GOBI JSC AND ITS SUBSIDIARIES

(Business entity incorporated in Mongolia)

Consolidated Financial Statements
for the year ended 31 December 2023

(With Independent Auditors' Report Thereon)

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General information

Chairwoman	D. Gerelmaa
Members of Board of Directors	Ts. Baatarsaikhan D. Khulan B. Amarsaikhan Ts. Orgilbold Hideo Sawada
Independent members of Board of Directors	Kambe Takeshi D. Khurelbaatar A. Jargalmaa
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 2023 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 2023 were authorised for issuance by the Group's management.

GOBI
УЛААНБААТАР ХОТ
"ГОВЬ" ХУВЬЦААТ КОМПАНИ

B. Amarsaikhan
Chief Executive Officer

D. Sodgerel
Director of Finance

Ulaanbaatar,
Mongolia

Date: 21 March 2024

KPMG Audit LLC
#602, Blue Sky Tower, Peace Avenue,
1st Khoroo, Sukhbaatar District,
Ulaanbaatar 14240, Mongolia

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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 2023, 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 2023, 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.

Key Audit Matters, Continued

Revenue recognition

Refer to Note 25.1 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 revenue because of the pressure management may feel to achieve the planned results. Due to these factors, we have considered 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 recalculated the Group's revenue using quantities and prices. - 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.

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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.

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
УЛААНБААТАР ХОТ
ТТ33977-5543495

KPMG AUDIT LLC

KPMG Audit LLC
Ulaanbaatar, Mongolia
21 March 2024

Signed by:

Soyolmaa Gungaanyambuu
General Director

Approved by:

Pyung-Sik Kong
Partner

This report is effective as at 21 March 2024, 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 2023
(IN THOUSANDS OF MONGOLIAN TUGRUGS)

	Notes	31 Dec 2023	31 Dec 2022
ASSETS			
Current assets			
Cash and cash equivalents	5	9,491,111	9,034,919
Prepayments and advances	7	3,173,680	2,318,495
Trade and other receivables	6	8,030,908	3,318,986
Inventories	8	142,521,277	128,791,463
Right to returned goods assets	9	-	17,227
		163,216,976	**143,481,090**
Non-current assets			
Property, plant and equipment	10	129,249,293	137,432,575
Right-of-use assets	11	2,109,746	731,724
Deferred tax assets	24.3	9,276,559	14,879,483
Other non-current assets	13	7,930,958	1,587,295
		148,566,556	**154,631,077**
Total Assets		**311,783,532**	**298,112,167**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	14	38,880,126	20,969,192
Contract liabilities	14.1	1,672,424	1,983,898
Refund liabilities	15	-	26,503
Lease liabilities	16	964,376	777,988
Corporate income tax payable	24.2	1,801,506	3,683,126
Borrowings	17	232,559,514	129,853,617
		275,877,946	**157,294,324**
Non-current liabilities			
Lease liabilities	16	1,321,948	112,069
Borrowings	17	9,830,059	95,686,234
Long-term other payables	18	17,036,260	30,984,941
Deferred tax liability	24.3	7,883,775	8,206,834
		36,072,042	**134,990,078**
Total Liabilities		**311,949,988**	**292,284,402**
Equity			
Share capital	19	780,113	780,113
Revaluation reserve	22	44,568,540	44,568,540
Foreign currency translation reserve	23	(10,662,273)	(11,436,010)
Accumulated losses		(34,852,836)	(28,084,878)
Total Equity		**(166,456)**	**5,827,765**
Total Liabilities and Equity		**311,783,532**	**298,112,167**

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

GOBI JSC AND ITS SUBSISIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023
(IN THOUSAND OF MONGOLIAN TUGRUGS)

	Notes	2023	2022
Revenue	25.1	255,650,516	193,427,609
Cost of sales	25.2	(131,011,345)	(97,766,831)
Gross profit		**124,639,171**	**95,660,778**
Other income	27.1	5,002,286	1,162,425
Selling and distribution expenses	25.4	(73,593,361)	(61,767,484)
Administrative expenses	25.5	(19,733,240)	(14,138,399)
Reversal of impairment loss on financial assets	31.1	9,266	49,464
Other expenses	27.2	(6,980)	(13,355)
Operating profit		**36,317,142**	**20,953,429**
Finance income	26	229,734	29,261
Finance costs	28	(36,523,753)	(30,979,282)
Profit (loss) before income tax		**23,123**	**(9,996,592)**
Income tax (expense) benefit	24	(6,791,081)	2,998,982
Loss for the year		**(6,767,958)**	**(6,997,610)**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Tax impact on revaluation of property, plant and equipment	22	-	(4,301,861)
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translating the net assets of foreign subsidiaries	23	773,737	(11,997,888)
Other comprehensive income (loss) for the year		**773,737**	**(16,299,749)**
Total comprehensive loss for the year		**(5,994,221)**	**(23,297,359)**
Losses per share-Basic (in MNT)	21	**(9)**	**(9)**

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

GOBI JSC AND ITS SUBSISIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023
(IN THOUSAND OF MONGOLIAN TUGRUGS)

	Notes	Share capital	Revaluation surplus	Foreign currency translation reserve	Accumulated losses	Total equity
Balance as at 1 January 2022		**780,113**	**48,870,401**	**561,878**	**(21,087,268)**	**29,125,124**
Total comprehensive income:						
Net loss for the year		-	-	-	(6,997,610)	**(6,997,610)**
Other comprehensive loss	22, 23	-	(4,301,861)	(11,997,888)	-	**(16,299,749)**
Balance as at 31 December 2022		**780,113**	**44,568,540**	**(11,436,010)**	**(28,084,878)**	**5,827,765**
Balance as at 1 January 2023		**780,113**	**44,568,540**	**(11,436,010)**	**(28,084,878)**	**5,827,765**
Total comprehensive income:						
Net loss for the year		-	-	-	(6,767,958)	**(6,767,958)**
Other comprehensive income	23	-	-	773,737	-	**773,737**
Balance as at 31 December 2023		**780,113**	**44,568,540**	**(10,662,273)**	**(34,852,836)**	**(166,456)**

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

GOBI JSC AND ITS SUBSISIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023
(IN THOUSAND OF MONGOLIAN TUGRUGS)

	Notes	2023	2022
Cash flows from operating activities			
Loss for the year		(6,767,958)	(6,997,610)
Adjustments for:			
Depreciation and amortization	25.3	12,643,029	11,872,940
Income tax expense (benefit)	24	6,791,081	(2,998,982)
Interest expense	28	30,257,198	25,600,326
Interest income	26	(229,734)	(29,261)
Unwinding of discount on subsidized loans	28	4,418,776	-
Unrealised foreign exchange rate loss		1,176,462	6,498,317
Reversal of impairment on financial assets	31.1	(9,266)	(49,464)
Impairment allowance / (reversal) on inventories, net	8	(166,906)	738,563
Loss from disposal of property, plant and equipment	27	6,980	13,355
		48,119,662	**34,648,184**
Changes in:			
Change in accounts and other receivables		(3,548,120)	12,664,331
Change in prepayments and advances		(6,148,480)	228,243
Change in inventories		(13,562,908)	8,500,346
Change in right to returned goods		17,227	(17,227)
Change in trade and other payables		(11,962,418)	14,542,458
Change in refund liabilities		(26,503)	26,503
Change in contract liabilities		(311,474)	613,617
		12,576,986	**71,206,455**
Income taxes paid	24.2	(3,392,836)	(78,714)
Interest paid	17.2	(27,329,645)	(25,219,577)
Net cash flows (used in)/ from operating activities		**(18,145,495)**	**45,908,164**
Cash flows from investing activities			
Interest received	26	229,734	29,261
Proceeds from sale of property, plant and equipment		1,359,228	7,664
Acquisition of property, plant and equipment	10	(4,642,753)	(2,934,998)
Acquisition of intangible assets	13.1	(1,249,934)	(226,018)
Net cash flows used in investing activities		**(4,303,725)**	**(3,124,091)**
Cash flows from financing activities			
Proceeds from borrowings including related party loans	17.2	1,153,263,480	381,238,895
Proceeds from issuance of bond	17.2	-	7,906,980
Repayment of bond		-	(17,765,164)
Repayment of borrowings including related party loans	17.2	(1,130,151,838)	(396,589,513)
Advances provided to related parties	29.3	(18,950,000)	-
Payment of advances provided to related parties	29.3	18,950,000	-
Payments of lease liabilities	17.2	(965,391)	(931,813)
Payment of dividends	20	(280)	(247)
Net cash flows from (used in) financing activities		**22,145,971**	**(26,140,862)**
Net (decrease) / increase in cash and cash equivalents		**(303,249)**	**16,643,211**
Exchange difference on translating foreign operations		773,737	(11,997,888)
Effects of exchange rate changes on cash		(14,296)	117
Cash and cash equivalents, at the beginning of the year	5	**9,034,919**	**4,389,479**
Cash and cash equivalents, at the end of the year	5	**9,491,111**	**9,034,919**

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. 51.29% of the Company is owned by Tavan Bogd Holdings LLC, registered in Mongolia, 34% by Hide Inter LLC, registered in Japan, and the remaining 14.71% is owned by other small shareholders. As at 31 December 2023, Gobi JSC had a total of 23,989 shareholders. In January 2024, the name of the ultimate controlling party was changed from Tavan Bogd Trade LLC to Tavan Bogd Holdings LLC.

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 Chief Executive Officer was changed on 28 February 2024 and new appointment is effective from 1 March 2024.

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 25.1. The subsidiaries of the Company are disclosed in Note 12.

The executive management of the Group authorised the issuance of the consolidated financial statements on 21 March 2024.

2. Summary of material accounting policies

Material accounting policy information

The Group adopted Disclosure of Accounting Policies (*Amendments to IAS 1 and IFRS Practice Statement 2*) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information and disclosed in the consolidated financial statements.

The amendments require the disclosure of "material", rather than "significant", accounting policies. The amendments also provide guidance on the application of materiality to disclose of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the consolidated financial statements.

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). Certain corresponding figures have been reclassified to conform to the current year's presentation.

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. Summary of material accounting policies (continued)

2.2 Basis of preparation (continued)

2.2.1 Going concern

The total sales revenue of the Group in 2023 was MNT 255.7 billion, and it showed 32% growth from the previous year. This was mainly resulted from the increase in domestic market sales of MNT 147.0 billion (57%), due to the recovery of tourism. Original Design Manufacturer (ODM) sales increased by 30% amounting MNT 59.5 billion.

Regarding the global market, sales decreased by 10% due to a warmer climate and a decline in customer preference for online shopping. In overall, the Group's total net sales has shown an increase as well as improvement regarding the profitability by 3% compared to 2022.

In 2024, overall sales revenue for Gobi is expected to be increased slightly to current year which is considered achievable in terms of the growth trend. The domestic market is expected to be increased, whereas global market sales is expected to be decreased as the Group plans to reduce marketing expenses as well as discount percentage. Domestic market overperformed due to its tourists' sales in 2023 with total of 650 thousands of tourists visited Mongolia. In 2024, Mongolia is aiming for one million tourists which will impact favorable for the Group's domestic market. In terms of ODM market, the Group is pursuing to cooperate with over 50 clients to keep the cooperation already have. For the global market, the main strategy is being planned to reduce the large marketing expenses and the discount percentage rather to focus on their profitability. So that the Group believes it can build its brand first without offering high discount for the customers with higher marketing expenses.

In terms of operational expenses, the Group decided to reduce marketing expenses and financing cost by focusing on more inventory management. The Group believes this strategy is a proper strategy for the long-term, and sustainable growth for the global market.

On 15 February 2024, Gobi JSC received from its ultimate controlling party, Tavan Bogd Holdings LLC, a letter 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 to meet its liabilities as they fall due, for at least twelve months from the reporting date of Gobi JSC's 31 December 2023 financial statements. Tavan Bogd Holdings LLC also confirmed to not 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.

2.3 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.

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

2. Summary of material accounting policies (continued)

2.3 Basis of consolidation (continued)

- 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 fair value 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 revalued amounts. 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 land and buildings, are measured using the cost model and carried at cost less any subsequent accumulated depreciation and impairment losses.

Land and 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.

Depreciation on revalued assets is charged to profit or loss. 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.

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:

2. Summary of material accounting policies (continued)

2.6 Property, plant and equipment (continued)

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.

2.8 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).

2. Summary of material accounting policies (continued)

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

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.

2.10.1 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.

2. Summary of material accounting policies (continued)

2.10 Financial assets (continued)

2.10.1 Classification of financial assets (continued)

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.

2.10.2 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.

2. Summary of material accounting policies (continued)

2.10 Financial assets (continued)

2.10.2 Impairment of financial assets (continued)

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 where 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. 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.

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)

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.

(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.

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 (continued)

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.

(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.

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) (continued)

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.

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.

2. Summary of material accounting policies (continued)

2.12 Revenue recognition (continued)

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 7 days 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 recognised 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 20ecognized 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. Thus, the land with a carrying amount of MNT 17,959,888 thousand (MNT 17,959,888 thousand at 31 December 2022) is stated at the revalued amount 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 2023, the revenue amount to MNT 255,650,516 thousand net of returns and discounts for an amount of MNT 17,310,811 thousand (31 December 2022 the revenue amount to MNT 193,427,609 thousand net of returns and discounts for an amount of MNT 12,447,074 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 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 (31 December 2022 the carrying amount of trade and other receivables is MNT 3,318,986 thousand, net of loss allowance of MNT 1,771,075 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 2023, the carrying amount of inventories is MNT 142,521,277 thousand net of provision for inventories of MNT 2,190,587 thousand (31 December 2022: the carrying amount of inventories is MNT 128,791,463 thousand net of provision for inventories of MNT 2,357,493 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.

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 land and buildings

Land and 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 land and buildings.

Information about the valuation techniques and inputs used in determining the fair value of land and buildings are disclosed in Note 10.2.

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 9,276,559 thousand and MNT 14,879,483 thousand as at 31 December 2023 and 2022, respectively.

Total deferred tax liabilities recognised in the Group’s consolidated statement of financial position amounted to MNT 7,883,775 thousand and MNT 8,206,834 thousand as at 31 December 2023 and 2022, respectively, see Note 2.23 and Note 24.3.

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

4. Application of new accounting standards or amendments for 2023 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 2023.

Effective date	New accounting standards or amendments
1 January 2023	• IFRS 17 Insurance Contracts • Disclosure of Accounting Policies – Amendment to IAS 1 and IFRS Practice Statement 2 • Definition of Accounting Estimates - Amendments to IAS 8 • Deferred Tax Related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 • Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)
23 May 2023	• International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12

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 consolidated financial statements.

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

The new and amendments to IFRS Accounting Standards that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable when they become effective.

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
1 January 2025	• Lack of Exchangeability – Amendments to IAS 21
Available for optional adoption / effective date deferred indefinitely	• Sales or Contribution of Assets between the Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

The above new and amended accounting standards except below are not expected to have a significant impact on the Group's consolidated financial statements.

Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These amendments, as issued in 2020 and 2022, aim to clarify the requirements on determining whether a liability is current or non-current, and require new disclosure for non-current liabilities that are subject to future covenants. The amendments apply for annual reporting period beginning on or after 1 January 2024.

The Group has several secured bank loans that are subject to specific covenants. While liabilities that could be classified as non-current at 31 December 2023, a future breach of the related covenants may require the Group to repay the liabilities earlier than contractual maturity dates. The Group is in the process of assessing the potential impact of the amendments on the classification of these liabilities and the related disclosures.

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

5. Cash and cash equivalents

	2023	2022
Cash on hand	31,550	40,544
Cash in bank	9,459,561	8,994,375
	9,491,111	**9,034,919**

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

6. Trade and other receivables

	2023	2022
Trade receivables	7,553,053	2,905,206
Loss allowance	(1,640,363)	(1,640,363)
	5,912,690	**1,264,843**
Receivables from related parties (see Note 29.2)	129,632	17,222
Other receivables	2,110,032	2,167,633
Loss allowance	(121,446)	(130,712)
	8,030,908	**3,318,986**

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.

6.2 Other receivables

	2023	2022
VAT and other tax receivables	1,358,657	1,394,152
Receivables from employees	432,179	495,474
Others	319,196	278,007
	2,110,032	**2,167,633**

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

7. Prepayments and advances

	2023	2022
Advance payments to vendors	1,288,446	1,100,746
Prepaid expense	1,885,234	1,217,749
	3,173,680	**2,318,495**

8. Inventories

	2023	2022
Raw materials	35,591,584	39,237,700
Work in progress	20,703,068	13,904,765
Finished goods	74,816,715	64,176,011
Consumables	13,207,219	10,245,875
Goods in transit	393,278	3,584,605
	144,711,864	**131,148,956**
Allowance for obsolete and slow-moving items	(2,190,587)	(2,357,493)
	142,521,277	**128,791,463**

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 124.1 billion (31 December 2022: MNT 93.5 billion).

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

	2023	2022
Balance at beginning of the year	2,357,493	1,791,496
Addition to allowance for obsolete and slow-moving items (Note 25.5)	594,422	738,563
Reversal of allowance (Note 25.5)	(761,328)	(172,566)
Balance at the end of the year	**2,190,587**	**2,357,493**

Inventories with a carrying amount of MNT 138.0 billion (2022: MNT 121.7 billion) has been pledged as collateral for borrowings (see Note 17.1)

9. Right to returned goods assets

	2023	2022
Right to returned goods assets	-	17,227
	-	**17,227**

The right to returned goods assets represent the Group's right to recover products from customers where customers exercise their right of return under the sales agreement.

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

10. Property, plant and equipment

	Land rights	Buildings	Plant and Equipment	Furniture and fixtures	Vehicles	Construction in progress	Leasehold improvement	Total
Cost and revaluation:								
1 January 2022	**17,959,888**	**79,529,075**	**97,998,348**	**5,712,260**	**1,703,325**	**9,226,896**	**622,574**	**212,752,366**
Additions	22,727	1,663,991	233,904	514,364	475,596	24,416	-	2,934,998
Disposals	-	-	(54,130)	(25,058)	-	-	-	(79,188)
Transfers to intangible assets	-	-	-	(6,929)	-	-	-	(6,929)
Transfers within PPE	-	-	9,232,941	-	-	(9,232,941)	-	-
31 December 2022	**17,982,615**	**81,193,066**	**107,411,063**	**6,194,637**	**2,178,921**	**18,371**	**622,574**	**215,601,247**
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	**18,098,066**	**81,203,129**	**107,702,834**	**7,292,861**	**2,366,414**	**240,682**	**1,398,828**	**218,302,814**
Accumulated depreciation:								
1 January 2022	-	**9,051,524**	**53,354,954**	**3,437,789**	**895,256**	-	**608,310**	**67,347,833**
Depreciation charge for the year	-	2,404,373	7,545,344	728,169	166,427	-	-	10,844,313
Disposals	-	-	(53,180)	(5,807)	-	-	-	(58,987)
Transfers to intangible assets	-	-	-	(6,929)	-	-	-	(6,929)
Effect of movements in exchange rate	-	-	11,827	19,755	10,860	-	-	42,442
31 December 2022	**-**	**11,455,897**	**60,858,945**	**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	-	-	-	-
Effect of movements in exchange rate	-	-	-	-	-	-	-	-
31 December 2023	**-**	**13,977,769**	**68,486,065**	**4,677,209**	**1,276,876**	**-**	**635,602**	**89,053,521**
Carrying amount:								
31 December 2022	**17,982,615**	**69,737,169**	**46,552,118**	**2,021,660**	**1,106,378**	**18,371**	**14,264**	**137,432,575**
31 December 2023	**18,098,066**	**67,225,360**	**39,216,769**	**2,615,652**	**1,089,538**	**240,682**	**763,226**	**129,249,293**

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

10. Property, plant and equipment (continued)

10.1 Assets pledged as security

As at 31 December 2023, property, plant and equipment with a total carrying amount of MNT 67.8 billion (31 December 2022: total carrying amount of MNT 134.8 billion) has been pledged as collateral for borrowings (see Note 17.1).

10.2 Revaluation of the Group's land and buildings

The Group's land rights and 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 land rights and buildings were performed by an independent appraiser not related to the Group as at 30 September 2020.

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

	31 December 2023		**31 December 2022**	
	Fair value	**Level 3**	**Fair value**	**Level 3**
Land rights	18,098,066	18,098,066	17,982,615	17,982,615
Buildings	67,225,360	67,225,360	69,737,169	69,737,169
	85,323,426	**85,323,426**	**87,719,784**	**87,719,784**

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

Type	**Valuation techniques**
Buildings	*Market comparison technique and cost 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.
Land	*Cost technique:* Fair value of land rights was estimated using the cost approach.

The fair value measurement resulted in total revaluation surpluses of MNT 33,327,139 thousand.

	Fair value measurements as at 30 September 2020 categorised into			
	Fair value impact	*Level 1*	*Level 2*	*Level 3*
Fair value measurement				
Land	15,345,890	-	-	15,345,890
Buildings	17,981,249	-	-	17,981,249
Total	**33,327,139**	**-**	**-**	**33,327,139**

The Group reassessed the fair value of these land rights as at 31 December 2023 and did not identify material adjustment from the carrying value as at 31 December 2020, therefore in accordance with IAS 16, the value was not adjusted.

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

10. Property, plant and equipment (continued)

10.2 Revaluation of the Group's land and buildings (continued)

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

	2023	2022
Land rights	2,613,998	2,613,998
Buildings	47,770,068	49,943,903
	50,384,066	**52,557,901**

10.3 Fully depreciated property, plant and equipment

	2023	2022
Cost	40,115,009	36,454,214

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

	2023	2022
Depreciation of property, plant and equipment	2,296,760	1,920,898
Depreciation of right-of-use assets (Note 11)	983,636	831,016
Amortisation of intangible assets (Note 13.1)	199,566	197,611
	3,479,962	**2,949,525**

During the year, Group recognised depreciation expenses amounting to MNT 9,163,067 thousand (31 December 2022: 8,923,415 thousand) in the cost of inventories.

11. Right-of-use assets

	2023	2022
Cost:		
At 1 January	3,275,891	3,428,914
Additions	2,361,658	234,433
Disposals	(521,800)	(387,456)
At 31 December	**5,115,749**	**3,275,891**
Accumulated depreciation:		
At 1 January	2,544,167	2,100,607
Charged for the year	983,636	831,016
Disposals	(521,800)	(387,456)
At 31 December	**3,006,003**	**2,544,167**
Carrying amount:		
At 31 December	**2,109,746**	**731,724**

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

11. Right-of-use assets (continued)

11.1 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 6 lease agreements that are recognised in accordance with IFRS 16 (4 lease agreements in 2022).

The maturity of lease liabilities is presented in Note 16.

i. Right-of-use assets

	2023	2022
At 1 January	731,724	1,328,307
Additions	2,361,658	234,433
Disposals	(521,800)	(387,456)
Depreciation charge for the year	(983,636)	(831,016)
Depreciation related to disposals	521,800	387,456
At 31 December	**2,109,746**	**731,724**

ii. Amounts recognised in profit or loss

	2023	2022
Depreciation expense on right-of-use assets	983,636	831,016
Interest expense on lease liabilities (Note 28)	196,421	183,245
Expenses relating to short-term lease (Note 25.4)	190,602	206,865

iii. Amounts recognised in statement of cash flows

	2023	2022
Total cash outflow for leases	965,391	931,813

11.2 Leases as lessor

As at 31 December 2023, and 2022, 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 2023 was MNT 304,289 thousand (2022: MNT 373,611 thousand).

Future minimum lease receivables under non-cancellable operating leases as at 31 December 2023 are as follows:

	2023	2022
Less than one year	332,937	274,382
One to two years	-	-
Two to three years	-	-
Three to four years	-	-
Four to five years	-	-
	332,937	**274,382**

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

12. Investment in subsidiaries

Name of subsidiaries	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2023	**2022**
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%	-

* On 23 August 2023, the Group established a new wholly owned subsidiary, Gobi Cashmere Kazakhstan LLP, in Kazakhstan. As at 31 December 2023, 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 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	3,175,727	4,486,534	2,932,399	(1,242,291)

Summary of financial information of subsidiaries as at and for the year ended 31 December 2022 was as follows:

2022	Total assets	Total liabilities	Revenue	Profit (loss)
Gobi Cashmere Europe GmbH	13,922,880	68,084,246	32,613,789	(12,079,847)
Gobi Cashmere Inner Mongolia Co. Ltd	14,148,628	23,574,391	6,147,370	(3,613,415)
Goyo LLC	8,752,048	17,760	-	(139,132)
Gobi Cashmere USA Corp	11,333,927	30,449,152	13,714,082	(5,433,793)
Gobi Cashmere United Kingdom	4,486,988	4,536,993	1,866,549	(50,517)

13. Other non-current assets

	2023	2022
Intangible assets	1,499,360	448,992
Deposit placed for leased stores	152,121	590,477
Prepayments	6,279,477	547,826
	7,930,958	**1,587,295**

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

13. Other non-current assets (continued)

13.1 Intangible assets

	2023	2022
Cost:		
At 1 January	1,613,485	1,381,356
Additions	1,249,934	226,018
Reclassification from property, plant and equipment	-	6,929
Disposals	(3,300)	(818)
At 31 December	**2,860,119**	**1,613,485**
Accumulated amortisation:		
At 1 January	1,164,493	944,332
Disposals	(3,300)	-
Amortisation for the year	199,566	197,611
Reclassification from property, plant and equipment	-	6,929
Effect of movements in exchange rate	-	15,621
At 31 December	**1,360,759**	**1,164,493**
Carrying amount:		
At 31 December	**1,499,360**	**448,992**

Intangible assets comprise of accounting software with a net carrying amount of MNT 1,286,490 thousand (2022: MNT 226,689 thousand) and trademarks with a net carrying amount of MNT 212,870 thousand (2022: MNT 222,303 thousand).

14. Trade and other payables

	2023	2022
Trade payables*	6,130,757	13,906,484
Payable to fellow subsidiary (Note 29.2)**	10,630,000	42,268
Current portion of long-term payable to Tavan Bogd Holding LLC (Note 18, 29.2)	13,642,760	-
Payable to other related parties (Note 29.2)	703	5,315
Salary payables	2,345,859	1,710,470
Other taxes payables (excluding corporate income tax payables)	4,549,593	3,922,058
Dividend payables (Note 20)	166,406	166,686
Government grants – Deferred income (Note 27)***	1,175,415	-
Other payables	238,633	1,215,911
	38,880,126	**20,969,192**

* Trade payables mainly consists 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.

** On 1 August 2023, the Group entered into a 3-month credit line agreement with fellow subsidiary, Tavan Bogd LLC, for an amount of MNT 30 billion with an interest rate of 15% per annum. On 1 November 2023, the credit line agreement amended, and term extended until 1 February 2024. On 1 February 2024, the loan agreement amended again, and term extended until 1 May 2024.

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

14. Trade and other payables (continued)

*** 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.

14.1 Contract liabilities

	2023	2022
Amounts received in advance-shown under current liabilities	1,672,424	1,983,898
	1,672,424	**1,983,898**

Contract liabilities as at 31 December 2023 are expected to be recognised as revenue by 31 December 2024.

15. Refund liabilities

	2023	2022
Arising from rights of return	-	26,503
	-	**26,503**

In 2023, there is no refund liabilities related to customer’s right to return products under the sales agreement.

16. Lease liabilities

	2023	2022
Maturity analysis:		
Within one year	1,236,777	837,663
More than one year but less than two years	510,764	118,446
More than two years but less than five years	1,209,592	-
	2,957,133	**956,109**
Less: unearned interest	(670,809)	(66,052)
	2,286,324	**890,057**

	2023	2022
Analysed as:		
Current	964,376	777,988
Non-current	1,321,948	112,069
	2,286,324	**890,057**

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

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

17. Borrowings

	2023	2022
Short-term:		
Short-term borrowings	227,488,827	127,762,048
Accrued interest payables	5,070,687	2,091,569
Total short-term borrowings	**232,559,514**	**129,853,617**
Long-term:		
Long-term borrowings	9,830,059	95,686,234
Total long-term borrowings	**9,830,059**	**95,686,234**
Total	**242,389,573**	**225,539,851**

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

17. Borrowings (continued)

Terms and conditions of outstanding loans were as follows:

				31 December 2023					31 December 2022		
Party	**Currency**	**2023 Nominal interest rate (2022)**	**Loan maturity**	**Foreign currency (thousands)**	**Face value**	**Effect of fair value measurement**	**Carrying amount**	**Interest payable**	**Foreign currency (thousands)**	**Carrying amount**	**Interest payable**
Golomt Bank (subsidized loan) (i)	MNT	11.00%	2025	-	13,333,333	209,569	13,123,764	36,164	-	20,000,000	54,247
Golomt Bank (Credit line) (i)	MNT	15.65%	2024	-	48,950,000	-	48,950,000	83,760	-	-	12,012
European Bank for Reconstruction and Development (Tranche 1A) (ii)	USD	6.79%	2024	-	-	-	-	-	1,818	6,262,910	204,356
European Bank for Reconstruction and Development (Tranche 1B) (ii)	USD	7.49%	2024	-	-	-	-	-	2,727	9,394,364	338,137
European Bank for Reconstruction and Development (Tranche 2) (ii)	USD	6.93%	2024	-	-	-	-	-	3,273	11,273,235	375,428
Khan Bank (Credit line) (iii)	MNT	12.60%	2025	-	6,500,000	-	6,500,000	8,334	-	-	-
Khan Bank (subsidized loan) (iii)	MNT	3.00%	2024	-	4,202,775	33,280	4,169,495	8,982	-	10,000,000	21,370
Khan Bank (subsidized loan) (iii)	MNT	5.00%	2024	-	10,000,000	247,199	9,752,801	35,616	-	-	
Development Bank of Mongolia (iv)	MNT	16.34%	2023	-	-	-	-	-	-	42,900,000	255,754
Development Bank of Mongolia (iv)	MNT	16.34%	2023	-	-	-	-	-	-	33,333,333	113,424
Xac Bank (Credit line) (v)	MNT	13.2% (14.4%)	2023	-	-	-	-	-	-	9,566,000	201,904
Xac Bank (subsidized loan) (v)	MNT	5.00%	2024	-	16,666,667	238,441	16,428,226	68,493	-	-	-
Arig Bank (subsidized loan) (vi)	MNT	5.00%	2024	-	14,500,000	450,200	14,049,800	59,589	-	-	-
Asian Development Bank (ADB) (vii)	USD	3.89%+SOFR	2026	12,000	40,928,280	-	40,928,280	104,954	-	-	-
International Investment Bank (viii)	EUR	4.25%	2027	8,000	30,333,280	-	30,333,280	1,475,377	8,000	29,352,160	162,864
International Investment Bank (viii)	EUR	5.25%	2027	14,000	53,083,240	-	53,083,240	3,189,418	14,000	51,366,280	352,073
Total					**238,497,575**	**1,178,689**	**237,318,886**	**5,070,687**		**223,448,282**	**2,091,569**

17. Borrowings (continued)

17.1 Summary of borrowing arrangements

(i) Borrowings from Golomt Bank as of 31 December 2023 and 2022 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 2023, a total amount of MNT 6.7 billion was repaid from principal amount together with its interest.

- On 19 March 2018, the Group entered into a multi-currency credit line agreement with Golomt Bank together with Tavan Bogd Holding LLC and Ulaanbaatar Flour LLC, with a tenor of 2 years with a total credit limit of MNT 90 billion or equivalent amount in USD bearing an interest rate of 16.8% and 8.4% per annum respectively, for working capital financing of the Group, Tavan Bogd Holding LLC, and Ulaanbaatar Guril LLC. The Group's inventory, and equipment are pledged for the loan. On 3 March 2019, the agreement was amended, interest rate per MNT loan changed to 13.5% per annum, 7.2% per annum for USD loan. The loan agreement was extended for 24 months. On 19 March 2023, the agreement was amended, interest rate per MNT loan changed to 15.65%, USD loan changed to 11.05% per annum respectively extended for 12 months until 19 March 2024. A total credit line limit decreased to 50 billion MNT.

(ii) Borrowings from EBRD as of 31 December 2023 and 2022 are as follows:

- In 2017 and 2018, the Group obtained a loan of USD 16 million from EBRD with an annual interest rate of LIBOR + 5.3 percent and LIBOR + 6.0 percent in order to increase its solvency and working capital. The Group's buildings, factory equipment and inventory were pledged against the loan.

- On 24 December 2021 the agreement was amended, the interest rate of LIBOR+5.3% and LIBOR+6% per annum were fixed into 6.79%, 7.49%, and 6.93% per Tranche 1A, Tranche 1B and Tranche 2 each. The fixed interest rate conditions of the loan contract were effective after 18 January 2022. As of 31 December 2023, a total amount of USD 7.8 million of principal payments together with its interest were fully repaid before its maturity date. The Group’s buildings, factory equipment and inventory which had been pledged as collateral for borrowing from EBRD were released from collateral on 10 January 2024.

(iii) Borrowings from Khan Bank as of 31 December 2023 and 2022 are as follows:

- On 25 May 2017, the Group entered into a multi-currency credit line agreement with Khan Bank together with Tavan Bogd Holding 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. As at 31 December 2023, 78,011,250 ordinary shares (2022: 47,200,000 ordinary shares) of Gobi JSC are pledged by Tavan Bogd Holdings LLC as collateral for this credit line agreement.

- 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 2023, a total amount of MNT 5.8 billion was repaid from principal amount together with its interest.

- 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.

(iv) Borrowings from Development Bank of Mongolia as of 31 December 2023 and 2022 are as follows:

- On 12 June 2019, the Group obtained a loan for 24 months amounting to MNT 42.9 billion with an interest rate of 12% per annum, for the purpose of acquiring raw materials and financing working capital. On 5 July 2021, an amendment to the loan was made extending the maturity to 14 June 2023.

17. Borrowings (continued)

17.1 Summary of borrowing arrangements (continued)

(iv) Borrowings from Development Bank of Mongolia as of 31 December 2023 and 2022 are as follows (continued):

- On 22 May 2020, the Group obtained a loan for 12 months amounting to MNT 40 billion bearing an interest rate of 3% for working capital purposes. On 5 July 2021, an amendment to the loan was made, increasing the interest rate to 11.5% and extending the maturity date to 22 May 2022. The Group pledged land, building, plant and equipment, furniture and fixtures, vehicles, raw materials, and future cash revenue for both loans outstanding to the Bank.

- On 7 July 2023, the Group repaid a total of MNT 16.2 billion from a principal amount of both loans and made an amendment with Development Bank of Mongolia. The above two loans were merged into one loan amounting to MNT 60 billion with an interest rate of 16.34% per annum and loan maturity date was extended to 25 December 2023.

- On 10 November 2023, the Group fully repaid the principal amount of the loan together with its interest before its due date.

(v) Borrowings from Xac Bank as of 31 December 2023 and 2022 are as follows:

- On 10 December 2021, the Group, Tavan Bogd Holdings LLC and Tavan Bogd Property LLC entered into a 24-month credit line agreement with Xac Bank for MNT 25 billion with an interest rate of 13.2% per annum. On 8 November 2022, the interest rate of the credit agreement for this line increased by 2.4 points to 15.6%. The terms of this agreement was effective from 1 January 2023. Ultimate controlling party has provided immovable asset guarantee and pledge on behalf of the Group.

- On 14 April 2023, the Group restructured the above loan 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 2023, a total amount of MNT 8.3 billion was repaid from principal amount together with its interest.

(vi) Borrowings from Arig Bank as of 31 December 2023 is 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.

(vii) Borrowings from Asian Development Bank Mongolia as of 31 December 2023 is 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 - USD18 million).

- On 22 December 2023, the Group received Tranche A loan amounting to USD 12 million.

(viii) The borrowings from International Investment Bank as of 31 December 2023 and 2022 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.

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

17. Borrowings (continued)

17.1 Summary of borrowing arrangements (continued)

(viii) The borrowings from International Investment Bank as of 31 December 2023 and 2022 are as follows (continued):

- In 2023, none of interest and scheduled repayment were made due to unavailability of International Investment Bank payment system based on notification received on 4 May 2023.

17.2 Reconciliation of liabilities arising from financing activities

	Borrowings excluding related parties (Note 17)	Borrowings from related parties (Note 17&29)	Other long-term payable due to related parties (Note 14, 18&29)	Lease liabilities (Note 16)	Dividend payable (Note 20)	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)
Dividend 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**

	Borrowings excluding related parties (Note 17)	Borrowings from related parties (Note 17&29)	Other long-term payable due to related parties (Note 14, 18&29)	Bond payables	Lease liabilities (Note 16)	Dividend payable (Note 20)	Total
At 1 January 2022	226,058,669	-	25,622,107	9,877,213	1,587,437	166,933	263,312,359
Proceeds from borrowings	256,422,309	124,816,586	-	-	-	-	381,238,895
Proceeds from issuance of bonds	-	-	-	7,906,980	-	-	7,906,980
Repayment of bonds	-	-	-	(17,765,164)	-	-	(17,765,164)
Repayment of borrowings	(281,772,927)	(114,816,586)	-	-	-	-	(396,589,513)
Payment of lease liabilities	-	-	-	-	(931,813)	-	(931,813)
Dividends paid	-	-	-	-	-	(247)	(247)
Effect of foreign exchange rate	14,451,051	-	5,358,625	-	-	-	19,809,676
Other changes	-	-	-	(19,029)	234,433	-	215,404
Interest expense	21,735,009	1,048,398	2,219,396	414,278	183,245	-	25,600,326
Interest paid	(21,375,630)	(1,027,028)	(2,219,396)	(414,278)	(183,245)	-	(25,219,577)
At 31 December 2022	**215,518,481**	**10,021,370**	**30,980,732**	**-**	**890,057**	**166,686**	**257,577,326**

17. Borrowings (continued)

17.3 Breach of loan covenants and waivers

(a) **Golomt Bank (credit line):** The Group has a secured bank loan from Golomt Bank with a carrying amount of MNT 48,950,000 thousand at 31 December 2023. The loan was repayable within upcoming 1 year. However, the loan contained a covenant stating that at the end of each quarter current ratio should not be less than 1.1, financial debt to EBITDA ratio should be within 13, and liabilities to total active ratio cannot exceed 87%.

The Group has breached above financial ratio covenants as at 31 December 2023, however, management obtained a waiver from Golomt Bank on 28 December 2023, which extends until 30 June 2024. Accordingly, the loan was not payable on demand at 31 December 2023.

(b) **International Investment Bank (IIB):** The Group has a secured bank loan from IIB with a carrying amount of MNT 83,416,520 thousand at 31 December 2023 (2022: MNT 80,898,440 thousand). The loan is repayable in tranches within 4 years. However, the loan contained a 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 2023, however, management obtained a waiver from IIB on 7 February 2024. In accordance with IAS 1, unconditional right to defer settlement must exist at the reporting date to classify a liability as non-current. As the waiver from IIB was received after the reporting date 31 December 2023, the loan was classified as short-term borrowings in the consolidated financial statements in accordance with IAS 1.

(c) **Asian Development Bank (ADB):** The Group has a secured bank loan from ADB with a carrying amount of MNT 40,928,280 thousand at 31 December 2023. The loan is repayable in tranches within 3 years. The loan contained a 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 2023, 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. However, the Group received second tranch of USD 18 million from ADB in February 2024. The Group expects to receive waiver from ADB after issuance of audited financial statements for the year ended 31 December 2023.

17.4 Collateral

The Group's inventory, property, plant and equipment and shares were pledged for the loan facilities. Please refer to Notes 8, 10 and 19 for details.

17.5 Subsidized loans

In 2023, 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 14 for details.

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

18. Long-term other payables

	2023	2022
Tavan Bogd Holdings LLC (Note 29.2)	17,032,986	30,980,732
Government grants – Deferred income (Note 14)	3,274	-
Tok Tok LLC	-	4,209
	17,036,260	**30,984,941**

The terms of advances from Tavan Bogd Holdings LLC with an interest rate of 7.8% per annum (previously 8% per annum) were amended on 1 September 2021 and extended until 24 May 2024. On 1 December 2022, the agreement was amended to extend term until 24 May 2025 with an interest rate of 7.8%.

19. Share capital

	Number of shares		Share capital	
	2023	2022	2023	2022
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 2023 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 2022: 780,112,500 common shares authorised and issued at par value of MNT 1.00).

As at 31 December 2023, 78,011,250 ordinary shares (2022: 47,200,000 ordinary shares) are pledged by Tavan Bogd Holdings LLC as collateral for credit line loan facility agreement made with Khan Bank on 18 November 2019.

20. Dividend payable

	2023	2022
Balance at beginning of year	166,686	166,933
Dividends paid	(280)	(247)
Balance at end of year	**166,406**	**166,686**

As per Resolution No. 01 of the Board of Directors dated 26 January 2024 and as per Resolution No. 02 of the Board of Directors dated 3 February 2023, no dividends were declared for fiscal year 2023 and for fiscal year 2022.

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21. 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:

	2023	2022
Net loss for the year	(6,767,958)	(6,997,610)
Weighted average number of ordinary shares outstanding	780,112,500	780,112,500
Losses per share *(in MNT)*	**(8.68)**	**(8.97)**

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.

22. Revaluation reserve

	2023	2022
Balance at beginning of year	44,568,540	48,870,401
Tax impact of revaluation	-	(4,301,861)
Balance at end of year	**44,568,540**	**44,568,540**

23. Foreign currency translation reserve

	2023	2022
Balance at beginning of year	(11,436,010)	561,878
Exchange differences arising on translating the net assets of foreign subsidiaries	773,737	(11,997,888)
Balance at end of year	**(10,662,273)**	**(11,436,010)**

24. Income tax expense

	2023	2022
Current tax:		
Current tax expense in respect of the current year	1,511,216	3,649,946
Deferred tax:		
Deferred tax expense (benefit) recognised in the current year	5,279,865	(6,648,928)
	6,791,081	**(2,998,982)**

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24. Income tax expense (continued)

24.1 Current tax

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

	2023	2022
Profit (loss) before taxation	23,123	(9,996,592)
Theoretical tax credit at statutory income tax rate of 25%	5,781	(2,499,148)
Effect of non-deductible expenses	2,866,713	836,322
Effect of non-taxable income	(107,548)	(186,577)
Tax under the special tax rate	70,602	50,639
Current year tax losses for which no deferred tax asset is recognised	5,388,237	5,214,018
Recognition of previously unrecognised taxable temporary differences	-	452,248
Change in estimates related to prior year	-	(6,866,484)
Recognition of previously unrecognized tax losses	(2,332,160)	-
Derecognition of previously recognised tax losses	899,456	-
Income tax expense /(benefit)	**6,791,081**	**(2,998,982)**

According to the Mongolian Corporate Income Tax Law, an annual taxable income of up to MNT 6 billion (MNT 6 billion in 2022) will be taxed at 10% (10% in 2022), and an annual taxable income of more than MNT 6 billion will be taxed at an additional 25% (25% in 2022).

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 17,959,767 thousand in 2023 (an accrued unused tax losses of MNT 27,288,407 thousand in 2022). 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 2020 can be carried forward to 2024.

24.2 Current tax liabilities

	2023	2022
Corporate income tax receivable	-	-
Corporate income tax payable	1,801,506	3,683,126
	1,801,506	**3,683,126**

	2023	2022
Balance at beginning of the year	3,683,126	111,894
Current tax expense for the year	1,511,216	3,649,946
Payments for income tax	(3,392,836)	(78,714)
Corporate income tax payable	**1,801,506**	**3,683,126**

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

24. Income tax expense (continued)

24.3 Deferred tax balances

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

2023	Opening balance	Recognised in profit or (loss)	Recognised 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**

2022	Opening balance	Recognised in profit or (loss)	Recognised in OCI	Closing balance
Deferred tax assets / (liabilities) in relation to:				
Inventories	-	668,474	-	668,474
Borrowings	457,173	5,769,608	-	6,226,781
Unused tax losses	4,177,604	3,806,624	-	7,984,228
	4,634,777	**10,244,706**	**-**	**14,879,483**
Deferred tax assets / (liabilities) in relation to:				
Financial assets	(126,784)	(3,619,134)	-	(3,745,918)
Property, plant and equipment	(182,411)	23,356	(4,301,861)	(4,460,916)
	(309,195)	**(3,595,778)**	**(4,301,861)**	**(8,206,834)**
Net position	**4,325,582**	**6,648,928**	**(4,301,861)**	**6,672,649**

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25. Revenue and expenses

25.1 Revenue

	2023	2022
Sales of knitwear	159,501,977	125,508,836
Sales of sewn	41,847,534	32,942,210
Sales of woven	44,428,954	30,182,595
Service income	2,002,583	1,612,336
Other	6,433,419	3,181,632
Sales of footwear	1,436,049	-
	255,650,516	**193,427,609**

25.2 Cost of sales

	2023	2022
Sales of knitwear	78,116,226	59,838,283
Sales of sewn	21,782,380	17,799,533
Sales of woven	23,490,675	15,914,629
Cost of service	1,704,830	1,159,957
Other	5,190,498	3,054,429
Sales of footwear	726,736	-
	131,011,345	**97,766,831**

25.3 Expense by nature

	2023	2022
Changes in inventories	8,469,488	8,672,912
Raw materials and consumables	94,393,507	53,873,855
Salary and related cost	45,207,429	38,562,935
Depreciation and amortisation	12,643,029	11,872,940
Advertisement expenses	28,114,648	28,876,128
Supplies and consumables	2,138,826	2,043,652
Professional service fees	9,254,644	5,866,382
Selling expenses	3,898,759	2,918,267
Transportation expenses	4,063,595	3,241,126
Others	16,154,021	17,744,517
Total cost of sales, selling and marketing, and general and administrative expenses	**224,337,946**	**173,672,714**

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25. Revenue and expenses (continued)

25.4 Selling and distribution expenses

	2023	2022
Marketing and advertising	28,114,648	28,876,128
Wages and remuneration	15,547,966	11,230,522
Professional service fees	8,081,869	5,325,812
Customer promotion expenses	4,968,082	2,219,053
Transportation	4,063,595	3,241,126
Selling expenses	3,898,759	2,918,267
Depreciation and amortization expenses	2,122,065	1,818,572
Supplies and consumables	2,045,054	1,983,317
Other taxes	1,248,430	1,213,128
Business trips	808,326	433,242
Management fees	539,001	539,001
Labor safety expenses	446,997	396,996
Insurance	445,889	243,022
Utilities	387,825	361,341
Repair and maintenance	227,432	262,832
Short-term and low value leases	190,602	206,865
Communication expenses	130,399	120,015
Cleaning services	107,355	115,363
Fuel expenses	76,971	70,969
HR and related costs	37,468	32,880
Other expenses	104,628	159,033
	73,593,361	**61,767,484**

25.5 Administrative expenses

	2023	2022
Wages and remuneration	10,033,083	7,350,466
Labor safety expenses	1,760,230	1,181,851
Depreciation and amortization expenses	1,357,897	1,130,953
Other taxes	1,252,887	522,299
Professional service fees	1,172,775	540,570
Security expenses	880,619	765,969
Business trips	732,252	64,588
Repair and maintenance	675,114	526,852
HR and related costs	566,205	268,137
Utilities	202,108	188,573
Fuel expenses	129,581	97,309
Supplies and consumables	93,772	60,335
Insurance	83,664	65,489
Communication expenses	78,597	70,024
Bank charges	69,044	45,185
Impairment allowance / (reversal) on inventories, net	(166,906)	565,997
Other expenses	812,318	693,802
	19,733,240	**14,138,399**

Professional service fees for the fiscal year 2023 include audit fees of MNT 280 million.

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26. Finance income

	2023	2022
Interest income	229,734	29,261
	229,734	**29,261**

27. Other income and expenses

27.1 Other income

	2023	2022
Rental and other income	583,510	1,162,425
Government grants (Note 14)	4,418,776	-
	5,002,286	**1,162,425**

27.2 Other expenses

	2023	2022
Net loss on disposal of property, plant and equipment and intangible assets	(6,980)	(13,355)
	(6,980)	**(13,355)**

28. Finance costs

	2023	2022
Interest expense on borrowings (Note 17.2)	22,017,541	22,783,434
Interest expense on other payable (Note 17.2)	8,043,236	2,219,369
Unwinding of discount on subsidized loans (Notes 17.2 and 17.5)	4,418,776	-
Interest expense on lease liabilities (Note 11)	196,421	183,245
Interest expense on bond	-	414,278
Net foreign exchange loss	954,141	4,978,856
Other finance costs	893,638	400,100
	36,523,753	**30,979,282**

29. Balances and transactions with related parties

29.1 Related parties

Related party	Relationships
Shareholders	
Tavan Bogd Holdings LLC (formerly Tavan Bogd Trade LLC)	Ultimate controlling party
Hide Inter LLC	Shareholder
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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29. Balances and transactions with related parties (continued)

29.2 Balances with related parties

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

	2023	2022
Receivables from related parties (Note 6)		
Other related parties	129,632	17,222
Payable to related parties /Short-term/ (Note 14)		
Ultimate controlling party	13,642,760	-
Fellow subsidiaries	10,630,000	42,268
Other related parties	703	5,315
Payable to related parties /Long-term/ (Note 18)		
Ultimate controlling party	17,032,986	30,980,732
Borrowings from related parties (Note 17)		
Other related parties	20,475,228	10,025,578

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 18. The Group has not pledged any assets on the agreement.

29.3 Transactions with related parties

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

	2023	2022
Advances received from ultimate controlling party	200,750,000	-
Payment of advances received from ultimate controlling party	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	1,375,508	1,356,559
Sales made to ultimate controlling party	33,051	7,789
Rental income from ultimate controlling party	-	22,090
Interest income from ultimate controlling party	195,185	-
Interest expense to ultimate controlling party	5,816,451	2,219,369
Payment of interest expense to ultimate controlling party	5,816,451	2,219,369

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

	2023	2022
Advances received from other related parties (Note 17.2)	252,920,000	105,506,586
Payment of advances received from other related parties (Note 17.2)	242,290,000	105,506,586
Purchases made from other related parties	1,776,029	1,202,395
Purchase made from other related parties	25,932	28,918
Sales made to other related parties	251,554	134,599
Rental income from other related parties	292,062	347,349
Interest expense to other related parties	2,226,785	853,494
Payment of interest expense to other related parties	2,226,785	853,494

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29. Balances and transactions with related parties (continued)

29.3 Transactions with related parties (continued)

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

	2023	2022
Advances received from Khan Bank (Note 17.2)	81,700,000	19,310,000
Payment of advances received from Khan Bank (Note 17.2)	70,997,225	9,310,000
Sales made to Khan Bank	138,672	22,002
Purchase made from Khan Bank	-	1,302,303
Interest expense to Khan Bank	555,651	194,904
Payment of interest expense to Khan bank	524,089	1,027,028

All transactions with related parties are on mutually agreed terms.

29.4 Compensation of key management personnel

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

	2023	2022
The total amount of salaries and bonuses of the Board members	223,885	195,413
The total amount of salaries and bonuses of the key management personnel	2,119,517	1,566,703

30. 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 2023 (none in 2022), the Group does not have any significant contingent liabilities.

30.1 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.

30.2 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.

30.3 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.

31. 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.

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31. 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.

31.1 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:

	2023	**2022**
Cash in bank	9,459,561	8,994,375
Deposit placed for lease stores	152,121	590,477
Trade and other receivables*	6,672,251	1,924,834
	16,283,933	**11,509,686**

**Excludes taxes receivable of MNT 1,358,657 thousand in 2023 and MNT 1,394,152 thousand in 2022.*

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

31.1 Credit risk management (continued)

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

	2023	2022
Impairment loss on trade and other receivables	-	(3,478)
Reversal of impairment loss on trade and other receivables	9,266	52,942
	9,266	**49,464**

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

	2023	2022
Domestic	2,554,928	1,012,147
Foreign	4,117,323	912,687
	6,672,251	**1,924,834**

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 2023 and 2022, 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.

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

31.1 Credit risk management (continued)

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

31 December 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%**

31 December 2022	**Gross carrying amount**	**Loss allowance**	**Credit impaired**
Neither past due nor impaired	1,913,329	-	0.00%
Past due 0-30 days	5,442	-	0.00%
Past due 31-60 days	559	-	0.00%
Past due 61-90 days	8	-	0.00%
Past due more than 91 days	1,776,571	(1,771,075)	99.68%
	3,695,909	**(1,771,075)**	**58.19%**

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:

	2023	**2022**
Balance at 1 January	1,771,075	1,843,519
Loss allowance	-	3,478
Reversal of loss allowance	(9,266)	(52,942)
Amounts written-off	-	(22,980)
Balance at 31 December	**1,761,809**	**1,771,075**

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.

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

31.2 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.

	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	355,330	763,004	1,720,356	2,957,133	2,286,324
	87,931,129	**42,982,522**	**68,367,123**	**143,842,442**	**343,123,216**	**296,042,690**

	On demand and less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total	Carrying amount
31 December 2022						
Trade and other payables (including non-current) *	15,913,627	1,543,430	1,839,888	33,585,213	52,882,158	48,032,075
Short-term and long-term borrowings	61,565,224	20,829,946	39,712,592	124,300,878	246,408,640	225,539,851
Short-term and long-term lease liabilities	93,446	186,891	557,326	118,446	956,109	890,057
	77,572,297	**22,560,267**	**42,109,806**	**158,004,537**	**300,246,907**	**274,461,983**

**Excludes taxes payable of MNT 4,549,593 thousand in 2023 and 3,922,058 thousand in 2022.*

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

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

31.3 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.

31.3.1 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:

	2023	2022
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(246,127,098)	(257,410,640)
Variable rate instruments		
Financial assets	-	-
Financial liabilities	(41,033,234)	-
	(285,984,917)	**(257,410,640)**

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 ended 31 December 2023 would increase or decrease by MNT 205,166 thousand (31 December 2022 nil). This is mainly attributable to the Group's exposure to interest rates on its floating interest rate borrowings.

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

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

31.3 Market risk (continued)

31.3.2 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 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)**

	USD	EUR	CNY	Other
31 December 2022				
Cash and cash equivalents	1,265,170	2,954,694	1,482,351	2,523,824
Trade and other receivables	48,494	263,079	1,579,473	27,764
Deposit placed for leased stores	68,892	477,316	44,269	-
Trade and other payables	(11,541,073)	(5,546,470)	(215,039)	(399,351)
Short-term and long-term borrowings	(27,848,430)	(81,233,377)	-	-
Lease liabilities	(111,185)	(273,152)	-	-
	(38,118,132)	**(83,357,910)**	**2,891,054**	**2,152,237**

The following significant exchange rates were applied during the year.

	Average rate		**Reporting date spot rate**	
(In MNT)	**2023**	**2022**	**2023**	**2022**
USD	3,466	3,141	3,466	3,445
EUR	3,747	3,302	3,792	3,669
CNY	490	466	480	495

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)

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

31.3 Market risk (continued)

31.3.2 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 after tax by the amount shown below. This analysis assumes all other risk variables remain constant.

	2023 profit / (loss) before tax		2022 profit / (loss) before tax	
	Strengthening (10% increase)	**Weakening (10% decrease)**	**Strengthening (10% increase)**	**Weakening (10% decrease)**
USD	7,478,361	(7,478,361)	3,811,813	(3,811,813)
EUR	8,780,083	(8,780,083)	8,335,791	(8,335,791)
CNY	(257,126)	257,126	(289,105)	289,105
Other	26,821	(26,821)	(215,224)	215,224

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.

31.4 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)

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

31.4 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:

	2023		2022	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Assets carried at amortised cost				
Cash and cash equivalents	9,491,111	9,491,111	9,034,919	9,034,919
Trade and other receivables	6,672,251	6,672,251	1,924,834	1,924,834
	16,163,362	**16,163,362**	**10,959,753**	**10,959,753**
Liabilities carried at amortised cost				
Trade and other payables	33,155,118	33,155,118	17,047,134	17,047,134
Short-term and long-term borrowings	242,389,573	242,389,573	225,539,851	225,539,851
Short-term and long-term lease liabilities	2,286,324	2,286,324	890,057	890,057
Other long-term payables	17,032,986	17,032,986	30,984,941	30,984,941
	294,864,001	**294,864,001**	**274,461,983**	**274,461,983**

32. 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)

32. Segment information (continued)

32.1 Segment revenue and results

		Segment revenue		Segment profit	
		2023	**2022**	**2023**	**2022**
Domestic sales	Knitwear	73,409,276	47,020,319	38,805,437	24,553,879
	Sewn	33,619,320	25,851,676	16,769,500	11,996,860
	Woven	32,291,323	17,001,136	15,675,431	8,602,065
	Service income	2,002,583	1,612,336	297,753	452,379
	Other	4,304,406	2,014,839	(52,857)	(473,011)
	Footwear	1,369,766	-	671,480	-
		146,996,674	93,500,306	72,166,744	45,132,172
Export sales /wholesale/	Knitwear	45,662,090	33,569,927	14,589,610	12,185,635
	Sewn	4,136,844	2,181,496	1,220,470	955,590
	Woven	7,594,053	8,672,411	2,147,805	3,299,531
	Other	2,089,427	1,161,679	1,302,926	631,145
	Footwear	2,340	-	769	-
		59,484,754	45,585,513	19,261,580	17,071,901
Export sales /online/	Knitwear	40,430,611	44,918,591	27,990,704	28,931,039
	Sewn	4,091,370	4,909,037	2,075,184	2,190,227
	Woven	4,543,578	4,509,048	3,115,043	2,366,370
	Other	39,586	5,114	(7,148)	(30,931)
	Footwear	63,943	-	37,064	-
		49,169,088	54,341,790	33,210,847	33,456,705
		255,650,516	**193,427,609**	**124,639,171**	**95,660,778**
Other income				5,002,286	1,162,425
Selling and distribution expenses				(73,593,361)	(61,767,484)
Administrative expenses				(19,733,240)	(14,138,399)
Reversal of impairment loss on financial assets				9,266	49,464
Other expense				(6,980)	(13,355)
Finance income				229,734	29,261
Finance costs				(36,523,753)	(30,979,282)
Profit before tax				**23,123**	**(9,996,592)**

No single customer contributed 10% or more to the Group’s revenue for both 2023 and 2022.

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

32. Segment information (continued)

32.2 Geographical information

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

	Revenue from external customers		Non-current assets	
	2023	**2022**	**2023**	**2022**
Mongolia	147,064,251	93,502,725	136,124,801	138,751,850
Asia Pacific	29,763,886	33,298,349	78,937	44,269
Europe	59,945,974	50,408,791	3,081,221	726,782
Russia	1,429,718	1,014,976	-	-
North America	17,386,232	15,202,334	5,038	228,693
Australia and New Zealand	60,455	434	-	-
	255,650,516	**193,427,609**	**139,289,997**	**139,751,594**

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.

33. 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.

34. Contractual obligations

The Group did not have any significant contractual obligations as at 31 December 2023 and 2022.

35. Events after the reporting period

As per Resolution No. 01 of the Board of Directors dated 26 January 2024, no dividends were declared in 2024.

Tavan Bogd Holdings LLC acquired 257,437,125 shares of Gobi JSC (representing 33% of Gobi JSC's issued shares) from Hide Inter LLC on 15 March 2024. As a result of the transaction, Tavan Bogd Holdings LLC owns 84.29% of Gobi JSC.

36. 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.