were performed by an independent appraiser not related to the Group as at 31 December 2024.

The following table presents the fair value of the revalued buildings categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement* :

	31-Dec-24		31-Dec-23	
	Fair value	**Level 2**	**Fair value**	**Level 2**
Buildings	99,709,347	99,709,347	67,235,424	67,235,424
	99,709,347	**99,709,347**	**67,235,424**	**67,235,424**

The following table shows the main valuation techniques used in measuring the fair value of buildings:

Type	Valuation techniques
Buildings	*Market comparison technique:* The valuation model considered market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflected adjustments for physical deterioration as well as functional and economic obsolescence.

The fair value measurement resulted in total revaluation surpluses of MNT 32,341,972 thousand.

	Fair value measurements as at 31 December 2024 categorised into			
	Fair value impact	*Level 1*	*Level 2*	*Level 3*
Fair value measurement				
Buildings	32,341,972	-	32,341,972	-
Total	**32,341,972**	**-**	**32,341,972**	**-**

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

9. Property, plant and equipment (continued)

9.2 Revaluation of the Group's buildings (continued)

Had the Group's buildings been measured on a historical cost basis, their carrying amount would have been as follows:

	2024	2023
Buildings	47,833,214	47,770,068
	47,833,214	**47,770,068**

9.3 Fully depreciated property, plant and equipment

	2024	2023
Cost	50,082,625	43,636,554

9.4 Depreciation and amortisation charged to profit or loss and cost of inventories

	2024	2023
Depreciation of property, plant and equipment	2,811,004	2,296,760
Depreciation of right-of-use assets (Note 10.1)	1,167,974	983,636
Amortisation of intangible assets (Note 12.1)	650,638	199,566
	4,629,616	**3,479,962**

During the year, Group recognised depreciation expenses amounting to MNT 9,924,652 thousand (31 December 2023: 9,163,067 thousand) in the cost of inventories.

10. Right-of-use assets

	2024	2023
Cost:		
At 1 January	5,115,749	3,275,891
Additions	1,838,666	2,361,658
Disposals	(234,434)	(521,800)
At 31 December	**6,719,981**	**5,115,749**
Accumulated depreciation:		
At 1 January	3,006,003	2,544,167
Charged for the year	1,167,974	983,636
Disposals	(234,434)	(521,800)
At 31 December	**3,939,543**	**3,006,003**
Carrying amount:		
At 31 December	**2,780,438**	**2,109,746**

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

10. Right-of-use assets (continued)

10.1 Leases as lessee

The Group leases stores and warehouses for its operations with an average lease term of 3 years. The Group does not have lease agreements with an option to purchase the right-of-use assets at the end of the lease term.

The Group has in total 3 lease agreements that are recognised in accordance with IFRS 16 (6 lease agreements in 2023).

The maturity of lease liabilities is presented in Note 14.

i. Right-of-use assets

	2024	2023
At 1 January	2,109,746	731,724
Additions	1,838,666	2,361,658
Disposals	(234,434)	(521,800)
Depreciation charge for the year	(1,167,974)	(983,636)
Depreciation related to disposals	234,434	521,800
At 31 December	**2,780,438**	**2,109,746**

ii. Amounts recognised in profit or loss

	2024	2023
Depreciation expense on right-of-use assets	1,167,974	983,636
Interest expense on lease liabilities (Note 27)	329,689	196,421
Expenses relating to short-term lease (Note 24.4)	462,757	190,602

iii. Amounts recognised in statement of cash flows

	2024	2023
Total cash outflow for leases	1,098,962	965,391

10.2 Leases as lessor

As at 31 December 2024 and 2023, the Group did not have any long-term non-cancellable operating leases as a lessor.

The Group has 12-month non-cancellable property lease contracts with its related parties. These lease contracts include a clause for a renewal option same as the initial lease term or 12 months unless either party proposes termination.

The lessee does not have an option to purchase the buildings at the expiry of the lease period. Rental income recognised by the Group during 2024 was MNT 345,454 thousand (2023: MNT 304,289 thousand).

Future minimum lease receivables under non-cancellable operating leases as at 31 December 2024 are as follows:

	2024	2023
Less than one year	755,934	332,937
One to two years	7,300	-
Two to three years	-	-
Three to four years	-	-
Four to five years	-	-
	763,234	**332,937**

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

11. Investment in subsidiaries

Name of subsidiaries	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2024	2023
Gobi Cashmere Europe GmbH	Trading	Germany	100%	100%
Gobi Cashmere Inner Mongolia Co. Ltd	Trading	China	100%	100%
Goyo LLC	Trading	Mongolia	100%	100%
Gobi Cashmere USA Corp	Trading	USA	100%	100%
Gobi Cashmere United Kingdom	Trading	UK	100%	100%
Gobi Cashmere Kazakhstan LLP (*)	Trading	Kazakhstan	100%	100%

* As at 31 December 2024, Gobi Cashmere Kazakhstan LLP has not yet started any operation.

Financial information of subsidiaries

Summary of financial information of subsidiaries as at and for the year ended 31 December 2024 was as follows:

2024	Total assets	Total liabilities	Revenue	Profit (loss)
Gobi Cashmere Europe GmbH	9,517,897	76,420,450	13,550,290	(4,602,144)
Gobi Cashmere Inner Mongolia Co. Ltd	7,914,547	23,729,222	4,351,357	(3,039,659)
Goyo LLC	3,423,437	34,845	-	292,528
Gobi Cashmere USA Corp	3,672,301	30,038,052	7,108,090	(1,891,951)
Gobi Cashmere United Kingdom	765,510	2,504,995	723,473	(450,576)

Summary of financial information of subsidiaries as at and for the year ended 31 December 2023 was as follows:

2023	Total assets	Total liabilities	Revenue	Profit (loss)
Gobi Cashmere Europe GmbH	20,372,843	86,706,527	26,756,035	(10,228,996)
Gobi Cashmere Inner Mongolia Co. Ltd	12,308,357	25,402,815	5,986,949	(3,983,329)
Goyo LLC	8,158,936	30,395	-	(605,747)
Gobi Cashmere USA Corp	6,446,560	30,834,090	13,493,705	(5,492,583)
Gobi Cashmere United Kingdom	3,157,727	4,486,534	2,932,399	(1,242,291)

12. Other non-current assets

	2024	2023
Intangible assets	6,735,490	1,499,360
Deposit placed for leased stores	152,086	152,121
Prepayments	4,584,641	6,279,477
	11,472,217	**7,930,958**

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

12. Other non-current assets (continued)

12.1 Intangible assets

	2024	2023
Cost:		
At January 1	2,860,119	1,613,485
Additions	5,889,178	1,249,934
Disposals	(180,435)	(3,300)
At 31 December	**8,568,862**	**2,860,119**
Accumulated amortization:		
At January 1	1,360,759	1,164,493
Disposals	(178,025)	(3,300)
Amortization for the year	650,638	199,566
At 31 December	**1,833,372**	**1,360,759**
Carrying amount:		
At 31 December	**6,735,490**	**1,499,360**

Intangible assets comprise of program and software with a net carrying amount of MNT 5,796,330 thousand (2023: MNT 1,286,490 thousand) and trademarks with a net carrying amount of MNT 939,160 thousand (2023: MNT 212,870 thousand).

13. Trade and other payables

	2024	2023
Trade payables*	6,218,705	6,130,757
Payable to fellow subsidiary (Note 28.2)	-	10,630,000
Current portion of long-term payable to Tavan Bogd Holding LLC (Note 16, 28.2)	25,309,850	13,642,760
Payable to other related parties (Note 28.2)	-	703
Salary payables	1,848,290	2,345,859
Other taxes payables (excluding corporate income tax payables)	2,697,480	4,549,593
Dividend payables (Note 18)	166,051	166,406
Government grants- Deferred income **	961,404	1,175,415
Other payables	666,032	238,633
	37,867,812	**38,880,126**

* Trade payables mainly consist of payables to foreign and domestic suppliers, with payment terms ranging from 30 - 90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the contractual terms.

** The Group recognized the grants in the form of a low interest loans subsidized by the Government as government grant. Benefit that the government grant is measured as the difference between the fair value of the loan on initial recognizion and the amount received. Grants are recognized in profit or loss on a systematic basis as the Group recognizes interest expenses the costs the grant is intended to compensate.

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

13. Trade and other payables (continued)

13.1 Contract liabilities

	2024	2023
Amounts received in advance-shown under current liabilities	2,129,778	1,672,424
	2,129,778	**1,672,424**

Contract liabilities as at 31 December 2024 are expected to be recognised as revenue by 31 December 2025.

14. Lease liabilities

	2024	2023
Maturity analysis:		
Within one year	1,496,275	1,236,777
More than one year but not more than two years	1,293,651	510,764
More than two years but not more than five years	932,779	1,209,592
	3,722,705	**2,957,133**
Less: unearned interest	(696,676)	(670,809)
	3,026,029	**2,286,324**

	2024	2023
Analyzed as:		
Current	1,103,295	964,376
Non-current	1,922,734	1,321,948
	3,026,029	**2,286,324**

The Group does not face a significant liquidity risk in regards to its lease liabilities.

15. Borrowings

	2024	2023
Short-term:		
Short-term borrowings	190,964,823	227,488,827
Unlisted bond payables	11,115,812	-
Accrued interest payables	9,185,252	5,070,687
Total short-term borrowings	**211,265,887**	**232,559,514**
Long-term:		
Long-term borrowings	36,210,000	9,830,059
Total long-term borrowings	**36,210,000**	**9,830,059**
Total	**247,475,887**	**242,389,573**

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

15. Borrowings (continued)

Terms and conditions of outstanding loans were as follows:

				31 December 2024					31 December 2023				
Party	**Currency**	**Nominal interest rate**	**Loan maturity**	**Foreign currency (thousands)**	**Face value**	**Effect of fair value measurement**	**Carrying amount**	**Interest payable**	**Foreign currency (thousands)**	**Face value**	**Effect of fair value measurement**	**Carrying amount**	**Interest payable**
Golomt Bank (subsidized loan) (i)	MNT	11.00%	2025	-	3,333,333	15,622	3,317,711	10,046	-	13,333,333	209,569	13,123,764	36,164
Golomt Bank (subsidized loan) (i)	MNT	5.00%	2025	-	9,300,000	331,196	8,968,804	8,918	-	-	-	-	-
Golomt Bank (subsidized loan) (i)	MNT	5.00%	2025	-	10,400,000	458,684	9,941,316	9,973	-	-	-	-	-
Golomt Bank (Credit line) (i)	MNT	15.60%	2026	-	-	-	-	13,591	-	48,950,000	-	48,950,000	83,760
Khan Bank (Credit line) (ii)	MNT	12.60%	2025	-	-	-	-	-	-	6,500,000	-	6,500,000	8,334
Khan Bank (subsidized loan) (ii)	MNT	5.00%	2024	-	-	-	-	-	-	10,000,000	247,199	9,752,801	35,616
Khan Bank (subsidized loan) (ii)	MNT	3.00%	2024	-	-	-	-	-	-	4,202,775	33,280	4,169,495	8,982
Xac Bank (Credit line) (iii)	MNT	15.60%	2026	-	36,210,000	-	36,210,000	466,032	-	-	-	-	-
Xac Bank (subsidized loan) (iii)	MNT	5.00%	2024	-	-	-	-	-	-	16,666,667	238,441	16,428,226	68,493
Xac Bank (subsidized loan) (iii)	MNT	5.00%	2025	-	8,333,334	155,902	8,177,432	35,635	-	-	-	-	-
Arig Bank (subsidized loan) (iv)	MNT	5.00%	2024	-	-	-	-	-	-	14,500,000	450,200	14,049,800	59,589
Asian Development Bank (ADB) (v)	USD	3.89%+SOFR	2026	9,600	32,834,400	-	32,834,400	87,514	12,000	40,928,280	-	40,928,280	104,954
Asian Development Bank (ADB) (v)	USD	3.89%+SOFR	2026	14,400	49,251,600	-	49,251,600	131,271	-	-	-	-	-
International Investment Bank (vi)	EUR	4.25%	2027	8,000	28,535,840	-	28,535,840	2,620,936	8,000	30,333,280	-	30,333,280	1,475,377
International Investment Bank (vi)	EUR	5.25%	2027	14,000	49,937,720	-	49,937,720	5,665,852	14,000	53,083,240	-	53,083,240	3,189,418
Gobi Bond (Unlisted) (vii)	USD	8.50%	2025	3,250	11,115,812	-	11,115,812	135,484	-	-	-	-	-
Total					**239,252,039**	**961,404**	**238,290,635**	**9,185,252**		**238,497,575**	**1,178,689**	**237,318,886**	**5,070,687**

15. Borrowings (continued)

15.1 Summary of borrowing arrangements

(i) Borrowings from Golomt Bank as of 31 December 2024 and 2023 are as follows:

- On 2 May 2022, the Group obtained a loan of MNT 20 billion as a long-term repo financing with an interest rate of 11% per annum for period of 36 months. In 2024, a total amount of MNT 10 billion was repaid from principal amount together with its interest (2023: a total amount of MNT 6.7 billion was repaid from principal amount together with its interest). The Group's inventory, land, and real estate were pledged as collateral for the loan. In addition, Ultimate controlling party has provided pledge of its land and real estate on behalf of the Group.

- On 2 May 2024, the Group obtained a subsidized loan of MNT 9.5 billion under the Government policy for "Loans for wool cashmere, leather preparation and production" with an interest rate of 5% per annum for period of 12 months. In 2024, a total amount of MNT 200 million was repaid from principal amount together with its interest. The Group's land, and real estate were pledged as collateral for the loan. Also, the Group’s fellow subsidiaries, Tavan Bogd LLC and Tavan Bogd Foods LLC and a shareholder have provided pledge of their land and real estate on behalf of the Group.

- On 6 June 2024, the Group obtained a subsidized loan of MNT 10.5 billion under the Government policy for "Loans for wool cashmere, leather preparation and production" with an interest rate of 5% per annum for period of 12 months. In 2024, a total amount of MNT 100 million was repaid from principal amount together with its interest. The Group's land, and building were pledged as collateral for the loan. In addition, the Group’s fellow subsidiaries, Tavan Bogd LLC and Tavan Bogd Foods LLC and a shareholder have provided pledge of their land and real estate on behalf of the Group.

- On 19 March 2018, the Group entered into a multi-currency credit line agreement with Golomt Bank, along with Tavan Bogd Holdings LLC and Ulaanbaatar Flour LLC, for a tenor of two years with a total credit limit of MNT 90 billion (or its equivalent in USD), bearing interest rates of 16.8% per annum for MNT and 8.4% per annum for USD. The credit line was intended for the working capital financing of the Group, Tavan Bogd Holdings LLC, and Ulaanbaatar Flour LLC. The Group's real estate, land, inventory and equipment were pledged as collateral for the loan. On 3 March 2019, the agreement was amended, reducing the interest rate for the MNT loan to 13.5% per annum and the USD loan to 7.2% per annum. The loan agreement was also extended for an additional 24 months. On 19 March 2023, another amendment was made, adjusting the interest rate for the MNT loan to 15.65% per annum and the USD loan to 11.05% per annum, with an extension of 12 months. In 2024, the credit line agreement was extended once again for 24 months, until 19 March 2026. The revised interest rates are set at 15.60% per annum for MNT and 9.75% per annum for USD, with a credit line limit of MNT 70 billion.

(ii) Borrowings from Khan Bank as of 31 December 2024 and 2023 are as follows:

- On 25 May 2017, the Group entered into a multi-currency credit line agreement with Khan Bank together with Tavan Bogd Holdings LLC and its subsidiaries for working capital financing of the Group. On 3 August 2022, the loan amount of the credit line agreement with Khan Bank was amended. Credit limit set as MNT 53 billion and the interest rate was reduced to 12.6% (15.6% for credit line above 45 billion) for MNT loan and 7% for USD loan. On 5 April 2023, the credit limit was amended as MNT 45 billion. On 29 September 2023, the credit limit was amended again from MNT 45 billion to MNT 75 billion. On 14 May 2024, the credit limit was amended from MNT 75 billion to MNT 83 billion. As at 31 December 2024, 78,011,250 ordinary shares (2023: 78,011,250 ordinary shares) of Gobi JSC are pledged by Tavan Bogd Holdings LLC as collateral for this credit line agreement.

15. Borrowings (continued)

15.1 Summary of borrowing arrangements (continued)

(ii) Borrowings from Khan Bank as of 31 December 2024 and 2023 are as follows (continued):

- On 28 June 2023, the Group obtained a short-term loan with interest rate of 5% per annum, amounting to MNT 10 billion, for the purpose of raw material under the Government policy for "Loans for wool cashmere preparation" from Khan Bank. In 2024, a total amount of MNT 10 billion was repaid from principal amount together with its interest.

- On 13 May 2022, the Group obtained a long-term loan with interest rate of 3% per annum, amounting MNT 10 billion, for the purpose of raw material and financing working capital under the Government policy for "Loans for wool cashmere, leather preparation and production" from Khan Bank. In 2024, a total amount of MNT 4.2 billion was repaid from principal amount together with its interest (2023: a total amount of MNT 5.8 billion was repaid from principal amount together with its interest).

(iii) Borrowings from Xac Bank as of 31 December 2024 and 2023 are as follows:

- On 15 March 2024, the Group entered into a multi-currency credit line agreement with Xac Bank for a tenor of two years with a total credit limit of MNT 40 billion (or its equivalent in USD), bearing interest rates of 15.6% per annum for MNT and 9.75% per annum for USD. The credit line was intended for the working capital financing. The Group's inventory, building, and equipment were pledged as collateral for the loan. In addition, ultimate controlling party has provided pledge of its land and real estate on behalf of the Group.

- On 14 April 2023, the Group entered into a short-term loan with interest rate of 5% per annum, amounting MNT 25 billion, purpose of raw material under the Government policy for "Loans for wool cashmere preparation". In 2024, outstanding amount of MNT 16.7 billion was fully repaid together with its interest (2023: a total amount of MNT 8.3 billion was repaid from principal amount together with its interest). Ultimate controlling party has provided pledge of its land and real estate on behalf of the Group.

- On 9 May 2024, the Group obtained a loan for 12 months amounting to MNT 10 billion bearing an interest rate of 5% for raw materials. In 2024, total amount of MNT 1.7 billion was repaid from principal amount together with its interest. The Group's inventory, land, real estate, and equipment were pledged as collateral for the loan. Also, Ultimate controlling party has provided pledge of its land and real estate on behalf of the Group.

(iv) Borrowings from Arig Bank as of 31 December 2024 and 2023 are as follows:

- On 29 May 2023, the Group obtained a short-term loan with interest rate of 5% per annum, amounting to MNT 14.5 billion, for the purpose of raw material under the Government policy for "Loans for wool cashmere preparation". The Group's inventory was pledged for the loan. Ultimate controlling party has provided cash guarantee and pledge on behalf of the Group. In 2024, outstanding amount of MNT 14.5 billion was fully repaid together with its interest.

(v) Borrowings from Asian Development Bank Mongolia as of 31 December 2024 and 2023 are as follows:

- On 16 November 2023, the Group signed a loan facility agreement with Asian Development Bank, amounting to USD 30 million with an interest rate of 3.89%+SOFR for the purpose of working capital financing with 36-month term (Tranche A - USD 12 million and Tranche B – USD 18 million). The Group's real estate and equipment were pledged as collateral for the loan.

15. Borrowings (continued)

15.1 Summary of borrowing arrangements (continued)

(v) Borrowings from Asian Development Bank Mongolia as of 31 December 2024 and 2023 are as follows (continued):

- On 22 December 2023, the Group received Tranche A loan amounting USD 12 million, and on 27 February 2024, the Group received Tranche B loan amounting USD 18 million. On 19 December 2024, principal repayments of USD 2.4 million and USD 3.6 million together with the interest payments were made for Tranche A and Tranche B respectively. The Group's real estate, land and equipment were pledged as collateral for the loan. 142,000,000 ordinary shares (2023: 0) of Gobi JSC are pledged by Tavan Bogd Holdings LLC as collateral for the loan.

(vi) The borrowings from International Investment Bank as of 31 December 2024 and 2023 are as follows:

- On 15 May 2020, the Group entered loan agreement total amounted with EUR 30 million with the International Investment Bank. In May 2020, the Group received EUR 14 million with interest of 5.25% per annum, and in June 2020, received another EUR 16 million with interest of 4.25% per annum. The EUR 14 million loan will mature on 15 May 2027 and the EUR 16 million loan will mature 12 months from initial issuance, with an option to be reissued after repayment.

- On 14 March 2022, the loan agreement was amended, and "Facility A" loan of EUR 14 million is scheduled to be repaid in May 2027, and the remaining loan of EUR 8 million "Facility B" is scheduled to be repaid in May 2027. The Group's inventory, equipment, and real estate are pledged for the loan.

- On 12 November 2024, the Group has received a waiver letter from IIB stating that:

  - to extend the due date for scheduled repayment of the outstanding amount from the due date to 15 May 2025 (the new due date);
  - to keep on interest accruing on the postponed principal from the due date to the new due date in accordance with clauses for calculation of interest and payment of interest;
  - to waive the right to receive any default interest accruing on the outstanding amount in accordance with clause of default interest from the due date to the new due date;
  - to waive all the rights and remedies under the finance documents that have arisen due to the occurrence of the event of default, including but not limited to, any right to require the prepayment under the facility agreement.

(vii) Unlisted Gobi Bond

On 25 April 2024, the Group issued 3,250 units of unlisted bond with par value of USD 1,000, with monthly fixed interest payment at 8.50% per annum with maturity date 25 April 2025.

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

15. Borrowings (continued)

15.2 Reconciliation of liabilities arising from financing activities

	Borrowings excluding related parties (Note 15)	Borrowings from related parties (Note 15&28)	Other long-term payable due to related parties (Note 13&28)	Bond payable (Note 15)	Lease liabilities (Note 14)	Dividend payable (Note 18)	Total
At 1 January 2024	221,914,345	20,475,228	41,305,746	-	2,286,324	166,406	286,148,049
Proceeds from borrowings	597,058,814	148,311,216	503,189,846	10,982,346	-	-	1,259,542,222
Repayment of borrowings	(582,633,062)	(169,011,431)	(519,159,808)	-	-	-	(1,270,804,301)
Payment of lease liabilities	-	-	-	-	(1,098,962)	-	(1,098,962)
Dividend paid	-	-	-	-	-	(355)	(355)
Effect of foreign exchange rate	(4,430,213)	(2,561)	(25,934)	133,466	-	-	(4,325,242)
Other changes	-	-	-	-	1,838,667	-	1,838,667
Fair value measurement of subsidized loans	(2,783,335)	-	-	-	-	-	(2,783,335)
Unwinding of discount	2,720,140	280,480	-	-	-	-	3,000,620
Interest expense	20,584,906	478,232	6,953,576	620,388	329,689	-	28,966,791
Interest paid	(16,207,004)	(531,164)	(6,953,576)	(484,904)	(329,689)	-	(24,506,337)
At 31 December 2024	**236,224,591**	**-**	**25,309,850**	**11,251,296**	**3,026,029**	**166,051**	**275,977,817**

	Borrowings excluding related parties (Note 15)	Borrowings from related parties (Note 15&28)	Other long-term payable due to related parties (Note 13, 16&28)	Lease liabilities (Note 14)	Dividend payable (Note 18)	Total
At 1 January 2023	215,518,481	10,021,370	30,980,732	890,057	166,686	257,577,326
Proceeds from borrowings	617,893,480	81,700,000	453,670,000	-	-	1,153,263,480
Repayment of borrowings	(616,114,613)	(70,997,225)	(443,040,000)	-	-	(1,130,151,838)
Payment of lease liabilities	-	-	-	(965,391)	-	(965,391)
Dividends paid	-	-	-	-	(280)	(280)
Effect of foreign exchange rate	2,619,216	-	(304,986)	-	-	2,314,230
Other changes	-	-	-	2,361,658	-	2,361,658
Fair value measurement of subsidized loans	(4,391,643)	(1,205,822)	-	-	-	(5,597,465)
Unwinding of discount	3,493,433	925,343	-	-	-	4,418,776
Interest expense	21,461,890	555,651	8,043,236	196,421	-	30,257,198
Interest paid	(18,565,899)	(524,089)	(8,043,236)	(196,421)	-	(27,329,645)
At 31 December 2023	**221,914,345**	**20,475,228**	**41,305,746**	**2,286,324**	**166,406**	**286,148,049**

15. Borrowings (continued)

15.3 Breach of loan covenants and waivers

a) **Golomt Bank:** The Group has a secured bank loan from Golomt Bank with no carrying amount at 31 December 2024 (2023: MNT 48,950,000 thousand) with maturity in 2026 and other Government subsidized loans amounting to MNT 22,227,831 thousand (2023: MNT 13,123,764 thousand) with maturity in 2025. The loans contained a covenant stating that at the end of each quarter current ratio should not be less than 1, and liabilities to total active ratio cannot exceed 87%. The Group has breached above financial ratio covenants as at 31 December 2024; however, management obtained a waiver from Golomt Bank on 31 December 2024, which extends until 30 June 2025. Accordingly, the loan was not payable on demand as at 31 December 2024. As at 31 December 2024, management is uncertain whether the Group will meet the required covenant at 30 June 2025. However, there was no outstanding loan classified as long-term loan as at 31 December 2024, and all loans obtained from Golomt Bank were classified as short-term.

b) **Xac Bank:** The Group has a secured bank loan from Xac Bank with a carrying amount of MNT 36,210,000 thousand with maturity in 2026 at 31 December 2024 (2023: none) and other Government subsidized loan amounting to MNT 8,177,432 thousand (2023: MNT 16,428,226 thousand) with maturity in 2025. The loan contained a covenant stating that the Group will receive an annual revenue of no less than MNT 80 billion through the Xac Bank's POS terminals. The Group has breached above covenant as at 31 December 2024; however, management obtained a waiver from Xac Bank on 31 December 2024. Accordingly, the loan was not payable on demand at 31 December 2024. As at 31 December 2024, management is uncertain whether the Group will meet the required covenant for next 12 months after the reporting period.

c) **International Investment Bank (IIB):** The Group has a secured bank loans from IIB with a carrying amount of MNT 78,473,560 thousand at 31 December 2024 (2023: MNT 83,416,520 thousand). The loans are repayable in tranches within 3 years. However, the loan contained covenants such as at the end of each quarter debt to interest for the period to be not less than 2, and financial debt to EBITDA ratio should be within 5. The Group has breached above financial ratio covenants as at the 31 December 2024, and was not able to obtain a waiver from IIB. As the waiver from IIB was not received at the reporting date, the loan was classified as short-term borrowings in the consolidated financial statements in accordance with IAS 1. The Group expects to receive waiver from IIB after issuance of audited financial statements for the year ended 31 December 2024. As at 31 December 2024, management is uncertain whether the Group will meet the required covenant for next 12 months after the reporting period.

d) **Asian Development Bank (ADB):** The Group has a secured bank loan from ADB with a carrying amount of MNT 82,086,000 thousand at 31 December 2024 (2023: MNT 40,928,280 thousand). The loans are repayable in tranches within 2 years. The loan contained covenants such as at the end of each quarter current ratio should not be less than 1.1, interest cover for the period to be not less than 1.9, and financial debt to EBITDA ratio should be within 4. The Group has breached above financial ratio covenants as at the 31 December 2024, and was not able to obtain a waiver from ADB. As the waiver from ADB was not received at the reporting date, the loan was classified as short-term borrowings in the consolidated financial statements in accordance with IAS 1. The Group expects to receive waiver from ADB after issuance of audited financial statements for the year ended 31 December 2024. As at 31 December 2024, management is uncertain whether the Group will meet the required covenant for next 12 months after the reporting period.

15.4 Collateral

The Group's inventory, property, plant and equipment and shares were pledged for the loan facilities. Please refer to Notes 8, 9 and 17 for details.

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15. Borrowings (continued)

15.5 Subsidized loans

In 2023 and 2024, the Group obtained various government subsidized low interest loans as government grant. Low-interest rate loans are initially recognized and subsequently measured in accordance with IFRS 9. The Group initially measured loans at below-market rates at fair value – e.g. the present value of the expected future cash flows discounted at a market-related interest rate. The benefit that is government grant is measured as the difference between the fair value of the loan on initial recognition and the amount received, which is accounted for according to the nature of the grant. Refer to Note 15 for details.

16. Long-term other payables

	2024	2023
Tavan Bogd Holdings LLC (Note 28.2)	-	17,032,986
Government grant	-	3,274
	-	**17,036,260**

The terms of advances from Tavan Bogd Holdings LLC with an interest rate of 7.8% per annum. On 1 December 2022, the agreement was amended to extend term until 24 May 2025. As of 31 December 2024, there is no long-term payable to Tavan Bogd Holdings LLC. Refer to Note 13 for current portion of long-term payable to Tavan Bogd Holding LLC.

17. Share capital

	Number of shares		Share capital	
	2024	2023	2024	2023
Balance at beginning of the year	780,112,500	780,112,500	780,113	780,113
Balance at end of the year	**780,112,500**	**780,112,500**	**780,113**	**780,113**

The share capital as of 31 December 2024 amounted to MNT 780,112.5 thousand and consists of 780,112,500 common shares authorised and issued at par value of MNT 1.00 (31 December 2023: 780,112.5 common shares authorised and issued at par value of MNT 1.00).

As at 31 December 2024, the following number of ordinary shares were pledges as collateral of loans:

a) 78,011,250 ordinary shares (2023: 78,011,250 ordinary shares) of Gobi JSC, which represent 10.00% of Gobi JSC's shares, are pledged by Tavan Bogd Holdings LLC as collateral for credit line loan facility agreement made with Khan Bank on 18 November 2019.

b) 142,000,000 ordinary shares of Gobi JSC, which represent 18.20% of Gobi JSC's shares, are pledged by Tavan Bogd Holdings LLC as collateral for loan facility agreement made with Asian Development Bank on 16 January 2024.

18. Dividend payable

	2024	2023
Balance at beginning of year	166,406	166,686
Dividend paid	(355)	(280)
Balance at end of year	**166,051**	**166,406**

As per Resolution No. 03 of the Board of Directors dated 7 February 2025 and as per Resolution No. 01 of the Board of Directors dated 26 January 2024, no dividends were declared for fiscal year 2024 and 2023.

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19. Losses per share

The calculation of basic losses per share has been based on the following loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding:

	2024	2023
Net loss for the year	(3,657,209)	(6,767,958)
Weighted average number of ordinary shares outstanding	780,112,500	780,112,500
Losses per share *(in MNT)*	**(5)**	**(9)**

Basic losses per share are calculated by dividing the Group's loss by the weighted average number of shares outstanding for the year. No diluted earnings per share is presented as there are no outstanding shares or options other than ordinary shares.

20. Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment. A fair value measurement of the Group’s property, plant and equipment as at 31 December 2024 was performed by an independent third-party valuation company, leading to a net increase in the revaluation reserve of MNT 32,341,972 thousand.

	2024	2023 (Restated)
Balance at beginning of year	20,514,269	21,507,631
Revaluation surplus (Note 9)	32,341,972	-
Impact of deferred tax on revaluation	(8,085,493)	-
Transfer to retained earnings	(993,362)	(993,362)
Balance at end of year	**43,777,386**	**20,514,269**

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

21. Summary of quantitative impacts of restatements

As explained in Note 2.2.2, the following tables present the effects of adjustments made to the Group's previously reported statements of financial position as of 31 December 2023 and 1 January 2023.

	31 December 2023			1 January 2023		
	Previously reported	Adjustment	Restated	Previously reported	Adjustment	Restated
ASSETS						
Non-current assets						
Property, plant and equipment	129,249,293	(17,518,173)	111,731,120	137,432,575	(17,518,173)	119,914,402
Right-of-use assets	2,109,746	-	2,109,746	731,724	-	731,724
Deferred tax assets	9,276,559	-	9,276,559	14,879,483	-	14,879,483
Other non-current assets	7,930,958	-	7,930,958	1,587,295	-	1,587,295
Total non-current assets	**148,566,556**	**(17,518,173)**	**131,048,383**	**154,631,077**	**(17,518,173)**	**137,112,904**
Current assets						
Right to returned goods assets	-	-	-	17,227	-	17,227
Inventories	142,521,277	-	142,521,277	128,791,463	-	128,791,463
Trade and other receivables	8,030,908	-	8,030,908	3,318,986	-	3,318,986
Prepayments and advances	3,173,680	-	3,173,680	2,318,495	-	2,318,495
Cash and cash equivalents	9,491,111	-	9,491,111	9,034,919	-	9,034,919
Total current assets	**163,216,976**	**-**	**163,216,976**	**143,481,090**	**-**	**143,481,090**
Total assets	**311,783,532**	**(17,518,173)**	**294,265,359**	**298,112,167**	**(17,518,173)**	**280,593,994**
EQUITY AND LIABILITIES						
Equity						
Share capital	780,113	-	780,113	780,113	-	780,113
Revaluation reserve	44,568,540	(24,054,271)	20,514,269	44,568,540	(23,060,909)	21,507,631
Foreign currency translation reserve	(10,662,273)	-	(10,662,273)	(11,436,010)	-	(11,436,010)
Accumulated losses	(34,852,836)	6,536,098	(28,316,738)	(28,084,878)	5,542,736	(22,542,142)
Total equity	**(166,456)**	**(17,518,173)**	**(17,684,629)**	**5,827,765**	**(17,518,173)**	**(11,690,408)**
Liabilities						
Lease liabilities	1,321,948	-	1,321,948	112,069	-	112,069
Borrowings	9,830,059	-	9,830,059	95,686,234	-	95,686,234
Long-term other payables	17,036,260	-	17,036,260	30,984,941	-	30,984,941
Deferred tax liability	7,883,775	-	7,883,775	8,206,834	-	8,206,834
Non-current liabilities	**36,072,042**	**-**	**36,072,042**	**134,990,078**	**-**	**134,990,078**
Trade and other payables	38,880,126	-	38,880,126	20,969,192	-	20,969,192
Contract liabilities	1,672,424	-	1,672,424	1,983,898	-	1,983,898
Refund liabilities	-	-	-	26,503	-	26,503
Lease liabilities	964,376	-	964,376	777,988	-	777,988
Corporate income tax payable	1,801,506	-	1,801,506	3,683,126	-	3,683,126
Borrowings	232,559,514	-	232,559,514	129,853,617	-	129,853,617
Current liabilities	**275,877,946**	**-**	**275,877,946**	**157,294,324**	**-**	**157,294,324**
Total liabilities	**311,949,988**	**-**	**311,949,988**	**292,284,402**	**-**	**292,284,402**
Total equity and liabilities	**311,783,532**	**(17,518,173)**	**294,265,359**	**298,112,167**	**(17,518,173)**	**280,593,994**

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22. Foreign currency translation reserve

	2024	2023
Balance at beginning of year	(10,662,273)	(11,436,010)
Exchange differences arising on translating the net assets of foreign subsidiaries	(1,457,516)	773,737
Balance at end of year	**(12,119,789)**	**(10,662,273)**

23. Income tax expense

	2024	2023
Current tax:		
Current tax expense in respect of the current year	497,739	1,511,216
Deferred tax:		
Deferred tax expense recognized in the current year	1,585,921	5,279,865
	2,083,660	**6,791,081**

23.1 Current tax

The income tax expense for the year can be reconciled to the accounting profit (loss) as follows:

	2024	2023
Profit (Loss) before taxation	(1,573,549)	23,123
Theoretical tax credit at statutory income tax rate of 10% (FY 2023: 25%)	(157,355)	5,781
Effect of tax in foreign jurisdictions	811,675	896,300
Effect of expenses that are non-deductible	730,723	1,970,413
Effect of non-taxable income	(233,974)	(107,548)
Tax under the special tax rate	264,750	70,602
Current year tax losses for which no deferred tax asset is recognised	-	5,388,237
Utilization of tax losses recognised previously	(210,864)	(2,332,160)
Unrecognised deductible temporary differences	878,705	899,456
Income tax expense	**2,083,660**	**6,791,081**

According to the Mongolian Corporate Income Tax Law, an annual taxable income of up to MNT 6 billion (MNT 6 billion in 2023) will be taxed at 10% (10% in 2023), and an annual taxable income of more than MNT 6 billion will be taxed at an additional 25% (25% in 2023).

The Mongolian Tax Administration has been implementing the revised set of laws since 2020 using the balance sheet method to calculate the temporary difference between deferred tax assets and liabilities under IAS 12.

The Group had an accrued unused tax losses of MNT 13,601,491 thousand in 2024 (an accrued unused tax losses of MNT 17,959,767 thousand in 2023). Those tax losses were accrued from 2020 and that could be deducted from future taxable profit during the reporting year. This includes deferred tax assets. The tax losses can be carried forward against the future taxable profit for four years as such tax losses incurred in 2021 can be carried forward to 2025.

23.2 Current tax liabilities

	2024	2023
Corporate income tax payable	381,026	1,801,506
	381,026	**1,801,506**

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

23. Income tax expense (continued)

23.2 Current tax liabilities (continued)

	2024	2023
Balance at beginning of the year	1,801,506	3,683,126
Current tax expense for the year	497,739	1,511,216
Payments for income tax	(1,918,219)	(3,392,836)
Corporate income tax payable	**381,026**	**1,801,506**

23.3 Deferred tax balances

The following are major deferred tax assets and liabilities recognised and movements thereon during the current and prior years:

2024	Opening balance	Recognized in profit or (loss)	Recognized in OCI	Closing balance
Deferred tax assets / (liabilities) in relation to:				
Inventories	118,308	(126,003)	-	(7,695)
Borrowings	4,805,152	(2,544,380)	-	2,260,772
Unused tax losses	4,353,099	(944,962)	-	3,408,137
	9,276,559	**(3,615,345)**	**-**	**5,661,214**
Deferred tax assets / (liabilities) in relation to:				
Financial assets	(3,752,523)	1,860,628	-	(1,891,895)
Property, plant and equipment	(4,131,252)	168,796	(8,085,493)	(12,047,949)
	(7,883,775)	**2,029,424**	**(8,085,493)**	**(13,939,844)**
Net position	**1,392,784**	**(1,585,921)**	**(8,085,493)**	**(8,278,630)**

2023	Opening balance	Recognized in profit or (loss)	Recognized in OCI	Closing balance
Deferred tax assets / (liabilities) in relation to:				
Inventories	668,474	(550,166)	-	118,308
Borrowings	6,226,781	(1,421,629)	-	4,805,152
Unused tax losses	7,984,228	(3,631,129)	-	4,353,099
	14,879,483	**(5,602,924)**	**-**	**9,276,559**
Deferred tax assets / (liabilities) in relation to:				
Financial assets	(3,745,918)	(6,605)	-	(3,752,523)
Property, plant and equipment	(4,460,916)	329,664	-	(4,131,252)
	(8,206,834)	**323,059**	**-**	**(7,883,775)**
Net position	**6,672,649**	**(5,279,865)**	**-**	**1,392,784**

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

24. Revenue and expenses

24.1 Revenue

	2024	2023
Sales of knitwear	147,456,354	160,938,026
Sales of sewn	46,354,919	41,847,534
Sales of woven	46,347,720	44,428,954
Service income	1,695,077	2,002,583
Other	5,172,247	6,433,419
	247,026,317	**255,650,516**

24.2 Cost of sales

	2024	2023
Sales of knitwear	82,114,642	78,842,962
Sales of sewn	26,088,883	21,782,380
Sales of woven	24,214,564	23,490,675
Cost of service	1,735,876	1,704,830
Other	4,398,376	5,190,498
	138,552,341	**131,011,345**

24.3 Expense by nature

	2024	2023
Changes in inventories	8,956,988	8,469,488
Raw materials and consumables	99,769,130	94,393,507
Salary and related cost	49,933,543	45,207,429
Depreciation and amortization	14,554,268	12,643,029
Advertisement expenses	10,615,113	28,114,648
Supplies and consumables	2,276,413	2,138,826
Professional service fees	6,788,110	9,254,644
Selling expenses	3,816,946	3,898,759
Transportation expenses	2,146,819	4,063,595
Others	17,820,291	16,154,021
Total cost of sales, selling and marketing, and general and administrative expenses	**216,677,621**	**224,337,946**

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

24. Revenue and expenses (continued)

24.4 Selling and distribution expenses

	2024	2023
Marketing and advertising	10,615,113	28,114,648
Wages and remuneration	16,840,124	15,547,966
Customer promotion expenses	5,404,245	4,968,082
Professional service fees	5,133,062	8,081,869
Selling expenses	3,816,946	3,898,759
Depreciation and amortization expenses	2,602,182	2,122,065
Transportation	2,146,819	4,063,595
Supplies and consumables	2,093,598	2,045,054
Other taxes	1,104,788	1,248,430
Business trips	640,340	808,326
Short-term and low value leases	462,757	190,602
Insurance	458,414	445,889
Utilities	419,194	387,825
Labor safety expenses	351,538	446,997
Repair and maintenance	275,977	227,432
Management fees	269,500	539,001
Communication expenses	124,480	130,399
Cleaning services	116,932	107,355
Fuel expenses	113,125	76,971
HR and related costs	65,417	37,468
Other expenses	162,578	104,628
	53,217,129	**73,593,361**

24.5 Administrative expenses

	2024	2023
Wages and remuneration	12,346,948	10,033,083
Depreciation and amortization expenses	2,027,434	1,357,897
Professional service fees	1,655,048	1,172,775
Other taxes	1,479,048	1,028,769
License fee	1,296,241	224,118
Labor safety expenses	1,158,653	1,760,230
Security expenses	880,292	880,619
Repair and maintenance	564,970	675,114
HR and related costs	506,599	353,076
Supplies and consumables	470,728	93,772
Business trips	245,194	732,252
Utilities	243,081	202,108
Impairment allowance / (reversal) on inventories, net	197,117	(166,906)
Training expense	173,411	213,129
Fuel expenses	147,600	129,581
Bank charges	112,855	69,044
Insurance	109,415	83,664
Communication expenses	98,086	78,597
Other expenses	1,195,431	812,318
	24,908,151	**19,733,240**

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

25. Finance income

	2024	2023
Interest income	21,032	229,734
Net foreign exchange gain from borrowings	4,444,551	-
	4,465,583	**229,734**

26. Other income and expenses

26.1 Other income

	2024	2023
Rental and other income	649,071	583,510
Interest income on government granted borrowings	3,000,620	4,418,776
Net foreign exchange gain	-	1,523,232
	3,649,691	**6,525,518**

26.2 Other expenses

	2024	2023
Net loss on disposal of property, plant and equipment and intangible assets	60,004	6,980
Net foreign exchange loss	6,859,415	-
	6,919,419	**6,980**

27. Finance costs

	2024	2023
Interest expense on borrowings (Note 15.2)	21,063,138	22,017,541
Unwinding of discount on subsidized loans (Note 15.2)	3,000,620	4,418,776
Interest expense on bond (Note 15.2)	620,388	-
Net foreign exchange loss from borrowings	-	2,477,373
Interest expense on other payable (Note 15.2)	6,953,576	8,043,236
Interest expense on lease liabilities (Note 15.2)	329,689	196,421
Other finance costs	1,150,689	893,638
	33,118,100	**38,046,985**

28. Balances and transactions with related parties

28.1 Related parties

Related party	Relationships
Shareholders	
Tavan Bogd Holdings LLC	Ultimate controlling party
Fellow subsidiaries	Subsidiaries of ultimate controlling party
Other related parties	Associate, joint venture and other related parties under control of key management personnel

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28. Balances and transactions with related parties (continued)

28.2 Balances with related parties

The following balances were outstanding at the end of the reporting period:

	2024	2023
Receivables from related parties (Note 6)		
Other related parties	70,162	129,632
Payable to related parties /Short-term/ (Note 13)		
Ultimate controlling party	25,309,850	13,642,760
Fellow subsidiaries	-	10,630,000
Other related parties	-	703
Payable to related parties /Long-term/ (Note 16)		
Ultimate controlling party	-	17,032,986
Borrowings from related parties (Note 15)		
Other related parties	-	20,475,228

There are no liens on related party account balances and no provision for bad debts.

Long-term payables to related parties are related to the purchase of shares of Goyo LLC from Tavan Bogd Holdings LLC on credit terms. Please details in Note 16. The Group has not pledged any assets on the agreement.

28.3 Transactions with related parties

The following transactions were incurred with Tavan Bogd Holdings LLC which is the Group's ultimate controlling party:

	2024	2023
Advances received from ultimate controlling party	177,957,846	200,750,000
Payment of advances received from ultimate controlling party	183,297,808	200,750,000
Advances provided to ultimate controlling party	-	18,950,000
Payment of advances provided to ultimate controlling party	-	18,950,000
Purchases made from ultimate controlling party	1,379,271	1,375,508
Sales made to ultimate controlling party	22,792	33,051
Interest expense to ultimate controlling party	4,378,356	5,816,451
Payment of interest expense to ultimate controlling party	4,378,356	5,816,451

The following transactions were incurred with other related parties of the Group which are entities under common control:

	2024	2023
Advances received from other related parties	325,232,000	252,920,000
Payment of advances received from other related parties	335,862,000	242,290,000
Purchases made from other related parties	1,715,066	1,776,029
Purchase made from other related parties	-	25,932
Sales made to other related parties	174,981	251,554
Rental income from other related parties	304,733	292,062
Interest expense to other related parties	2,575,220	2,226,785
Payment of interest expense to other related parties	2,575,220	2,226,785

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28. Balances and transactions with related parties (continued)

28.3 Transactions with related parties (continued)

The following transactions were incurred with Khan Bank which is an associated entity of the ultimate controlling party:

	2024	2023
Advances received from related Khan Bank (Note 15.2)	148,311,216	81,700,000
Payment of advances received from Khan Bank (Note 15.2)	169,011,431	70,997,225
Sales made to Khan Bank	231,895	138,672
Interest expense to Khan Bank	478,232	555,651
Payment of interest expense to Khan bank	531,164	524,089

All transactions with related parties are on mutually agreed terms.

28.4 Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the year was as follows:

	2024	2023
The total amount of salaries and bonuses of the Board members	285,104	223,885
The total amount of salaries and bonuses of the key management personnel	2,468,732	2,119,517

29. Contingent liabilities and commitments

The Group may incur various commitments and contingent liabilities to meet the financial needs and requirements of its customers. As at 31 December 2024 (none in 2023), the Group does not have any significant contingent liabilities.

29.1 Contingent liabilities

Guarantees the Group provides are commitment to make payments on behalf of related parties in the event of a specific act, generally related to tender and bid auction. They generally carry the same risk as loans even though they are contingent.

29.2 Commitments

Commitments means to extend credit representation on contractual commitments on borrowings and revolving credit. Commitments have fixed expiry dates or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. No material losses are anticipated as a result of these transactions.

29.3 Legal claims

Depending on the nature of the Group's business activities, disputes are settled by the courts, and there are formal controls and policies for filing lawsuits and managing legal claims. Obtaining professional legal advice to protect the Group from any adverse effects of any claim on its financial position will reduce the risk. At the end of the reporting period there were no significant litigations.

30. Financial instruments and financial risk management objectives

Introduction

The main risks inherent in the Group's risk management of financial risks are credit risk, liquidity risk and market risk. Market risk is the risk that the value of the Group's income and financial assets will waver due to changes in market factors such as interest rates and foreign exchange rates.

The primary goal of risk management is to maximize the Group's risk-adjusted return on assets through the process of allocating, identifying, measuring and monitoring assets across business segments in line with risk/return ratios. This risk management process is critical to the continued profitability of the Group. It is to create a management system compatible with the general concept and direction of the Group, define the rights and responsibilities of the participants, successfully implement risk management, monitor the implementation and continuously improve it.

The Group's risk management system is not designed to eliminate risk, but rather to maintain an optimal risk-return ratio. "Risk management policy" includes a complex scope of basic and organizational measures aimed at creating, implementing, monitoring, analysing and constantly improving the risk management structure at the company level.

The Group's goals are consistent with risk acceptance normative. Risk management includes strategic risks, compliance risks, financial risks, operational risks, force majeure risks and other risks of a contemporary nature. The Group manages risk through quarterly review in accordance with risk recognition norms within the framework of the risk management policy established by the Board of Directors. These recognition standards are established in accordance with the Group's business strategy, market conditions and operations.

Risk Management Structure

The Board of Directors recognizes that clear implementation of collective oversight and risk management responsibilities is one of the primary objectives.

The risk management system consists of two main levels: governance and implementation. The Group's risk management system consists of the Board of Directors and the Risk and Audit Committee attached to it. The implementer of the risk policy will be the risk management team, and the Chief Executive Officer will appoint the members of the team in accordance with the "Risk Management Policy".

The first line of defence is the management and all employees of the risk management unit, the second line is the Risk Management Team, and the third line is the Internal Audit Department.

The Board of Director’s Risk and Audit Committee

The Board of Director’s Risk and Audit Committee is responsible for assisting the Board in fulfilling its oversight responsibilities for its compliance with legal and regulatory requirements, and internal controls and functions.

Internal Audit

In the Group's risk management process, Internal Audit works according to the directions given by the Risk Audit Committee. The appropriateness of the policies, rules and regulations implemented throughout the Group and how the Group implements them is monitored and the results are reported to the Board of Directors.

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

30. Financial instruments and financial risk management objectives (continued)

Sustainable Development Department

The purpose of this department is to determine environmental, social, and governance indicators that align with the Group's activities within the framework of the 17 Sustainable Development Goals, and to manage and monitor activities to ensure their implementation.

The implementation of risk management is managed by this department. It includes:

1. It is organized to create a unified risk register at the Group level, conduct a detailed risk analysis and evaluation, develop a risk management plan, provide the management with the necessary information, and spread the risk culture.
2. In accordance with the risk management policies and procedures, the environment where there may be certain risks is detected, and the proposals for managing/reducing them are developed and presented to the risk management team.
3. Reports on risk response measures and activities are presented to the Risk and Audit Committee every quarter, and they work with direction.

Risk Mitigation

Interest rate risk, foreign currency exchange rate changes, credit risk, and possible risks arising from future activities are monitored by sensitivity analysis. Certain measures are taken to mitigate the risk and are detailed below.

Excessive Risk Concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group’s performance to developments affecting a particular industry or geographical location.

To avoid excessive concentrations of risk, the Group’s policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. For example, it controls and manages concentrations by developing retail sales online, through in-store and ordering channels, opening branches in other international regions, or developing appropriate marketing policies.

30.1 Credit risk management

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial losses for the Group.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2024	2023
Cash in bank (Note 5)	4,283,219	9,459,561
Deposit placed for lease stores (Note 12)	152,086	152,121
Trade and other receivables* (Note 6)	7,522,743	6,672,251
	11,958,048	**16,283,933**

**Excludes taxes receivable of MNT 1,882,135 thousand in 2024 and MNT 1,358,657 thousand in 2023.*

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

30. Financial instruments and financial risk management objectives (continued)

30.1 Credit risk management (continued)

Impairment losses / reversal of impairment on financial assets recognised in profit or loss were as follows:

	2024	2023
Reversal of impairment loss on trade and other receivables	-	9,266
	-	**9,266**

The maximum exposure to credit risk for trade and other receivables (excluding taxes) at the reporting date by geographic region was as follows:

	2024	2023
Domestic	2,545,342	2,554,928
Foreign	4,977,401	4,117,323
	7,522,743	**6,672,251**

Currently, there is no independent rating agency service available in the local market. Therefore, the Group adheres to the policy of selling on credit within the pre-approved credit limit with long-term and reliable customers. Every year, sales contracts are concluded with customers, renewed and confirmed, and the fulfilment of the terms of the contract is constantly monitored.

There are no credit risk measures taken in relation to the Group's financial assets. In 2024 and 2023, there are no accounts receivable insured or secured by letters of credit.

The management of the Group considered the level of financial credit risk corresponding to bank current accounts placed with domestic banks and financial institutions with high credit ratings to manage the credit risk to be low. The management believes that the probability of default is low and therefore impairment allowance was not recognized.

The Group estimated the impairment allowance for doubtful accounts related to its receivables based on its assessment of individual characteristics of each customer and by the economic conditions and the related industry.

In these cases, judgement used was based on the best available facts and circumstances including but not limited to, the length of relationship with the counterparty and the counterparty’s current credit status based on credit reports and known market factors. The Group used judgement to record specific allowances for counterparties against amounts due to reduce the expected collectible amounts.

The Group writes-off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation, has entered into bankruptcy proceedings, or when the trade receivables are over ten years past due, whichever occurs earlier.

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

30. Financial instruments and financial risk management objectives (continued)

30.1 Credit risk management (continued)

The following tables provides information about the exposure to credit risk and ECLs for trade and other receivables:

31 December 2024	Gross carrying amount	Loss allowance	Credit impaired
Neither past due nor impaired	7,463,161	-	0.00%
Past due 0-30 days	-	-	0.00%
Past due 31-60 days	-	-	0.00%
Past due 61-90 days	-	-	0.00%
Past due more than 91 days	1,821,391	(1,761,809)	96.73%
	9,284,552	**(1,761,809)**	**18.98%**

31 December 2023	Gross carrying amount	Loss allowance	Credit impaired
Neither past due nor impaired	6,595,239	-	0.00%
Past due 0-30 days	-	-	0.00%
Past due 31-60 days	-	-	0.00%
Past due 61-90 days	-	-	0.00%
Past due more than 91 days	1,838,821	(1,761,809)	95.81%
	8,434,060	**(1,761,809)**	**20.89%**

Movements in the allowance for impairment in respect of trade and other receivables

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	2024	2023
Balance at 1 January	1,761,809	1,771,075
Reversal of loss allowance	-	(9,266)
Balance at 31 December	**1,761,809**	**1,761,809**

Details of the impairment assessment on trade receivables are set out in Note 6.

The management of the Group has made individual assessments on the recoverability of other receivables based on historical settlement records and adjusts for forward-looking information. The management of the Group has assessed that other receivables did not have a significant increase in credit risk since initial recognition and risk of default is insignificant, and therefore, no impairment has been recognised.

The Group performs ongoing credit risk assessment based on the condition of the trade receivables and when necessary, the Group purchases insurance on the payment risk of the outstanding balance. The Group also requires full payment of any outstanding amounts prior to fulfilling the next order for the customer.

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

30. Financial instruments and financial risk management objectives (continued)

30.2 Liquidity risk management

Liquidity risk arises when the Group encounters difficulty in meeting the obligations associated with its financial liabilities. The Group's objective of managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the Board of Directors of the Group, which is to establish an appropriate liquidity risk management framework for the Group's short, medium and long-term funding and liquidity risk management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing reserves, by continuously monitoring the forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables illustrate the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group may be required to pay. The tables include both interest and principal cash flows. Below tables exclude the impact of covenant breach of ADB and IIB loans, and includes both interest and principal cash flows based on repayment schedules. Should those loans be treated as on demand, loans amounting to MNT 160,559,560 thousand (2023: MNT 124,344,800) will be included in on demand category in the below table.

	On demand and less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total	Carrying amount
31 December 2024						
Trade and other payables (including non-current) *	2,319,452	7,228,897	29,521,983	-	39,070,332	34,208,928
Short-term and long-term borrowings	3,310,988	7,747,576	141,347,234	114,571,853	266,977,651	247,475,887
Short-term and long-term lease liabilities	125,723	251,447	1,119,105	2,226,430	3,722,705	3,026,029
	5,756,163	**15,227,920**	**171,988,322**	**116,798,283**	**309,770,688**	**284,710,844**

	On demand and less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total	Carrying amount
31 December 2023						
Trade and other payables (including non-current) *	8,754,777	12,221,818	18,703,249	17,417,889	57,097,733	51,366,793
Short-term and long-term borrowings	79,057,909	30,405,374	48,900,870	124,704,197	283,068,350	242,389,573
Short-term and long-term lease liabilities	118,443	335,330	763,004	1,720,356	2,937,133	2,286,324
	87,931,129	**42,962,522**	**68,367,123**	**143,842,442**	**343,103,216**	**296,042,690**

**Excludes taxes payable of MNT 2,697,480 thousand in 2024 and 4,549,593 thousand in 2023, and government grant-deferred income of MNT 961,404 thousand in 2024 and 1,178,689 thousand in 2023.*

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

30. Financial instruments and financial risk management objectives (continued)

30.3 Market risk

Market risk refers to the possibility that changes in market prices, such as foreign exchange rates, interest rates will affect the Group's profit or the value of its holdings of financial instruments. The Group focuses on two main market risk areas, which are interest rate risk and foreign currency risk. The objective and management of these risks are described in more detail below.

30.3.1 Interest rate risk management

The Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The cash flow interest rate risk arises from floating rate borrowings while fair value interest rate risk arises from fixed rate borrowings. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings. The Group does not use hedging instruments to manage interest rate risk.

At the reporting date the interest profile on the Group's interest-bearing financial instruments was:

	2024	2023
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(193,506,982)	(244,948,409)
Variable rate instruments		
Financial assets	-	-
Financial liabilities	(82,304,785)	(41,033,234)
	(275,811,767)	**(285,981,643)**

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to floating interest rates for non-derivative instruments at the end of the reporting period. The floating interest rate liabilities assessment is prepared based on the assumption that any liabilities with floating interest rates were outstanding throughout the whole year. At the executive management level, interest rate risk assessment assumes that a possible change in interest rate increases or decreases by 50 basis points.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before tax for the year 31 December 2024 would increase or decrease by MNT 411,524 thousand (MNT 205,166 thousand in 31 December 2023). This is mainly attributable to the Group's exposure to interest rates on its floating interest rate borrowings.

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

30. Financial instruments and financial risk management objectives (continued)

30.3 Market risk (continued)

30.3.2 Foreign currency risk management

The Group incurs foreign currency risk on purchases and payments denominated in a currency other than MNT. The Group does not manage these exposures with foreign currency derivative products.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date presented in MNT are as follows:

	USD	EUR	CNY	Other
31 December 2024				
Cash and cash equivalents	492,459	900,834	504,060	181,531
Trade and other receivables	466,602	3,869,175	972,669	12,235
Trade and other payables	(30,911,177)	(4,455,433)	(109,368)	(33,371)
Short-term and long-term borrowings	(93,556,081)	(86,760,348)	-	-
	(123,508,197)	**(86,445,772)**	**1,367,361**	**160,395**

	USD	EUR	CNY	Other
31 December 2023				
Cash and cash equivalents	195,211	1,809,930	1,482,746	247,357
Trade and other receivables	957,665	2,853,995	1,412,036	9,053
Trade and other payables	(34,903,250)	(2,751,869)	(323,527)	(524,624)
Short-term and long-term borrowings	(41,033,234)	(88,081,315)	-	-
Lease liabilities	-	(1,631,568)	-	-
	(74,783,608)	**(87,800,827)**	**2,571,255**	**(268,214)**

The following significant exchange rates were applied during the year.

	Average rate		**Reporting date spot rate**	
(In MNT)	**2024**	**2023**	**2024**	**2023**
USD	3,390	3,466	3,420	3,466
EUR	3,668	3,747	3,564	3,792
CNY	471	490	469	480

Foreign currency sensitivity analysis

The Group is mainly exposed to USD, EUR, CNY, GBP and JPY (together referred to as "the foreign currencies"). The following table shows the Group's sensitivity to a 10% increase or decrease in the MNT against the foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

30. Financial instruments and financial risk management objectives (continued)

30.3 Market risk (continued)

30.3.2 Foreign currency risk management (continued)

A 10% strengthening of MNT against foreign currencies held by the Group as at the date of the consolidated statement of financial position would increase profit before tax by the amount shown below. This analysis assumes all other risk variables remain constant.

	2024 profit / (loss) before tax		2023 profit / (loss) before tax	
	Strengthening (10% increase)	**Weakening (10% decrease)**	**Strengthening (10% increase)**	**Weakening (10% decrease)**
USD	12,350,820	(12,350,820)	7,478,361	(7,478,361)
EUR	8,644,577	(8,644,577)	8,780,083	(8,780,083)
CNY	(136,736)	136,736	(257,126)	257,126
Other	(16,039)	16,039	26,821	(26,821)

A 10% weakening of MNT against the foreign currencies held by the Group as at the date of the consolidated statement of financial position would have had the equal but opposite effect on the above currencies to the amount shown above, on the basis that all other risk variables remain constant.

30.4 Fair value of financial instruments

The Group follows the following hierarchy for determining and disclosing the fair value of financial instruments based on the level of significant inputs used in the measurement.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability; either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the consolidated financial statements:

(i) Financial assets and liabilities for which fair value approximates carrying amount

For financial assets and liabilities that are liquid or having short-term maturity of less than one year, it is assumed that the carrying amounts approximate to their respective fair value.

(ii) Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments.

The Group's financial instruments consist of financial assets and financial liabilities carried at amortised cost.

The management considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

30. Financial instruments and financial risk management objectives (continued)

30.4 Fair value of financial instruments (continued)

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position, are as follows:

	2024		2023	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Assets carried at amortised cost				
Cash and cash equivalents	4,326,046	4,326,046	9,491,111	9,491,111
Trade and other receivables	7,522,743	7,522,743	6,672,251	6,672,251
	11,848,789	**11,848,789**	**16,163,362**	**16,163,362**
Liabilities carried at amortised cost				
Trade and other payables	34,208,928	34,208,928	33,155,118	33,155,118
Short-term and long-term borrowings	247,475,887	247,475,887	242,389,573	242,389,573
Short-term and long-term lease liabilities	3,026,029	3,026,029	2,286,324	2,286,324
Other long-term payables	-	-	17,032,986	17,032,986
	284,710,844	**284,710,844**	**294,864,001**	**294,864,001**

31. Segment information

Information reported to the Chief Executive Officer, being the Chief operating decision maker, for resource allocation and assessment of segment performance focuses on the types of sales delivered or provided, in respect of the 'Domestic sales' and 'Export sales' operations by the line of products and cost of sales to provide a gross margin analysis.

For the purpose of management analysis and decision making, the Group allocates the sales based on the customer type, location, sales delivery and type into the following 3 operational segments, ‘Domestic, ‘Export /wholesale/’, and ‘Export /online/’.

Other than revenue and cost of sales, no other income and expenses are allocated for segment reporting purposes. Similarly, the Group decided to perform constant monitoring, but to not report the assets and liabilities in segments.

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

31. Segment information (continued)

31.1 Segment revenue and results

		Segment revenue		Segment profit	
		2024	**2023**	**2024**	**2023**
Domestic sales	Knitwear	80,142,126	74,779,042	40,969,643	39,476,917
	Sewn	39,415,981	33,619,320	18,042,646	16,769,500
	Woven	38,054,927	32,291,323	18,804,465	15,675,431
	Service income	1,695,077	2,002,583	(40,799)	297,753
	Other	4,050,699	4,304,406	6,628	(52,857)
		163,358,810	146,996,674	77,782,583	72,166,744
Export sales /wholesale/	Knitwear	46,019,962	45,664,430	10,624,146	14,590,379
	Sewn	4,515,679	4,136,844	1,090,509	1,220,470
	Woven	6,294,525	7,594,053	1,943,890	2,147,805
	Other	1,104,131	2,089,427	768,803	1,302,926
		57,934,297	59,484,754	14,427,348	19,261,580
Export sales /online/	Knitwear	21,294,266	40,494,554	13,747,923	28,027,768
	Sewn	2,423,259	4,091,370	1,132,881	2,075,184
	Woven	1,998,268	4,543,578	1,384,801	3,115,043
	Other	17,417	39,586	(1,560)	(7,148)
		25,733,210	49,169,088	16,264,045	33,210,847
		247,026,317	**255,650,516**	**108,473,976**	**124,639,171**
Other income				3,649,691	6,525,518
Selling and distribution expenses				(53,217,129)	(73,593,361)
Administrative expenses				(24,908,151)	(19,733,240)
Reversal of impairment loss on financial assets				-	9,266
Other expense				(6,919,419)	(6,980)
Finance income				4,465,583	229,734
Finance costs				(33,118,100)	(38,046,985)
Profit before tax				**(1,573,549)**	**23,123**

No single customer contributed 10% or more to the Group's revenue for both 2024 and 2023.

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

31. Segment information (continued)

31.2 Geographical information

The Group sells their products in different geographical areas as detailed below:

	Revenue from external customers		Non-current assets	
	2024	**2023**	**2024**	**2023**
Mongolia	163,358,810	147,064,251	157,231,518	118,606,628
Asia Pacific	29,007,298	31,232,077	58,295	78,937
Europe	43,691,315	58,477,783	3,374,265	3,081,221
Russia	1,200,745	1,429,718	-	-
North America	9,768,149	17,386,232	806	5,038
Australia and New Zealand	-	60,455	-	-
	247,026,317	**255,650,516**	**160,664,884**	**121,771,824**

Information about the Group's revenue from external customers is presented based on the location of the customers. This information also presents the Group's non-current assets based on their geographical location.

Non-current assets exclude deferred tax assets.

32. Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings net off by cash and bank balances) and equity, comprising issued capital, reserves and retained earnings.

33. Contractual obligations

The Group did not have any significant contractual obligations as at 31 December 2024 and 2023.

34. Events after the reporting period

As per Resolution No. 03 of the Board of Directors dated 7 February 2025, no dividends were declared in 2024.

35. Report translation

These consolidated financial statements are also prepared in the Mongolian language. In the event of discrepancies or contradictions between the Mongolian and English versions, the English version will prevail.