GOBI

GOBI JOINT-STOCK COMPANY

ANNUAL REPORT

2024

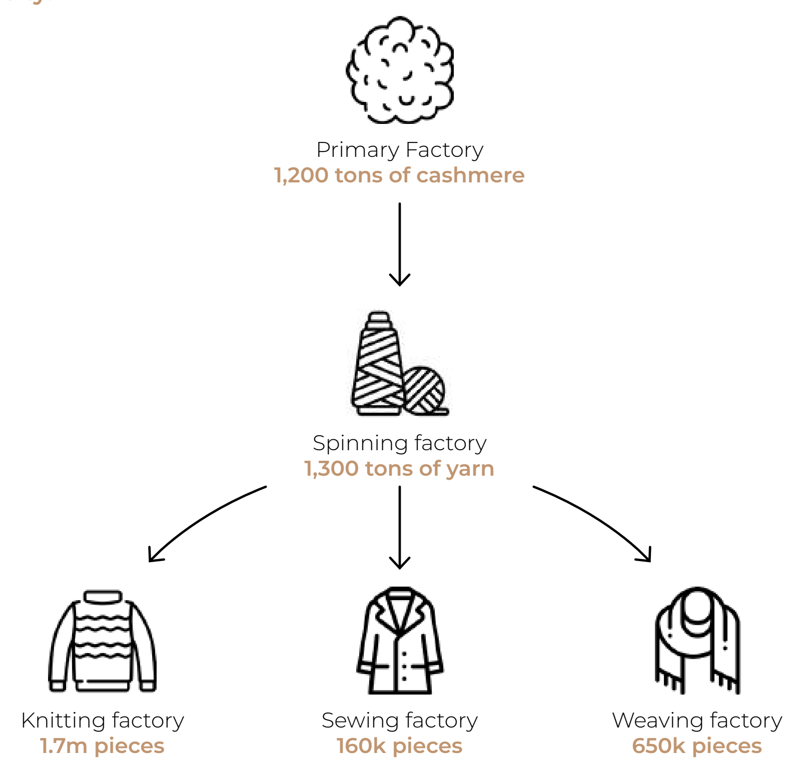
CONTENTS

OUR COMPANY

COMPANY OVERVIEW

Company Name:	" Gobi" Joint Stock Company
Business Activity:	Comprehensive processing of goat cashmere and manufacturing products
Registered Trading Organization:	Registered Trading Organization
Total Number of Issued Shares:	780,112,500
Company Management:	Chairperson of the Board: D. Gerelmaa CEO: B. Amarsaikhan
Date of Establishment:	September 5, 1981
Number of Employees:	1,652
Number of Stores:	**Local** Ulaanbaatar 2 Darkhan 1 E-commerce 1 **International** Subsidiaries 5 Branch Stores 2 Franchise Stores 8 E-commerce 6

Production Capacity:



TOTAL OF **2.5 MILLION PIECES** OF FINAL PRODUCTS PER YEAR

HISTORICAL MILESTONES

1981
Completion of the installation and adjustment of equipment for processing goat cashmere and camel wool, and the opening of the Gobi factory as the first facility within the framework of Mongolian-Japanese cooperation.

1987
Installation of the Japanese SET-092 knitting machine with automatic control.

1991
Gradual implementation of the international ISO-9000 standard, exporting 98% of the produced products, and becoming the first factory in Mongolia to receive the International Quality Trophy and certificate.

1993
Reorganization of Gobi into Gobi JSC by the resolution of the State Property Privatization Commission of Mongolia, registration on the Mongolian Stock Exchange, and trading of 25.1% of the total capital, or 1,919,061 shares, on the stock exchange.

1997
Launch of the Gobi-2 factory, the first in Mongolia to produce cashmere blankets, cashmere fabrics, drapes, and fine yarn.

1998
Expansion into international markets, establishing subsidiaries in Japan ("Altai"), Belgium ("Gobi Europe"), and the USA ("Gobi-USA"), and establishing partnerships with over 30 countries worldwide.

2000
Introduction of yarn dyeing technology and installation of the STOLL-330 knitting machine connected to a modern computer system.

2007
Full privatization of Gobi JSC after FCI LLC purchased 73.45% of the shares owned by the state through an international open auction.

2008
Opening of the new central store designed by renowned Japanese architect Sako Keichiro.

2009
Opening of a branch store in Tokyo, Japan, and signing a cooperation agreement with the Italian "VVA Consulting Company." Gradual technological upgrades at the Gobi factory.

2010
Signing a cooperation agreement with renowned Italian designer Saverio Palatella on the occasion of the 30th anniversary of the Gobi factory. Introduction of print technology in the Mongolian cashmere industry.

2011
Doubling of production capacity. Launch of the first collection "Gobi by Saverio Palatella" in collaboration with Saverio Palatella. Celebration of the 30th anniversary of Gobi JSC.

2012
Opening of a new branch store in front of the Central Post Office in Ulaanbaatar, bringing the company closer to its customers. Launch of the new Fall/Winter 2012 collection by Gobi by Saverio Palatella.

2013
Increasing production capacity and introducing the new Whole Garment technology for seamless knitwear.

2014
Launch of the "Gobi-Mongolian Organic Cashmere" brand, producing ready-made products from the four natural colors of Mongolian cashmere (white, light beige, brown, and blue-gray) without bleaching or dyeing.

2015
Independent implementation of the AMOEBA management system developed by the renowned Japanese company Kyocera.

2016
Public announcement of the company's goal to become the world's number one producer of 100% cashmere coats. Opening of the first official branch store in Germany.

2017
Launch of a new sewing factory with a capacity to produce 100,000 cashmere coats and jackets. Launch of the company's online store www.gobicashmere.com.

2018
Introduction of the Italian Bigagli spinning machine in the spinning factory, transitioning all knitting yarns to spinning, and improving yarn quality. Launch of mass production of cashmere jackets, becoming the world's leading producer of cashmere jackets.

2019
Successful merger of Gobi JSC with Goyo LLC, creating the largest merger in the industry.

2020
Awarded the State Order of Sukhbaatar. Opening of new online channels in Russia, France, Poland, Norway, Sweden, and the United Kingdom.

2021
1,500 employees of Gobi JSC became shareholders and investors in the company.

2022
Approval of the Sustainable Development Commitment by the Board of Directors, initiating the expansion of sustainable development activities in the areas of Environment, Society, and Governance (ESG). Obtaining ISO 14001:2015 and ISO 45001:2018 certifications for the integrated management system.

2023
Production and launch of the first cashmere shoes in Mongolia, advancing the development of cashmere products. Opening of the first branch factory in Khentii province.

2024
Rebranding to enhance brand recognition and expand the global presence, introducing a new logo, symbol and visual identity for the GOBI brand. Implementation of system upgrades, including PLM, ERP, MES systems, and the successful introduction of the Conveyor Belt system in the Mongolian light industry sector.

LETTER FROM THE CHAIRPERSON OF THE BOARD

Dear shareholders, greetings to you all!

Gobi JSC was established in 1981 and became a publicly traded company in 1993. As a company listed in the TOP-20 of the Mongolian Stock Exchange, we have continuously implemented international best practices in corporate governance, protecting the interests of our shareholders and all stakeholders, ensuring transparency of information, and continuously improving our governance system.

As a result, I am pleased to announce that in 2024, for the second consecutive year, we ranked first among publicly traded companies in Mongolia for the implementation of the "Corporate Governance Code" approved by the Financial Regulatory Commission.

In March of last year, significant changes occurred at the management level of our company. Ts. Baatarsaikhan, who had served as CEO since 2008, stepped down at his own request. Recognizing the skills and experience of B. Amarsaikhan, who held positions of CEO at Gobi Cashmere Europe LLC and Chief Strategy and Growth Officer at Gobi JSC, was appointed as the new CEO of Gobi JSC.

As a dynamic and capable representative of a new generation of leadership, the newly appointed CEO has undertaken a comprehensive rebranding initiative to elevate the GOBI brand on the global stage. This effort has been accompanied by major projects including structural reforms, digital transformation, organizational streamlining, and improved information flow. The Board of Directors has closely followed and supported the CEO's activities with appropriate guidance throughout.

In 2024, as part of our "Investor Relations Program," we implemented several initiatives to enhance engagement with minority shareholders. These included events to introduce new collections, factory tours, and open discussions between shareholders and both executive management and independent board members. We are pleased to report that, as of year-end 2024, the number of shareholders increased by 4.8%, reaching 25,000—an encouraging sign of growing investor confidence.

Sustainable development principles are embedded throughout all levels of our operations. The Board of Directors has paid particular attention to environmental, social, and governance (ESG) matters, ensuring diligent oversight over the commitments we have made through our approved sustainability agenda.

One of the most significant achievements in this area was the development of a comprehensive Sustainable Development Policy. In collaboration with an independent professional advisory firm, we conducted phased training and consultations with the Board and management team, leading to the establishment of strategic policies on climate change, human rights, gender equality, and social responsibility.

To ensure compliance with these policies and to continuously improve our sustainable development activities, we plan to establish an ESG committee under the Board of Directors in 2025, learning from international trends and best practices in governance.

Among the year's highlights, we take special pride in having been recognized during the Mongolian Labor Market Summit: Good Workplace Awards 2024 as the "Best Employer Supporting Women's Career Growth." As a company where over 70% of the workforce are women, this award affirms our policies to foster employee development and uphold equal opportunity.

Our most valuable assets are our employees, customers, partners, shareholders, and all stakeholders. It is your support and trust that fuel our progress and inspire our continued success.

Looking ahead, we shall strive to expand our global market presence, implement our sustainable development policies with perseverance, and engage with our investors in a more open and effective manner.

On behalf of the Board of Directors of Gobi JSC, I extend my best wishes for your continued health, success, and well-being.

With highest regard,

D. GERELMAA
Chairperson of the Board of Directors

LETTER FROM THE CHIEF EXEVUTIVE OFFICER

Dear shareholders, employees, clients, and partners,

I extend my warmest greetings to you.

The year 2024 marked a remarkable chapter for Gobi JSC—one of transformation, renewal, and growth. At the beginning of this year, I was appointed as the Chief Executive Officer, a position that is both a great honour and an immense responsibility, entrusted with leading a company that has proudly stood for 43 years.

My foremost commitment is to uphold our core values while steering the company toward innovation and expansion. We remain steadfast in our mission to elevate the GOBI brand—Mongolia's leading name in cashmere—onto the global stage through a strategy grounded in sustainable development and technological advancement.

In 2024, Gobi JSC recorded MNT 247 billion in revenue. Of this, 66% was generated from local sales, 24% from ODM sales, and 10% from global sales.

To support local sales, we introduced a loyalty program for our loyal customers, completely renovated the appearance of our central store, and created a more comfortable service environment for our customers. For the foreign market, we changed our marketing strategy, focusing on organic growth and increasing brand value, and worked to improve profitability.

In our efforts to strengthen the global positioning of Gobi JSC and enhance competitiveness at the international level, we carried out a comprehensive rebranding initiative in 2024. As a result, the GOBI brand now proudly bears a new emblem, logo, symbol and refreshed visual identity—ushering in a new era of brand recognition.

We also introduced the 6S methodology across the company, transforming both factory and office spaces to foster orderliness and efficiency. This initiative has significantly improved productivity, streamlined communication flows, and enhanced team collaboration and decision-making speed, contributing to more effective management practices.

With a vision to automate business operations and increase performance, we have successfully implemented the SAP S/4 HANA ERP system across the entire organization. Notably, for the first time in the history of Mongolia's light industry, we launched the MES (Manufacturing Execution System) and production line systems. These implementations have enhanced production efficiency, process optimization, and empowered more agile and precise financial management and decision-making.

On the design front, we expanded our product range. Alongside new collections of cashmere footwear, we launched fresh items such as caps, handbags, and the innovative CashmereTECH jacket. These introductions have widened the scope of cashmere usage, affirming that this noble fibre can enrich a diverse lifestyle—not merely through garments, but through a range of modern essentials. We shall continue to develop and launch innovative, market-responsive products.

Today, we are working together as one team—with our new-generation management team, employees, shareholders, clients, and partners—for the advancement of a growing and thriving company. I would like to emphasize that the success of our company stems not only from its leadership, but also from the dedication of every employee, the trust of our customers, and the steadfast support of our shareholders.

Looking forward, we shall remain devoted to supporting the development and engagement of our employees—our most treasured assets—while fostering greater productivity and satisfaction. It is our unwavering resolve to retain our leadership in Mongolia's cashmere industry and emerge as an innovation-driven enterprise that upholds sustainable development, all while transforming the GOBI brand into a globally renowned name.

Let's achieve new milestones together!

Sincerely,

Chief Executive Officer

B. AMARSAIKHAN

GOBI IN
2024

OUR ACHIEVEMENTS AND HIGHLIGHTS

February

Signed a memorandum of understanding for cooperation within the framework of the "Gobi Academy" with the Mongolian-Korean Polytechnic College.

Received the international "OEKO-TEX STANDARD 100" certification for ready-made products in Mongolia for the first time, funded by UNIDO.

March

In March, a ceremony was held to appoint the new CEO, and B. Amarsaikhan was appointed as the CEO.

S/4 HANA

Successfully implemented the SAP S/4 HANA ERP system in our operations.

Signed a cooperation agreement with the Asian Development Bank to implement a pilot project on "Adapting Herders to Climate Change through Group Adaptation and Establishing Sustainable Pasture Management."

Organized a celebration meeting for all employees in honor of the 90th anniversary of the light industry.

April

The internal control laboratory has become an accredited testing laboratory.

May

Successfully installed the world's number one advanced technology Italian "BIGAGLI" spinning machine, increasing the capacity of the spinning factory.

June

Reopened the renovated "Flagship Store" with a new look. Organized an official opening event, where guests toured the factory and learned about the production process.

July

Launched the rebranding initiative at the beginning of the year to enhance brand recognition and expand the market, introducing the new logo and color scheme of the GOBI brand.

September

Successfully organized the regular factory tour for shareholders. Company management and board members held a meeting with shareholders for open discussion.

Recognized as the "Best Employer Supporting Women's Career Growth" at the Mongolian Labor Market Summit: Good Workplace Awards 2024.

October

Initiated the process of introducing the MES (Manufacturing Execution System) and Conveyor Belt system in the history of Mongolia's light industry sector.

Declared Gobi JSC's goal to become an "Employee-Centered Organization."

The Gobi brand's Fall/Winter 2025 collection received the Grand Prix as the "Best of the Best Product."

November

Successfully continued negotiations to sign an exclusive cooperation agreement with FC Barcelona's subsidiary BLM and its partner New Era.

December

Under the "Authorized Economic Operator Program" implemented by the General Customs Administration, Gobi JSC officially received the "Authorized Economic Operator" certificate.

Recognized as the "Best Social Security Contributor Employer."

REBRANDING

To enhance international brand recognition and expand its market, Gobi JSC initiated a rebranding effort at the beginning of the year. The company unveiled the GOBI brand's new emblem, updated logo, and refreshed visual identity.

GOBI

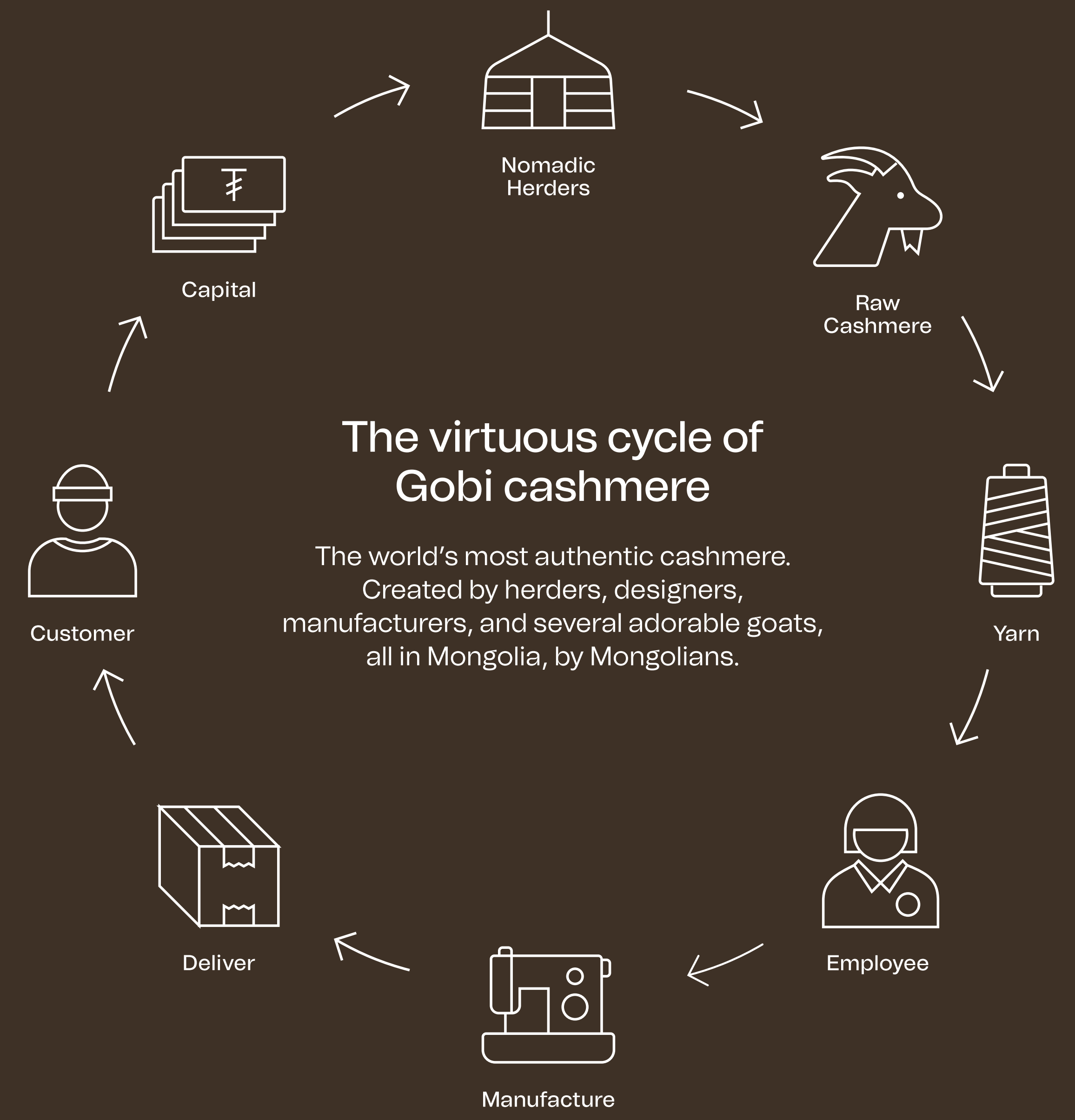
GOAT | HERDERS | EMPLOYEES | CUSTOMERS

The new emblem of GOBI symbolizes the key stakeholders involved in the creation process of cashmere products.

Truly Mongolian.

25% of the Mongolian population are herders.

1/3 of the yearly income of herders is from the cashmere industry.



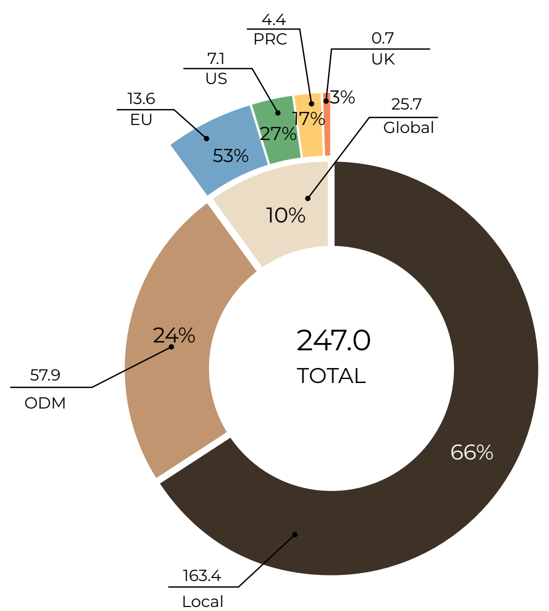
The virtuous cycle of Gobi cashmere

The world's most authentic cashmere. Created by herders, designers, manufacturers, and several adorable goats, all in Mongolia, by Mongolians.

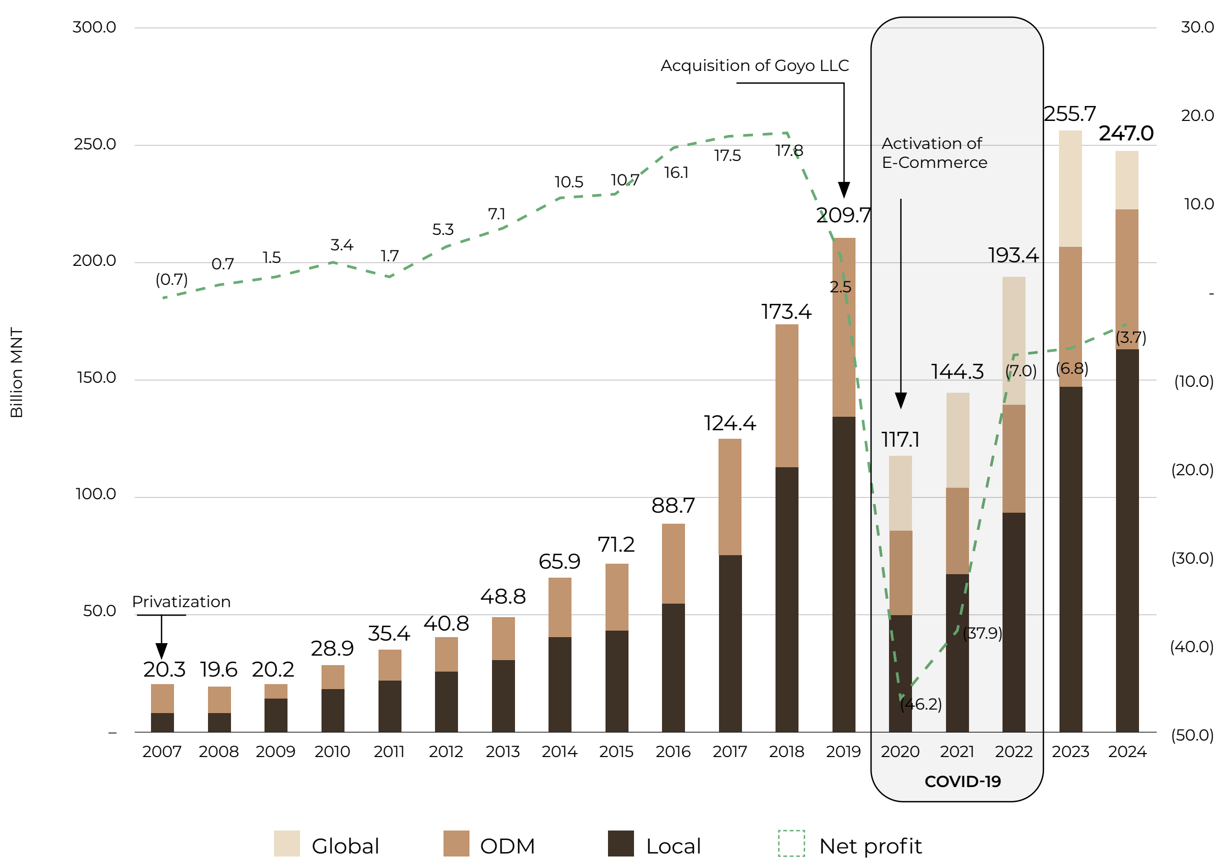
1981-2005 | 2005-2012 | 2012-2018 | 2018-2014 | 2024

FINANCIAL RESULTS FOR 2024

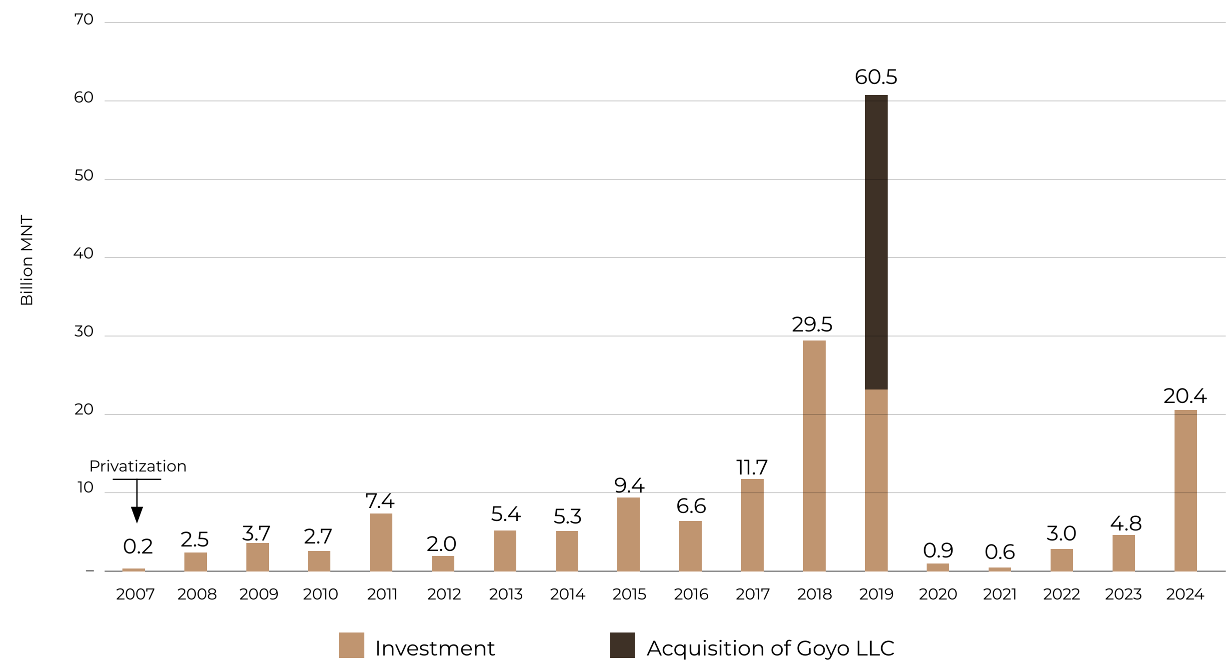
REVENUE BY SEGMENT (Billion MNT, %)



SALES AND NET PROFIT (Billion MNT)

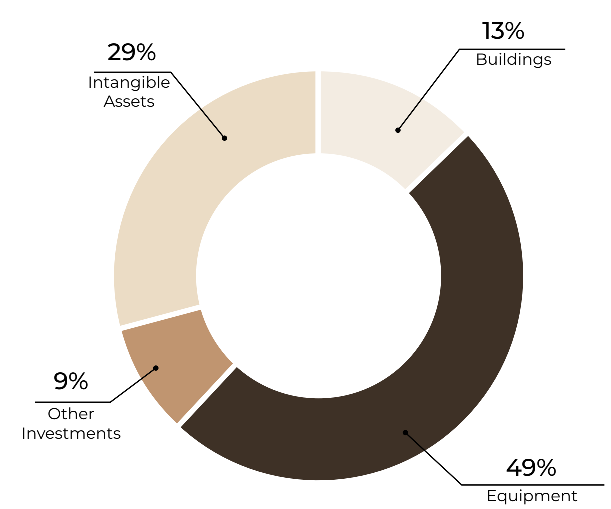


INVESTMENT



Since the privatization in 2007, a total of 176.5 billion MNT has been invested. Of this amount, 60.5 billion MNT was invested in 2019. Specifically, 23.2 billion MNT was allocated to Gobi JSC's buildings, equipment, and other investments, while the remaining 37.3 billion MNT was related to the acquisition of Goyo LLC.

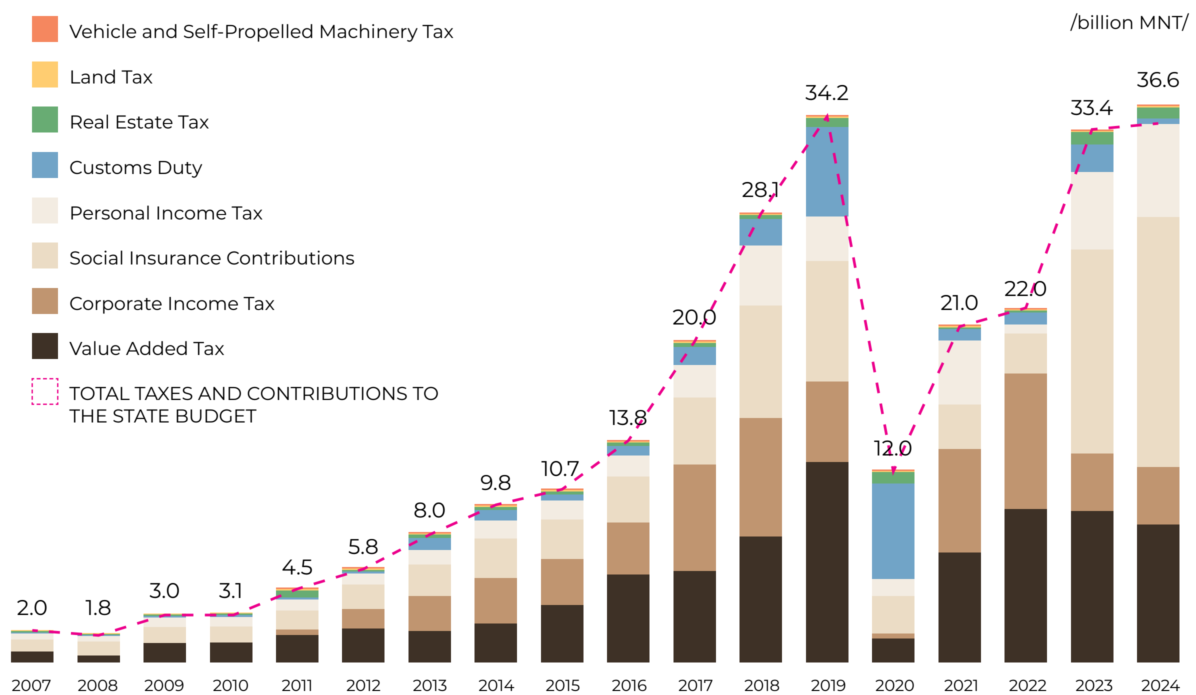
Investment in 2024



In 2024, a total of 20.4 billion MNT was invested, with 49% (9.9 billion MNT) allocated to equipment, 13% (2.7 billion MNT) to buildings, 29% (5.9 billion MNT) to intangible assets, and 9% (1.8 billion MNT) to furniture and other tangible assets.

TAXES AND CONTRIBUTIONS TO THE STATE BUDGET (BILLION MNT)

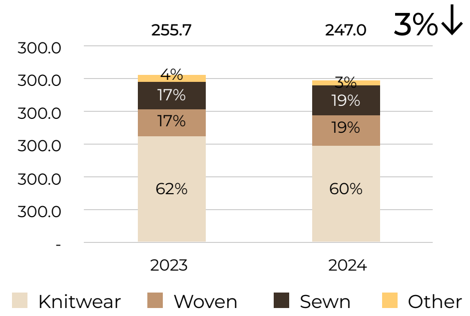
Since 2007, Gobi JSC has contributed a total of 269.9 billion MNT to the Mongolian tax authorities. In 2024, 36.6 billiion MNT was paid in taxes and contributions to the state budget. Detailed breakdown by type and year is provided below.



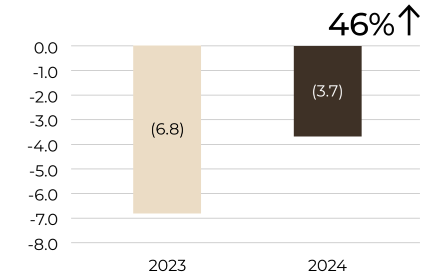
KEY FINANCIAL INDICATORS FOR 2024

INDICATOR	Unit	2023	2024	Change amount	Change %
SALES REVENUE	million MNT	255,651	**247,026**	(8,624)	-3%
of which: Local Sales	million MNT	146,997	**163,359**	16,362	11%
ODM Sales	million MNT	59,485	**57,934**	(1,550)	-3%
Global Sales	million MNT	49,169	**25,733**	(23,436)	-48%
Units Sold	thousand pcs	1,153	**1,055**	(98)	-9%
COST OF GOODS SOLD	million MNT	131,011	**138,552**	7,541	6%
GROSS PROFIT	million MNT	124,639	**108,474**	(16,165)	-13%
Gross Profit Margin	percentage	49%	**44%**	-5%	-10%
Operating Expenses	million MNT	124,142	**110,473**	(13,670)	-11%
of which: Marketing Expenses	million MNT	27,803	**9,409**	(18,393)	-66%
OPERATING PROFIT	million MNT	497	**(1,999)**	(2,496)	-502%
Operating Profit Margin	percentage	0%	**-1%**	-1%	-516%
Non-Operating Expenses	million MNT	474	**(425)**	(899)	-190%
Profit Before Tax	million MNT	23	**(1,574)**	(1,597)	-6905%
NET PROFIT / (LOSS)	million MNT	(6,768)	**(3,657)**	3,111	46%
Net Profit Margin	percentage	-3%	**-1%**	1%	44%
Total Operating Expenses	million MNT	255,154	**249,025**	(6,129)	-2%
PRODUCTION	thousand pcs	1,040	**1,005**	(35)	-3%
Knitwear Products	thousand pcs	742	**653**	(89)	-12%
Woven Products	thousand pcs	264	**323**	59	22%
Sewn Products	thousand pcs	34	**29**	(5)	-14%
of which: Coats	thousand pcs	18	**16**	(2)	-9%
Blazers	thousand pcs	5	**5**	(0)	-2%
Yarn	tons	273	**191**	(82)	-30%
NUMBER OF EMPLOYEES	persons	1,765	**1,652**	(113)	-6%
Revenue per Employee	thousand MNT	144,844	**149,532**	4,687	3%
INVESTMENT	million MNT	4,809	**20,354**	15,545	323%
TOTAL LIABILITIES	million MNT	311,950	**304,820**	(7,130)	-2%
of which: Bank Loans	million MNT	237,319	**228,136**	(9,183)	-4%
TOTAL ASSETS	million MNT	311,784	**306,277**	(5,506)	-2%
of which: Inventory	million MNT	142,521	**122,708**	(19,813)	-14%

SALES REVENUE
(billion MNT)

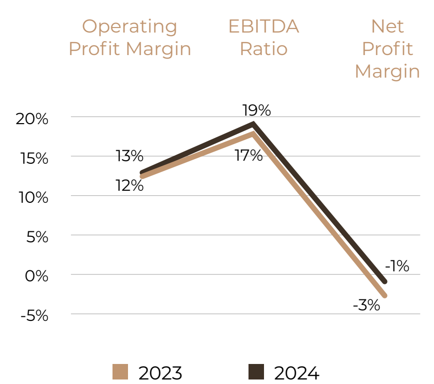


NET PROFIT
(billion MNT)

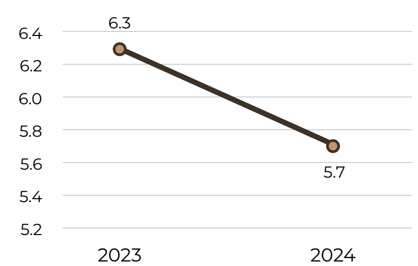


In 2024, total sales revenue amounted to MNT 247 billion. Breaking this down by category, knitwear products accounted for 60%, woven and sewn products each accounted for 19%, and other products accounted for 3%. The Company recorded a net loss of MNT 3.7 billion in 2024, representing a 46% reduction in losses compared to the previous year. The loss for the reporting period exceeded 30% of the Company's equity as of the end of the reporting period.

PROFITABILITY INDICATORS

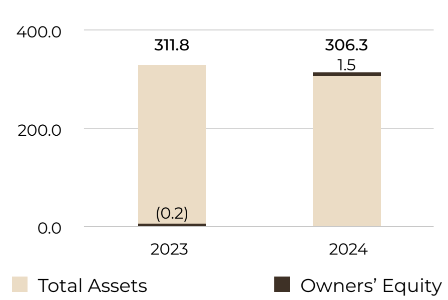


LIABILITIES / EBITDA

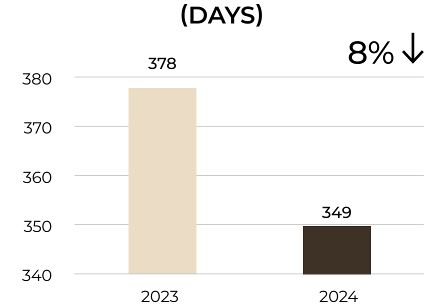


Compared to 2023, operational performance in 2024 improved as follows: the operating profit margin increased by 1 percentage point, the EBITDA margin by 2 percentage points, and the net profit margin by 2 percentage points. Additionally, the debt-to-EBITDA ratio improved to 5.7.

TOTAL ASSETS
(BILLION MNT)

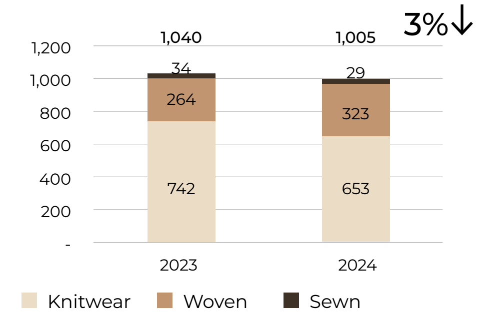


INVENTORY TURNOVER
(DAYS)

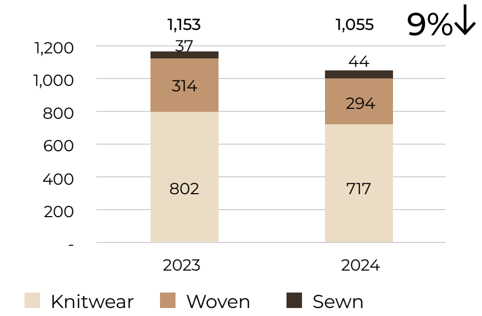


In 2024, raw material procurement was kept to a minimum, and inventory reduction measures were implemented, which led to a 8% decrease in inventory turnover days compared to 2023, bringing it down to 349 days.

NUMBER OF PRODUCTS
MANUFACTURED
(thousand pcs)

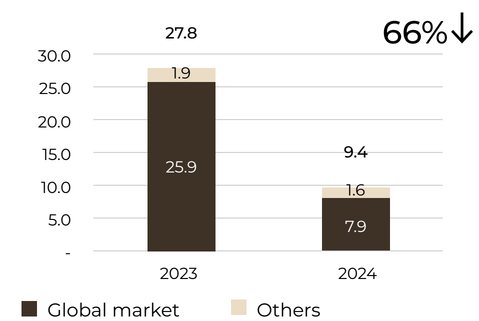


UNITS SOLD
(thousand pcs)



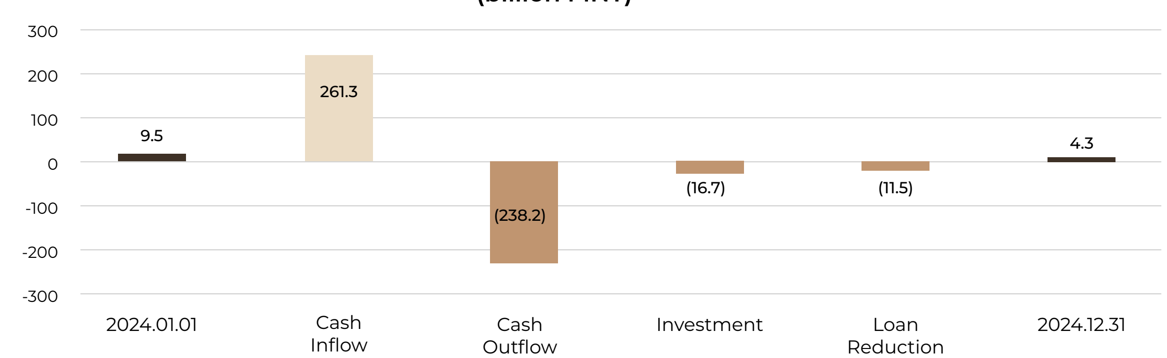
In 2024, the number of products manufactured decreased by 3%, and the number of products sold decreased by 9%.Woven products accounted for 32% of total production, representing a 7 percentage point increase from the previous year.

MARKETNG EXPENSE
(billion MNT)



Marketing expenses amounted to MNT 9.4 billion in 2024, a 66% decrease compared to the previous year. 83% of total marketing expenses were spent on foreign markets. Expenses to promote global market was reduced by 70% from the previous year, totaling MNT 7.9 billion. Return on Advertising Spend (ROAS) in foreign markets improved to MNT 4.2 in revenue per MNT 1 spent. In efforts to enhance profitability at the subsidiary level, the discount rate was reduced by 7.1 percentage points.

CASH FLOW
(billion MNT)



In 2024, cash inflows from operating activities totaled MNT 261.3 billion, representing a 3% decrease from 2023.
Cash outflows amounted to MNT 238.2 billion, of which: MNT 92.0 billion was spent on operational expenses, MNT 82.6 billion on payments to suppliers, MNT 39.6 billion on tax expenses, and MNT 24.2 billion on financing costs. Capital expenditures totaled MNT 16.7 billion in 2024.
Net cash flow from financing activities was negative MNT 11.5 billion.

FINANCING INFORMATION

Financier's Name	Currency	Дуусах хугацаа	2023.12.31		2024.12.31	
			thousand currency	thousand MNT	thousand currency	thousand MNT
Bank Loans						
Golomt Bank (Long-term Loan)	MNT	2025	-	13,333,333	-	**3,333,333**
Golomt Bank (Credit Line)	MNT	2026	-	48,950,000	-	-
	USD	2026	-	-	-	-
Golomt Bank (Short-term Loan)	MNT	2025	-	-	-	**9,300,000**
Golomt Bank (Short-term Loan)	MNT	2025	-	-	-	**10,400,000**
Khan Bank банк (Credit Line)	MNT	2025	-	6,500,000	-	-
Khan Bank (Long-term Loan)	MNT	2024	-	4,202,775	-	-
Khan Bank (Short-term Loan)	MNT	2024	-	10,000,000	-	-
Xac Bank (Credit Line)	MNT	2026	-	-	-	**36,210,000**
Xac Bank (Short-term Loan)	MNT	2024	-	16,666,667	-	-
Xac Bank (Short-term Loan)	MNT	2025	-	-	-	**8,333,333**
Arig Bank (Short-term Loan)	MNT	2024	-	14,500,000	-	-
Asian Development Bank (ADB)	USD	2026	-	-	**$ 14,400**	**49,251,600**
Asian Development Bank (ADB)	USD	2026	$ 12,000	40,928,280	**$ 9,600**	**32,834,400**
International Investment Bank (IIB)	EUR	2027	€ 8,000	30,333,280	**€ 8,000**	**28,535,840**
International Investment Bank (IIB)	EUR	2027	€ 14,000	53,083,240	**€ 14,000**	**49,937,720**
Total (Bank Loans)				**238,497,575**		**228,136,227**
Бондын санхүүжилт						
Bond (Short-term Loan) *	USD	2025	-	-	**$ 3,250**	**11,115,813**
Total Financing				**238,497,575**		**239,252,039**

MongolBank rate (MNT)

	2023.12.31	2024.12.31
USD	3,410.69	3,420.25
EUR	3,791.66	3,566.98

* Within the framework of the "Gobi Bond 2" financing initiative, Gobi JSC received approval on April 23, 2024, from the relevant authority to issue a closed offering bond amounting to USD 16,800,000, with a term of 12 months and an annual coupon rate of 8.5%. As of March 31, 2025, a total of USD 3,250,000 in bonds had been raised from investors.

SIGNIFICANT TRANSACTIONS

No significant transactions were made during the reporting period.

CONFLICT OF INTEREST TRANSACTIONS

Date	Contract Description	Amount	Contracting Party	Contract Terms and Conditions	Start Date	End Date	Approved By
2024.05.02	Amendment to Khan Bank's credit line agreement	**Increased credit limit by 8 billion MNT**	Khan Bank	Amendment to the joint credit line agreement with Tavan Bogd Holdings LLC and its subsidiaries	2024.05.12	2025.05.25	Board Resolution No.21
2024.12.31	Credit line agreement	**83 billion MNT**	Khan Bank	Joint credit line agreement with Tavan Bogd Holdings LLC and its subsidiaries	2024.12.31	2027.12.31	Board Resolution No. 41

Process for Approval and Monitoring of Conflict of Interest and Related Party Transactions

According to Gobi JSC's "Procedure for Conflict of Interest Transactions," at the beginning of each year, the list of entities with unified interests and the budget for transactions necessary for the company's daily operations are approved by the majority vote of independent members of the Board of Directors. Transactions not included in the approved list or exceeding the approved budget are discussed and approved by the Board of Directors through specific resolutions. The Risk and Audit Committee of the Board regularly monitors whether conflict of interest transactions are conducted within the approved budget, at market prices and conditions, and in compliance with the law through quarterly committee meetings. For 2024, the list of related parties and the budget were approved by Board Resolution No. 03 on January 26, 2024, allowing the purchase and sale of goods and services necessary for the company's daily operations at market prices and conditions. Information about Gobi JSC's entities with unified interests and ultimate owners can be found on page 78 of this report.

2024 TRANSACTIONS AND BALANCES WITH RELATED PARTIES /thousand MNT/

1. BALANCES WITH RELATED PARTIES

At the end of the reporting period, the balances with related parties are as follows:

	2023	2024
Receivables from Related Parties		
Other Related Parties	129,632	**70,162**
Payables to Related Parties /Short-term)		
Ultimate Parent Entity	13,642,760	**25,309,850**
Fellow Subsidiaries	10,630,000	-
Other Related Parties	703	-
Payables to Related Parties (Long-term)		
Ultimate Parent Entity	17,032,986	-
Loans from Related Parties		
Other Related Parties	20,475,228	-

The long-term payable to the related party is related to the purchase of shares of Goyo LLC from Tavan Bogd Holdings LLC through a loan. No assets were pledged under this agreement.

No collateral or provision for doubtful debts has been established for the balances with related parties.

2. TRANSACTIONS WITH RELATED PARTIES

The following transactions were made with the Group's ultimate parent company, Tavan Bogd Holdings LLC:

	2023	2024
Advances received from the ultimate parent company	200,750,000	**177,957,846**
Repayment of advances received from the ultimate parent company	200,750,000	**183,297,808**
Advances given to the ultimate parent company	18,950,000	-
Repayment of advances given to the ultimate parent company	18,950,000	-
Purchases from the ultimate parent company	1,375,508	**1,379,271**
Sales to the ultimate parent company	33,051	**22,792**
Interest expense payable to the ultimate parent company	5,816,451	**4,378,356**
Interest expense paid to the ultimate parent company	5,816,451	**4,378,356**

The following transactions were made with other related parties under the Group's consolidated control:

	2023	2024
Financing received from other related parties	252,920,000	**325,232,000**
Repayment of financing received from other related parties	242,290,000	**335,862,000**
Purchases from other related parties	1,776,029	**1,715,066**
Purchases from other related parties	25,932	-
Sales to other related parties	251,554	**174,981**
Rental income from other related parties	292,062	**304,733**
Interest expense payable to other related parties		**2,575,220**
Interest expense paid to other related parties	2,226,785	**2,575,220**

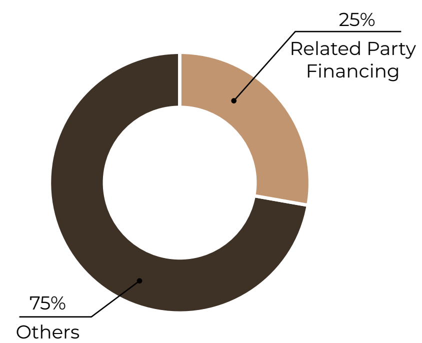
The following transactions were made with Khan Bank, a subsidiary of the ultimate parent company:

	2023	2024
Financing received from Khan Bank	81,700,000	**148,311,216**
Repayment of financing received from Khan Bank	70,997,225	**169,011,431**
Sales to Khan Bank	138,672	**231,895**
Interest expense payable to Khan Bank	555,651	**478,232**
Interest expense paid to Khan Bank	524,089	**531,164**

All transactions with related parties were conducted under mutually agreed terms.

3. COMPARISON OF TRANSACTIONS WITH RELATED PARTIES

• **Financing Costs**	2023	2024
Total Financing Costs	31,150,837	**30,117,480**
Financing Costs from Related Parties	8,598,888	**7,431,806**
Percentage Share (Related Party)	28%	**25%**

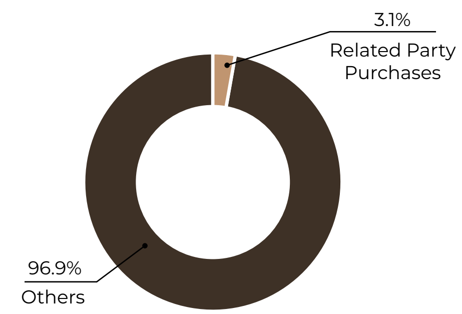


In 2024, Gobi JSC paid 7,431,806 thousand MNT in financing costs to related parties, which represents 25% of the total financing costs. The average interest rate on financing received from related parties is 13.2% for MNT and 7.7% for USD.

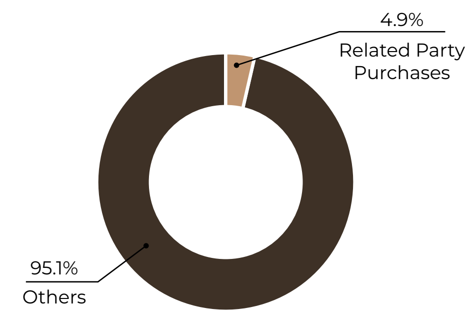
Note: Related parties do not require financial ratios or collateral for the financing provided.

• **Purchases**	2023	2024
Total Purchases	102,285,245	**94,696,681**
International Purchases	22,143,070	**34,037,838**
Domestic Purchases	80,142,175	**60,658,842**
Purchases from Related Parties	3,040,428	**2,960,699**
Proportion of Related Party Purchases to Total Purchases	3.0%	**3.1%**
Proportion of Related Party Purchases to Domestic Purchases	3.8%	**4.9%**

TOTAL PURCHASES



DOMESTIC PURCHASES



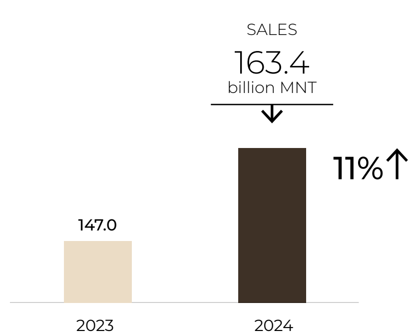
In 2024, Gobi JSC's purchases from related parties amounted to 2,960,699 thousand MNT, representing 3.1% of total purchases (3.0% in 2023).

Purchases from related parties were made at market prices.

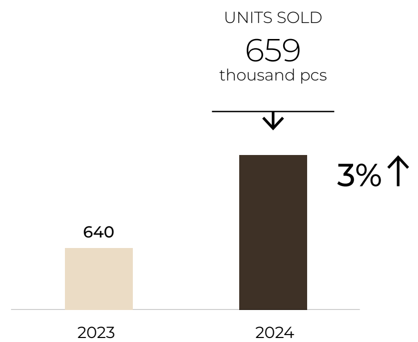
Note: All transactions with related parties were conducted in accordance with Gobi JSC's "Procurement Policy," "Order Acceptance, Procurement, and Delivery Procedure," "Service Procurement Procedure," and "Selection Committee Procedure," based on price comparison studies and approved by the selection committee, ensuring no preferential treatment was given.

OUR OPERATION

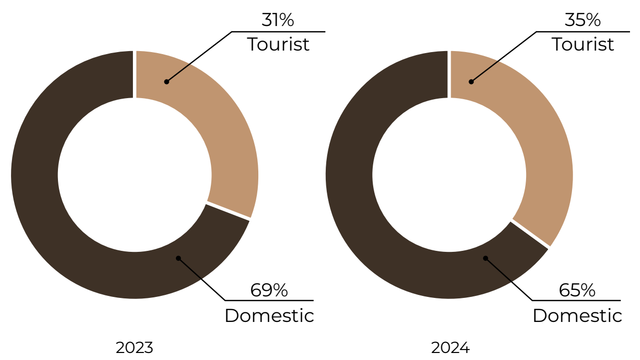
LOCAL SALES



In 2024, the local market achieved sales of 163.4 billion MNT, reflecting an 11% increase from the previous year.

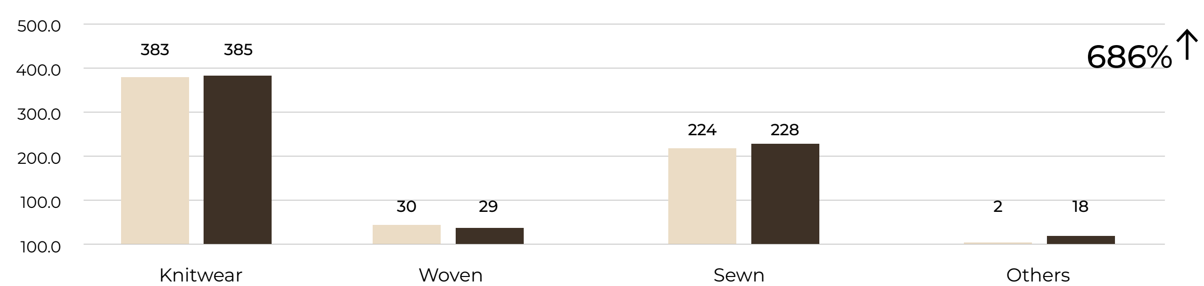


In 2024, 659 thousand units were sold in the local market, representing a 3% increase compared to the previous year.



Within the local market, sales to tourists accounted for 35% of the total value.

PRODUCT TYPES SOLD
(thousand pcs)



Breaking down the products sold by category, knitted products accounted for 58%, sewn products for 4%, woven products for 35%, and other products for 3%.

In 2024, the local market saw the introduction of various new products, including cashmere shoes, bags, jackets, and leather gloves. This led to a significant 686% increase in sales of outsourced products, produced in collaboration with foreign contract manufacturers.

HIGHLIGHTS

Opened a new branch for dry cleaning and repair services inside the E-Mart Khan-Uul branch.

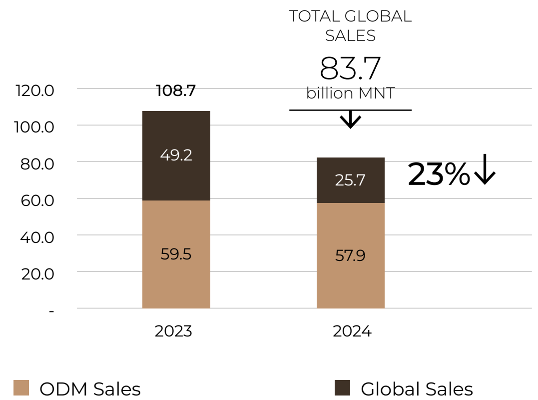
Organized an event to introduce the 2024 fall and winter collection to VIP customers, shareholders, and stakeholders from travel companies.

A season-opening event for the tourism sector was held, where cooperation plans for the tourist season were presented to 217 invited guests, including guides, drivers, and tour company representatives, thereby initiating collaboration.

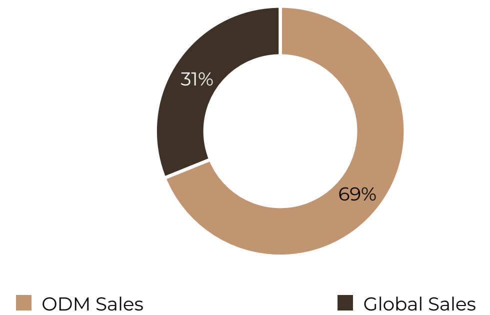
The main department of the Flagship Store underwent renovation and modernization. An official reopening ceremony was held, where attending guests toured the factory and became acquainted with the product creation process.

Negotiations regarding the official merchandising license agreement with FC Barcelona (BARÇA) progressed successfully, and Club President Joan Laporta was welcomed at the Galleria branch store.

Gobi was selected in the tender for the airport branch and obtained the right to open a store. Preparations are underway for its opening in the first quarter of 2025.



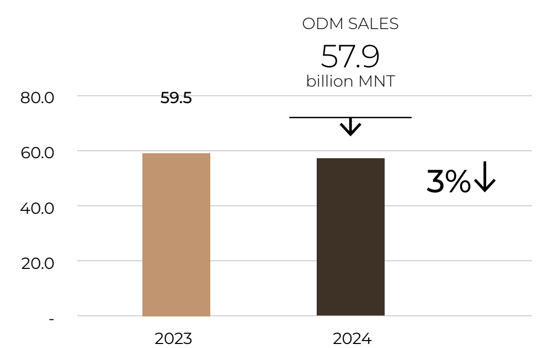
GLOBAL MARKET SALES COMPOSITION



In 2024, total sales in the global market amounted to 83.7 billion MNT, reflecting a 23% decrease compared to the previous year.

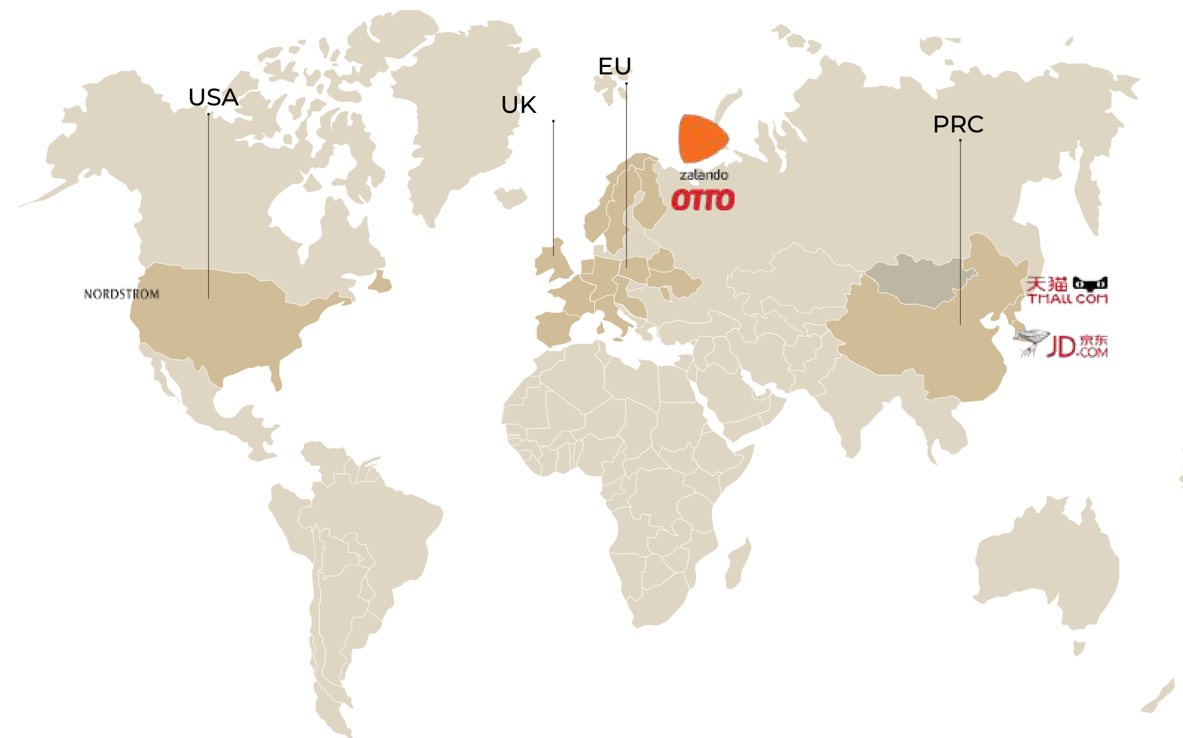
Breaking down the global market sales structure, 69% were export or wholesale sales, while 31% were sales from subsidiaries abroad, including online and physical store sales.

ODM SALES



Regarding ODM sales, our company follows a policy of collaborating with a few high-quality strategic partners. In 2024, we supplied products to 50 clients, achieving sales of 57.9 billion MNT.

As of the end of 2024, we are operating 8 franchise stores in 7 cities across 3 countries.



WEBSITES

EU

- www.gobicashmere.com
- www.gobicashmere.com/DE
- www.gobicashmere.com/FR

UK

- www.gobicashmere.com/UK

US

- www.gobicashmere.com/US

CN

- www.gobicashmere.cn

PLATFORMS

EU

- Zalando: DE, AUT, FR, SWE
- Nordstorm: US
- OTTO: DE

CN

- TMALL, JD

BRANCH STORES

Germany

- Berlin
- Düsseldorf

In late 2024, two new sales channels were established in the markets of the European Union and the United States as part of the effort to expand foreign sales channels.

In October 2024, the company began offering its products on Nordstrom, a renowned premium online retailer in the U.S., thereby coming one step closer to its target customers. In December 2024, sales also commenced on OTTO, Germany's second-largest e-commerce platform by ranking.

Launching sales through these channels during peak season contributed positively to the overall sales performance of 2024.Additionally, in November 2024, a four-month pilot Pop-up store was opened at the famous Roosevelt Field Mall in New York City, USA. This allowed for effective product presentation to target customers within a short time frame.

SALES OVERVIEW

Sales Channel	Sales (million MNT)		Change %	Share in Sales %
	2023	2024		
Website	43,621	**18,047**	-59%	70%
Branch Stores	3,894	**4,112**	6%	16%
Platforms	1,654	**3,575**	116%	14%
TOTAL	**49,169**	**25,733**	**-48%**	**100%**

When foreign sales are broken down by channel: Online sales via the website totaled 18.0 billion MNT, a 59% decrease compared to the previous year. Sales from the two physical stores in Germany amounted to 4.2 billion MNT, showing a 6% increase. Sales through online platforms such as Zalando, Nordstrom, and OTTO reached 3.6 billion MNT, marking a 116% increase year-on-year.

KEY PERFORMANCE INDICATORS

Market	CTR			CR			CPA		
	2023	2024	Change %	2023	2024	Change %	2023	2024	Change %
EU, US, UK	43,621	**18,047**	+46%	2.24%	**1.58%**	%	$65.15	**$48.41**	-26%
PRC	3,894	**4,112**	+23%	0.70%	**0.72%**	+3%	¥185.10	**¥109.40**	-41%

Explanation of Indicators

CTR /click through rate/
- The percentage of total advertisement impressions that result in a click or user action.

CR /conversion rate/
- The percentage of total website visits that lead to a completed purchase.

CPA /cost per acquisition/
- The digital marketing expenditure incurred to generate a single order.

HIGHLIGHTS

NPDI x GOBI Collaboration

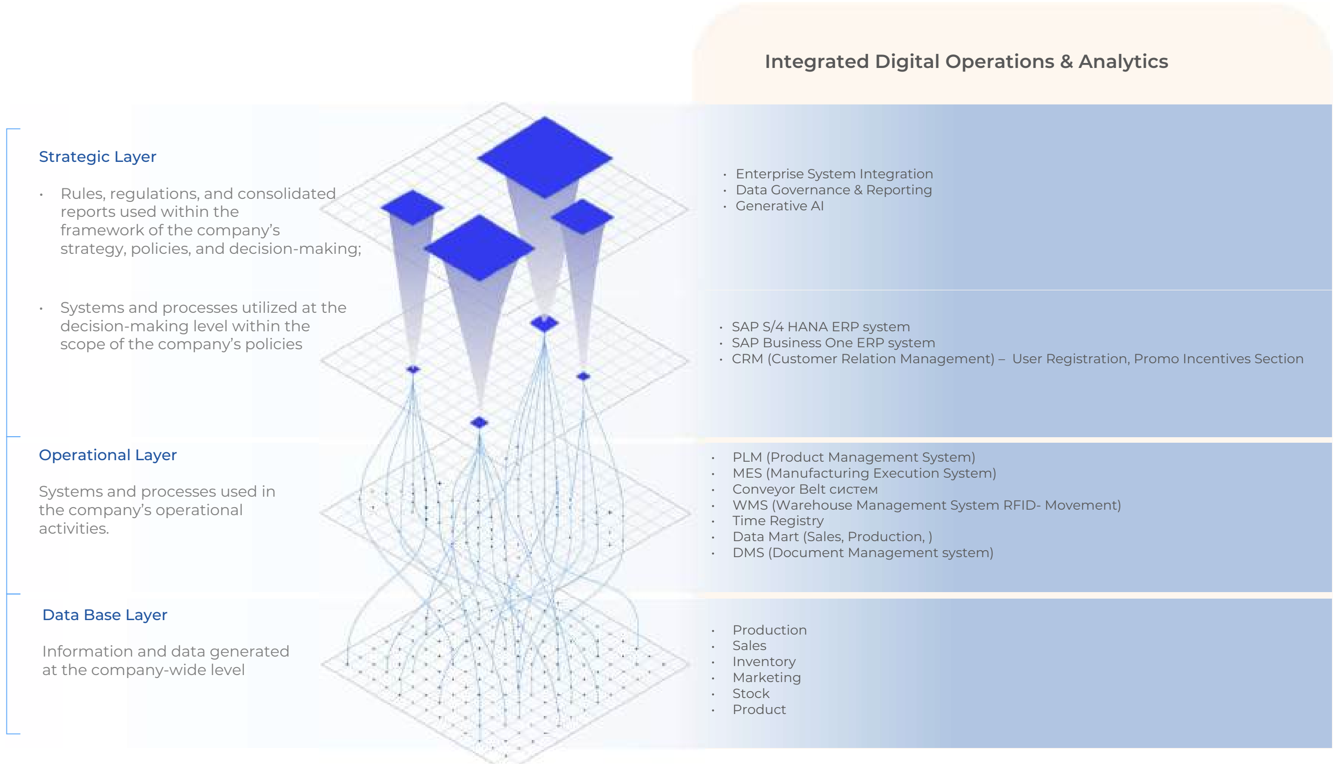
Since 2023, the company has been implementing phased initiatives in partnership with SEO (Search Engine Optimization) firms to improve brand visibility through organic search. In 2024, cooperation began with NPDI Agency, jointly conducting research on new keywords and working to increase GOBI brand's organic reach.

Sales Channel Expansion

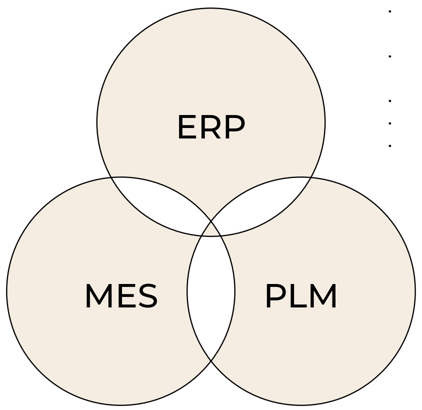
- In October 2024, began offering products through Nordstrom, a prestigious U.S. retailer with 365 locations and a 120-year history.
- In November 2024, a Pop-up store was opened in Roosevelt Field Mall, New York, in cooperation with the Mongolian Gallery team.
- In December 2024, joined OTTO, one of Germany's leading e-commerce platforms, to reach a broader consumer base and support growth in online sales in the region.

SOFTWARE DEVELOPMENT AND DIGITAL TRANSFORMATION

The company expanded its system upgrades by implementing the Product Lifecycle Management (PLM) system in 2023. In March 2024, we successfully launched the SAP S/4 HANA Enterprise Resource Management (ERP) system. Additionally, preparations for the INA Manufacturing Execution System (MES) began in July 2024, and it was operational by January 2025. Implementing these systems will significantly enhance the efficiency and productivity of Gobi JSC's Knitting and Sewing factories by improving product manufacturing, unit efficiency, inter-process information, production quality, traceability, real-time data, and operational control.



KEY OUTCOMES:



ERP

- Improve financial management
- Increase operational efficiency
- Manage risks
- Conduct realistic analysis
- Integrate processes

MES

- Increase production efficiency and productivity
- Improve product quality
- Enhance production processes
- Increase control operations
- Enhance employee skills

PLM

- Shorten time-to-market for products
- Improve product development
- Create a historical archive of designs

NEW TECHNOLOGIES AND PRODUCT DEVELOPMENT IN OPERATIONS

CONVEYOR BELT SYSTEM

In 2024, Gobi JSC became the first in Mongolia’s light industry sector to introduce and utilize a Conveyor Belt system in the Knitting factory. This system automates the production workflow, reduces manual labor, and improves the process of performance monitoring and evaluation. It represents a significant step in increasing the company’s production efficiency, quality, and speed. Moving forward, we aim to use this new technology to enhance employee skills and productivity, elevating production quality standards to a new level.

MATERIAL DEVELOPMENT

For the Gobi FW 24/25 collection, we developed three new types of heavier drapes.

NEW CASHMERE FOOTWEAR DESIGNS

Gobi JSC has developed a new drape for cashmere shoes that ensures complete air circulation, making them “breathable” shoes. Cashmere’s breathable quality prevents moisture buildup and maintains a consistent body temperature in any condition. Keeping feet dry improves blood circulation, relaxes muscles, and has health benefits such as preventing sore throats. In 2024, we introduced various new designs and colors of cashmere shoes, allowing customers to wear them year-round, in any condition, and with any outfit.

CASHMERE SNEAKERS

The soles of these shoes are made from “Green Eva,” an eco-friendly rubber containing sugarcane, and the laces are crafted from 100% cotton. The insoles of the “Cashmere Sneakers” are made from eco-friendly materials, including 15% recycled algae from lakes, which help protect the environment and absorb moisture.

CASHMERE BALLERINA

Designed with breathable technology, these shoes allow full air circulation, keeping feet cool.

CASHMERE LOAFERS

Suitable for business and everyday wear, these lightweight and warm shoes provide comfort with every step.

CASHMERE MULE

Made from 100% cashmere and covered with suede leather, these shoes feature 100% wool lining and leather strap details.

CASHMERE SLIP-ON

Crafted from 100% cashmere material, these shoes are breathable, moisture-wicking, warm, and lightweight. The soles are made from eco-friendly PU, durable and recycled materials, using OrthoLite technology for arch support.

CashmereTECH CASHMERE-FILLED JACKET

An innovative new product, this jacket features 100% cashmere filling with a polyester exterior, available in men's and women's styles. The cashmere filling maintains body heat evenly, while the outer material provides water and wind protection, making it durable and lightweight.

CASHMERE TOTE BAG

Combining 100% cashmere and leather materials, these bags feature leather protection on the edges, making them lightweight and durable. Available in two sizes, they can be styled to suit any outfit.

SCENTED CANDLES

INNOVATIVE NEW PRODUCTS

LEATHER GLOVES WITH CASHMERE LINING

CASHMERE CAPS

CASHMERE INSOLES

These insoles absorb moisture, allow air circulation, stabilize the center of gravity, prevent injuries with U-shaped arch support, and can be cut to fit any size.

KIDS SHOES

Designed for toddlers and preschoolers, these shoes feature a 100% cashmere body, soft rubber soles, non-slip properties, easy on and off, and a wide front to accommodate the anatomical structure of children's feet without restricting natural movement.

TABLE RUNNER SETS

COLLABORATION WITH WORLD-RENOWNED DESIGNER

GIORGIO SPINA

As of December 2022, Giorgio Spina, a celebrated designer hailing from Italy — one of the revered “Big Four” in the world of fashion — was appointed Chief Designer of Gobi JSC. Since then, he has worked devotedly to elevate the brand’s visual identity, design direction, and garment construction, enhancing Gobi’s competitive presence on the global stage. With over 20 years of experience in the fashion industry, Giorgio Spina has collaborated with an illustrious array of globally renowned brands including Brunello Cucinelli, Alexander Wang, Moncler, and Zegna — each of which has acknowledged his professional mastery and creative brilliance by incorporating his signature knit yarns into their collections..

In the year 2024, Gobi JSC proudly collaborated with Giorgio Spina on the following collections:

- **GOBI & ORGANIC FW 24/25**
- **CASHMERE REBORN**
- **RESPONSIBLE CASHMERE**
- **GOBI & ORGANIC SS25**
- **GOBI & ORGANIC FW 25/26**

COLLECTIONS

With the steadfast dedication of its skilled and specialized team within the Design and Development Division, Gobi JSC pursued a strategic approach in 2024 to bolster both sales and profitability while continuously delighting customers with fresh and innovative offerings. Under this initiative, the Company introduced a new collection each month, culminating in the successful launch of 7 main collections, 11 capsule collections, 10 newly developed product types These were delivered to both domestic and international markets, exemplifying Gobi’s enduring commitment to design excellence and customer-centric innovation.

LUNAR NEW YEAR 2024

VALENTINE`S DAY SCARVES

GOBI SS24 “LIGHT BEINGS”

CASHMERE REBORN

TRENDY COATS

WOMEN`S DAY

BAR SHAWL

ORGANIC SS24 “LIGHT BEINGS”

SPORT CASUAL

CASHMERE SHOES

KIDS SS24

MATERNITY & NEWBORN

NAADAM

ORGANIC FW24/25 “SEE THROUGH”

3D-WHOLEGARMENT

FW24/25 “SOUND”

NEW ACCESSORIES

HOME COLLECTION

BRAND ARCHITECTURE

GOBI JSC

- GOBI
  - GOBI — The internationally recognized **GOBI brand** offers timeless fashion apparel, accessories, and home goods for all age groups.
  - GOBI ORGANIC — **GOBI ORGANIC brand**, crafted using the four natural shades of cashmere, processed without the use of chemical dyes or bleaches.
  - GOBI KIDS — **GOBI ORGANIC brand**, crafted using the four natural shades of cashmere, processed without the use of chemical dyes or bleaches.
- GOYO CASHMERE — A youthful and contemporary **GOYO brand**, expressing freedom and boldness through vivid colors and modern designs.
- YAMA cashmere by GOBI — **YAMA,** luxurious brand distinguished by the artistry of world-renowned designers, delivering exquisite quality and elegance

SUSTAINABLE DEVELOPMENT

ENVIRONMENT

SOCIETY

GOVERNANCE

SUSTAINABLE DEVELOPMENT MANAGEMENT

Gobi JSC consistently evaluates the environmental and social impacts of its business activities and focuses on strengthening its governance system to mitigate negative consequences. Leadership from top management is crucial in establishing any culture or system within an organization. The Board of Directors has placed special emphasis on sustainable development activities and approved the “Sustainable Development Strategic Policy” this year. This policy serves as a foundation for integrating sustainable development principles into our long-term business operations, considering important issues such as the environment, society, and human rights during decision-making processes, and reinforcing our commitment to responsible production.
Based on the Sustainable Development Strategic Policy:

- Policy on Adapting to Climate Change and Reducing Greenhouse Gas Emissions
- Policy on Human Rights and Gender
- Policy on Social Responsibility were approved by the Board of Directors, further refining the policy environment.

This brings us one step closer to conducting our business responsibly and achieving sustainable development goals.

SUSTAINABLE DEVELOPMENT STRATEGIC POLICY

This policy serves as a foundation for integrating sustainable development principles into our long-term business operations, considering important issues such as the environment, society, and human rights during decision-making processes, and reinforcing our commitment to responsible production. Additionally, the scope of this policy extends beyond employees to include suppliers and other stakeholders. We promise to establish a responsible sustainable development system and produce high-quality cashmere products that meet consumer demands by supporting the following main directions and empowering stakeholders to collaborate.

SUSTAINABLE DEVELOPMENT COMMITMENT

Environment

Recognizing the impacts of climate change, we focus on reducing the ecological footprint of our operations, using natural resources responsibly, minimizing negative environmental impacts, and implementing methods to protect biodiversity.

Social Responsibility

We support workplaces that respect human rights, inclusivity, gender equality, and participation, positively impacting society.

Ethical Governance

We conduct transparent, open, fair, and responsible operations, valuing equal participation of stakeholders and making ethical decisions.

ENVIRONMENT

Gobi JSC prioritizes environmentally friendly and responsible production, adhering to policies that promote climate change adaptation, sustainable use of natural resources, and reducing negative environmental impacts. We aim to implement international standards and green production solutions, ensuring sustainable raw material supply.

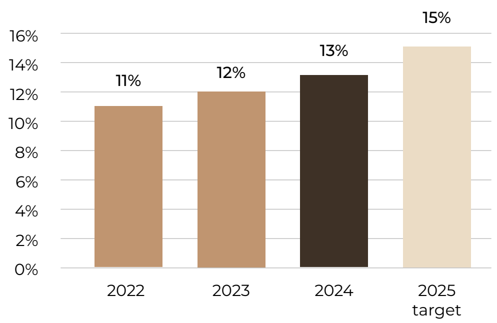
ENVIRONMENTAL GOALS AND PERFORMANCE

Within the framework of the Sustainable Development Policy and objectives approved in 2022, we have set forth the following targets through to 2025. We are implementing annual action plans to achieve these targets and are consistently evaluating performance on a regular basis.

GREEN SPACE

Increasing the proportion of green space within the company's total area.

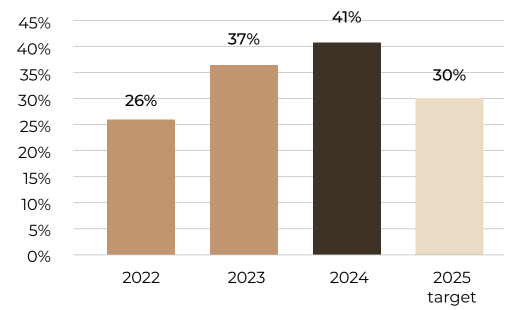
Percentage of green space within the total area of the organization



WASTE MANAGEMENT

Registering and sorting all waste, increasing the proportion of recycled waste.

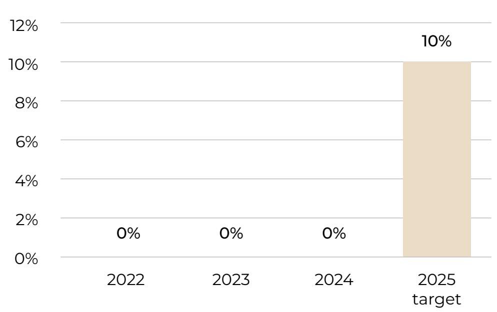
Percentage of recycled waste in total waste



WATER

Recycling up to 10% of domestic and industrial wastewater from operations.

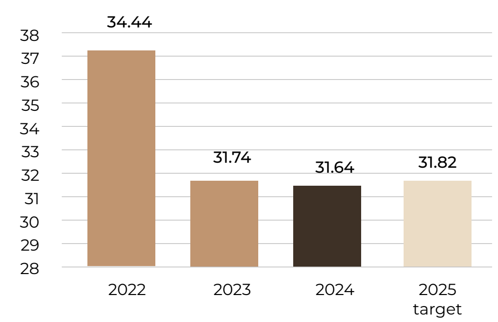
Recycled water



ENERGY

Reducing energy consumption per unit of production by 15%.

Energy consumption per unit of product (kWh/unit)*

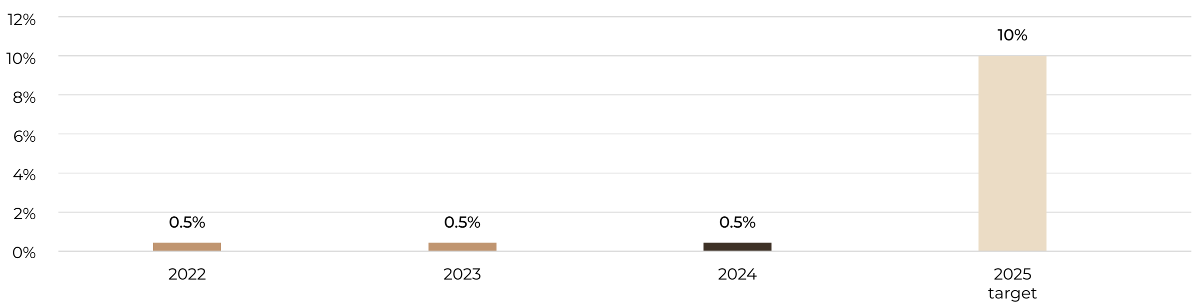


*When calculating energy consumption per unit of product and total energy consumption, electricity, steam, and heat usage are all included.

RENEWABLE ENERGY

Integrating renewable energy into operations

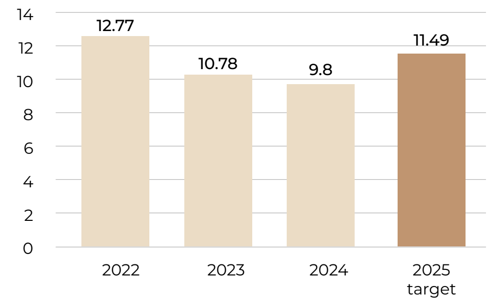
Percentage of renewable energy in total energy consumption



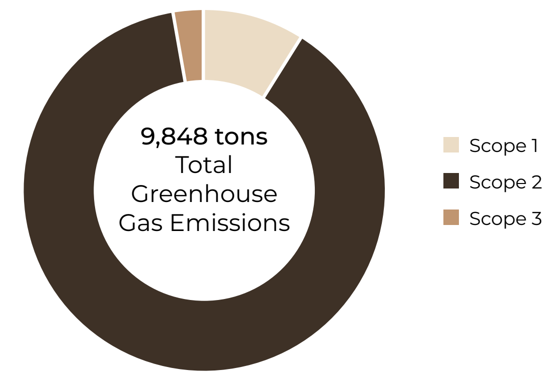
GREENHOUSE GAS EMISSIONS

Reducing greenhouse gas emissions from both direct and indirect operations by 10%

Greenhouse gas emissions per unit of product ($kgCO_2$)



In 2024, in collaboration with a professional organization, the calculation of greenhouse gas emissions per unit of product was refined. As a result of including Scope 3 emissions for the first time, the 2024 figure is higher than that of 2023.



Scope 1. 8.9%
Direct emissions from sources such as fuel combustion and refrigerants used in the organization's operations.

Scope 2. 88.5%
Indirect emissions resulting from the consumption of purchased energy used in the organization's operations.

Scope 3. 2.6%
Greenhouse gas emissions occurring across the supply chain.

CLIMATE CHANGE AND GREENHOUSE GAS REDUCTION POLICY

In the fourth quarter of 2024, Gobi JSC committed to addressing climate change and greenhouse gas emissions by approving the “Climate Change and Greenhouse Gas Reduction Policy” at the Board level. This policy aims to reduce greenhouse gas emissions across all operations, achieve Net Zero levels, mitigate and adapt to climate change, implement science-based targets, increase renewable energy use, enhance greenhouse gas absorption, and support various initiatives to mitigate and adapt to climate change. We will continuously improve the policy and provide stakeholders with knowledge and capacity-building for sustainability.

- Identify greenhouse gas emissions across the supply chain and conduct a comprehensive carbon footprint analysis.
- Introduce energy-efficient technologies and renewable energy sources in production; promote sustainable livestock practices and reduce both general and process-related waste.
- Invest in carbon sequestration projects.
- Research and implement clean production technologies.
- Raise awareness and build capacity among stakeholders.
- Establish a reliable monitoring and reporting system, with third-party verification as necessary.
- Continuously improve the policy framework.

ENVIRONMENTAL MANAGEMENT

Environmental Management System

The environmental management system ISO 14001:2015 has been continuously improved since its certification in 2022, with the third audit conducted by an international certification body in 2024.

Project for Upgrading the Industrial Wastewater Treatment Facility

In 2024, Gobi JSC initiated a major investment project to upgrade its wastewater treatment facility. The project aims to reduce industrial wastewater pollution, increase opportunities for reuse, and mitigate environmental impact. The initiative involves expanding the current facility’s capacity and equipping it with state-of-the-art, fully automated technology that reduces manual labor and ensures a safe and healthy working environment for employees. Moreover, the upgraded facility is designed to meet Mongolia’s MNS 6561 wastewater discharge standards. With future technological enhancements, the Company is moving closer to the ability to recover greywater. Given that the primary processing of raw materials in our operations relies heavily on freshwater, the implementation of this project is a critical step toward reducing the use of natural resources.

Green Landscaping

Gobi JSC annually collaborates with the Ulaanbaatar Environmental Department to support the national “One Billion Trees” programme by planting trees within the capital city. Tree planting is a high-impact and effective measure in addressing climate change, desertification, and air pollution.
In 2024, the Company planted 1,300 pine and elm trees in partnership with a professional organization. An additional 250 elm and fir trees were planted by employees and their family members. To reduce dust and promote a pleasant, eco-friendly workplace, the Company also established green landscaping by planting 3,000 seasonal flowers and 75 pine and fir trees across 1,200 m², resulting in green space coverage of 13.1% of the total site area.

Compliance with Environmental Legislation

We regularly assess our compliance with the environmental laws currently in force in Mongolia and ensure their proper implementation. As of 2024, we operate in alignment with 16 laws, 6 regulations, and 6 national standards.

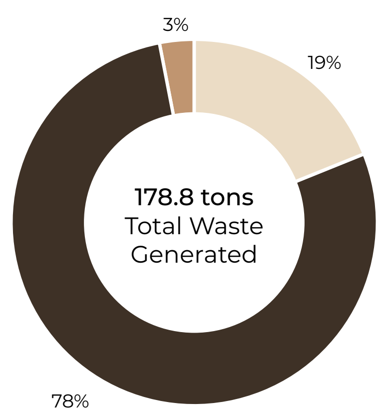
Chemical Management

- In 2024, to ensure the proper use of chemicals in the production process, a risk assessment of all chemical substances was conducted in collaboration with Geodata LLC, and the relevant permits were obtained.
- Spill and leak detection sensors were installed in the chemical storage facility, enhancing the monitoring system.
- Packaging and containers of hazardous chemicals are disposed of quarterly through licensed hazardous waste disposal contractors, ensuring environmental and occupational safety compliance.

WASTE MANAGEMENT

In any inhabited or industrial area, waste is inevitably generated. Effective waste management requires minimizing waste at the source, preventing recurrence, and ensuring proper treatment and disposal. Initial waste segregation plays a key role in facilitating transport and recycling. With over 1,500 employees working daily at Gobi JSC, we focus on instilling proper waste sorting habits by offering regular training and video content to enhance knowledge and awareness on waste reduction and management.

WASTE COMPOSITION



General Waste   Process Waste   Hazardous Waste

General Waste 19%

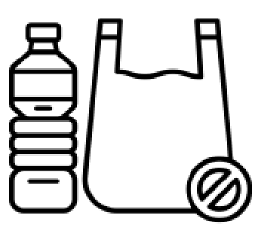
This includes recyclable materials, paper, plastic, and other categories, which are separated at source. Across the factory and office premises, 270 waste bins with four sorting types have been installed at 48 locations. This allows for better waste segregation. In 2024, 41.4% of general waste was recyclable and transferred to professional recycling partners.

Process Waste 78%

The majority of waste arises from production processes. Clean offcuts from manufacturing were recycled into 2,647.5 kg of yarn, which was then used to produce 18,132 scarves—representing 1.8% of the year's total output.

Hazardous Waste 3%

To mitigate harm to the environment and human health, batteries, chemical containers, and electronic waste are regularly collected and disposed of by licensed professional waste disposal companies.



Complete Elimination of Single-Use Items

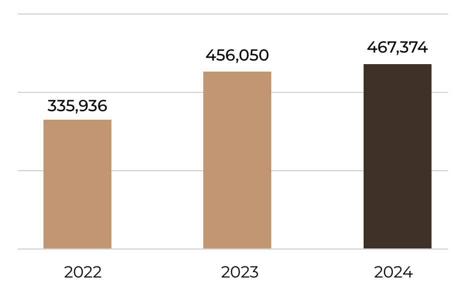
To reduce the environmental impact of single-use products, reusable utensils—cups, plates, glasses—along with dishwashers, sanitizers, and other essential items have been installed at five designated locations for use by visiting guests.

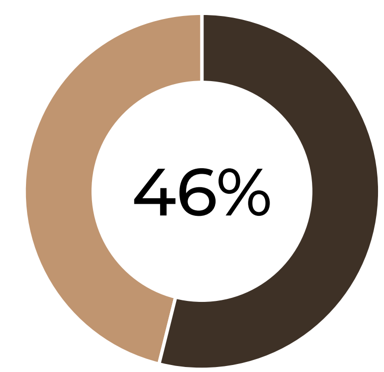
RESPONSIBLE PRODUCTION

Throughout our history, we have harmoniously combined the traditional nomadic heritage of our people—spanning centuries—with modern equipment and innovation to develop products and services that reflect our core commitment to quality, affordability, style, and sustainability.

Quality | Affordable Price | Design | Sustainability

Within the framework of this commitment, we have continued to increase the volume of responsibly produced collections each year—collections that are environmentally and socially considerate—thereby bringing us ever closer to our goal of sustainable manufacturing.





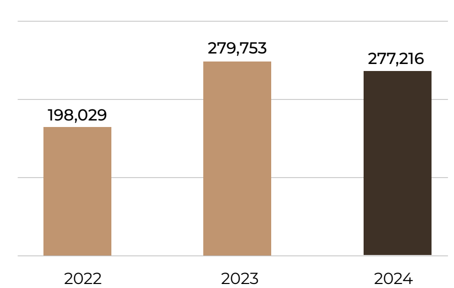
Other Collections   Responsible Collections

In 2024, the total production volume of Gobi's responsible collections increased by 39% compared to 2023.

Responsible collections accounted for 46% of total production in 2024, reflecting a 6% increase from 2023.

ORGANIC COLLECTION

Gobi JSC offers an Organic Collection to support eco-friendly and sustainable production. This collection is distinguished by its use of the four natural colours of Mongolian cashmere, processed without any chemical dyes. As such, it significantly reduces both water and chemical consumption throughout the production process.



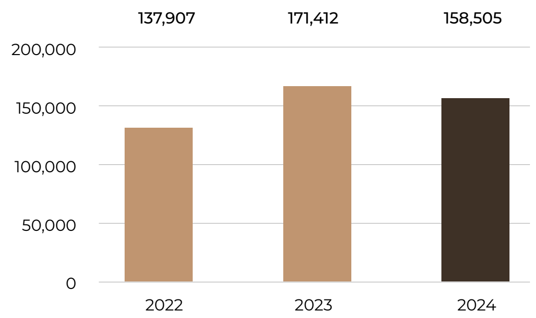
21.75% Reduced CO_2 emissions	74.9% Reduced use of chemicals
88.75% Water savings	2.07% Energy savings

The production volume of the Organic Collection in 2024 increased by 79,187 units, representing a 40% growth compared to 2023.

WHOLEGARMENT 3D COLLECTION

Wholegarment cashmere products are distinct from traditional knitwear in that they are produced seamlessly—without joining seams—and generate no technological waste related to color or pattern alignment during production.

Production volume of Wholegarment 3D products



Environmental benefits of the Wholegarment 3D Collection

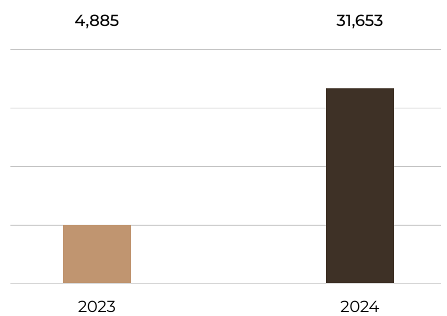
8%
CO_2 reduction

12%
Energy savings

The production volume of the Wholegarment 3D Collection in 2024 increased by 20,598 units, marking a 14.9% growth compared to 2023.

CASHMERE REBORN COLLECTION

Introduced in 2023 as a new sustainable production initiative, the Cashmere Reborn Collection repurposes technological waste generated during production to create entirely new products. These items are neither processed in the scouring nor dyeing stages, resulting in a significantly reduced use of water and chemicals compared to conventional products.



8.99%
Energy savings

99.78%
Reduced use of chemicals

92.8%
Water savings

25.98%
CO_2 reduction

The production volume of the Cashmere Reborn Collection in 2024 increased by 26,768 units, a 6.5-fold growth compared to 2023.

SOCIETY

As a pioneering company in Mongolia’s wool and cashmere industry and one of the largest private-sector employers, Gobi JSC upholds the values of providing stable, healthy, and safe working conditions, respecting the rights of employees, and ensuring opportunities for growth and development. In alignment with these principles, several relevant policy documents have been approved at the management level.

HUMAN RESOURCE STATISTICS

TOTAL NUMBER OF EMPLOYEES
1,652

AVERAGE AGE
36

MALE
31%

FEMALE
69%

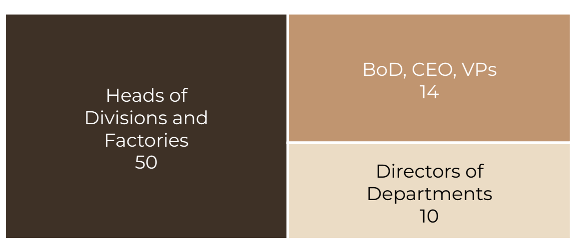
4%	18-22	Generation Z
57%	23-38	Generation Y
36%	39-54	Generation X
3%	55-73	Baby Boomers

ON MATERNITY LEAVE
295

MANAGEMENT TEAM

MALE
38%

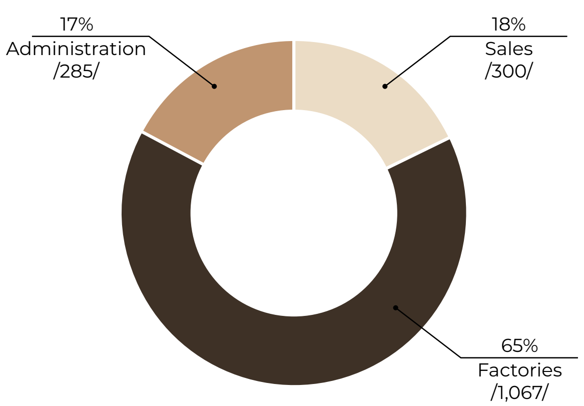
FEMALE
62%



BY LOCATION

• Ulaanbaatar 1,615 • Darkhan 3 • Khentii 34

BY FUNCTION



• USA 1 • EU 12

Mongolia - 99% Worldwide - 1%

HUMAN RESOURCE POLICY

20%
Employee Turnover

0
Accident Frequency Rate (Occupational Health and Safety Policy)

0
Prevention of Labor Exploitation, Prohibition of Forced Labor and Child Labor

Compensation

Favorable Working Environment and Work-Life

Employee Growth and Development

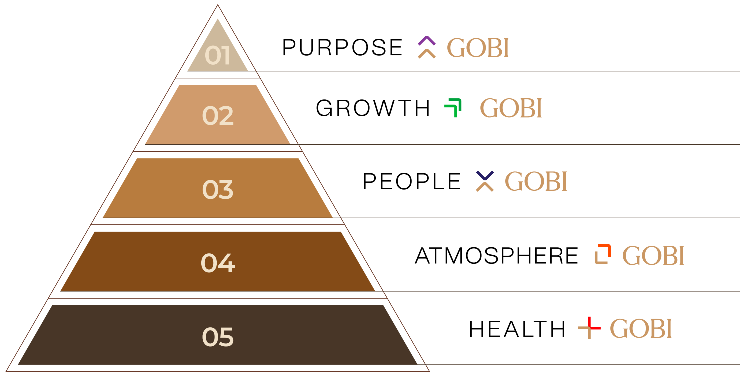
Safe and Healthy Workplace

Green Jobs and Sustainable Workspaces

Equal Opportunity Employment

Sustainable Social Investment

RESPONSIBLE HUMAN RESOURCE MANAGEMENT



Gobi JSC is committed to fostering employee well-being, cultivating a productive and creative work environment, and implementing responsible human resource management practices. Within the framework of Culture at GOBI, the Company is gradually implementing projects and initiatives across the five thematic areas outlined above.

MNT 2.1 billion +

The cost of providing nutritious and healthy meals

407,890 employees

The number of employees served (duplicated count)

MNT 48.8 million

The operating cost of the kindergarten

180 children

The number of children enrolled in the 2024 academic year.

Employee Cafeteria

company-wide "Employee Cafeteria" is in operation, offering nutritious meals free of charge to all employees. Beginning in April 2024, Keto and Vegan meal options have also been introduced.

GOBI KIDS KINDERGARTEN

To support employees in achieving a balanced work-life dynamic and to provide children with access to quality education and a nurturing environment, the company has been operating an on-site kindergarten continuously since 2022. During the 2024–2025 academic year, 180 children were enrolled.

Blood Donation Campaign

As part of its corporate social responsibility initiatives, Gobi JSC successfully organized its 31st annual "Blood Donation Campaign" in collaboration with the National Center for Transfusion in September 2024. A total of 67 employees voluntarily donated blood, potentially saving the lives of 201 individuals.

Flexible Work Hours

To mitigate the impact of traffic congestion, promote work-life balance, and support child protection policies, Gobi JSC has implemented a flexible working hour system for its office-based workforce of over 500 employees for the fourth consecutive year.
Additionally, 24 female sewers in the knitting division—who are mothers of infants or young children—are employed on a reduced-hours basis to support work-life balance and child protection efforts.

HEALTHY AND SAFE WORKING ENVIRONMENT

Among all the resources of a company, the most valuable asset is its employees. Therefore, we adhere to a policy of creating a conducive environment for the growth and development of our employees while ensuring equal participation.
To ensure the occupational safety and health standards for our employees, we regularly conduct evaluations of working conditions through professional organizations. These assessments include a thorough examination of factors such as air quality, lighting, noise, temperature, dust levels, and other elements that affect health in the workplace. Based on these evaluations, we ensure compliance with relevant standards and regulations and implement necessary measures to further enhance the safety of the work environment and maintain optimal working conditions.

9,569,406

person-hours

Total number of person-hours worked without lost-time injuries

As a result of strict adherence to occupational health and safety standards, Gobi JSC recorded 9,569,406 person-hours without any lost-time injuries in 2024.

Preventive Vaccination

Due to the nature of raw material handling, employees in direct contact with raw cashmere are at higher risk of tick-borne diseases. Accordingly, 40 at-risk employees were administered a total of 65 doses of tick-borne disease vaccines. This annual initiative is routinely carried out before the start of the raw material procurement season, typically between February and March.

Periodic Health Check-ups

In May, June, and October 2024, a total of 771 employees underwent periodic health check-ups—198 of whom work in hazardous conditions and 573 in normal conditions.

Drinking Water Quality Testing

In accordance with MNS 9000:2018 standards, regular drinking water quality tests are conducted at 69 sampling points across the company. All samples were found to meet health and safety standards, with no bacterial contamination.

First Aid Training

In June 2024, Gobi JSC collaborated with the "Perfect Center for First Aid and Health" to organize an "Emergency First Aid Responder" training program aimed at enhancing employee awareness on health and safety. A total of 52 employees successfully completed the 8-hour course.

Health Insurance

To safeguard employee health and provide reliable insurance coverage, Gobi JSC entered into a one-year contract with MIG Insurance in April 2024. Under this arrangement, 630 employees and their family members were enrolled in voluntary health insurance under preferential conditions.

EMPLOYEE GROWTH AND DEVELOPMENT

Our company supports the enhancement of employees' knowledge and skills by providing on-the-job and classroom training. We organize these training sessions through both internal and international resources, focusing on professional development, capacity building, adaptability, and productivity improvement. Additionally, we send employees who require international certification to overseas training programs.

TRAINING OVERVIEW FOR 2024

1.34 person-hours
Average training hours per employee

2,134 employees
Number of employees who participated in training

278 training sessions
Total number of training programs conducted

MNT 190.8 million
Total training expenditure

OVERSEAS TRAINING	· Number of Trainings: 6 · Number of Employees: 14 · Expenditure: 36.3 million MNT
EXTERNAL TRAINING	· Number of Trainings: 68 · Number of Employees: 266 · Expenditure: 125.6 million MNT
INTERNAL TRAINING	· Number of Trainings: 192 · Number of Employees: 1,818 · Expenditure: 0 MNT
SCHOLARSHIP	· Bachelor's Degree Program (4 years) · Number of Employees: 6 · Expenditure: 22,000,000 MNT
KHENTII FACTORY TRAININGS	· Competency Certificate Trainings: 12 sessions, 96 hours in total · Number of Employees: 30 · Expenditure: 6.9 million MNT

HUMAN RIGHTS AND GENDER POLICY

In the fourth quarter of 2024, we discussed and approved the "Gobi JSC Human Rights and Gender Policy" at the Board of Directors level. Through this policy, we aim to identify the negative impacts on human rights arising from the company's activities, prevent and reduce such impacts, and implement mechanisms to restore rights in the event of human rights violations. Furthermore, this policy applies not only to the company's employees but also extends to suppliers in the supply chain, production, sales, consumers, and clients, making it distinctive in its comprehensive scope. We have outlined several actions aimed at achieving the objectives of this policy.

TARGET-ORIENTED MEASURES

- The management of the organization shall implement a comprehensive policy that upholds human rights and aligns with international standards, setting forth proper leadership and exemplary conduct.
- Regular training initiatives shall be organized to raise awareness of the fundamental principles of human rights and gender equality among all employees, suppliers, and stakeholders.
- Human Rights Due Diligence (HRDD) shall be conducted to identify and mitigate potential human rights and gender-related risks within the company's operations and supply chain.
- Corrective actions shall be taken based on the results of HRDD, and relevant laws, regulations, and international best practices shall be adopted accordingly.
- A grievance mechanism shall be implemented reliably and accessibly, with continuous improvement ensured.

SOCIAL RESPONSIBILITY POLICY

Within the scope of its social responsibility, Gobi JSC has pledged to support initiatives aimed at improving social well-being, quality of life, and the livelihoods of herders, while creating a positive impact on society. The company is committed to serving as a leader among stakeholders by conducting business in a sustainable, inclusive, and responsible manner. In the fourth quarter of 2024, the Board of Directors approved the Social Responsibility Policy.

TARGET-ORIENTED MEASURES

Supporting the Sustainable Livelihoods of Herders

Improve the livelihoods of herder households by promoting sustainable livestock husbandry and proper pasture management practices.

Ensuring Animal Welfare

Promote humane treatment of animals by disseminating responsible raw material sourcing practices.

Ensuring Employee Well-being

Provide all employees with equitable, inclusive, and fair compensation, opportunities for professional advancement, and a safe working environment.

Empowering Communities

Implement programs aimed at improving the living standards, habits, and education of herder households, local communities, and vulnerable social groups.

Raising Consumer Awareness and Engagement

Increase consumer awareness regarding sustainable products and implement programs focused on product longevity and recyclability.

Protecting the Environment

Undertake measures to minimize the environmental impact of production activities.

SOCIAL RESPONSIBILITY PROJECTS

SUSTAINABLE CASHMERE: TRILATERAL PROJECT

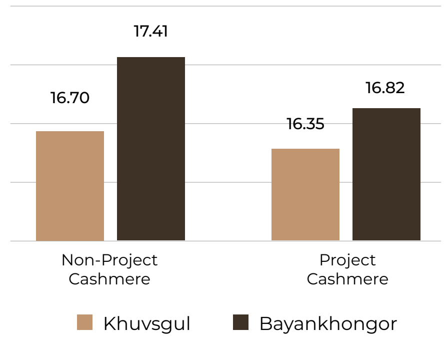
In Mongolia, herders constitute 9.6% of the total population and 24.5% of the national workforce. The vast majority (98.1%) practice traditional, pasture-based livestock herding, with only a small fraction engaged in intensive, farm-based livestock production. According to the “Livelihood Survey of Herders,” 58% of total household income of herders is generated from cashmere alone.

In recent years, the growing goat population has drawn international scrutiny, as environmental degradation and desertification are increasingly linked to overgrazing. However, associating these environmental issues solely with goat population growth and proposing reduction in herd numbers as the primary solution may lead to unintended social consequences, particularly concerning herder livelihoods. Thus, a major development challenge for Mongolia lies in advancing the traditional livestock sector in a manner that is both environmentally sustainable and socially responsible.

As a pioneering enterprise in the light industry sector, Gobi JSC has committed to contributing to this national priority. Aligned with Mongolia’s Sustainable Development Goals and within its Environmental, Social, and Governance (ESG) framework, Gobi JSC is implementing the “Sustainable Cashmere: Trilateral Project.”

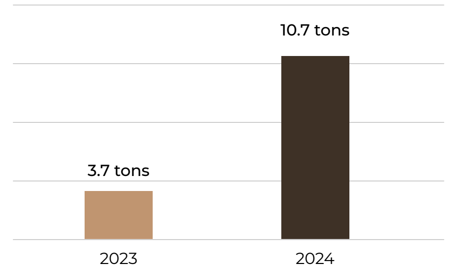
This project aims to strengthen the collaboration between science, industry, and herders, focusing on improving animal health, promoting regionally adapted breeds, and training young herders in proper techniques for cashmere harvesting. Enhancing the yield and quality of raw materials from each animal will improve productivity, reduce herd sizes, lessen the pressure on pasturelands, and contribute positively to environmental conservation.

FIBER DIAMETER COMPARISON (MICRON)



Initiated in 2020, this project is now in its fourth successful year, engaging over 100 herders from Ikh-Uul soum of Khuvsgul province and Jinst soum of Bayankhongor province. These herders have been actively learning and applying standards for producing high-quality, sustainable raw materials.Each year, the project activities are evaluated and the quality of the sourced cashmere is scientifically analyzed. According to the 2024 fiber analysis results, there has been a significant reduction in vegetable matter and contaminants in the raw cashmere supplied by the project herders. Furthermore, the average fiber diameter (micron count) has improved by 3.4%, indicating finer quality fiber as a result of the improved practices.

Since 2023, the Company has been directly sourcing raw materials from herders. Products made from this responsibly collected cashmere were introduced under the “Responsible Collection” line and launched in European Union markets in March 2024.



PROJECT ON PASTURE MANAGEMENT IN COLLABORATION WITH THE ASIAN DEVELOPMENT BANK

GOBI | ADB ASIAN DEVELOPMENT BANK

Based on the main activities of the “Sustainable Cashmere, Trilateral Project,” this pilot project funded by the Asian Development Bank aims to adapt herders to climate change and establish sustainable pasture management. This project will be implemented over five years from 2025 to 2029 in collaboration with the project consultant Ochir Consulting LLC and the Mongolian University of Life Sciences.

Through this project, herders will learn about climate change and proper pasture management, study various pasture solutions, test them practically, and implement feasible options in their future herding practices.

SUSTAINABLE COOPERATION - ADAPT PROJECT

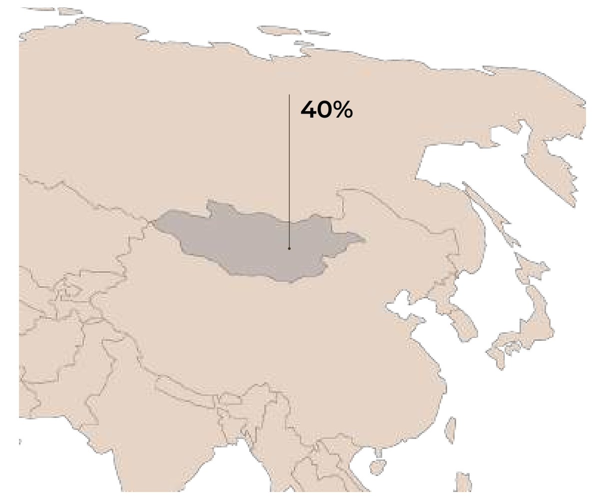
Gobi JSC has signed a “Memorandum of Understanding” with representatives of herders and cooperatives under the Adapt project, which aims to support climate-resilient and sustainable livestock products and connect them to the market. The Adapt project is funded by the Green Climate Fund and implemented by the United Nations Development Programme (UNDP), the Ministry of Environment and Tourism, and the Ministry of Food, Agriculture, and Light Industry in Khovd, Zavkhan, Dornod, and Sukhbaatar provinces from 2021 to 2028.

CASHMERE SECTOR

In 2024, the number of goats in Mongolia was recorded at 22.9 million, a decrease of 1.7 million or 7% compared to the previous year.

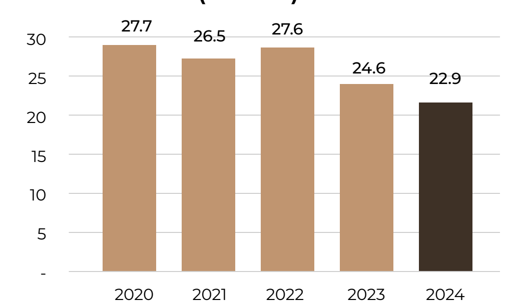
Mongolia produced approximately 10.0 thousand tons of cashmere in 2024, an increase of 0.5 thousand tons or 5% from the previous year, accounting for 40% of the world’s raw cashmere supply.

The average price of cashmere in 2024 was 185,000 MNT, a 37% increase from the previous year. This price increase is attributed to the harsh winter of 2024, which reduced livestock numbers and increased the prices of livestock products.



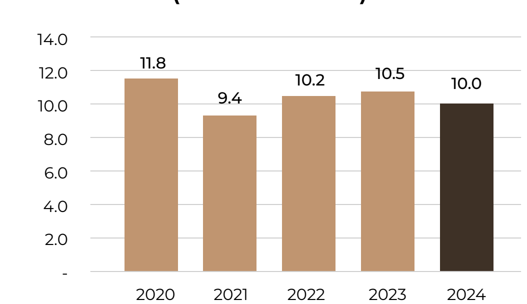
STATISTICS OF MONGOLIA’S CASHMERE SECTOR OVER THE LAST 5 YEARS

Number of Goats (million)



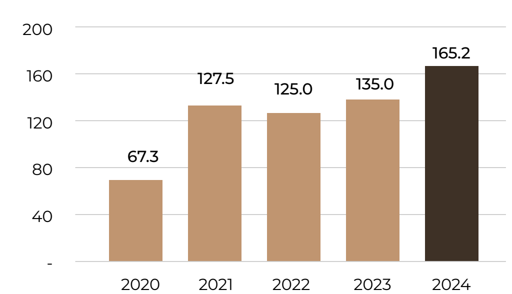
Source: National Statistics Office of Mongolia

Raw Cashmere Production (thousand tons)



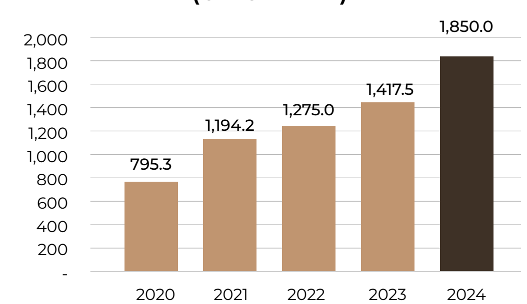
Source: National Statistics Office of Mongolia /calculated method/

Average Price of Raw Cashmere (thousand MNT)



Source: Mongolian Wool and Cashmere Association

Cashmere Market (billion MNT)



/Calculated based on the average price of raw cashmere/

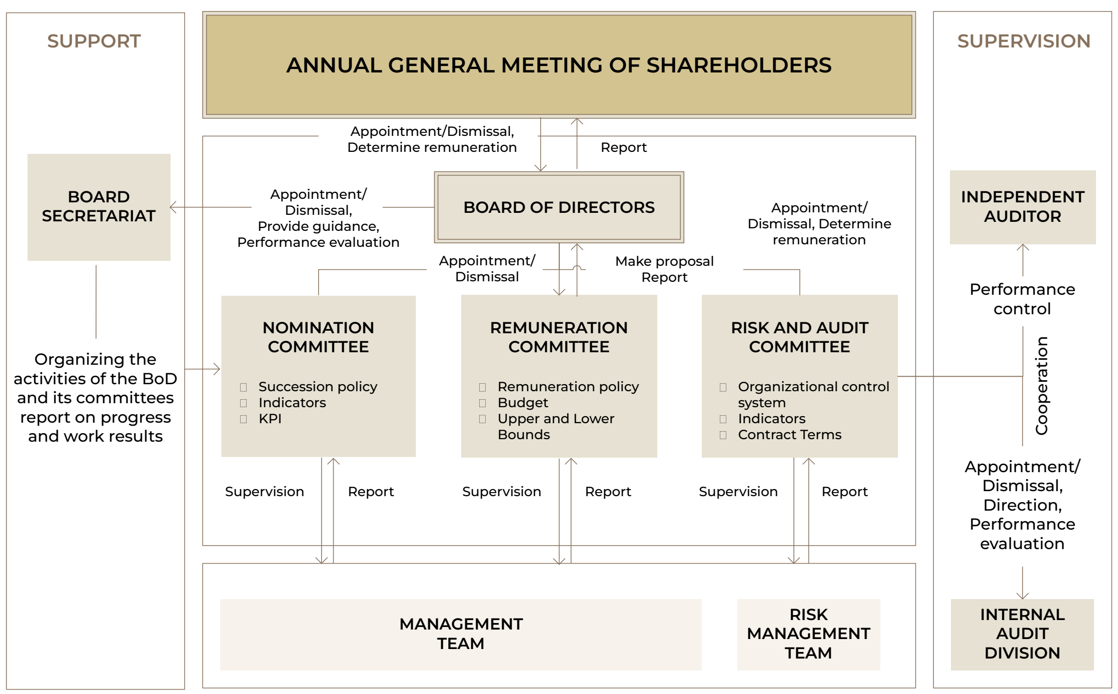
GOVERNANCE

Gobi JSC's governance system ensures a balance of interests among shareholders, management, and other stakeholders, defining, implementing, and monitoring the company's goals and main activities through a structured and regulated framework.

GOVERNANCE STRUCTURE AND OPERATIONS

Gobi JSC's governance system ensures a balance of interests among shareholders, management, and other stakeholders, defining, implementing, and monitoring the company's goals and main activities through a structured and regulated framework.

As a publicly traded company, we continuously improve our governance system by learning from the Company Law, Mongolia's Corporate Governance Code, and international best practices. We aim to ensure compliance with relevant laws and regulations and strive to be a leading example of corporate governance in the country.



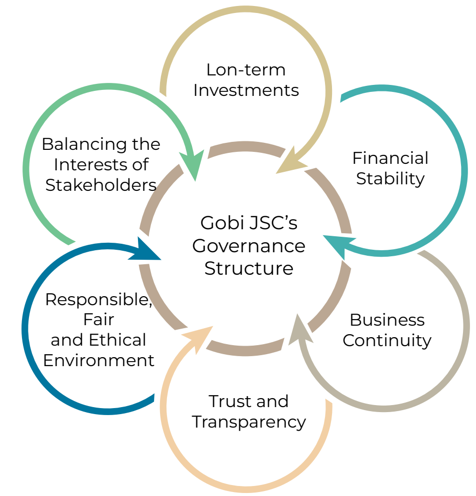
The Board of Directors is appointed by the General Meeting of Shareholders. The Board is committed to protecting the rights and interests of shareholders and investors, enhancing return on equity, and providing oversight and strategic guidance to the executive management of the company.

Three standing committees operate under the Board: the Nomination Committee, the Remuneration Committee, and the Risk and Audit Committee. Each committee implements policy in its respective area of responsibility, provides oversight of the Management team's activities, and reports its findings to the Board.

The Internal Audit Department, operating independently at the company level, reports to the Risk and Audit Committee and is responsible for implementing internal controls.

The Board Secretariat operates under the Board of Directors and is responsible for facilitating the Board's activities and ensuring internal coordination of the corporate governance system.

GOVERNANCE POLICY



Gobi JSC is committed to upholding a sound and ethical governance system that ensures long-term investment, financial stability, business continuity, and a balanced consideration of the interests of all stakeholders. This system is built on the principles of trust, transparency, and accountability.

CORPORATE GOVERNANCE OBJECTIVES

1. Protect the interests of stakeholders
2. Establish an appropriate structure and composition of the Board of Directors
3. Ensure transparency and accountability in reporting and disclosures
4. Operate with fairness and integrity
5. Establish a robust internal control system
6. Foster a strong corporate culture
7. Implement a fair and transparent remuneration system
8. Promote sustainable development practices
9. Continuously improve corporate governance

CORPORATE GOVERNANCE PRINCIPLES

- Ensure transparency
- Safeguard the balanced interests of all stakeholders
- Comply with applicable laws, rules, and regulations
- Uphold fairness and ethical conduct
- Establish oversight and accountability mechanisms
- Foster a strong organizational culture
- Implement sustainability principles
- Promote continuous improvement

In 2024, to strengthen corporate governance, the following activities were implemented:

TO IMPROVE THE BODY OF GOVERNANCE DOCUMENTATION, THE FOLLOWING POLICIES AND PROCEDURES WERE APPROVED BY THE BOARD

AMENDED

- Remuneration Policy
- Compliance Policy
- Whistleblowing Procedure
- Board Self-Evaluation Questionnaire

NEWLY ADOPTED

- Principles for the Remuneration and Benefits of Board Members
- Procedure for Exercising the Right to Demand Share Repurchase
- Sustainable Development Strategy Policy
- Policy on Climate Change Adaptation and Greenhouse Gas Emissions Reduction
- Human Rights and Gender Policy
- Social Responsibility Policy

ACTIVITIES TO IMPROVE GOVERNANCE PRACTICES

- The Company's implementation of the Corporate Governance Code was assessed twice and submitted for external review by the Financial Regulatory Commission. Based on the assessment, Gobi JSC achieved the highest score among listed companies in Mongolia.
- In order to engage shareholders and investors, introduce them to company operations, and incorporate their feedback into our activities, we organized two shareholder engagement events to introduce our new collection and two factory tours in 2024.
- During the factory visits, the company's executives and an independent member of the Board met with shareholders and held open discussions.
- For the first time, the selection process for an independent Board member was publicly announced and conducted in an open manner.
- Orientation training was provided to newly appointed Board members to introduce them to company operations and the corporate governance framework.
- To improve information accessibility and transparency, and to keep foreign investors informed, we published company announcements, press releases, quarterly and annual reports, and Board resolutions in both Mongolian and English.
- The mandate of the Risk and Audit Committee was expanded to include compliance oversight. The committee reviewed compliance-related activities in two regular meetings and provided strategic direction.
- While the Company previously focused on building a complete library of governance documentation, starting in 2024, we conducted compliance assessments to evaluate the implementation of those documents. The Internal Audit Department conducted an independent review and monitoring of the results, and the process will continue until the end of Q1 2025.

STAKEHOLDER ENGAGEMENT

STAKEHOLDER ENGAGEMENT MANAGEMENT OBJECTIVE

- Gobi JSC aims to foster a sustainable relationship based on mutual trust, transparency, and shared interest with local residents near the factory, suppliers and herders, customers, public authorities, research institutions, NGOs, investors, financial institutions, and civil society organizations.
- We strive to strengthen the capacity of suppliers and herders, promote traditional, environmentally friendly, and human rights-based practices, and actively enhance collaboration.

STAKEHOLDER ENGAGEMENT MANAGEMENT PRINCIPLES

In all operations and projects, Gobi JSC values the inclusive participation of all stakeholders, promotes transparency, embraces diversity, encourages respectful dialogue, and remains accountable for its social, environmental, and economic impacts. We are committed to advancing sustainable development goals.

STAKEHOLDER ENGAGEMENT PLAN (2023–2025)

Д/д	Stakeholder Group	Objective	Engagement & Activities	Frequency
1	Residents and employees of organizations near the factory and operational areas	Provide information about operations, receive feedback, build trust	Place Gobi JSC Information Board at the local administration office, disseminate: • General information about operations • Social health and safety regulations • Introduce grievance mechanisms	Quarterly, Semi-annually
2	Suppliers (herders, cooperatives, companies)	In addition to the quality requirements of raw materials provide knowledge on human rights and environmental protection, ensuring the product's reputation as human and environmentally friendly, organic	• Organize factory tours to familiarize with Gobi JSC operations • Conduct training and promotion on human rights and environmental protection • Introduce mechanism for receiving and resolving complaints	Semi-annually, annually
3	Contractors and their employees	Foster shared responsibility in promoting decent work and respecting human rights	• Discuss and approve contractor management plans, and incorporate and enforce labor and environmental standards in contracts, • Introduce grievance mechanisms	As needed
4	Clients, customers	Promote responsible consumption and build trust	• Organize open house events • Install customer information boards in stores • Introduce grievance mechanisms	Annually
5	Vulnerable groups	Support social inclusion of persons with disabilities and other vulnerable groups	• Organize social impact initiatives • Collaborate with specialized schools and kindergartens • Explore the use of Braille in branding materials	As needed

In 2024, Gobi JSC implemented the stakeholder engagement plan, developed with the aim of fostering sustainable relationships grounded in mutual trust, transparency, and aligned interests with residents living near the factory and operational sites, suppliers and herders, customers, government and regulatory bodies, academic institutions, NGOs, investors, banks, and civil society organizations.

1. Residents and employees of organizations near the factory and operational areas

As Gobi JSC is located in the 3rd khoroo of Khan-Uul District, the company installed an information board at the khoroo administration office to disseminate corporate information.
Additionally, an awareness session was held for the residents of the 3rd khoroo to share relevant updates.

2. Suppliers (herders, cooperatives, companies)

On March 7, 2024, Gobi JSC hosted a meeting with the leaders of 20 cooperatives representing raw material suppliers. During the event, the CEO and executives of Gobi JSC, together with scholars from the Mongolian University of Life Sciences (MULS), delivered presentations on international standards in the cashmere industry, sustainable sourcing, and best practices in raw cashmere procurement. A roundtable discussion on tax reporting was conducted, and a factory tour was successfully organized.

In 2024, Gobi JSC renewed its raw material purchase agreements with a focus on long-term sustainability. These agreements now include environmental, social, and governance (ESG) requirements and are signed directly with herders and cooperatives.

3. Contractors and Suppliers Management Procedure

To identify and mitigate potential risks faced by contractors and suppliers engaged in Gobi JSC's business operations, the company adopted the Contractors and Suppliers Management Procedure in 2023. Under this procedure, contractors and suppliers are required to meet environmental, social, and occupational health and safety (EHS) standards.

4. Clients, customers

To enhance engagement with clients and customers, Gobi JSC launched open factory tours. In 2024, a total of 2,234 guests participated in 179 guided tours of the factory.

5. Vulnerable Groups

GOBI

To support employment opportunities for persons with disabilities, Gobi JSC initiated cooperation in 2024 with the Best Massage Center under the National Federation of the Blind of Mongolia. Through this partnership, massage therapy services targeting head, neck, and shoulder tension are offered to employees every Tuesday at the Gobi Medical Center, following a scheduled rotation.

INVESTOR RELATIONS PROGRAM

In line with Gobi JSC's Governance Policy and the Company's Corporate Governance Code, the Board of Directors approved the Investor Relations Program to ensure the protection of stakeholder interests, deliver accurate and timely information to investors, and promote investor participation. The Board Secretariat is responsible for implementing this program, which included the following activities in 2024:

- In addition to quarterly operational and financial reports, all material information likely to impact investment decisions was prepared in accordance with applicable regulations and disclosed via the Mongolian Stock Exchange and the company's official website.
- Reports, press releases, board resolutions, and policies were prepared in English to ensure accessibility for foreign investors.
- The content of the official company website (info.gobi.mn), the primary communication channel for investor information and grievance submission, was continuously updated and improved.
- Shareholder feedback, inquiries, and complaints were received through all available channels—phone, email, website, and in person—recorded, escalated to the relevant management for resolution, and followed up with the shareholder to provide final feedback and closure.

Shareholder Factory Tours

To promote shareholder and investor engagement, provide firsthand insights into company operations, and incorporate stakeholder input into business practices, Gobi JSC organized the following events in 2024:

- On March 20, 2024, two preview sessions of the new collection were held.
- On April 12 and September 13, factory tours were conducted.

During the September factory tour, an open dialogue session was held between company management, an independent board member, and participating shareholders.

EVALUATION OF THE IMPLEMENTATION OF THE CORPORATE GOVERNANCE CODE

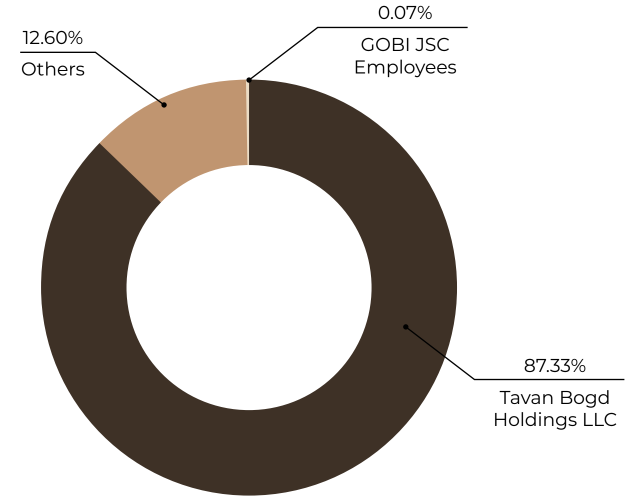
The implementation of the "Corporate Governance Code" of Gobi JSC was assessed by the Secretariat of the Board of Directors as of June 30 and December 31, 2024. The results of this evaluation were reviewed and validated by the Financial Regulatory Commission.

№	Section Title	Total Score	2023.12.31		2024.06.30		2024.12.31	
			FRC Score	%	FRC Score	%	FRC Score	%
1	Board Structure and Composition	12	11	91.7%	11	91.7%	12	100.0%
2	Board Committees and Their Functions	10	9	90.0%	10	100.0%	10	100.0%
3	Disclosure and Transparency	6	6	100.0%	6	100.0%	6	100.0%
4	Audit and Internal Control	6	6	100.0%	6	100.0%	6	100.0%
5	Risk Management	8	8	100.0%	8	100.0%	8	100.0%
6	Authorized Officials Remuneration	6	6	100.0%	6	100.0%	6	100.0%
7	Stakeholders Interests	8	8	100.0%	8	100.0%	8	100.0%
8	Corporate Culture	6	6	100.0%	6	100.0%	6	100.0%
9	Shareholder Rights	10	10	100.0%	10	100.0%	9	90.0%
	Overall Score	72	70	97.2%	71	98.6%	71	98.6%

According to the overall score, the implementation of the Corporate Governance Code of Gobi JSC was rated at 97.2% at the end of 2023, indicating moderate governance. However, upon reassessment conducted twice during 2024—at mid-year and year-end—and subsequent validation by the Financial Regulatory Commission, the rating rose to 98.6%, marking a 1.4% improvement and signifying a risk-free, sound governance status. **/Ranked among the top publicly listed companies in Mongolia./**

The full governance evaluation report is available on the website of the Mongolian Stock Exchange and the company's official website.

SHAREHOLDERS



TOTAL NUMBER OF ISSUED SHARES

780,112,500

TOTAL NUMBER OF SHAREHOLDERS

25,151

/As of December 31, 2024/

SIGNIFICANT SHAREHOLDERS

Shareholder Name	2023.12.31		2024.12.31	
	Number of Shares	Ownership (%)	Number of Shares	Ownership (%)
Tavan Bogd Holdings LLC	400,140,072	51.29%	**681,267,736**	**87.33%**
Hide Inter LLC	265,238,300	34.00%	-	-

An significant shareholder is defined as an individual or legal entity that alone or together with related parties holds 5% or more of the total voting shares issued by the company and exercises voting rights according to the law and agreements.

Major Change in the Structure of Significant Shareholders

In March 2024, a significant change occurred in the structure of significant shareholders, with Tavan Bogd Holdings LLC acquiring 87.33% of Gobi JSC.

As a result, according to Article 53.2 of the Company Law (CL), since Tavan Bogd Holdings LLC's shareholding exceeded 75%, Gobi JSC was obligated to implement the right of other shareholders to demand the company to repurchase their shares as stipulated in Articles 53 and 54 of the CL. To fulfill this legal obligation and protect the rights of other shareholders, Gobi JSC decided to repurchase shares at a price of 268.26 MNT per share. Requests to exercise this right were accepted from April 24, 2024, to June 5, 2024, in both paper and electronic formats. During this period, a total of 96 shareholders submitted requests to sell 3,427,017 shares, and the payment was deposited into the shareholders' centralized securities accounts on June 12, 2024. A report on the implementation of the right to demand repurchase was prepared and submitted to the Financial Regulatory Commission and the Mongolian Stock Exchange on June 13, 2024.

INFORMATION ON RELATED LEGAL ENTITIES

No.	Company Names	No.	Company Names
1	Tavan Bogd Holdings LLC	21	Tavan Bogd Building Supply LLC
2	Tavan Bogd International LLC	22	Tavan Bogd Pension Fund LLC
3	Tavan Bogd Distribution LLC	23	Tavan Bogd Motors LLC
4	Tavan Bogd LLC	24	Gerlug Vista Service LLC
5	Airlink Mongolia LLC	25	Tavan Bogd Nura LLC
6	Ulaanbaatar Flour LLC	26	TBMO LLC
7	Juulchin LLC	27	Tavan Bogd Automotive LLC
8	Juulchin Duty Free JSC	28	Tavan Bogd Dealer LLC
9	Five Stars In Kharkhorin LLC	29	Juulchin Foods LLC
10	Khaan Palace LLC	30	Gorkhiin Chuluu LLC
11	Sergelen Resort LLC	31	Gobiin Od Group LLC
12	Tavan Bogd Foods LLC	32	Tavanbogd Construction Machinery LLC
13	Tavan Bogd Foods Pizza LLC	33	Tavan Bogd Asset Management LLC
14	Ulaanbaatar Print LLC	34	Juulchin World GmbH (Germany)
15	Tavan Bogd Food Service LLC	35	Supportservices Mongolia LLC
16	Tavan Bogd Property LLC	36	Khan Bank JSC
17	Tavan Bogd House LLC	37	Temuujin Complex LLC
18	Tavan Bogd Residence LLC	38	Juulchin Tourism Corporation LLC
19	Tavan Bogd Finance NBFI LLC	39	RED Agency LLC
20	Tavan Bogd Capital Securities LLC	40	White Marketing Agency LLC

INFORMATION ON ULTIMATE BENEFICIAL OWNER

Д/д	Full Name	Nationality	Ownership Percentage	
				Related Legal Entity
1	Tsagaach BAATARSAIKHAN	Mongolian	0.006%	Tavan Bogd Holdings LLC 87.33% Tavan Bogd LLC 0.40% Tavan Bogd Capital Securities LLC 0.04%

ANNUAL GENERAL MEETING OF SHAREHOLDERS

The main form for Gobi JSC shareholders to exercise their rights is the Annual General Meeting of Shareholders, which is the highest governing body of the company.

2024 ANNUAL GENERAL MEETING

Gobi JSC's annual Annual General Meeting of Shareholders was successfully held on April 29, 2024, at 10:00 AM at the Khan Theater.

Meeting Attendance

A total of 703 shareholders participated, representing 691,224,087 voting rights, with 629 shareholders (1.60%) voting in advance and 74 shareholders (87.01%) attending in person on the day of the meeting, resulting in an attendance rate of 88.61%, making the meeting valid.

Agenda Items Presented at the Meeting

1. Gobi JSC's 2023 operational and financial performance report
2. Resolution by the BoD not to distribute dividends from the 2023 financial results
3. BoD's evaluation of the company's 2023 operational and financial report
4. BoD's 2023 work report
5. Proposal to revise the remuneration of BoD members
6. BoD's 2024 salary budget
7. Introduction of candidates for BoD membership

Resolutions Passed at the Meeting

After listening to the relevant reports and presentations, followed by questions, comments, and discussion, the shareholders cast their votes via ballot and adopted the following resolutions:

1. Approved the board's opinion that "Gobi JSC's executive management team made full use of their resources to fulfill the objectives set for 2023" with 99.99% approval.
2. Approved the proposal to revise the board members' remuneration with 99.99% approval.
3. Approved the board's 2024 remuneration budget with 99.99% approval.
4. Elected board members with a composition of 9 members for a term of 3 years.

AGM EXPENSES

(thousand MNT)

Type of Expense	2023	2024	Change %
Annual General Meeting of Shareholders Expenses	19,448	23,861	23%

BOARD OF DIRECTORS

COMPOSITION OF THE BOARD

INDEPENDENT DIRECTORS

D. GERELMAA

Chairwoman of the Board of Directors

Member of the Risk and Audit Committee

Member of the Nomination Committee

PROFESSION
Economist

EDUCATIONAL BACKGROUND
1982-1988
USSR, Moscow Institute of Telecommunications, Engineer Economist in Telecommunications, Bachelor's degree
2000-2003
Academy of Management, Government Implementing Agency of Mongolia, Management, Ph.D.

WORK EXPERIENCE
1988-1992
Radio and Television Technical Center, Economist
1992-1994
College of Economic Development, Department of Business Administration, Lecturer
1994-2003
College of Economic Development, Head of the Department of Business Administration
2003-2006
Permanent Mission of Mongolia to the UN, Embassy in Switzerland, Accountant
2006-2009
UFE, Deputy Director for Academic Research Affairs
2009-2015
UFE, Deputy Director for Academic Affairs
2015 оноос
UFE, , Business Administration Department, Professor
2022 оноос
UFE, Graduate School, Professor
2013– present
Independent director of the Board of Directors, Gobi JSC

SHAREHOLDINGS IN GOBI JSC
Does not own shares.

D. KHURELBAATAR

Chair of the Nomination Committee, Chair of the Remuneration Committee

PROFESSION
Accountant, Economist, Financial Specialist

EDUCATIONAL BACKGROUND
1979-1981
College of Commerce, Accountant, Bachelor's degree
1985-1989
Baikal State University, Russia (Irkutsk Agricultural Institute of Economics), Economist, Finance Specialist, Master's degree

WORK EXPERIENCE
1981-1984
State Bank, State Inspector Auditor
1990-2005
Trade and Development Bank, Director of Customer Service Department
2005-2007
Mongol Post Bank, Deputy Director
2008-2016
Gobi JSC, Board Member
2007-2020
Trade and Development Bank, Deputy CEO
2020-2022
Trade and Development Bank – Head of the Board Secretariat
2022– present
Independent director of the Board of Directors, Gobi JSC

SHAREHOLDINGS IN GOBI JSC
4,800 shares (0.0006%)

A. JARGALMAA

Chair of the Risk and Audit Committee

PROFESSION
Accountant

EDUCATIONAL BACKGROUND
2008-2012
Oxford Brookes University, Accounting, Bachelor's degree
2010-2012
ACCA Professional Level Examinations (Association of Chartered Certified Accountants)
2012-2015
University of Finance and Economics, Business Administration, Master's degree
2013-2015
Handong Global University, Global Management, MBA

WORK EXPERIENCE
2012-2017
UFE, Lecturer
2013-2014
Itezmon LLC, Accountant
2014-2014
Iarudi Consulting LLC, Consultant
2016-2018
Bury Medved LLC, Accountant
2015-оноос
Dungee LLC – Accountant
2017 оноос
GAPE (Global Academy for Professional Education) – Senior ACCA Lecturer, Program Director
2019 - present
Independent director of the Board of Directors, Gobi JSC

SHAREHOLDINGS IN GOBI JSC
Does not own shares.

B. TSEENYAM

Member of the Remuneration Committee

PROFESSION
Marketing Management

EDUCATIONAL BACKGROUND
2014-2018
UFE, Marketing Management, Bachelor's degree
2022-2023
USA, Lindenwood University, Business Administration, MBA

WORK EXPERIENCE
2018-2021
Tavan Bogd Holdings LLC, Marketing Department, Research Manager
2023-2025
USA, Anand Resource Company, General Manager
March 2025 - present
Tavan Bogd Holdings LLC, Deputy Director of Internal Audit
2024 - present
Independent director of the Board of Directors, Gobi JSC

SHAREHOLDINGS IN GOBI JSC
Does not own shares.

NON-INDEPENDENT (REGULAR) DIRECTORS

TS. BAATARSAIKHAN

Member of the Nomination Committee

PROFESSION
Engineer

EDUCATIONAL BACKGROUND
1984-1988
Polytechnic University of Mongolia, Telecommunications Engineering, Bachelor's degree
1989-1993
Japan, Tokyo University of Electro-Communications, Electronics Engineering, Bachelor's degree

WORK EXPERIENCE
1993-1997
Altai LLC, a Mongolian-Japanese joint venture, Executive Director
1997 онooс
President of Tavan Bogd Group, CEO of Tavan Bogd Holdings LLC
2001-2003
MIAT Mongolian Airlines, Vice President
2008-2024
Gobi JSC, CEO
2009 - present
Khan Bank JSC, Board Director
2007 - present
Gobi JSC, Non-independent Director

SHAREHOLDINGS IN GOBI JSC
Individual: 50,000 shares (0.006%)
Related Legal Entities:
Tavan Bogd Holdings LLC – 681,267,736 shares (87.33%)
Tavan Bogd LLC – 3,140,239 shares (0.40%)
Tavan Bogd Capital Securities LLC – 278,030 shares (0.04%)

D. KHULAN

Member of the Remuneration Committee

PROFESSION
International Banking and Finance

EDUCATIONAL BACKGROUND
1985-1990
Russia, Moscow Financial Institute, International Banking and Finance, Bachelor's degree

WORK EXPERIENCE
1990-1992
Ministry of Finance of Mongolia, Department of International Economic Relations, Economist
1993-1997
Gobi JSC, Tokyo Branch – Representative, Sales Manager
1997-2000
Tavan Bogd Holdings LLC, Deputy Director
2000-2002
Trade and Development Bank, Deputy Director
2003-2021
Tavan Bogd Group, Vice President
2003-2021
Khan Bank JSC, Board Director
2009 - present
Honorary Consul of Luxembourg to Mongolia
2021 онooс
Khan Bank JSC, Vice Chair of the Board
2021 - present
Tavan Bogd Group, Chair of the Board
2007 - present
Gobi JSC, Non-independent Director

SHAREHOLDINGS IN GOBI JSC
Individual: 12,973,022 shares (1.66%)
Related Legal Entities:
Tavan Bogd Holdings LLC – 681,267,736 shares (87.33%)
Tavan Bogd LLC – 3,140,239 shares (0.40%)
Tavan Bogd Capital Securities LLC – 278,030 shares (0.04%)

B. AMARSAIKHAN

Chief Executive Officer

PROFESSION
Business Administration and Entrepreneurship

EDUCATIONAL BACKGROUND
2016 - 2019
United Kingdom, University of Westminster, Business Administration and Entrepreneurship, Bachelor's degree

WORK EXPERIENCE
2019-2023
Gobi Cashmere Europe LLC, CEO
2022 онooс
Gobi Cashmere UK LLC, CEO
2022-2024
Gobi JSC, Chief Strategy and Growth Officer
2022 онooс
Tavan Bogd Holdings LLC, Director of Strategy and Business Development
2023 онooс
CEO of Gobi Cashmere Kazakhstan LLC, Gobi Cashmere USA LLC, and Gobi Cashmere Inner Mongolia LLC
2024 онooс
CEO of Gobi JSC and Goyo LLC, and Director of Gobi Australia Branch
2023 онooс
Gobi JSC, Non-independent Director

SHAREHOLDINGS IN GOBI JSC
Individual: 1,000 shares (0.0001%)
Related Legal Entities:
Tavan Bogd Holdings LLC – 681,267,736 shares (87.33%)
Tavan Bogd LLC – 3,140,239 shares (0.40%)
Tavan Bogd Capital Securities LLC – 278,030 shares (0.04%)

TS. ORGILBOLD

Deputy CEO

PROFESSION
International Relations

EDUCATIONAL BACKGROUND
2011-2014
Japan, Temple University, International Relations, Bachelor's degree

WORK EXPERIENCE
2014
Ministry of Economic Development, Specialist on Free Zones
2016
Tavan Bogd Holdings LLC, Business Development Manager
2016-2017
Juulchin Duty Free JSC, CEO
2017-2019
Goyo LLC, CEO
2019-2021
Gobi JSC, Deputy CEO in charge of Operations
2021-2022
Support Services Mongolia LLC, Deputy Director
2022-2023
Gobi JSC, Deputy CEO /Design, Production, Support/
2023 - present
Gobi JSC, Deputy CEO /Global and ODM Sales/ and CEO of Gobi Cashmere Europe LLC
2023 - present
Gobi JSC, Non-independent Director

SHAREHOLDINGS IN GOBI JSC
Individual: Does not own shares.
Related Legal Entities:
Tavan Bogd Holdings LLC – 681,267,736 shares (87.33%)
Tavan Bogd LLC – 3,140,239 shares (0.40%)
Tavan Bogd Capital Securities LLC – 278,030 shares (0.04%)

N. MUNKHBAT

Member of the Risk and Audit Committee

PROFESSION
Financial Management

EDUCATIONAL BACKGROUND
2003-2007
Mongolian University of Science and Technology, Electronics Engineering, Bachelor's degree
2011-2013
United Kingdom, University of Gloucestershire, Master's in Business Administration
2013-2015
United Kingdom, Kaplan Financial Institute, Passed Level II of the CFA Program

WORK EXPERIENCE
2007-2011
Baz Tech LLC, General Manager
2015-2018
Ard Financial Group JSC, Investment Manager
2018-2018
Gobi JSC, Head of Financial Planning Department
2018-2019
Tavan Bogd Holdings LLC, Head of Financial Planning and Investment Department
2019-2021
Shunkhlai LLC, Director of Business Planning Division
2021- present
Tavan Bogd Holdings LLC, Chief Financial Officer
2024- present
Gobi JSC, Non-independent Director

SHAREHOLDINGS IN GOBI JSC
Individual: 1,630 shares (0.00%)
Related Legal Entities:
Tavan Bogd Holdings LLC – 681,267,736 shares (87.33%)
Tavan Bogd LLC – 3,140,239 shares (0.40%)
Tavan Bogd Capital Securities LLC – 278,030 shares (0.04%)

CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS

- At the 2024 Annual General Meeting of Shareholders, the members of the Board of Directors were elected for a term of three years. Mr. N. Munkhbat and Mr. E. Purevlkham were newly appointed as regular (non-independent) Board directors.
- In August 2024, Board member Ms. E. Purevlkham submitted her voluntary resignation, which was duly accepted. The Board subsequently announced an open selection process for a new independent director. By resolution dated 10 September 2024, the Board approved the resignation of Ms. E. Purevlkham and appointed Ms. B. Tseenyam as an interim independent director to serve until the 2025 Annual General Meeting of Shareholders.

ELECTION AND APPOINTMENT OF BOARD MEMBERS

An accordance with the Charter of Gobi JSC, members of the Board of Directors are elected by the shareholders at the Annual General Meeting through cumulative voting for a term of three years.

The Nomination Committee, operating under the Board, reviews the participation, reports, and performance of current directors. In line with the company's long-term strategy and business direction, the Committee deliberates on whether to renominate existing members or introduce changes to the Board composition.

Pursuant to the "Regulation on Nomination and Selection of Board Members" of Gobi JSC, if the Nomination Committee determines a need for changes in the Board's composition, it specifies the required number of regular and independent directors, defines the professional and skill-based qualifications, and organizes the selection process accordingly. The selection of independent directors may be conducted either publicly or from among previously evaluated candidates. Following the assessment and deliberation process, the Committee finalizes and approves the list of nominees.
In cases where a Board member becomes unable to fulfill their duties for an extended period, resigns, or passes away, a temporary appointment may be made by Board resolution until the next General Meeting of Shareholders. The interim appointee must meet the criteria required of independent directors and shall exercise the full rights and responsibilities of a Board member.

REMUNERATION OF BOARD OF DIRECTORS

The remuneration of the members of the Board of Directors is determined based on a proposal prepared by the Remuneration Committee, which operates under the Board, and submitted for approval by the Shareholders at the General Meeting. The remuneration structure for Board members of Gobi JSC consists of a fixed monthly salary and a performance-based component contingent upon meeting participation.

At the AGM held in April 2024, the following remuneration structure was approved for the members of the Board.

FIXED SALARY

Non-independent Board Member Base salary **MNT 1,400,000**

Independent Board Member Base salary **MNT 2,800,000**

Additional Remuneration for Office Held for Chair of the Board **MNT 1,000,000**

Additional Remuneration for Office Held for Chair of the Board Committees **MNT 400,000**

ATTENDANCE PAY

For each meeting attended—including Board meetings, Shareholders' meetings, and Committee meetings—members shall receive an additional remuneration of **MNT 650,000** per session.

PRINCIPLES OF BOARD REMUNERATION

At its first meeting of 2024, the Remuneration Committee of the Board defined the following guiding principles regarding remuneration and benefits for Board members:

- Members of the Board of Directors shall not receive any performance-based bonuses or incentive pay linked to the financial results of the Company.
- In order to promote active participation and reinforce accountability, the base salary for Independent Directors shall be set higher than that of Regular Directors.
- Regular Directors who are concurrently employed as members of the Company's Management Team shall not receive any additional compensation or benefits in their capacity as Board members.

BOARD REMUNERATION IN 2024

Remuneration	2023 Actual	2024		Change %	
		Budget*	Actual	2023A/2024A	2024B/2024A
Fixed Salary	161,200	211,200	213,533	32%	1%
Attendance Pay	37,200	50,700	44,200	19%	-13%
Social Insurance Contribution	25,485	30,119	27,371	7%	-9%
Total	223,885	292,019	285,104	27%	-2%

** The 2024 budget was approved at the Annual General Meeting of Shareholders held in April 2024.*

BOARD ACTIVITY REPORT 2024

MEETING OVERVIEW

Meeting Type	Regular	Extraordinary	E-Vote	Items Discussed	Decisions	Recommen-dations	Directives	Resolutions
Board of Directors	5	5	7	55	46	18	20	41
Risk and Audit Committee	3	1	3	19	9	7	12	4
Nomination Committee	2	1	6	26	16	10	13	5
Remuneration Committee	2	-	-	14	8	6	5	1
Total	**12**	**7**	**16**	**114**	**79**	**41**	**50**	**51**

In 2024, the Board of Directors and its subcommittees of Gobi JSC convened a total of 12 regular meetings, 7 extraordinary meetings, and conducted 16 e-voting procedures. With active participation, they deliberated on 114 agenda items, adopted 79 decisions, and issued 51 resolutions. Within their defined mandates, the Board issued 41 recommendations and assigned 50 directives to management, closely monitoring their implementation. The execution rate of board decisions reached 100%, while directives to management were implemented at a rate of 95%.

MEETING ATTENDANCE

№	Name of Board Member	Committee Affiliation	BoD Meeting Attendance	Committee Meeting Attendance
1	D. Gerelmaa	Member of the Risk and Audit Committee, Member of the Nomination Committee	100%	100%
2	D. Khurelbaatar	Chair of the Nomination Committee, Chair of the Remuneration Committee	100%	100%
3	A. Jargalmaa	Chair of the Risk and Audit Committee, Member of the Remuneration Committee (until October 2024)	100%	100%
4	B. Tseenyam	Member of the Remuneration Committee	100%	100%
5	Ts. Baatarsaikhan	Member of the Nomination Committee	100%	100%
6	D.Khulan	Member of the Remuneration Committee, Member of the Risk and Audit Committee (until May 2024)	100%	100%
7	N. Munkhbat	Member of the Risk and Audit Committee	94%	100%
8	B. Amarsaikhan	Member of the Remuneration Committee (until May 2024)	100%	100%
9	Ts. Orgilbold	Member of the Nomination Committee (until May 2024)	100%	100%

Meeting Frequency

Regular Meetings: The Board of Directors meets once every two months (six times annually), including one meeting dedicated to independent directors. The Risk and Audit Committee meets quarterly (four times a year), while the Nomination and Remuneration Committees meet biannually (twice per year).

Extraordinary Meetings: May be convened at any time upon the initiative or request of the Board Chair, Board Members, the CEO, or members of the Management Team.

2024 BOARD ACTIVITY REPORT

The Board of Directors of Gobi JSC convened 5 regular meetings, 5 extraordinary meetings, and 7 electronic voting sessions in 2024. A total of 55 matters were discussed, resulting in 46 resolutions and 41 Board decisions. Within the scope of its duties, the Board issued 18 recommendations and 20 directives to the executive management and provided oversight to ensure their implementation.

In the exercise of its oversight and strategic guidance functions regarding the company's finances and operations, the Board approved the company's business plan during its first meeting of the year and monitored its implementation through monthly financial and performance reports.

A key event during the year was the voluntary resignation of Mr. Ts. Baatarsaikhan, who had served as Chief Executive Officer of Gobi JSC since 2008. Upon review and evaluation, the Board appointed Mr. B. Amarsaikhan as the new CEO effective from March 2024, recognizing his experience and competence gained through leading the company's subsidiary in the Federal Republic of Germany and serving as the Chief Strategy and Growth Officer at Gobi JSC, which enabled him to be actively engaged across all levels of the organization.

As a dynamic and capable representative of the new generation of leadership, the newly appointed CEO has spearheaded various initiatives, including the rebranding of the GOBI brand to expand its global presence, organizational restructuring, digital transformation, and enhancements in operational efficiency and information flow. The Board has continuously reviewed his progress and provided strategic direction accordingly.

In 2024, Gobi JSC continued to expand its systems modernization initiatives, including the full implementation of SAP S/4 HANA ERP, the rollout of the Manufacturing Execution System (MES), and the introduction of the Conveyor Belt System. In relation to these developments, the Board held one virtual and two in-person meetings with the Information Technology Department to review reports and provide guidance and oversight.

In line with its responsibility to approve internal governance policies, the Board revised and approved the Whistleblowing Procedure in August and the Compliance Policy in October.

The Board also placed significant focus on environmental, social, and governance (ESG) matters. Through three regular meetings, it reviewed the ESG department's reports and monitored the implementation of its sustainability commitments. A key initiative this year was the development of a comprehensive Sustainability Policy, carried out in cooperation with a consulting firm. The Board and executive management engaged in a series of structured training sessions and discussions, which culminated in the approval, at the October Board meeting, of the Sustainability Strategy, the Climate Change Adaptation and Greenhouse Gas Reduction Policy, the Human Rights and Gender Policy, and the Social Responsibility Policy.

To ensure alignment with these policies and to embed them into all phases of the company's operations, the Board is drawing upon international best practices and corporate governance trends and is planning to establish a dedicated ESG Committee in 2025.

A principal duty of the Board is to safeguard shareholder rights and prevent any infringement thereof. In March 2024, following an increase in shareholding by the significant shareholder Tavan Bogd Holdings LLC, minority shareholders became entitled—pursuant to the Company Law—to request a buyback of their shares. This process was duly carried out in compliance with the applicable legislation.

BOARD AND BOARD MEMBER EVALUATIONS

Since 2015, Gobi JSC has conducted an annual self-evaluation of its Board of Directors, with the aim of continuously improving its governance practices. Additionally, beginning in 2018, the company has also carried out self-assessments for individual Board members. These evaluations are prepared and approved by the Nomination Committee. In 2024, the evaluation templates were updated based on the model developed by the Financial Regulatory Commission (FRC) and incorporated elements from previous versions, while reflecting international best practices and corporate governance principles.

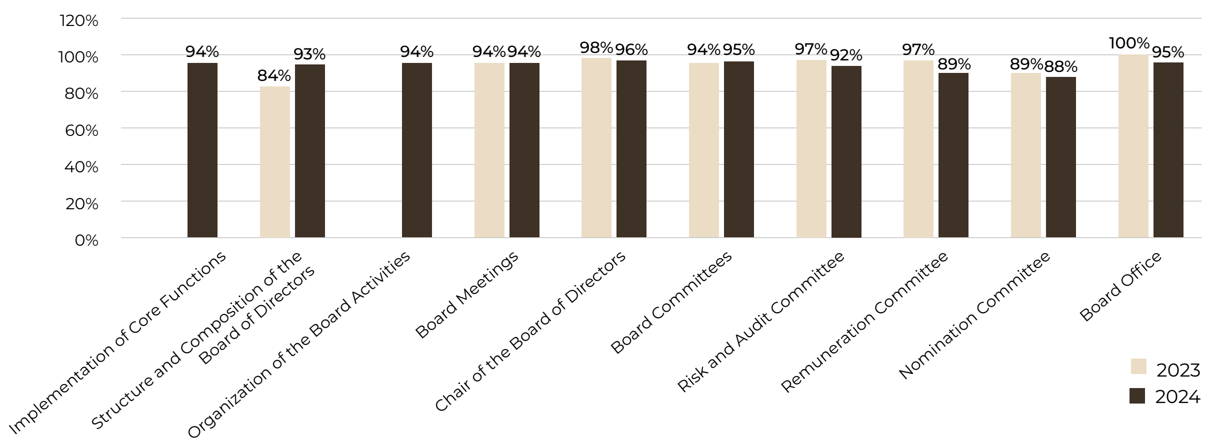
By conducting annual evaluations of the Board and its members, we are able to assess the Board's performance, identify strengths and areas requiring improvement, and formulate future action plans—thereby ensuring continuous improvement.

BOARD EVALUATION 2024

The updated 2024 Board evaluation questionnaire consists of 90 questions grouped into 10 categories, along with one open-ended question for written input.

Board Evaluation Results (2023–2024)

(As the two questionnaires differ in structure, only comparable categories and metrics are presented below.)



The 2024 evaluation allows for a comparison with 8 of the 10 categories evaluated in 2023. The overall score slightly decreased from an average of 94% in 2023 to 93% in 2024.

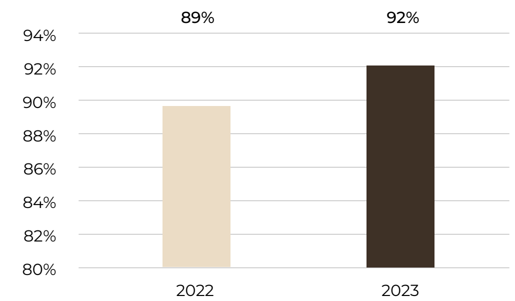
The results indicate that evaluations of the Board's committees and the Board Secretariat showed a decline. This is attributed to a structural change in the questionnaire: while the 2023 version offered a general assessment of all three committees collectively, the 2024 version required a more detailed, function-specific evaluation of each committee separately.

Conversely, the "Board Composition and Structure" category showed the highest increase, with a 9% improvement compared to the previous year.

BOARD MEMBER SELF- EVALUATION 2024

The revised 2024 evaluation for individual Board members comprises 29 questions concerning a member's duties and participation, as well as 1 open-ended question related to initiatives undertaken by the member in connection with Board and company activities and their outcomes.

Average Score of the Board Member Self-Evaluation /2023-2024/



By conducting self-evaluations annually, Board members are able to identify their own strengths and weaknesses, assess their individual performance, and define areas of focus for future improvement. Furthermore, these evaluations serve as a reference point for the Nomination Committee in assessing the performance of individual Board members.

In 2024, the updated individual self-evaluation of Board members yielded an average score of 92%, reflecting a 3% improvement compared to the previous year.

PARTICIPATION OF INDEPENDENT DIRECTORS

At the beginning of each year, Gobi JSC's independent directors define their focus areas for the year. At year-end, they assess and discuss the outcomes of their initiatives in connection with the company's and Board's activities.

Since 2022, with the objective of enhancing the participation of independent directors, Gobi JSC has organized an annual Independent Directors' Meeting. The 2024 meeting was held in January 2025. During this meeting, the independent directors were introduced in detail to the newly implemented systems and production lines at the factory, engaged in independent discussions on operational matters, and submitted their recommendations for consideration in the company's activities.

REPORT OF THE BOARD COMMITTEES

NOMINATION COMMITTEE

Objective

The primary objective of the Nomination Committee, operating under the Board of Directors, is to support the Board in ensuring a stable succession plan for Key Management Personnel (KMPs)—namely, the members of the Board of Directors, the Chief Executive Officer, and other executives of the Management Team. The Committee also defines and reviews job descriptions and contractual terms, evaluates performance, monitors implementation, and provides oversight and strategic direction. Additionally, the Committee exercises oversight over matters reported through the whistleblowing mechanism related to KMPs.

Composition

Role	Type of Director	Name
Chair	Independent Director	D. Khurelbaatar
Members	Independent Director	D. Gerelmaa
	Non-Independent Director	Ts. Baatarsaikhan

Change in Composition:

Effective 2024, the Company adopted the principle of appointing Board Committee members exclusively from among Directors not employed within the Management Team. In line with this principle, pursuant to Board Resolution No. 24 dated May 21, 2024, Director Ts. Baatarsaikhan was appointed as a Committee Member, replacing Director Ts. Orgilbold.

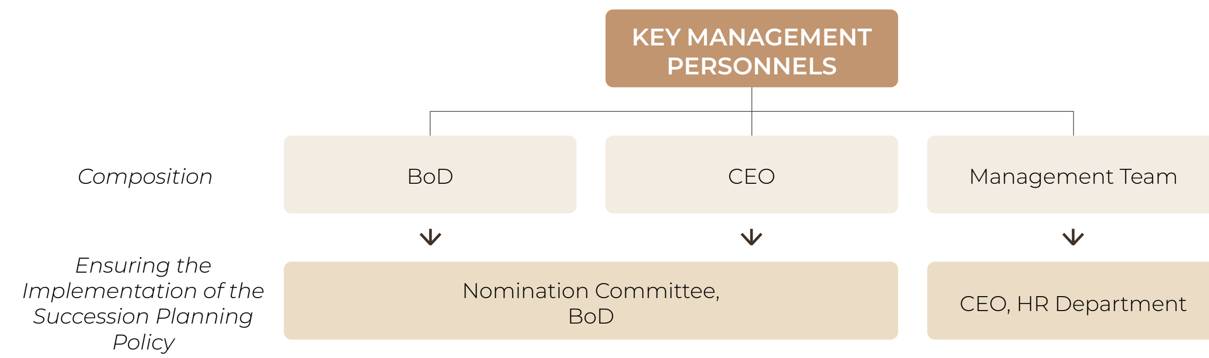
2024 ACTIVITY REPORT

During the reporting year, the Nomination Committee convened two regular meetings, one extraordinary meeting, and conducted six rounds of electronic voting. A total of 26 matters were deliberated, resulting in 16 resolutions. Within the scope of its mandate, the Committee issued 10 recommendations and 13 instructions to relevant executives and approved five formal resolutions. The implementation rate of Committee decisions and instructions was 100%.

- In line with the Committee's mandate to ensure the continuity of succession planning for key management positions, the following actions were undertaken:
  - Received the request for the resignation of the CEO, reviewed the proposal for a new CEO appointment, and presented it for Board approval on February 28, 2024.
  - A request submitted by a significant shareholder regarding the nomination of candidates for a Non-independent Director position was received. Following the Nomination and Selection Procedure, candidates were identified and approved, and the new members were elected for a three-year term at the AGM in April 2024.
  - In August 2024, the Committee received a resignation request from an Non-independent Board Member. In compliance with legal procedures, a temporary appointment of an Independent Director was made until the 2025 AGM, with the selection process being publicly announced and conducted. The appointment was finalized at the Board Meeting on September 10, 2024.
- As part of its mandate to define job responsibilities and clarify contractual terms for key management personnel, the Committee undertook the following actions:
  - The Committee discussed and clarified the newly appointed CEO's duties, reviewed and updated the management contract terms, and obtained Board approval for the revised agreement.
  - During the mid-year meeting, the Committee reviewed the Management Team's job descriptions and performance, providing feedback and guidance to the Chief HR Officer on improvements.
  - ТУЗ-ийн гишүүдийн хууль, дүрэм журмын дагуу хэрэгжүүлэх эрх үүргийн матрицыг хэлэлцэж, цаашид тогтмол сайжруулан, хэрэгжилтийг хянган ажиллахаар шийдвэрлэв.
- In fulfillment of its duty to evaluate the performance and oversee the activities of key management personnel, the Committee carried out the following activities:
  - At the beginning of the year, the Committee reviewed the Management Team's 2023 reports, analyzed the CEO's assessment, and issued recommendations for operational improvements. Two outstanding directors were nominated for the Board-Recognized Leadership Award, which was presented and approved at the Board Meeting.
  - During the mid-year meeting, the Committee reviewed the CEO's interim performance report and continued with performance oversight. Additionally, the Committee developed a new format for the year-end evaluation report, which will be presented in the January 2025 meeting.
  - The Committee discussed and approved the revision of the Whistleblower System Policy in August 2024, which was finalized and approved at the Board Meeting on August 9, 2024. The Committee ensured the timely and proper resolution of any concerns raised via the Whistleblower System.
  - In 2024, the Committee conducted the annual Board self-evaluation and individual Board Member self-evaluations, ensuring alignment with best practices in corporate governance.

SUCCESSION PLANNING POLICY FOR KEY MANAGEMENT PERSONNEL

Key Management Personnel (KMPs): As defined in the Company Charter, Key Management Personnel shall include members of the Board of Directors, the Chief Executive Officer, Deputy Chief Executive Officers, Department Directors, Head of Legal Division, and the Board Secretary—individuals who directly or indirectly participate in corporate decision-making and the conclusion of contractual arrangements on behalf of the Company.



Succession Planning Policy

- The Nomination Committee, in collaboration with the Human Resources Department, shall identify and regularly update the requirements for the qualifications, expertise, and competencies of KMPs in line with developments in the external and internal environment, the Company's long-term strategic vision, and its anticipated growth.
- The Nomination Committee and Human Resources Department shall establish and implement principles, selection criteria, succession preparation plans, and skills development programs for KMP appointments, ensuring continuous refinement.
- The Company shall endeavour to provide KMPs with stable, fulfilling working conditions and professional development opportunities, including pathways for internal career progression.
- The Board of Directors shall ensure, through the application of this Policy, that appropriate mechanisms are in place to secure continuity of operations and mitigate risks to shareholder and stakeholder interests in the event of unforeseen or unplanned vacancies among KMPs by maintaining a state of readiness in the Company's leadership pipeline.

REMUNERATION COMMITTEE

Objective

The objective of the Remuneration Committee, operating under the Board of Directors, is to assist the Board in defining the remuneration policy applicable to Key Management Personnel (KMPs)—namely, the members of the Board, the Chief Executive Officer, and other members of the Management Team. The Committee also advises on Company-wide remuneration policies, plans, and programs, and oversees their implementation.

Role	Type of Director	Name
Chair	Independent Director	D.Khurelbaatar
Members	Independent Director	B.Tseenyam
	Non-Independent Director	D.Khulan

Changes in Composition:

Commencing in 2024, the principle was adopted to appoint Board members who are not part of the Management Team to Board Committees. Accordingly, by Board Resolution No. 24 dated 21 May 2024, Non-Independent Director E. Purevlkham was appointed in place of Director B. Amarsaikhan. Subsequently, due to changes in Board composition, the Board adopted Resolution No. 34 dated 30 October 2024, appointing Independent Director B. Tseenyam and Non-Independent Director D. Khulan to the Committee in place of A. Jargalmaa and E. Purevlkham.

2024 ACTIVITY REPORT

In 2024, the Remuneration Committee convened two regular meetings, deliberated on 14 matters, and adopted 8 resolutions. The Committee issued 6 types of recommendations and 5 assignments to relevant officers, all of which were duly monitored. One formal resolution was approved. Implementation of the Committee's decisions and instructions achieved 100% compliance.

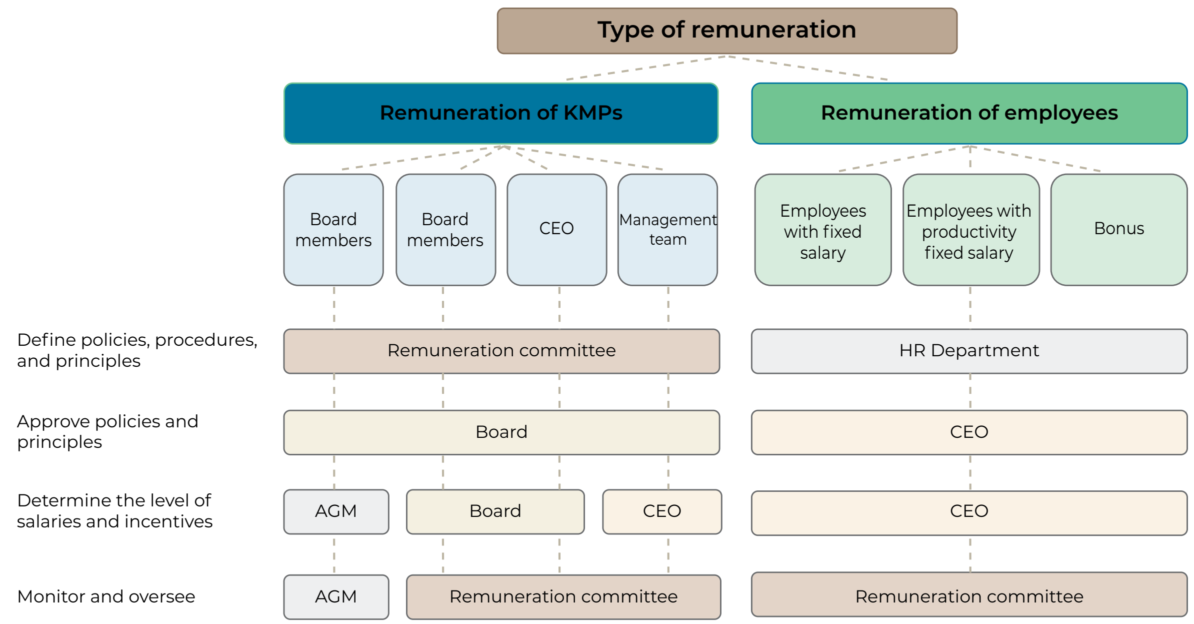
- In fulfilment of its mandate to define and monitor the remuneration policy for KMPs, the Committee undertook the following:
  - At its first meeting, the Committee reviewed and adopted principles governing the remuneration, benefits, and incentives for Board members. As a result, clear guidelines were established for the remuneration of Non-Independent Directors within the Management Team, other Non-Independent Directors, and Independent Directors.
  - To enhance the participation and accountability of Independent Directors, the Committee developed a proposal to revise their remuneration. This was approved at the April 2024 Annual General Meeting of Shareholders. The Committee also ensured open discussion and approval of the Board's remuneration budget for 2024.
  - The Committee reviewed KMPs' remuneration and incentive implementation semi-annually. During the mid-year meeting, it reviewed the incentive principles and revised the salary of the Chief Executive Officer.
- In fulfilment of its mandate to define and oversee Company-wide remuneration policies, plans, and programs, the Committee accomplished the following:
  - At the year's first meeting, the revised draft of the Company's Remuneration Policy was reviewed and approved by the Board on 26 January 2024.
  - The Committee reviewed the performance of the 2023 remuneration program and submitted the 2024 remuneration budget for Board approval, aligning it with the business plan.
  - The Committee reviewed the results of the organizational culture and employee satisfaction surveys and provided strategic guidance to management on the improvement measures undertaken.

REMUNERATION POLICY

Gobi JSC's Remuneration Policy

Gobi JSC maintains a sound and effective remuneration framework that aligns with the Company's internal and external market dynamics, long-term business strategy, growth and development objectives, financial performance, and employee productivity and performance.

Remuneration Framework



OBJECTIVES OF THE REMUNERATION FRAMEWORK

- The Company aims to continuously improve the working environment, thereby enabling employees to develop their skills, pursue growth, receive fair recognition for their contributions, and work in a stable, fulfilling, and joyful setting. This contributes to raising the Company's average organizational culture index to an appropriate level annually.
- A balanced correlation shall be maintained between labour productivity and average salary growth, taking into account the rate of inflation and real wage growth.
- The Company's remuneration and incentive budget shall be planned in alignment with its annual profitability.

PRINCIPLES OF THE REMUNERATION FRAMEWORK

- Alignment with business operations and strategic objectives,
- Competitiveness in the market,
- Fairness and equity,
- Consistency with inflation and real wage growth,
- Fairness and transparency,
- Continuous innovation and improvement.

RISK AND AUDIT COMMITTEE

Objective

The objective of the Risk and Audit Committee under the Board of Directors is to support the Board in exercising its oversight functions by fulfilling three core duties: to supervise and guide the effectiveness of the Company's financial and economic control systems; to oversee and advise on the effectiveness of internal control, compliance, and risk management systems, and to ensure engagement with the external audit firm and enable the exercise of its statutory duties.
Through these duties, the Committee facilitates the Board's fulfilment of its risk oversight and internal control responsibilities.

Role	Type of Director	Name
Chair	Independent Director	A. Jargalmaa
Members	Independent Director	D. Gerelmaa
	Non-Independent Director	N. Munkhbat

Changes in Composition:

Following the change in the composition of the Board of Directors during the 2024 Annual General Meeting of Shareholders, and pursuant to Resolution No. 24 of the Board dated 21 May 2024, Board Member N. Munkhbat was appointed to replace D. Khulan as a member of the Committee.

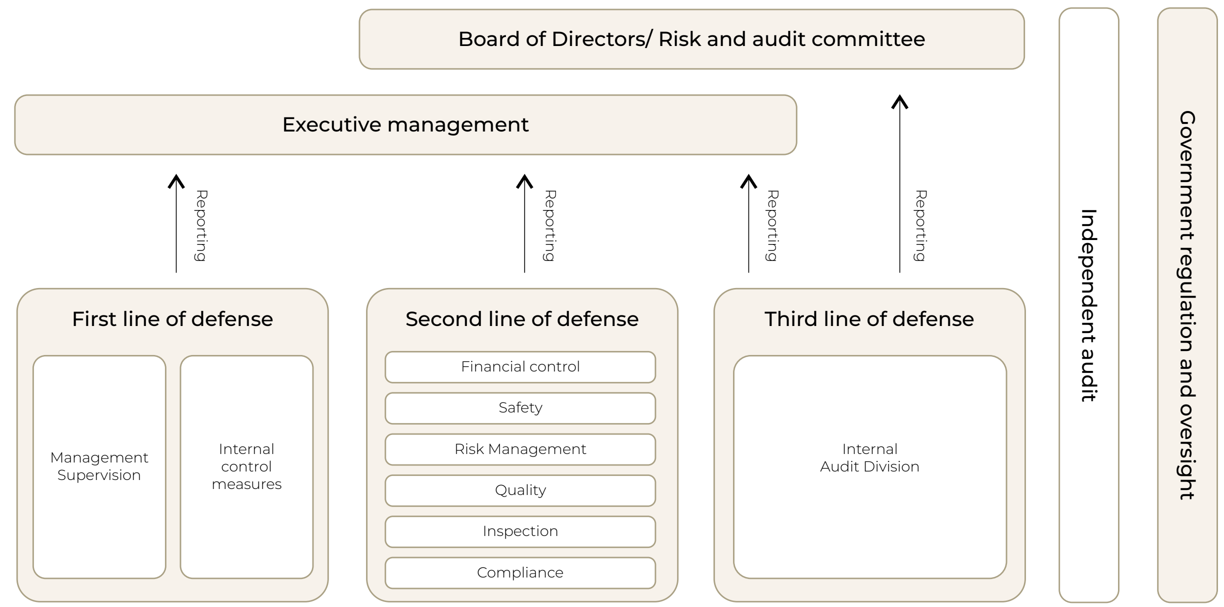
2024 ACTIVITY REPORT

In 2024, the Risk and Audit Committee convened 3 regular meetings, 1 extraordinary meeting, and conducted 3 electronic voting sessions. It deliberated on 19 matters and adopted 9 resolutions. Within its scope of responsibilities, the Committee issued 7 types of recommendations and 12 directives to relevant executives and monitored their implementation. A total of 4 resolutions were formally adopted. The implementation rate of the Committee's decisions was 100%, while directives given to management were 83% fulfilled.

- In fulfilment of its duty to enhance the Company's financial and economic control systems, the following activities were carried out:
  - Reviewed the Company's quarterly and semi-annual financial statements and supervised the public disclosure process;
  - Monitored the implementation of the budget for related party transactions, as approved at the Board meeting held on 26 January 2024, and reviewed the performance of transactions with conflicts of interest and related parties on a quarterly basis.
- In fulfilment of its duty to enhance internal control, compliance, and risk management systems, the Committee undertook the following activities:
  - Reviewed the Internal Audit Division's quarterly reports, assessed the effectiveness of internal audits conducted across the Company, and supported internal control functions.
  - Since 2024, Gobi JSC has established a Compliance Department, and the Committee reviewed its semi-annual reports, providing strategic direction to institutionalize its operations and ensure effectiveness. At the Q3 meeting, the Committee reviewed and endorsed the updated Compliance Policy, which was approved at the Board meeting on 30 October 2024.
  - At the semi-annual meeting, the Committee reviewed the risk management team's activity report, risk assessment, and monitoring results, and provided guidance. It also reviewed the progress of the Business Continuity Plan, developed in support of the "Business Continuity Procedure," and offered relevant suggestions.
- In fulfilment of its duty to liaise with the external audit firm and enable the exercise of its statutory responsibilities, the Committee undertook the following activities:
  - Reviewed the 2023 independent audit opinion and recommendations at the first meeting of the year and monitored the implementation of the recommendations;
  - Reviewed the procurement process for selecting the independent auditor for the 2023 standalone financial statements (excluding subsidiaries) and submitted a recommendation, leading to a selection at the Board meeting on 19 April 2024;
  - Assessed the shortlisted candidates for the 2024 external audit based on independence criteria and pricing proposals, and submitted a recommendation, leading to an appointment at the Board meeting on 10 September 2024;
  - At the extraordinary meeting held in November, reviewed the 2024 audit plan and issued preparatory directives and recommendations to the relevant management.

INTERNAL CONTROL SYSTEM

Our company organizes its internal control system based on the "Three Lines of Defense" model, improving its operations. This model emphasizes the importance of each management level in carrying out their core responsibilities of planning, executing, reporting, monitoring, and coordinating on a daily basis.



First Line of Defense:
Units engaged in the core activities of the company implement daily controls and report on them according to the directives given by the Executive Management.

Second Line of Defense:
Supportive units of the company also implement daily controls and report on them according to the directives given by the Executive Management.

Third Line of Defense:
The internal control system implemented by the Executive Management ensures its effectiveness and suitability, providing verification of its functioning. The results are reported to the RAC for governance issues and to the Executive Management for administrative matters.

INTERNAL CONTROL POLICY

The internal control policy of our company aims to regulate, audit, and monitor the following relationships related to the efficient operation of the company:

- Managing the company's operations in compliance with laws and regulations and according to established procedures for optimal effectiveness.
- Safeguarding company assets and ensuring their reliability.
- Preventing, detecting, and correcting fraudulent and error-prone activities.
- Ensuring the comprehensive and accurate nature of financial accounting.
- Ensuring the timely preparation and accurate reporting of operational and financial information.
- Continuously monitoring and managing risks.

Gobi JSC implements internal control through a hierarchical system involving all employees, unit management, the Executive Management team, the Internal Audit Department, the Risk and Audit Committee, the Board of Directors, and external auditors. The Board exercises oversight of the company's internal control activities through the Risk and Audit Committee.

INTERNAL AUDIT DIVISION

The purpose of the Internal Audit Division is to protect and enhance the organization's value by providing assurance on the effectiveness of corporate governance processes, risk management, and internal control systems, and by supporting their continuous improvement. The division operates in accordance with the Code of Ethics and core principles issued by the Institute of Internal Auditors (IIA), as well as the International Standards for the Professional Practice of Internal Auditing.

STRUCTURE AND ORGANIZATION

The Internal Audit Division operates under the Risk and Audit Committee of the Board of Directors. The committee is responsible for approving the Internal Audit Charter, strategic objectives, risk-based audit plan, and resource budget, as well as appointing the Head of Internal Audit and determining compensation and incentives. Furthermore, the committee oversees the implementation of the audit plan and activities, ensuring the independence and objectivity of the Internal Audit Division.

SCOPE OF ACTIVITIES

To support the achievement of the company's goals and objectives, the Internal Audit Division assesses whether decision-making, policy formulation, business and support processes, compliance, and reporting functions are being executed with quality and accountability.

2024 ACTIVITY REPORT

- A total of 86 issues were raised through assurance work, identifying potential risks and underlying causes, and providing actionable recommendations for resolution.
- The implementation of 66 recommendations across 9 audit packages was reviewed. Emphasis was placed on resolving identified issues, mitigating risks, and improving implementation outcomes.
- Advisory engagements were carried out based on proposals from executive management, with collaborative efforts and relevant recommendations provided as needed.
- Evaluations were conducted to determine the effectiveness of the company's governance, internal control, and risk management frameworks. Recommendations and support were provided to enhance corporate value and drive continuous improvement.
- A self-assessment of the quality assurance practices of the Internal Audit Division was conducted, with key improvement areas identified and addressed to further strengthen the internal audit function.

RISK MANAGEMENT

RISK MANAGEMENT POLICY

Within the framework of its Risk Management Policy, Gobi JSC has established a risk management system aligned with the company's overall principles and strategic direction. This system clearly defines the fundamental principles of engagement, roles, responsibilities, and accountabilities of stakeholders, ensuring the effective implementation, monitoring, and continuous improvement of risk management practices.

By implementing risk management, the Company enables continuous oversight and enhancement of its business risk environment, strengthens employees' understanding and awareness of risk, and supports strategic decision-making at the management level. This ultimately contributes to achieving business objectives and preventing potential losses or damages.

PRINCIPLES OF RISK MANAGEMENT

- Create and protect value
- Implement sound governance structures
- Be an integral part of the company's processes
- Be embedded in decision-making
- Ensure transparency and inclusiveness
- Foster a risk-aware culture
- Support continuous improvement
- Meet standard requirements and enhance quality control by continuously developing an internationally recognized finished goods laboratory.

RISK GOVERNANCE

The risk management framework of Gobi JSC is governed through a “Three Lines of Defence” model, comprising two core levels: governance and implementation.
The implementation of risk governance responsibilities and integrated oversight is among the fundamental objectives of the Board of Directors. Accordingly, the Board and its Risk and Audit Committee are the principal authorities overseeing the Company’s risk management system.
The execution of the Risk Management Policy is entrusted to the Risk Management Team, whose composition is approved by the Chief Executive Officer. As stipulated in the policy, the Risk Manager serves as a member of the team, while heads of departments are designated as risk owners for their respective units.
At Gobi JSC, the Risk Management Team consists of members of senior management and is chaired by the Chief Executive Officer. In alignment with the Risk Management Policy and the Company’s risk appetite, the team oversees risk on a quarterly basis and reports the outcomes to the Risk and Audit Committee.

BUSINESS CONTINUITY

Gobi JSC upholds a Business Continuity Policy with the aim of preventing operational disruptions caused by potential future emergencies, and of ensuring that the Company’s critical functions are maintained and recoverable in the event of such disruptions. The Policy defines clear response and recovery measures to uphold continuity of operations under adverse circumstances.

Within the framework of this Policy, Executive Management has developed procedures to ensure preparedness in the event of force majeure or pandemics, mitigate negative impacts, organise timely recovery actions, and maintain operational readiness and continuity. To this end, a business continuity procedure has been formulated to support preparedness across all essential functions.

In order to ensure effective implementation, a business continuity plan has been developed targeting key risks. In 2024, the Risk and Audit Committee reviewed the progress of this plan in two regular meetings and provided corresponding guidance and recommendations.

2024 ACTIVITY REPORT

Risk Management Team

In accordance with the revised Risk Management Procedure, the Risk Management Team conducted two cycles of risk assessment and monitoring during the year, reporting the results to the Risk and Audit Committee. The team’s composition was updated and formally approved in response to structural and organisational changes.

Implementation of the Risk Management System

In alignment with the corporate risk management calendar, all divisions, factories, and units have continued to systematically identify, assess, manage, monitor, and report their respective risks across each phase of the risk management cycle, with the objective of minimising the potential impact of such risks.

Promotion of Risk Culture

In 2024, pursuant to the learning and development plan, capacity-building sessions were conducted to enhance knowledge and methodological understanding of risk management among the Risk Management Team and all designated risk owners. The training covered key topics including ISO 31000:2018 (Risk Management), ISO 22301:2019 (Business Continuity Management), and Process Management.

To ensure effective implementation of each phase of the revised risk management calendar, the Risk Management Team provided tailored, on-site and remote methodological support to risk owners for every identified risk across departments, factories, and units—thus facilitating successful execution of mitigation strategies.

Emergent Risk Assessment

On 14 February 2024, the Government of Mongolia declared a heightened state of disaster preparedness due to snowstorms and dzud conditions. As of 19 February 2024, a total of 667,841 livestock deaths were reported nationwide, significantly impacting Gobi JSC’s raw material supply. Consequently, an emergent risk assessment was carried out, and a response plan was formulated and communicated to the responsible risk owners.

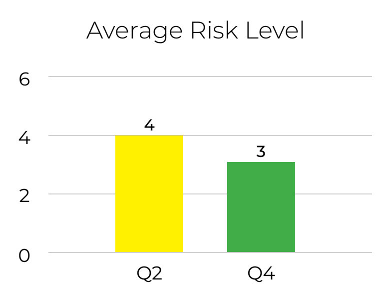
In a separate instance, in response to a public statement issued by the animal rights organisation PETA, which specifically criticised the combing practices in Mongolia’s wool and cashmere sector, Gobi JSC conducted an internal risk assessment to evaluate potential reputational impacts and issued relevant guidance and recommendations to the designated risk owners.

RISK MANAGEMENT REPORT

As of the first half of 2024, Gobi JSC had identified a total of 555 risks requiring management-level intervention. The average risk score was 4, placing the overall risk exposure at a Moderate level. Throughout the reporting period, the Company has endeavoured to reduce this average score to a Low level by year-end.

			Impact				
			Very Low (1)	Low (2)	Moderate (3)	High (4)	Very High (5)
			1	2	3	4	5
Likelihood	Very High	5	0	0	0	0	0
	High	4	1	7	0	1	0
	Moderate	3	55	9	17	1	2
	Low	2	140	46	19	9	10
	Very Low	1	131	71	28	1	7

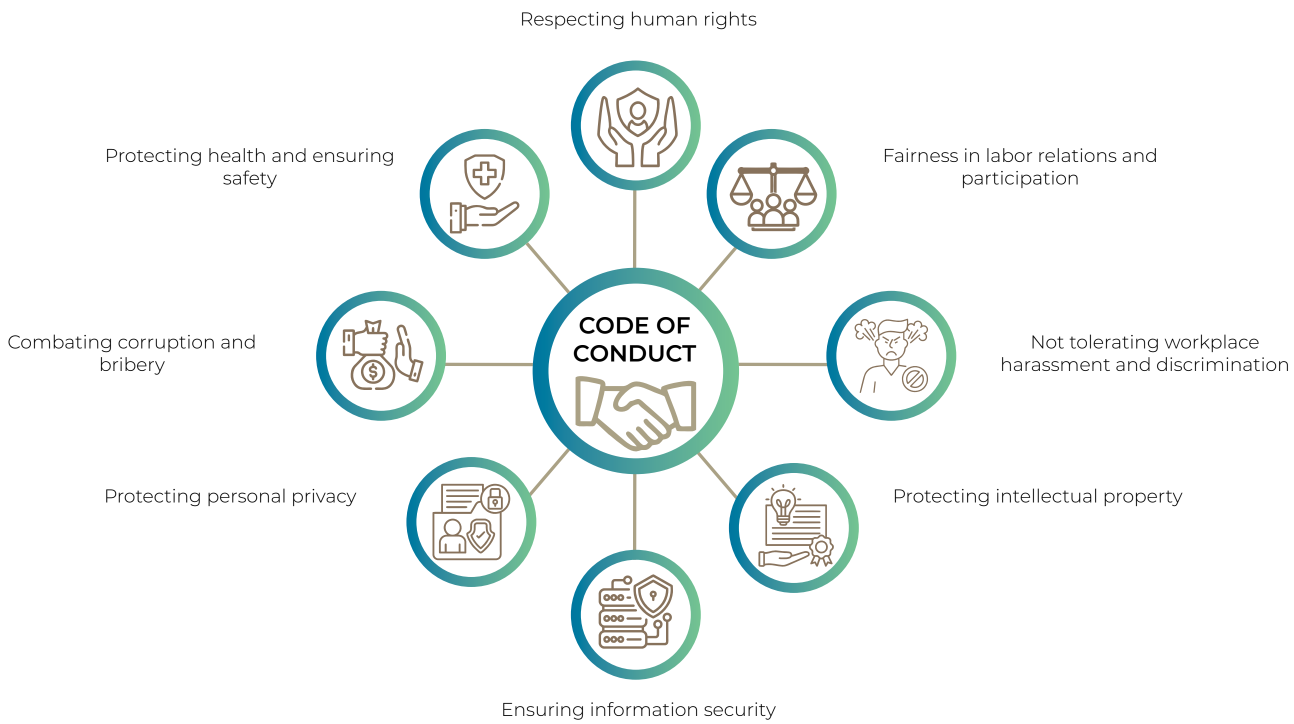
Risk Level	Count	Percentage %
Very High	0	0.0%
High	4	0.9%
Moderate	126	22.5%
Low	294	53.0%
Very Low	131	23.6%
Total	**555**	**100.0%**



A risk management response plan was developed and implemented, during which new risks were identified and added based on the second half of the year’s risk assessment. As a result, a total of 566 risks were recorded, of which 6 risks were closed. The overall risk score is 3, which is at the LOW level.

Gobi JSC conducts its business operations based on the principles of rule of law, fairness, accountability, transparency, and ethics. The company's sustainable development policy and objectives emphasize ethical alignment, and the measures taken in this regard are governed through compliance management. Implementing a compliance management system strengthens the trust of employees, partners, and both domestic and foreign investors, and plays a vital role in preventing potential risks.

In August 2022, we revised and approved our Code of Conduct. The Code of Conduct of our company includes the following principles:



HIGHLIGHTS OF 2024

- The Compliance Policy was revised and approved.
- The "Whistleblower System Operational Procedure" and the "Procedure for Regulating the Implementation of the Code of Conduct" were revised.
- Training on "Workplace Ethics" and reports on the operation of the "Whistleblower System" were delivered to ensure transparency and accessibility.
- Professional consulting services and training were received to strengthen the capacity of Ethics Committee members, provide knowledge on compliance, and promote ethical leadership among management.
- An initiative on "Policy and Procedure Compliance" was launched to assess the implementation of documentation, improve operations, and enhance productivity.

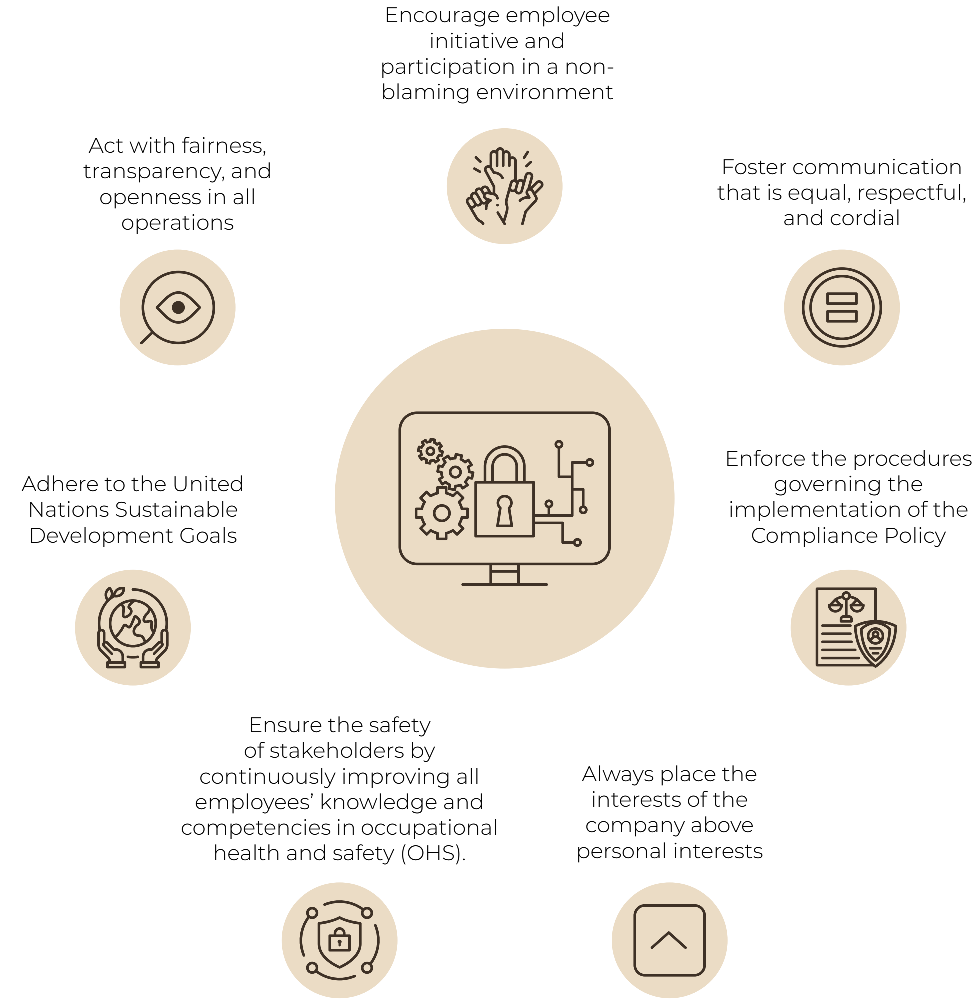
Objective

- The objective of this policy is to embed responsible conduct by upholding compliance obligations, commitments, and the organization's core values and ethical norms, thereby managing compliance risk and conducting operations ethically.
- In cases where certain functions are outsourced to third parties, said third parties must meet the relevant requirements set forth in this policy.

Scope

- This policy shall be publicly available and shall apply to all employees of Gobi JSC, its subsidiaries, contractors, suppliers, and temporary employees working under service contracts.

Principles



WHISTLEBLOWING SYSTEM

In 2022, Gobi JSC introduced a Whistleblowing Management System with the aim of identifying ethical misconduct at an early stage, preventing potential risks, initiating timely corrective actions, and reinforcing employees' trust in the organization. The system was accompanied by the launch of a whistleblowing platform and supplementary reporting channels.

Available Reporting Channels

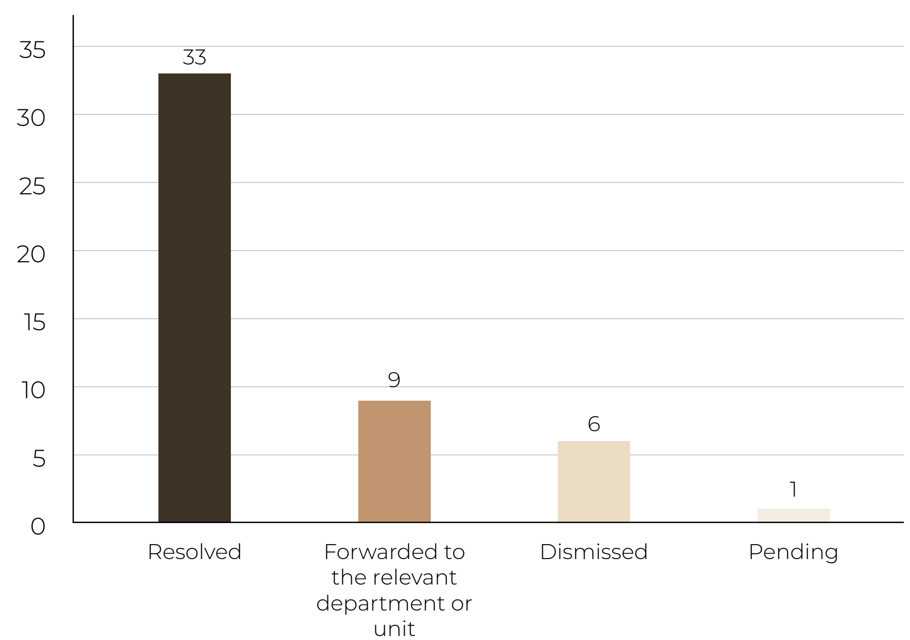
Online system	Telephone	Other methods
info.gobi.mn/whistleblowing	70139977-6	· Interview forms · Official letters

Depending on the nature, classification, and scope of reports received via the above channels, information is handled in accordance with established procedures and may be directly addressed by the Board of Directors, Nomination Committee, Compliance Department, or Ethics Committee. These bodies work to detect, resolve, prevent, and improve ethical matters while upholding a just and transparent framework.

In 2024, a total of 49 whistleblower reports were received:

Through the online whistleblowing system	By telephone	Via other means
70%	20%	10%

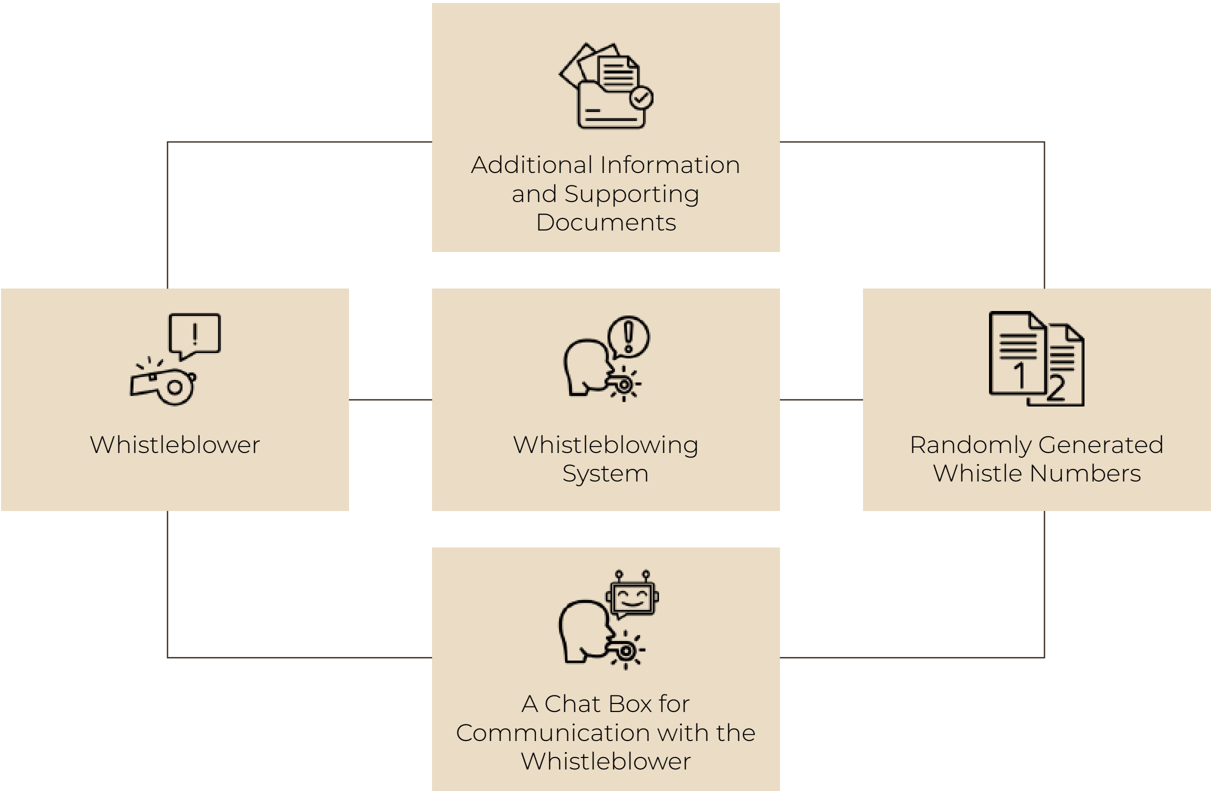
Status of Reported Cases



Whistleblowing System Training

EXTERNAL TRAINING	INTERNAL TRAINING
Members of the Ethics Committee, the Compliance Department, other departments and units, and mid-level managers	Employees of the five manufacturing units under the Factory Management Department and the Khentii branch
Number of sessions 10	**Number of sessions 6**
Number of participants **268**	Number of participants **766**

Improvements to the Whistleblowing System



Improvements were introduced to enable secure, two-way communication between the whistleblower and the designated recipient through a one-time access code, allowing for the exchange of additional information via chat—while upholding the core principle of whistleblower confidentiality.

QUALITY MANAGEMENT

Gobi JSC conducts quality inspections across 230 indicators at every stage of the production chain—from sourcing raw materials directly from herders to delivering the final finished product. The Company strictly adheres to technological protocols and produces its goods in compliance with both national and international standards. These products are then certified and distributed through domestic, international, and online channels to reach consumers.

To meet customer needs and expectations, we have embedded a quality management system throughout every phase of production. Our operations are guided by 85 national MNS standards, 18 internal policies, 6 regulations, 152 procedures, manufacturing protocols, 47 work instructions and guidelines, and 14 handbooks. Quality control inspections are conducted at 100% coverage, ensuring continuous implementation and improvement of our quality management system in alignment with applicable standards.

QUALITY POLICY	QUALITY OBJECTIVES
We are committed to producing high-quality, stylish products that meet the present and future needs of our customers and partners.	• Continuously enhance production technology to achieve a 95% quality rate in finished products. • Prioritize and continuously improve customer satisfaction. • Limit customer complaints related to product quality to no more than 0.5% of total sales volume, thereby increasing customer confidence. • Strengthen standard compliance and quality oversight by further developing an internationally recognized finished goods laboratory.

ҮНДЭСНИЙ ИТГЭМЖЛЭЛИЙН ТӨВ

ИТГЭМЖЛЭЛИЙН ГЭРЧИЛГЭЭ

Дугаар TL 01

ISO/IEC 17025:2017 (MNS ISO/IEC 17025:2018)
стандартын шаардлагыг хангасан

"Говь" ХК-ийн Дотоод хяналтын лабораторийг

хавсралтад заасан итгэмжлэлийн хүрээнд
сорилт гүйцэтгэгчээр итгэмжлэв

Анх итгэмжлэл авсан огноо: 1998.12.29

Олгосон огноо: 2024.02.14
Дуусах огноо: 2026.02.13

ДАРГЫН АЛБАН ҮҮРГИЙГ
ТҮР ОРЛОН ГҮЙЦЭТГЭГЧ ... ӨСӨРОНЗОНБОЛД

0000621

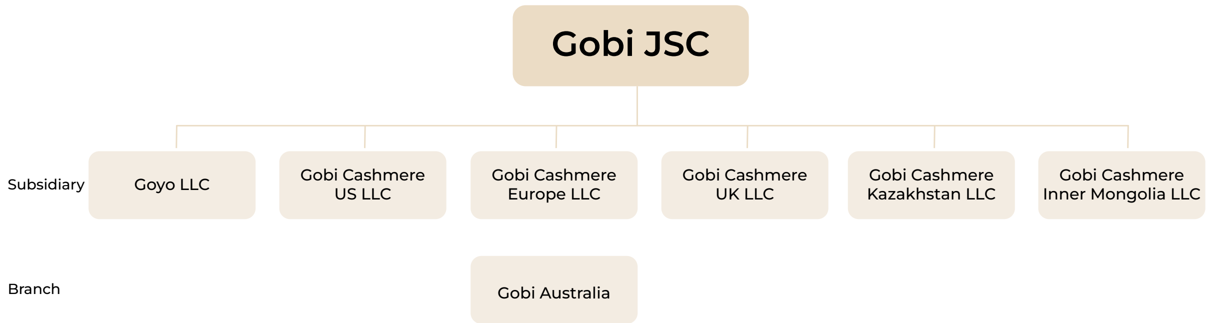
APAC

To deliver globally acclaimed Mongolian cashmere products, we consistently improve our management systems to meet not only national but also international standards.
Gobi JSC has operated under an accredited laboratory-based quality control system since 1998.
In 2024, we renewed our accreditation certificate for two years under MNS ISO/IEC 17025:2018, General requirements for the competence of testing and calibration laboratories. Additionally, we entered into a supplementary agreement allowing the use of the ILAC and APAC logos within our accreditation scope.
The ILAC Mutual Recognition Arrangement (MRA), joined by over 140 accreditation bodies worldwide, enables internationally accredited laboratories to be globally recognized. As a result, test data issued by such laboratories are accepted internationally, facilitating direct cross-border acceptance of export goods bearing results from our accredited laboratory.

We are continuously improving our management system by incorporating both Mongolian and international standards in order to deliver globally recognized Mongolian cashmere products to our customers.

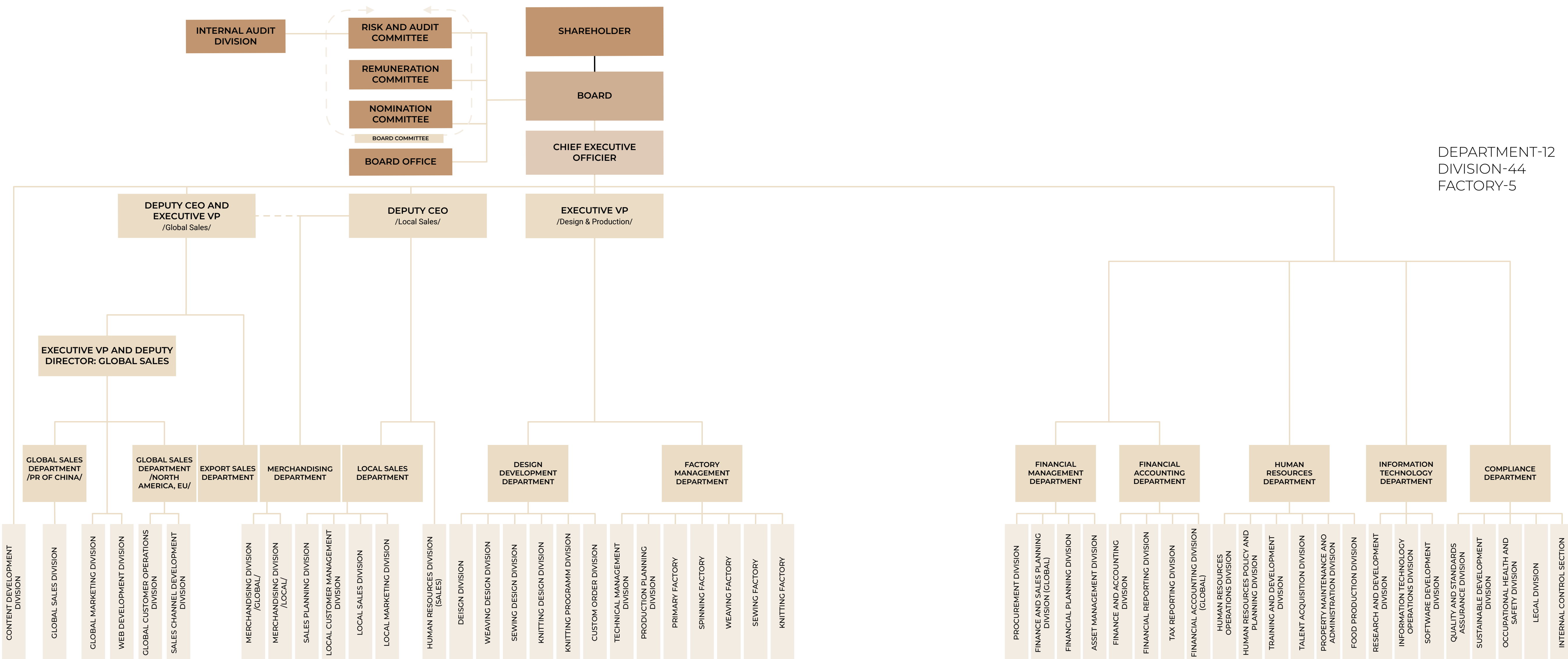
- 2021.06 — Organic Product certification
- 2021.07 — Oeko-Tex® certification YARN (OEKO TEX® STANDARD 100)
- 2021.12 — "Clean fiber processing standard" for raw material production and primary processing of cashmere. (SUSTAINABLE FIBRE ALLIANCE)
- 2022.08 — ISO 14001:2015 certification (SGS, UKAS)
- 2022.08 — ISO 45001:2018 certification (SGS, UKAS)
- 2022.12 — MNS 6926:2021 "Sustainable Textile Production"
- 2023.05 — Mongolian Noble Fibre certification (Certified Mongolian Noble Fibre)
- 2023.06 — ISO 9001:2015 certification (SGS, UKAS)
- 2024.02 — Oeko-Tex® certification PRODUCT (OEKO TEX® STANDARD 100)

CORPORATE STRUCTURE OF GOBI GROUP



KEY STRUCTURAL CHANGES

- Established Compliance Department. This department now encompasses the following divisions: Legal, Sustainable Development, Quality and Certification, and Occupational Health and Safety. Additionally, an Internal Control Unit has been newly formed under its authority.
- Also established Merchandising Department, consolidating both Local and Global Merchandising Departments.



MANAGEMENT TEAM

№	Position	Name	Years of Service at Gobi JSC	Shareholding at Gobi JSC
1	Chief Executive Officer	B. Amarsaikhan	5 years	1,000 shares (0.0001%) Related party shareholding: 87.33%
2	Deputy CEO & Executive VP (Global & Export Sales)	Ts. Orgilbold	5 years	None. Related party shareholding: 87.33%
3	Deputy CEO & Executive VP (Local Sales)	B. Ariunaa	12 years	1,000 shares (0.0001%)
4	Executive VP: Design and Production	B. Bolormaa	18 years	1,000 shares (0.0001%)
5	Executive VP: Global Sales	O. Misheel	8 years	1,000 shares (0.0001%)
6	Director of Factory Management Department	M. Bolortuya	9 years	800 shares (0.0001%)
7	Director of Accounting Department	D. Sodgerel	14 years	800 shares (0.0001%)
8	Chief Finance Officer	G. Bayarbat	6 months	None.
9	Chief HR Officer	T. Ichinkhorloo	4 months	None.
10	Director of Export Sales Department	G. Anudari	10 years	800 shares (0.0001%)
11	Director of Design Development Department	A. Uchral	10 years	800 shares (0.0001%)
12	Director of Merchandising Department	O.Tsengel	9 years	800 shares (0.0001%)
13	Chief IT Officer	B. Erdene	1.5 years	None.
14	Director of Compliance Department	B. Chinguun	9 months	None.
15	Head of Legal Division	Ts.Tsaschikher	11 years	1,000 shares (0.0001%)
16	Board Secretary	M. Selenge	8 years	500 shares (0.0000%)
17	Head of Internal Audit Division	N. Sainzul	10 years	800 shares (0.0001%)

REMUNERATION OF MANAGEMENT TEAM

CHIEF EXECUTIVE OFFICER'S REMUNERATION

The executive leadership of the Company is entrusted to the Chief Executive Officer (CEO). The CEO's remuneration and performance-based incentives are directly aligned with the Company's financial and operational performance, as well as individual competency and execution. The Compensation and Remuneration Committee of the Board determines the structure, amount, and disbursement principles of such compensation.

The terms and responsibilities of the CEO are stipulated in a Management Agreement, the draft of which is prepared by the Nomination Committee of the Board, and subsequently ratified by the Board of Directors. In March 2024, the Board entered into a new Management Agreement with the CEO upon appointment.

REMUNERATION OF OTHER MANAGEMENT TEAM MEMBERS

The compensation and incentive criteria for members of executive management, excluding the CEO, are determined by the CEO within the framework of the Company's Compensation Policy. However, for executives directly reporting to the Board—namely, the Corporate Secretary and Head of Internal Audit—their remuneration is set by the Board of Directors upon the recommendation of the relevant Board committees.
In instances where executive management members concurrently serve as Board members, the principle of non-duplication shall apply: such individuals may receive Board compensation only and shall not be entitled to overlapping executive incentives or benefits, as established by the Compensation and Remuneration Committee.

COMPENSATION STRUCTURE

Component	Proportion
Base Salary	Determined by the scope and function of the position
Performance-Based Bonus (KPI-linked) · Metrics tied to Company sales and profit · Execution against the individual's performance plan · Talent retention and turnover metrics within the relevant unit	

INCENTIVE FRAMEWORK

In accordance with the Company's Compensation and Incentive Policy and the Annual Performance Bonus Procedure, bonuses are awarded contingent upon the Company's overall financial performance. Disbursement is subject to meeting specific benchmarks outlined in the annual business plan, including sales and net profit performance thresholds.

KEY PERFORMANCE INDICATORS FOR THE CHIEF EXECUTIVE OFFICER

Criteria	Proportion	Objective	Measurement	Proportion
Annual Business Plan Performance	85%	Enhance profitability	Performance is measured based on the implementation of plans aimed at increasing the Company's profitability. This includes: Increasing sales revenue, Improving profitability, Reducing and optimizing operating expenses, Enhancing the efficiency of working capital and improving inventory turnover, among other measures.	50%
		Improve operations and processes	Performance is also measured based on the implementation of plans aimed at improving the Company's operations and processes. This includes: Ensuring smooth production operations and meeting operational plans, Improving product quality indicators, Optimizing operational workflows and improving overall productivity, Implementing risk management systems, Complying with management system standards, Advancing sustainable development initiatives, Ensuring occupational health and safety, Strengthening corporate culture and values, Establishing a favorable workplace environment, Recruiting and empowering skilled employees, Promoting human resource stability and reducing turnover, among other objectives.	50%
Competency Evaluation Result	15%	Strengthen leadership capabilities	Measured by the outcome of the competency evaluation.	100%

For members of the management team, the performance evaluation indicators, their respective metrics, and assigned weightings vary depending on the functions and responsibilities of their respective positions.

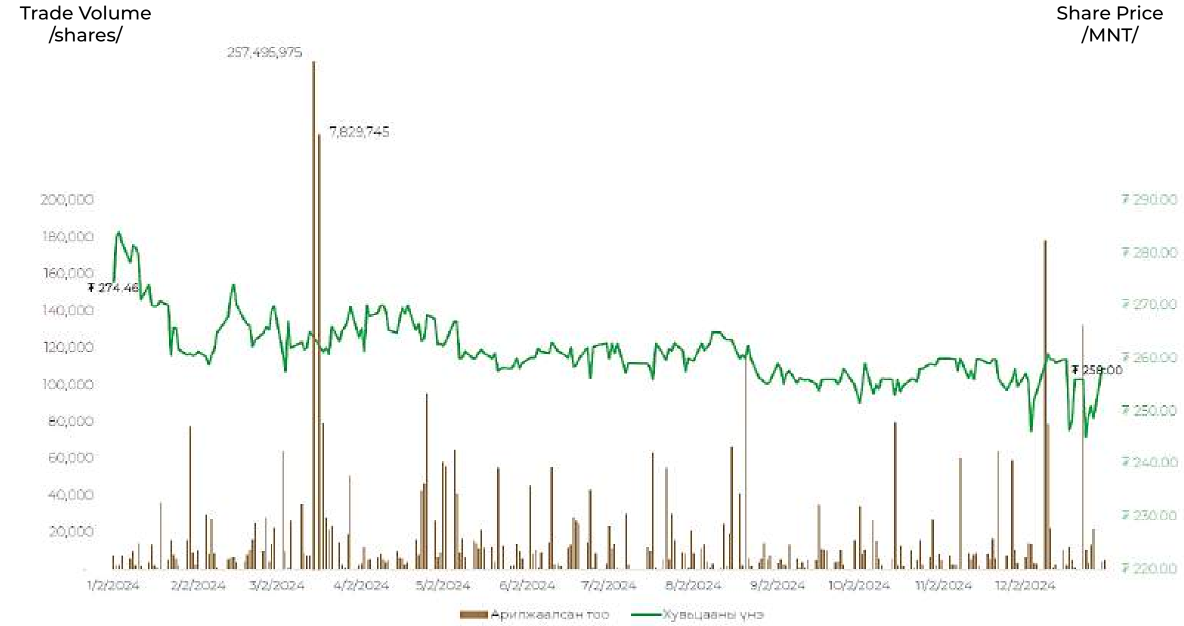
REMUNERATION OF MANAGEMENT TEAM FOR 2024

/thousand MNT/

Remuneration	2023	2024	Change %
Salary	1,811,628	2,079,731	14.8%
Performance Bonus	56,000	114,214	104.0%
Social Insurance Contributions	251,889	274,787	9.1%
Total	2,119,517	2,468,732	16.5%

SHARE TRADING INFORMATION

As of the closing price on 31 December 2024, the market capitalization of Gobi JSC stood at MNT 201,269,025,000. The chart below presents the annual share trading activity.



52-WEEK SHARE TRADING PERFORMANCE

Indicator	2023	2024	Change %
TOTAL ISSUSED SHARES (shares)	780,112,500	780,112,500	-
SHARE PRICE (MNT)			
Closing Price	273.59	258.00	-5.7%
Highest Price	350.00	283.98	-18.9%
Lowest Price	240.69	245.06	1.8%
Average Price	263.90	261.24	-1.0%
TRADE VOLUME (shares)			
Maximum Daily Volume	7,500,000	257,495,975	3333.3%
Minimum Daily Volume	179	322	79.9%
Average Daily Volume	62,704	1,078,172	1619.5%
Total Volume	15,676,081	269,543,096	1619.5%
TRADE VALUE (MNT)			
Highest Daily Value	2,625,000,000	65,661,782,758	2401.4%
Lowest Daily Value	52,805	85,264	61.5%
Average Daily Value	18,985,172	275,011,411	1348.6%
Total Trade Value	4,746,292,927	68,752,852,703	1348.6%
MARKET CAPITALIZATION (MNT)	213,430,978,875	201,269,025,000	-5.7%

DIVIDEND

Our Company endeavors to upgrade its technology, improve product quality, and expand its operations in order to maintain its position in the domestic market, increase market share, and grow its presence in foreign and online markets. At the same time, we remain committed to continuously increasing the return on shareholders' investments and adhere to a policy of distributing dividends on a regular basis.

The Company's dividend policy is set forth in Chapter 2 of the "Dividend Procedure" as follows:

DIVIDEND POLICY

2.1. The Company's dividend policy shall be aligned with its operations and strategic policy.
2.2. The Company shall manage the capital invested by shareholders prudently and maintain an appropriate level of dividend distribution.
2.3. The Company shall declare dividends when the conditions specified in Article 47 of the Company Law and Clause 8.12 of the Company Charter are met.
2.4. The amount of dividend per share shall be determined by the Board of Directors based on the net profit after tax of the respective financial year, the Company's short- and medium-term strategic plans, and its investment needs.
2.5. If the net profit of the reporting year is not lower than that of the previous year, the Company shall pursue a policy of not reducing the amount of dividend.
2.6. Dividends shall be distributed in cash.
2.7. Following the distribution of dividends, funds may be established from the remaining profit to support social and cultural initiatives or the development of manufacturing operations. The decision to establish such funds shall be made by the Board of Directors.

DIVIDEND INFORMATION

Year	Total Issued Shares	Dividend per Share (MNT)	Total Dividend Declared (MNT)	Dividend Distribution
1997	7,801,125	153.80	1,199,813,025	Dividends from 1997 to 2007 are being transferred according to the dividend request forms submitted through Gobi JSC's official website.
1998	7,801,125	150.00	1,170,168,750	
1999	7,801,125	166.00	1,294,986,750	
2000	7,801,125	100.00	780,112,500	
2001	7,801,125	20.16	157,270,680	
2002-2004	7,801,125	-	-	
2005	7,801,125	60.00	468,067,500	
2006	7,801,125	60.00	468,067,500	
2007-2009	7,801,125	-	-	No dividends were declared due to financial performance.
2010	7,801,125	100.00	780,112,500	100% of dividends from 2010 to 2018 were distributed to the shareholders through their respective securities firms.
2011	7,801,125	100.00	780,112,500	
2012	7,801,125	125.00	975,140,625	
2013	7,801,125	130.00	1,014,146,250	
2014	7,801,125	140.00	1,092,157,500	
2015	7,801,125	140.00	1,092,157,500	
2016	7,801,125	200.00	1,560,225,000	
2017	7,801,125	220.00	1,716,247,500	
2018	780,112,500	6.80	5,304,765,000	
2019-2024	780,112,500	-	-	No dividends were declared due to financial performance.

Regarding the dividend distribution for 2024 financial results

In accordance with the resolution No. 3, dated February 7, 2025, of Gobi JSC's Board of Directors, it has been decided not to distribute a dividend for the 2024 financial results, as the conditions outlined in Clause 2.3 of the Company's Dividend Policy have not been met. This is due to the company's financial ratios not aligning with the required standards for dividend distribution.

GOBI JSC AND ITS SUBSIDIARIES CONSOLIDATED FINANCIAL REPORT

December 31, 2024

INDEPENDENT AUDITOR

The Risk and Audit Committee of Gobi JSC defines the independence requirements, qualifications, professional experience, and other criteria for an independent auditor. It evaluates whether these criteria are met and provides recommendations regarding the auditor's rights, responsibilities, audit fees, and other contractual conditions, which are then reviewed and approved by the Board of Directors. The Risk and Audit Committee also monitors the audit activities and oversees the implementation of recommendations provided to management.

For the financial statement as of December 31, 2024, the audit was conducted by KPMG Audit LLC. The contract amount was USD 85,860 or MNT 290,261,750.
KPMG Audit LLC is one of the "Big Four" international auditing firms and has been registered with the Financial Regulatory Commission since 2013 as a registered audit firm for securities market services.

GOBI JSC AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL REPORT AND INDEPENDENT AUDITOR'S REPORT

CONTENTS

DECEMBER 31, 2024

GENERAL INFORMATION

Chairperson of the Board	Ts. Baatarsaikhan (From February 2025)
Non – Independent Directors	Ts. Baatarsaikhan D. Khulan B. Amarsaikhan Ts. Orgilbold N. Munkhbat
Independent Directors	A. Jargalma D. Gerelmaa D. Khurelbaatar B. Tseenyam
Board Secretary	M. Selenge
Banks	Khan Bank Golomt Bank Xac Bank Trade and Development Bank Arig Bank American Bank Corporation Deutsche Bank AG China Construction Bank Corporation
Official Address	Gobi Factory, Industrial Street, Khan-Uul District, 3rd khoroo, Ulaanbaatar-17062, Mongolia
Independent Auditor	KPMG AUDIT LLC MONGOLIA, ULAANBAATAR 14240, SUKHBAATAR DISTRICT, 1ST KHOROO, ENKHTAIWAN AVENUE 17, BLUE SKY TOWER, ROOM 602

Management's Responsibility Statement

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

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

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

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

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

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

GOBI

"ГОВЬ" ХУВЬЦААТ КОМПАНИ

B. Amarsaikhan
Chief Executive Officer

D. Sodgerel
Director of Accounting

Ulaanbaatar,
Mongolia

Date: 21 March 2025

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

Tel : +976 7011 8101
Fax : +976 7011 8102
www.kpmg.com/mn

Independent Auditors' Report

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters, Continued

Revenue recognition

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

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

Other Information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

KPMG

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.

KPMG

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.

KPMG AUDIT LLC

КЭЙ ПИ ЭМ ЖИ АУДИТ ХХК
KPMG AUDIT LLC

KPMG Audit LLC
Ulaanbaatar, Mongolia
21 March 2025

Signed by:	Approved by:
Soyolmaa Gungaanyambuu	Pyung-Sik Kong
General Director	*Partner*

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

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

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

**See Note 2.2.2 and Note 21*

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

1

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

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

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

2

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

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

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

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

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

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

1. Corporate information

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

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

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

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

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

2. Summary of material accounting policies

2.1 Statement of compliance

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

2.2 Basis of preparation

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

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

2.2.1 Going concern

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

2. Summary of material accounting policies (continued)

2.2 Basis of preparation (continued)

2.2.1 Going concern (continued)

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

2.2.2 Changes in accounting policies

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

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

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

2.3 Basis of consolidation

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

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

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

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

2. Summary of material accounting policies (continued)

2.3 Basis of consolidation (continued)

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

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

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

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

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

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

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

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

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

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

2.4 Inventories

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

2. Summary of material accounting policies (continued)

2.5 Prepayments and advances

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

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

2.6 Property, plant and equipment

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

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

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

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

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

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

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

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

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

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

2. Summary of material accounting policies (continued)

2.6 Property, plant and equipment (continued)

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

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

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

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

Property, plant and equipment useful life:

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

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

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

2.7 Intangible assets

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

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

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

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

2. Summary of material accounting policies (continued)

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

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

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

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

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

2.9 Financial instruments

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

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

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

2.10 Financial assets

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

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

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

2. Summary of material accounting policies (continued)

2.10 Financial assets (continued)

2.10.1 Classification of financial assets

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

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

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

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

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

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

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

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

Amortised cost and effective interest method

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

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

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

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

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

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

2. Summary of material accounting policies (continued)

2.10 Financial assets (continued)

2.10.2 Impairment of financial assets

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

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

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

2. Summary of material accounting policies (continued)

2.10 Financial assets (continued)

2.10.2 Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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

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

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

(ii) Definition of default

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

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

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

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

2. Summary of material accounting policies (continued)

2.10 Financial assets (continued)

2.10.2 Impairment of financial assets (continued)

(v) Measurement and recognition of expected credit losses

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

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

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

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

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

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

2.10.3 Derecognition of financial assets

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

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

2.11 Financial liabilities and equity

2.11.1 Classification as debt or equity

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

2.11.2 Equity instruments

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

(i) Ordinary shares

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

2. Summary of material accounting policies (continued)

2.11 Financial liabilities and equity (continued)

2.11.2 Equity instruments (continued)

(ii) Repurchase of share capital (treasury shares)

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

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

(iii) Retained earnings (Accumulated losses)

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

(iv) Contribution by owners of the Group

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

(v) Foreign currency translation reserve

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

2.11.3 Financial liabilities

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

2.11.3.1 Financial liabilities measured subsequently at amortised cost

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

2.11.3.2 Derecognition of financial liabilities

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

2.12 Revenue recognition

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

2. Summary of material accounting policies (continued)

2.12 Revenue recognition (continued)

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

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

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

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

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

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

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

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

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

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

2.12.1 Sale of goods

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

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

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

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

2. Summary of material accounting policies (continued)

2.12 Revenue recognition (continued)

2.12.1 Sale of goods (continued)

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

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

2.12.2 Service income

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

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

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

2.12.3 Other revenue

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

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

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

2.12.4 Assets and liabilities arising from the right of return

Right of return assets

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

Refund liabilities

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

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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.

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2. Summary of material accounting policies (continued)

2.13 Leases (continued)

2.13.2 The Group as a lessee (continued)

Lease modifications (continued)

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

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

2.13.3 The Group as a lessor

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

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

2.14 Foreign currencies

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

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

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

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

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

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

2.15 Expense recognition

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

2. Summary of material accounting policies (continued)

2.16 Borrowing costs

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

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

2.17 Employee benefits

Short-term employee benefits

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

State pension plans

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

2.18 Provisions

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

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

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

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

2.19 Contingent liabilities and assets

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

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2. Summary of material accounting policies (continued)

2.20 Finance income and finance costs

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

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

2.21 Earnings per share

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

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

2.22 Related parties

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

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

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

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

2.23 Taxation

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

2.23.1 Current tax

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

2. Summary of material accounting policies (continued)

2.23 Taxation (continued)

2.23.2 Deferred tax

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

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

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

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

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

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

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

2.23.3 Current and deferred tax for the year

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

2. Summary of material accounting policies (continued)

2.24 Segment reporting

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

2.25 Government grants

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

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

3.1 Critical accounting judgements

3.1.1 Useful life of land and depreciation

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

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

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

3.1.2 Tax system in Mongolia

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

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

3.1.3 Determine method to estimate variable consideration and assessing the constraint

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

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

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

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

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

3.2 Key sources of estimation uncertainty

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

3.2.1 Calculation of loss allowance

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

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

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

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

3.2.2 Inventory provision for obsolete and slow moving items

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

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

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

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

3.2.3 Estimating net realisable value of inventories

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

3.2.4 Useful lives of property, plant and equipment

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

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

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

3.2 Key sources of estimation uncertainty (continued)

3.2.5 Fair value measurement of buildings

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

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

3.2.6 Deferred income taxes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IFRS 18 Presentation and Disclosure in Financial Statements

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

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

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

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

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

5. Cash and cash equivalents

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

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

6. Trade and other receivables

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

6.1 Trade receivables

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

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

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

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

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

6. Trade and other receivables (continued)

6.2 Other receivables

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

7. Prepayments and advances

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

8. Inventories

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

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

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

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

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

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

9. Property, plant and equipment

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

9. Property, plant and equipment (continued)

9.1 Assets pledged as security

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

9.2 Revaluation of the Group's buildings

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

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

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

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

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

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

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

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

9. Property, plant and equipment (continued)

9.2 Revaluation of the Group's buildings (continued)

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

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

9.3 Fully depreciated property, plant and equipment

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

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

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

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

10. Right-of-use assets

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

10. Right-of-use assets (continued)

10.1 Leases as lessee

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

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

The maturity of lease liabilities is presented in Note 14.

i. Right-of-use assets

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

ii. Amounts recognised in profit or loss

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

iii. Amounts recognised in statement of cash flows

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

10.2 Leases as lessor

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

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

The lessee does not have an option to purchase the buildings at the expiry of the lease period. Rental income

(IN THOUSANDS OF MONGOLIAN TUGRUGS)

11. Investment in subsidiaries

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

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

Financial information of subsidiaries

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

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

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

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

12. Other non-current assets

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

12. Other non-current assets (continued)

12.1 Intangible assets

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

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

13. Trade and other payables

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

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

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

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13. Trade and other payables (continued)

13.1 Contract liabilities

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

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

14. Lease liabilities

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

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

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

15. Borrowings

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

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15. Borrowings (continued)

Terms and conditions of outstanding loans were as follows:

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

15. Borrowings (continued)

15.1 Summary of borrowing arrangements

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

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

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

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

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

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

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

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15. Borrowings (continued)

15.1 Summary of borrowing arrangements (continued)

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

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

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

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

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

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

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

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

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

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

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

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15. Borrowings (continued)

15.1 Summary of borrowing arrangements (continued)

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

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

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

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

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

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

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

(vii) Unlisted Gobi Bond

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

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15. Borrowings (continued)

15.2 Reconciliation of liabilities arising from financing activities

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

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

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15. Borrowings (continued)

15.3 Breach of loan covenants and waivers

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

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

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

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

15.4 Collateral

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

15. Borrowings (continued)

15.5 Subsidized loans

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

16. Long-term other payables

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

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

17. Share capital

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

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

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

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

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

18. Dividend payable

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

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

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19. Losses per share

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

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

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

20. Revaluation reserve

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

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

21. Summary of quantitative impacts of restatements

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

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

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22. Foreign currency translation reserve

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

23. Income tax expense

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

23.1 Current tax

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

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

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

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

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

23.2 Current tax liabilities

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

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23. Income tax expense (continued)

23.2 Current tax liabilities (continued)

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

23.3 Deferred tax balances

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

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

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

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24. Revenue and expenses

24.1 Revenue

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

24.2 Cost of sales

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

24.3 Expense by nature

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

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24. Revenue and expenses (continued)

24.4 Selling and distribution expenses

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

24.5 Administrative expenses

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

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25. Finance income

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

26. Other income and expenses

26.1 Other income

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

26.2 Other expenses

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

27. Finance costs

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

28. Balances and transactions with related parties

28.1 Related parties

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

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28. Balances and transactions with related parties (continued)

28.2 Balances with related parties

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

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

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

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

28.3 Transactions with related parties

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

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

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

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

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28. Balances and transactions with related parties (continued)

28.3 Transactions with related parties (continued)

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

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

All transactions with related parties are on mutually agreed terms.

28.4 Compensation of key management personnel

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

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

29. Contingent liabilities and commitments

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

29.1 Contingent liabilities

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

29.2 Commitments

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

29.3 Legal claims

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

30. Financial instruments and financial risk management objectives

Introduction

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

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

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

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

Risk Management Structure

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

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

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

The Board of Director's Risk and Audit Committee

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

Internal Audit

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

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

Sustainable Development Department

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

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

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

Risk Mitigation

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

Excessive Risk Concentration

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

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

30.1 Credit risk management

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

Exposure to credit risk

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

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

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

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

30.1 Credit risk management (continued)

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

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

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

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

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

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

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

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

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

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

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

30.1 Credit risk management (continued)

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

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

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

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

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

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

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

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

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

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

30.2 Liquidity risk management

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

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

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

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

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

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

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

30.3 Market risk

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

30.3.1 Interest rate risk management

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

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

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

Interest rate sensitivity analysis

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

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

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

30.3 Market risk (continued)

30.3.2 Foreign currency risk management

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

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

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

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

The following significant exchange rates were applied during the year.

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

Foreign currency sensitivity analysis

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

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

30.3 Market risk (continued)

30.3.2 Foreign currency risk management (continued)

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

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

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

30.4 Fair value of financial instruments

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

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

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

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

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

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

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

(ii) Fixed rate financial instruments

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

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

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

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

30.4 Fair value of financial instruments (continued)

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

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

31. Segment information

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

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

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

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31. Segment information (continued)

31.1 Segment revenue and results

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

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

31. Segment information (continued)

31.2 Geographical information

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

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

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

Non-current assets exclude deferred tax assets.

32. Capital risk management

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

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

33. Contractual obligations

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

34. Events after the reporting period

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

35. Report translation

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

OUR PARTNERS

STORES LOCATION

STORES IN MONGOLIA

FACTORY STORE
Industrial Street, Khan-Uul district,
Ulaanbaatar, Mongolia
Tel: 7004 8888

GALLERIA ULAANBAATAR STORE
The left side of the Government House,
Sukhbaatar district, Ulaanbaatar, Mongolia
Tel: 7004 8888

DARKHAN CITY STORE
“Shine Darkhan” International Shopping Center,
Darkhan, Mongolia
Tel: 9505 6656, 9937 6775

CHINGGIS KHAAN INTERNATIONAL AIRPORT BRANCH (From March 2025)
Chinggis Khaan International Airport, 2nd Floor,
Passenger Waiting Lounge
Tel: 7004 8888

INTERNATIONAL STORES

BRANCH STORES

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