GOBI JSC AND ITS SUBSIDIARIES

(Business entity incorporated in Mongolia)

Consolidated Financial Statements
for the year ended 31 December 2021

(With Independent Auditors' Report Thereon)

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General information

Chairman	Gerelmaa D
Members of Board of Director	Baatarsaikhan Ts Khulan D Oyunchimeg J Hideo Sawada
Independent members of Board of Director	Kambe Takeshi Nandin-Erdene B Bayar M Jargalmaa A
Secretary	Selenge.M
Principal Banker	Khan Bank of Mongolia Golomt Bank LLC of Mongolia Xac Bank LLC Of Mongolia Trade and Development Bank LLC of Mongolia The Bank of America Corporation Deutsche Bank AG China Construction Bank Corporation
Registered address	Industrial street, 3rd khoroo, Khan-Uul District, Ulaanbaatar-17062, Mongolia
Auditors	KPMG AUDIT LLC Certified Public Accountants

Management's Responsibility Statement

The Group'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 International Financial Reporting 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 of 31 December 2021 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 notes 2, 3 and 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 judgment and estimates, and all applicable accounting standards have been followed.

The consolidated financial statements of the Group for the year ended 31 December 2021 were authorized for issuance by the Group's management.

Ts. Baatarsaikhan
Chief Executive Officer

G. Selenge
Chief Financial Officer

"ГОВЬ" ХУВЬЦААТ КОМПАНИ
УЛААНБААТАР ХОТ

Ulaanbaatar,
Mongolia

Date: 28 March 2022

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 Board of Directors and Shareholders
Gobi Joint Stock Company:

Opinion

We have audited the consolidated financial statements of Gobi JSC and its subsidiaries (together "the Group"), which comprise the consolidated statements of financial position as at 31 December 2021, 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 a summary of significant 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 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits 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 Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Mongolia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters where addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Allowance for Obsolete and Slow Items

Refer to the significant accounting policies in Note 2, the key sources of estimation uncertainty in Note 3, and inventories included in Note 8 to the consolidated financial statements.

Description of Key Audit Matter	How Our Audit Addressed the Matter
We consider the inventories account's allowance for obsolete and slow moving items as a key audit matter as the Group purchased significant amount of raw materials in the previous year leading to a lower inventory turnover ratio. As tourist income made up a significant portion of the Group's income, the lack of tourism has led to a decline in revenues in comparison to prior years. This has resulted high volume of inventory build up from prior year purchases.	Our audit procedures included, among others: Performed data completeness and accuracy testing for aging and cost of the inventories at the year end. Recalculation of the inventories account's allowance with the inventories aging report. Performed a test to check the inventories balance are measured at the lower of the purchase and production cost, calculated by means of the weighted average cost method, and net realisable value. We investigated the slow-moving and obsolete items during our audit and inventory count observations. Obtained confirmation on newly purchased inventories during the year.

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. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will 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 identified above when it becomes available 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 21 April 2021.

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 the IFRS, 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.

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.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the 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.

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, related safeguards.

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 Cho Sang Yong.

KPMG Audit LLC

KPMG Audit LLC
Ulaanbaatar, Mongolia
29 March 2022

Signed by:

Soyolmaa Gungaanyambuu
General Director

Approved by:

Cho Sang Yong
Partner

This report is effective as at 29 March 2022, 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 ENDED 31 DECEMBER 2021
(IN THOUSANDS OF MONGOLIAN TUGRUGS)

	Notes	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	5	4,389,479	12,798,745
Trade and other receivables	6	2,258,129	5,996,260
Prepayments and advances	7	3,127,757	3,000,895
Inventories	8	138,030,372	193,207,689
Corporate income tax receivables	24.2	-	265,286
Right to returned goods assets	9	-	646,063
		147,805,737	**215,914,938**
Non-current assets			
Property, plant and equipment	10	145,404,533	156,243,324
Right-of-use assets	11	1,328,307	2,631,104
Deferred tax assets	24.3	4,325,582	4,073,482
Other non-current assets	13	994,308	950,980
		152,052,730	**163,898,890**
Total Assets		**299,858,467**	**379,813,828**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	14	15,982,955	21,934,076
Contract liabilities	14.1	1,370,281	1,541,385
Refund liabilities	15	-	1,010,634
Lease liabilities	16	914,850	1,001,198
Corporate income tax payable	24.2	111,894	46,241
Borrowings	17	132,650,889	267,714,096
		151,030,869	**293,247,630**
Non-current liabilities			
Lease liabilities	16	672,587	1,900,851
Borrowings	17	93,407,780	4,458,498
Long-term other payables	18	25,622,107	14,955,172
		119,702,474	**21,314,521**
Total Liabilities		**270,733,343**	**314,562,151**
Equity			
Share capital	19	780,113	780,113
Revaluation reserve	22	48,870,401	48,974,836
Foreign currency translation reserve	23	561,878	(1,362,032)
(Accumulated losses) / Retained earnings		(21,087,268)	16,858,760
Total Equity		**29,125,124**	**65,251,677**
Total Liabilities and Equity		**299,858,467**	**379,813,828**

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

GOBI JSC AND ITS SUBSISIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021
(IN THOUSAND OF MONGOLIAN TUGRUGS)

	Notes	2021	2020
Revenue	25.1	144,344,329	117,092,505
Cost of sales	25.2, 25.3	(85,543,487)	(71,536,488)
Gross profit		**58,800,842**	**45,556,017**
Finance and other income	26	963,425	2,615,647
Other gains (losses)	27	2,913,718	(8,480,653)
Finance cost	28	(25,474,286)	(29,542,260)
Selling and marketing expenses	25.3, 25.4	(60,568,067)	(44,384,939)
General and administrative expenses	25.3, 25.5	(14,636,714)	(13,076,638)
Impairment losses on financial assets	31.1	(110,920)	(170,306)
Loss before taxation		**(38,112,002)**	**(47,483,132)**
Income tax benefit (expense)	24	165,974	1,327,791
Loss for the year		**(37,946,028)**	**(46,155,341)**
Items that will not be reclassified to profit or loss			
Revaluation of property, plant and equipment	10, 22	(104,435)	33,327,139
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translating the net assets of foreign subsidiaries	23	1,923,910	(1,083,503)
Other comprehensive income for the year		**1,819,475**	**32,243,636**
Total comprehensive loss for the year		**(36,126,553)**	**(13,911,705)**
Losses per share-basic (in MNT)	21	**(48.64)**	**(59.16)**

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

GOBI JSC AND ITS SUBSISIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021
(IN THOUSAND OF MONGOLIAN TUGRUGS)

	Notes	Share capital	Revaluation reserve	Foreign currency translation reserve	Retained earnings (Accumulated losses)	Total equity
Balance as at 1 January 2020		**780,113**	**15,647,697**	**(278,529)**	**63,014,101**	**79,163,382**
Net loss for the year		-	-	-	(46,155,341)	**(46,155,341)**
Other comprehensive income	22, 23	-	33,327,139	(1,083,503)	-	**32,243,636**
Declared dividend	20	-	-	-	-	-
Balance as at 31 December 2020		**780,113**	**48,974,836**	**(1,362,032)**	**16,858,760**	**65,251,677**
Net loss for the year		-	-	-	(37,946,028)	**(37,946,028)**
Other comprehensive income	22, 23	-	(104,435)	1,923,910	-	**1,819,475**
Declared dividend	20	-	-	-	-	-
Balance as at 31 December 2021		**780,113**	**48,870,401**	**561,878**	**(21,087,268)**	**29,125,124**

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

GOBI JSC AND ITS SUBSISIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021
(IN THOUSAND OF MONGOLIAN TUGRUGS)

	Notes	2021	2020
Cash flows from operating activities			
Loss for the year		(37,946,028)	(46,155,341)
Adjustments for:			
Depreciation and amortisation of non-current assets		11,829,178	12,819,926
Income tax benefit	24	(165,974)	(1,327,791)
Interest expense	28	25,034,081	28,829,206
Interest income	26	(30,585)	(60,405)
Unrealised foreign exchange (gain) / loss		(4,254,445)	9,661,222
Impairment loss on financial assets	31.1	79,804	161,269
Provision of inventories allowance	8	24,689	581,464
(Gain) / loss on disposal of property, plant and equipment and intangible assets	27	78,409	(10,096)
Gain on derecognition of right-of-use assets	27	(48,066)	(20,769)
		(5,398,937)	**4,478,685**
Changes in:			
Trade and other receivables		1,432,560	10,670,508
Prepayments and advances		(231,297)	1,214,502
Inventories		55,292,968	(15,536,051)
Right to returned goods assets		646,063	(80,773)
Trade and other payables		(4,888,790)	(4,262,314)
Refund liabilities		(1,010,634)	97,436
Contract liabilities		(171,104)	(611,969)
		45,670,829	**(4,029,976)**
Income taxes paid	24.2	(280,600)	(6,999)
Interest paid	17.2	(25,402,704)	(29,586,069)
Net cash flows from / (used in) operating activities		**19,987,525**	**(33,623,044)**
Cash flows from investing activities			
Interest received		30,585	60,405
Proceeds from disposals of property, plant and equipment and intangible assets		452,393	32,125
Acquisition of property, plant and equipment	10	(418,373)	(813,808)
Acquisition of intangible assets	13.1	(276,618)	(268,872)
Net cash flows from / (used in) investing activities		**(212,013)**	**(990,150)**
Cash flows from financing activities			
Proceeds from borrowings	17.2	414,253,570	315,492,535
Proceeds from issuance of bond	17.2	9,877,213	-
Repayment of borrowings	17.2	(453,299,174)	(276,929,997)
Payment of lease liabilities	17.2	(940,160)	(708,588)
Dividend paid	20	(100)	(463)
Net cash flows from / (used in) financing activities		**(30,108,651)**	**37,853,487**
Net (decrease) / increase in cash and cash equivalents		**(10,333,139)**	**3,240,293**
Exchange difference on translating foreign operations	23	1,923,910	(1,083,503)
Effect of exchange rate differences on cash and cash equivalents		(37)	211
Cash and cash equivalents, at the beginning of the year	5	**12,798,745**	**10,641,744**
Cash and cash equivalents, at the end of the year	5	**4,389,479**	**12,798,745**

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. 50.25% of the Company is owned by Tavan Bogd Trade LLC, registered in Mongolia, 34% by Hide Inter LLC, registered in Japan, and the remaining 15.75% is owned by other small shareholders. As of 31 December, 2021, Gobi JSC had a total of 21,616 shareholders.

The place of business of the Company and its subsidiaries (hereinafter referred to as the "Group") is the Gobi JSC Building, which is located at Industrial Street, 3rd khoroo, Khan-Uul District, 17062, Ulaanbaatar, Mongolia, and the Group carries out its operations in Mongolia, People's Republic of China, United States of America, Federal Republic of Germany and will be starting operations in Australia.

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.

During the reporting period, the Group's primary operations consisted of production and sales of finished and semi-finished goods such as knitwear, sewn and woven products, and provision of related services such as dry cleaning. The Group's operating income is disclosed in detail in Note 25.1.

The consolidated financial statements for the year ended 31 December 2021 has been prepared by consolidating the financial statements of the Company and its subsidiaries. The subsidiaries of the Company are disclosed in detail in Note 12.

The executive management of the Group authorised the issuance of the consolidated financial statements on 29 March 2022.

2. Summary of significant accounting policies

2.1 Statement of compliance

The consolidated financial statements have been prepared and presented in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). Certain corresponding figures have been reclassified to conform to the current year's presentation.

2.2 Basis of preparation

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

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

2.2.1 Going concern

The social and economic impact of the global epidemic was continuing in 2021. In particular, two years have passed since classifying Mongolia as a red zone. Tourists stopped coming to Mongolia due to international border closures and repeated embargoes, which have further complicated the economy. However, Gobi JSC has invested in online marketing to expand its new sales channels to major global markets such as Europe, United States, and China. The results of these investments are evident in the improvement of key marketing indicators such as website access, number of customers, and customer engagement costs. The sales of 3 subsidiaries of Gobi JSC operating in the above 3 markets reached MNT 40.9 billion, an increase of 29% from the previous year, and domestic sales reached MNT 66.7 billion, an increase of 35% from the previous year, respectively. In addition, in 2021, the following funding sources were newly available.

Tavan Bogd LLC during the year opened a USD 10 million 24-month credit line for working capital financing at an interest rate of 6.7% per annum to support the Group's operations in addition to the credit line opened with XacBank for MNT 25 billion with an interest rate of 13.2%. The Group also raised MNT 10 billion through the issuance of a 12-month bond with an annual interest rate of 9% to support working capital needs.

2. Summary of significant accounting policies (continued)

2.2 Basis of preparation (continued)

2.2.1 Going concern (continued)

In July 2021, the Group changed the terms of both loans obtained from DBM of MNT 42.9 billion and MNT 40 billion to 12% per annum extended to June 2023, and 11.5% extended to May 2022 respectively. The loans were obtained to finance the acquisition of raw materials necessary collateral was placed by relevant laws and regulations.

The Group has prepared the consolidated financial statements on a going concern basis, which management has assessed as being appropriate.

2.3 Basis of consolidation

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

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

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

Although the investee does not have a majority of the voting rights to influence, the investee is considered to influence if the voting rights held by the Company have a real ability to influence the related activities of the investee. The following factors are used to assess whether a 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 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 the 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 shareholding interests in existing subsidiaries

Changes in the Group's shareholding 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.

2. Summary of significant accounting policies (continued)

2.3 Basis of consolidation (continued)

2.3.1. Changes in the Group's shareholding interests in existing subsidiaries (continued)

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 IFRSs). 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.

2.5 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 the cost of goods or services related to the prepayments are expected to be incurred within one year. Otherwise, prepayments are classified as non-current assets.

At the end of the reporting period, the Group reviews the carrying amounts of its prepayments to determine whether there is any indication that those prepayments may be impaired.

2.6 Property, plant and equipment

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

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

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

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

2. Summary of significant accounting policies (continued)

2.6 Property, plant and equipment (continued)

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

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

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

Depreciation on revalued assets is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property's revaluation reserve is transferred directly to retained earnings.

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

All other subsequent expenditures are recognised as expenses in the period in which those are incurred.

Depreciation is recognised as to write off the cost or valuation of assets (other than land and construction in progress) less their residual values over their useful lives, using the straight-line method, on the following basis:

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. Summary of significant accounting policies (continued)

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 disposal of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when asset is derecognised.

2.8 Impairment of property, plant and equipment, right-of-use asset 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 asset 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 amortisation if no impairment loss had been recognised.

2. Summary of significant accounting policies (continued)

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 except for the trade receivable arising from contracts with customers which are initially measured in accordance with IFRS 9. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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

2.10 Financial assets

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

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

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

2.10.1 Classification of financial assets

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

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

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

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

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.

2. Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

2.10.1 Classification of financial assets (continued)

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 financial 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 and other income – interest income" line item.

2.10.2 Impairment of financial assets

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

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

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

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

2. Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

2.10.2 Impairment of financial assets (continued)

(i) Significant increase in credit risk

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

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

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

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

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

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

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

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.

2. Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

2.10.2 Impairment of financial assets (continued)

(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.
- 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 1 year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

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

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.

2. Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

2.10.2 Impairment of financial assets (continued)

(v) Measurement and recognition of expected credit losses (continued)

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.

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 measured 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. Summary of significant accounting policies (continued)

2.11 Financial liabilities and equity (continued)

2.11.3 Financial liabilities (continued)

2.11.3.2 Derecognition of financial liabilities

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

2.12 Revenue recognition

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

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

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. Summary of significant accounting policies (continued)

2.12 Revenue recognition (continued)

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.

It is the Group's policy to sell its products to the retail customer with a right of return within 7 days and the wholesale customers up to certain limits stated in the contracts. Therefore, a contract liability (refund liability) and a right to the returned good assets (included in current assets) are recognised for the products expected to be returned.

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

2.12.2 Service income

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

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

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

2.12.3 Other revenue

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

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

2. Summary of significant accounting policies (continued)

2.12 Revenue recognition (continued)

2.12.4 Assets and liabilities arising from the right of return

Right to returned goods asset

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

Refund liabilities

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

2.13 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.

2. Summary of significant accounting policies (continued)

2.13 Leases (continued)

2.13.2 The Group as a lessee (continued)

Right-of-use assets (continued)

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.

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.

2. Summary of significant accounting policies (continued)

2.13 Leases (continued)

2.13.2 The Group as a lessee (continued)

Lease liabilities (continued)

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.

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 the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

2.13.3 The Group as a lessor

Leases are classified as finance leases whenever the terms of the lease transfers 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 recognised 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.

2. Summary of significant accounting policies (continued)

2.14 Foreign currencies (continued)

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.

2.16 Borrowing costs

The Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset 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 a qualifying asset, the Group determines the amount of borrowing costs eligible for capitalisation 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 recognises other borrowing costs as an expense. To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group determines the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

2.17 Employee benefits

The Group recognises liabilities less wages and salaries paid to employees during the period. Liability is also recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and if the obligation can be reliably estimated.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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 a reliable estimate can be made of the 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.

2. Summary of significant accounting policies (continued)

2.18 Provisions (continued)

Where some or all of the expenditures 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 each reporting period and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

A provision shall be used only for expenditures for which the provision was originally recognised.

2.19 Contingent liabilities and assets

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

2.20 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 Group or the Group's parent.

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

- The entity and the Group are members of the same group;
- 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 party;
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- The entity is controlled or jointly controlled by a person identified in (i);
- A person identified in (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the Group's parent.

2.21 Taxation

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

2.21.1 Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.

2. Summary of significant accounting policies (continued)

2.21 Taxation (continued)

2.21.2 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 recognises 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 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. Critical accounting judgements and key sources of estimation uncertainty

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

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

3.1 Critical accounting judgements

3.1.1 Useful life of land and depreciation

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

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

The Group paid an upfront fee when the Group first signed the land agreement. Historically, the Group successfully renewed the lease upon expiry at minimal cost, if any. The executive management of the Group finds that the Group can continue to renew the land at minimal cost, if any, and can continue to take possession of the land indefinitely. Thus, the land with a carrying amount of MNT 17,959,888 thousand (MNT 17,959,888 thousand at 31 December 2020) is stated at the revalued amount less accumulated impairment and is not depreciated.

3.1.2 Tax system in Mongolia

The Government of Mongolia continues to reform the business and commercial infrastructure in its transition to a market economy. As of 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 of 31 December 2021, the revenue amount of MNT 144,344,329 thousand was net of returns and discounts of MNT 1,113,597 thousand (31 December 2020 the revenue amount of MNT 117,092,505 thousand was net of returns and discounts of MNT 4,525,919 thousand).

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

3.2 Key sources of estimation uncertainty

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

3.2.1 Calculation of loss allowance

The Group uses a provision matrix to calculate ECL for the trade receivables except for the amount which is assessed individually. The provision rates are based on internal credit ratings with groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historically observed default rates are reassessed and changes in the forward-looking information are considered.

As at 31 December 2021, the carrying amount of trade and other receivables is MNT 2,258,129 thousand, net of loss allowance of MNT 1,843,519 thousand (31 December 2020 the carrying amount of trade and other receivables is MNT 5,996,260 thousand, net of loss allowance of MNT 1,891,013 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.

3.2.2 Inventory provision for obsolete and slow moving items (continued)

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

As at 31 December 2021, the carrying amount of inventories is MNT 138,030,372 thousand net of provision for inventories of MNT 1,791,496 thousand (31 December 2020: the carrying amount of inventories is MNT 193,207,689 thousand excluding right to returned goods assets of MNT 646,063 thousand net of provision for inventories of MNT 1,766,807 thousand).

3.2.3 Useful lives of property, plant and equipment

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

Management believes that the current useful lives reflect the economic lives of property, plant and equipment.

3.2.4 Fair value measurement of land and buildings

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

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

4. Application of new and amendments to international financial reporting standards (IFRSs)

4.1 New standards and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board ('IASB') that are mandatorily effective for an accounting periods that begins on or after 1 January 2021.

Effective for annual periods beginning on or after	New Standards or Amendments
1 January 2021	• Amendments to IFRS 9, IAS 39, IFRS 4, IFRS 16 and IFRS 7 Interest Rate Benchmark Reform – Phase 2
1 April 2021	• Extension of amendment to IFRS 16 Covid-19-Related Rent Concessions

The application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

4.2 New standards and amendments to IFRSs that have been issued but are not yet effective.

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

Effective for annual periods beginning or after	New Standards or Amendments
1 January 2022	• Amendments to IFRS 3 Reference to the Conceptual Framework • Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use • Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract • Amendments to IFRS Standards Annual Improvements to IFRS Standards 2018-2020
1 January 2023	• IFRS 17 Insurance Contracts • Amendments to IAS 1 Classification of Liabilities as Current or Non-current (proposed defer effective date to 1 January 2024) • Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies • Amendments to IAS 12 - Deferred Tax Related to Assets and Liabilities arising from a Single Transaction • Amendments to IAS 8 - Definition of Accounting Estimates

5. Cash and cash equivalents

	2021	2020
Cash on hand	12,258	11,863
Cash at bank	4,377,221	12,786,882
	4,389,479	**12,798,745**

6. Trade and other receivables

	2021	2020
Trade receivables	2,289,402	4,223,335
Loss allowance	(1,698,935)	(1,745,641)
	590,467	**2,477,694**
Receivables from related parties (see Note 29.1)	30,222	215,053
Other receivables	1,782,024	3,448,885
Loss allowance	(144,584)	(145,372)
	2,258,129	**5,996,260**

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 measures the loss allowance that is not credit-impaired for trade receivables at an amount equal to the lifetime expected credit loss (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past defaults of the debtors, general economic conditions of the industry in line with the debtors' operation and assesses both the current and the forward-looking economic conditions at the reporting date.

There have been no changes in the estimation techniques or significant assumptions made during the current reporting period.

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 1 year past due, whichever occurs earlier. None of the trade receivables that have been written off was subject to enforcement activities.

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

6.2 Other receivables

	2021	2020
VAT receivables	930,707	2,915,071
Receivables from employees	468,918	172,209
Others	382,399	361,605
	1,782,024	**3,448,885**

7. Prepayments and advances

	2021	2020
Advance payments to vendors	1,383,448	1,034,060
Prepaid expense	1,744,309	1,934,490
Prepaid tax	-	32,345
	3,127,757	**3,000,895**

8. Inventories

	2021	2020
Raw materials	29,398,700	51,360,542
Work in progress	14,277,420	11,790,539
Finished goods	84,336,801	115,808,531
Consumables	11,656,100	15,947,030
Goods in transit	152,847	67,854
	139,821,868	**194,974,496**
Allowance for obsolete and slow moving items	(1,791,496)	(1,766,807)
	138,030,372	**193,207,689**

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 83.6 billion (31 December 2020: MNT 71.1 billion).

Movement in the allowance for obsolete and slow moving items:

	2021	2020
Balance at beginning of the year	1,766,807	1,185,343
Addition to allowance for obsolete and slow moving items	494,616	798,474
Write off	(469,927)	(217,010)
Balance at the end of the year	**1,791,496**	**1,766,807**

Inventories with a carrying amount of MNT 103.4 billion (2020: MNT 162.2 billion) has been pledged as collateral for borrowings (see Note 17.1).

9. Right to returned goods assets

	2021	2020
Right to returned goods assets	-	646,063

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

10. Property, plant and equipment

	Land	Buildings	Plant and Equipment	Furniture and fixtures	Vehicles	Construction in progress*	Leasehold improvement	Total
Cost and revaluation:								
1 January 2020	**2,613,998**	**61,265,407**	**89,061,581**	**5,994,535**	**2,592,039**	**18,247,144**	**622,574**	**180,397,278**
Additions	-	242,532	166,504	298,181	-	106,591	-	813,808
Disposals	-	-	(5,301)	(22,036)	(57,296)	-	-	(84,633)
Transfer to inventory	-	-	(14,322)	(293,487)	-	-	-	(307,809)
Revaluation	15,345,890	17,981,249	-	-	-	-	-	33,327,139
31 December 2020	**17,959,888**	**79,489,188**	**89,208,462**	**5,977,193**	**2,534,743**	**18,353,735**	**622,574**	**214,145,783**
Additions	-	-	154,131	216,303	-	47,939	-	418,373
Disposals	-	-	(277,279)	(454,571)	(831,418)	-	-	(1,563,268)
Transfer to inventory	-	-	(194,925)	(41,066)	-	(12,531)	-	(248,522)
Transfer from CIP to PPE	-	39,887	9,107,959	14,401	-	(9,162,247)	-	-
31 December 2021	**17,959,888**	**79,529,075**	**97,998,348**	**5,712,260**	**1,703,325**	**9,226,896**	**622,574**	**212,752,366**
Accumulated depreciation and impairment:								
1 January 2020	**-**	**4,511,463**	**38,914,720**	**2,042,519**	**885,561**	**-**	**-**	**46,354,263**
Depreciation charge for the year	-	2,161,624	7,914,808	1,134,764	285,683	-	304,571	11,801,450
Disposals	-	-	-	(14,569)	(48,035)	-	-	(62,604)
Transfer to inventory	-	-	(2,047)	(188,603)	-	-	-	(190,650)
31 December 2020	**-**	**6,673,087**	**46,827,481**	**2,974,111**	**1,123,209**	**-**	**304,571**	**57,902,459**
Depreciation charge for the year	-	2,378,437	6,884,947	884,825	243,992	-	303,739	10,695,940
Disposals	-	-	(274,872)	(395,567)	(471,945)	-	-	(1,142,384)
Transfer to inventory	-	-	(82,602)	(25,580)	-	-	-	(108,182)
31 December 2021	**-**	**9,051,524**	**53,354,954**	**3,437,789**	**895,256**	**-**	**608,310**	**67,347,833**
Carrying amount:								
31 December 2020	**17,959,888**	**72,816,101**	**42,380,981**	**3,003,082**	**1,411,534**	**18,353,735**	**318,003**	**156,243,324**
31 December 2021	**17,959,888**	**70,477,551**	**44,643,394**	**2,274,471**	**808,069**	**9,226,896**	**14,264**	**145,404,533**

**The construction in progress pertains to ongoing project for a factory building and plant and equipment under construction.*

10. Property, plant and equipment (continued)

10.1 Assets pledged as security

As of December 2021, property, plant and equipment with a total carrying amount of MNT 141.3 billion (31 December 2020: total carrying amount of MNT 151.4 billion) has been pledged as collateral for borrowings (see Note 17.1).

10.2 Fair value measurement of the Group's land and buildings

The Group's land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses. The revaluation of the Group's land and buildings was performed by an independent appraiser not related to the Group as at 30 September 2020. The fair value of the land was determined based on the comparable market approach that reflects recent transaction prices for similar properties. The Group reassessed the fair value of these assets as at 31 December 2021 and did not identify material adjustment from the carrying value as at 31 December 2021, therefore in accordance with IAS 16, the value was not adjusted.

Details of the Group's land and buildings and information about the fair value hierarchy as at the end of the reporting period were as follows:

	31 December 2021		31 December 2020	
	Fair value	**Level 3**	**Fair value**	**Level 3**
Land	17,959,888	17,959,888	17,959,888	17,959,888
Buildings	70,477,551	70,477,551	72,816,101	72,816,101
	88,437,439	**88,437,439**	**90,775,989**	**90,775,989**

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

	2021	2020
Land	2,613,998	2,613,998
Buildings	52,407,694	54,518,024
	55,021,692	**57,132,022**

10.3 Fully depreciated property, plant and equipment

	2021	2020
Cost	28,492,345	22,413,670

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

	2021	2020
Depreciation of property, plant and equipment	3,925,102	3,363,547
Depreciation of right-of-use assets	976,411	818,943
Amortisation of intangible assets	156,827	194,873
	5,058,340	**4,377,363**

During the year, Group recognised depreciation expenses amounting to MNT 6,770,838 thousand (31 December 2020: 8,437,903 thousand) in the cost of inventories.

11. Right-of-use assets

	Total
Cost:	
At 1 January 2020	3,134,762
Additions	1,270,355
Disposals	(371,220)
At 31 December 2020	**4,033,897**
Additions	143,572
Disposals	(748,555)
At 31 December 2021	**3,428,914**
Accumulated depreciation:	
At 1 January 2020	763,723
Charge for the year	818,943
Disposals	(179,873)
At 31 December 2020	**1,402,793**
Charge for the year	976,411
Disposals	(278,597)
At 31 December 2021	**2,100,607**
Carrying amount:	
At 31 December 2020	**2,631,104**
At 31 December 2021	**1,328,307**

11.1 Leases as lessee

The Group leases buildings, which are 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 4 lease agreements that are recognised in accordance with IFRS 16 (5 lease agreements in 2020). During the year, the Group terminated Gobi Cashmere Europe lease agreement which amounted to MNT 469,958 thousand.

The maturity of lease liabilities is presented in Note 16.

i. Right-of-use assets

	2021	2020
At 1 January	2,631,104	2,371,039
Additions	143,572	1,270,355
Disposals	(748,555)	(371,220)
Depreciation charge for the year	(976,411)	(818,943)
Depreciation related to disposals	278,597	179,873
At 31 December	**1,328,307**	**2,631,104**

11. Right-of-use assets (continued)

11.1 Leases as lessee (continued)

ii. Amounts recognised in profit or loss

	2021	2020
Depreciation expense on right-of-use assets	976,411	818,943
Interest expense on lease liabilities	363,392	408,201
Expenses relating to short-term lease	564,802	953,931
Expenses relating to lease of low value assets	-	4,462

iii. Amounts recognised in statement of cash flows

	2021	2020
Total cash outflow for leases	1,303,552	1,116,789

11.2 Leases as lessor

As of 31 December 2021 and 2020, the Group did not have any long-term non-cancellable operating leases as a lessor.

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

The lessee does not have an option to purchase the buildings at the expiry of the lease period. Rental income recognised by the Group during 2021 was MNT 256,561 thousand (2020: MNT 279,259 thousand).

Future undiscounted minimum lease receivables under non-cancellable operating leases as of 31 December 2021 are as follows:

	2021	2020
Less than one year	247,240	231,362
One to two years	-	247,240
Two to three years	-	-
Three to four years	-	-
Four to five years	-	-
More than five years	-	-
	247,240	**478,602**

12. Investment in subsidiaries

Name of subsidiaries	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2021	**2020**
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%

13. Other non-current assets

	2021	2020
Intangible assets	437,024	427,151
Deposit placed for leased stores	557,284	523,829
	994,308	**950,980**

13.1 Intangible assets

	2021	2020
Cost:		
At January 1	1,225,490	956,618
Additions	276,618	268,872
Disposals	(120,752)	-
At 31 December	**1,381,356**	**1,225,490**
Accumulated amortisation:		
At January 1	798,339	598,806
Disposals	(10,834)	-
Amortisation for the year	156,827	199,533
At 31 December	**944,332**	**798,339**
Carrying amount:		
At 31 December	**437,024**	**427,151**

Intangible assets comprise of accounting software with a net carrying amount of MNT 222,378 thousand (2020: MNT 304,596 thousand) and trademarks with a net carrying amount of MNT 214,646 thousand (2020: MNT 122,555 thousand).

14. Trade and other payables

	2021	2020
Trade payables	870,177	801,658
Related party payables (Note 29.1)	185,933	12,477,541
Salary payables	1,292,523	1,094,566
Other taxes payables (excluding corporate income tax payables)	2,065,186	2,058,370
Dividend payables (Note 20)	166,933	167,033
Bond payables	9,877,213	-
Other payables	1,524,990	5,334,908
	15,982,955	**21,934,076**

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

On 9 December 2021, Gobi JSC issued a closed bond of MNT 10 billion with a maturity of 12 months and an annual interest rate of 9%. The bond interest is repayable on a semi-annual basis with the principal due on maturity.

14.1 Contract liabilities

	2021	2020
Amounts received in advance-shown under current liabilities	1,370,281	1,541,385

Contract liabilities as at 31 December 2021 are expected to be recognised as revenue by 31 December 2022.

15. Refund liabilities

	2021	2020
Arising from rights of return	-	1,010,634

The refund liabilities relate to customer’s right to return products under the sales agreement. At the point of sale, a refund liability and a corresponding adjustment to revenue are recognised for those products’ expected return.

16. Lease liabilities

The following table sets out the maturity analysis of lease liabilities, showing the undiscounted lease payments after the reporting date.

	2021	2020
Maturity analysis:		
Within one year	1,092,584	1,386,421
More than one year but not more than two years	702,823	1,298,595
More than two years but not more than five years	6,080	859,132
More than 5 years	-	-
	1,801,487	**3,544,148**
Less: unearned interest	(214,050)	(642,099)
	1,587,437	**2,902,049**

	2021	2020
Analysed as:		
Current	914,850	1,001,198
Non-current	672,587	1,900,851
	1,587,437	**2,902,049**

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

17. Borrowings

	2021	2020
Short-term:		
Short-term borrowings	130,751,028	265,445,613
Accrued interest payables	1,899,861	2,268,483
Total short-term borrowings	**132,650,889**	**267,714,096**
Long-term:		
Long-term borrowings	93,407,780	4,458,498
Total long-term borrowings	**93,407,780**	**4,458,498**
Total	**226,058,669**	**272,172,594**

17. Borrowings (continued)

Terms and conditions of outstanding loans were as follows:

Party	Currency	2021 Nominal interest rate (2020)	Loan maturity	31 December 2021 Foreign currency (thousands)	31 December 2021 Carrying amount	31 December 2020 Foreign currency (thousands)	31 December 2020 Carrying amount
Golomt Bank (Credit line) (i)*(a)	MNT	13.5% (15.6%)	2023	-	-	-	26,000,000
Golomt Bank (Credit line) (i)	USD	7.2%	2023	3,400	9,685,920	-	-
European Bank for Reconstruction and Development (Tranche 1A) (ii)	USD	LIBOR+5.3%	2024	2,545	7,251,491	2,909	8,289,484
European Bank for Reconstruction and Development (Tranche 1B) (ii)	USD	LIBOR+6%	2024	3,818	10,877,236	4,364	12,434,225
European Bank for Reconstruction and Development (Tranche 2) (ii)	USD	LIBOR+5.3%	2024	4,364	12,431,128	4,909	13,988,504
Khan Bank (Credit line) (iii)	MNT	12.6% (14.4%)	2023	-	-	-	8,000,000
Development Bank of Mongolia (iv)	MNT	12%	2023	-	42,900,000	-	42,900,000
Development Bank of Mongolia (iv)	MNT	11.5% (3%)	2022	-	33,333,333	-	40,000,000
Xac Bank (Credit line) (v)	MNT	13.2% (14.4%)	2023	-	10,000,000	-	5,000,000
Trade and Development Bank of Mongolia (ADB) (vi)	MNT	8%	2022	-	990,000	-	3,960,000
Trade and Development Bank of Mongolia (Credit line) (vii)	USD	8.3%	2021	-	-	1,600	4,458,498
International Investment Bank (viii)	EUR	4.25%	2027	16,000	51,567,840	16,000	55,932,480
International Investment Bank (viii)	EUR	5.25%	2027	14,000	45,121,860	14,000	48,940,920
Total					**224,158,808**		**269,904,111**

* *Due to the impact of COVID, financial ratios were impaired and the Group breached financial ratio covenants of the borrowing agreements during the period, which those breaches permitted the lender to demand accelerated repayment.*

(a) *The breach of covenants for the borrowings was remedied by a waiver letter from the lender, before the 2021 financial statements are authorised for issue.*

(b) *The breach of covenants for the borrowings was remedied, the terms of the loans payable were not renegotiated, before the 2021 financial statements are authorised for issue. However, the lender has expressed in writing that they will not recall the borrowings.*

17. Borrowings (continued)

17.1 Summary of borrowing arrangements

(i) Borrowings from Golomt Bank as of 31 December 2021 and 2020 are as follows:

- On 19 March 2018, the Group obtained a multi-currency credit line from Golomt Bank, with a tenor of 2 years with a total credit limit of MNT 90 billion or equivalent amount in USD bearing an interest rate of 16.8% and 8.4% per annum respectively, for working capital financing of the Group.

- Following the acquisition of Goyo LLC the Group made an amendment with Golomt Bank on 22 July 2019 removing the company from the USD credit line agreement signed on 19 March 2018 and transferring the outstanding amount of USD 21.9 million from Goyo LLC to the Group.

- The Group made an amendment with Golomt Bank on 19 March 2020, extending the maturity of the MNT credit line agreement by 12 months.

- On 13 August 2020, the credit line interest rates were amended to 3 hierarchy rates depending on the amount drawn by the Group. The loan interest rate is 16.8% for up to MNT 20 billion, 15.6% for MNT 20 billion to 40 billion, and 14.4% for amounts above MNT 40 billion per annum.

- On 19 March 2021, the loan contract was amended extending the tenor until 19 March 2023, decreasing the credit limit to MNT 60 billion and decreased the MNT and USD interest rates to 13.5% (with interest rate hierarchy removed) and 7.2%, respectively. The Group pledged its plant and equipment, inventories, and future cash revenue.

(ii) Borrowings from EBRD as of 31 December 2021 and 2020 are as follows:

- In 2017 and 2018, the Group obtained working capital loans from EBRD maturing on 10 January 2024 and 10 July 2024 respectively. The Group obtained a total of USD 16 million with interest rates of LIBOR+5.3% and LIBOR+6% per annum. As of December 2021, USD 5.3 million has been repaid to the bank. The Group pledged its building, plant and equipment, construction in progress, and inventory.

(iii) Borrowings from Khan bank as of 31 December 2021 and 2020 are as follows:

- On 18 November 2019, Gobi JSC was added onto the credit line agreement made with Tavan Bogd Trade LLC for the purpose of financing working capital for Tavan Bogd Trade LLC and its subsidiaries.

- On 25 May 2020, credit line agreement was amended reducing its interest rates to 14.4% and 7.2% for MNT and USD borrowings. On 1 March 2021, credit line interest rates were further reduced to 12.6% and 7% for MNT and USD borrowings respectively, with a credit limit of MNT 60 billion or the USD equivalent. In 2021, the Group utilised USD 9.6 million of the credit line and was repaid during the year.

(iv) Borrowings from Development Bank of Mongolia as of 31 December 2021 and 2020 are as follows:

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

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

17. Borrowings (continued)

17.1 Summary of borrowing arrangements (continued)

(v) Borrowings from Xac Bank LLC as of 31 December 2021 and 2020 are as follows:

- On 16 October 2020, the Group obtained a credit line for 24 months amounting to MNT 15 billion bearing an interest rate of 14.4%. The Group is allowed to payback the outstanding amount before or by October 2022 under the contract. As of 31 December 2020, the Group had utilised an amount of MNT 5 billion. The Group has repaid the credit line as of 30 July 2021.

- On 10 December 2021, the Group, Tavan Bogd Trade LLC and Tavan Bogd Property LLC entered into a 24-month credit line agreement with Xac Bank for MNT 25 billion with an interest rate of 13.2% per annum.

(vi) Borrowings from Asian Development Bank financed through Trade and Development Bank of Mongolia as of 31 December 2021 and 2020 are as follows:

- On 21 December 2016, the Group obtained a working capital financing loan from Trade Development Bank for 60 months amounting to MNT 6 billion with an interest rate of 8% per annum. The loan repayment schedule started on 12 January 2020 payback MNT 170 million monthly and after January 2021 will pay MNT 330 million monthly. On 16 June 2021, the loan was amended extending its maturity to 26 March 2022 with monthly payments of MNT 330 million. The Group pledged land, buildings, and inventory.

(vii) Borrowings from Trade and Development Bank of Mongolia as of 31 December 2021 and 2020 are as follows:

- On 21 December 2017, Goyo LLC obtained a credit line for working capital financing for 12 months up to USD 12.4 million with an interest rate of 7.8% per annum. On 3 December 2018, the credit line interest rate was increased to 8.3% per annum and the maturity was extended to 21 April 2020. On 1 April 2020, the existing USD 1.6 million was converted from USD to MNT, as well as extending the maturity to 24 April 2022 and changing the borrower from Goyo LLC to Gobi JSC.

- On 28 February 2019, the Group entered into a credit line agreement with the bank for MNT 30 billion with an interest rate of 14.4% for working capital financing. On 16 October 2020 an amendment was made to the agreement decreasing its interest rate to 13.6% and extending the maturity to 16 March 2022.

- As of 9 November 2021, both credit lines were fully repaid by the Group.

(viii) The borrowings from International Investment Bank as of 31 December 2021 and 2020 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.

17. Borrowings (continued)

17.2 Reconciliation of liabilities arising from financing activities

	Borrowing (Note 17)	Loans from related parties (Note 29)	Bond payables (Note 14)	Lease liabilities (Note 16)	Dividend payable (Note 20)	Total
At 1 January 2021	264,172,594	8,000,000	-	2,902,049	167,033	275,241,676
Proceeds from borrowings	333,533,381	80,720,189	-	-	-	414,253,570
Proceeds from issuance of bonds	-	-	9,877,213	-	-	9,877,213
Repayment of borrowings	(364,578,985)	(88,720,189)	-	-	-	(453,299,174)
Payment of lease liabilities	-	-	-	(940,160)	-	(940,160)
Dividend paid	-	-	-	-	(100)	(100)
Effect of foreign exchange rate differences	(6,699,698)	-	-	-	-	(6,699,698)
Other changes	-	-	-	(374,452)	-	(374,452)
Interest expense	22,157,736	2,512,953	-	363,392	-	25,034,081
Interest paid	(22,526,359)	(2,512,953)	-	(363,392)	-	(25,402,704)
At 31 December 2021	**226,058,669**	**-**	**9,877,213**	**1,587,437**	**166,933**	**237,690,252**

	Borrowings (Note 17)	Loans from related parties (Note 29)	Bond payables (Note 14)	Lease liabilities (Note 16)	Dividend payable (Note 20)	Total
At 1 January 2020	194,097,962	27,730,000	-	2,552,398	167,496	224,547,856
Proceeds from borrowings	233,763,135	81,729,400	-	-	-	315,492,535
Proceeds from issuance of bonds	-	-	-	-	-	-
Repayment of borrowings	(175,470,597)	(101,459,400)	-	-	-	(276,929,997)
Payment of lease liabilities	-	-	-	(708,588)	-	(708,588)
Dividend paid	-	-	-	-	(463)	(463)
Effect of foreign exchange rate differences	12,538,957	-	-	-	-	12,538,957
New leases	-	-	-	1,270,355	-	1,270,355
Other changes	-	-	-	(212,116)	-	(212,116)
Interest expense	22,694,477	5,726,528	-	408,201	-	28,829,206
Interest paid	(23,451,340)	(5,726,528)	-	(408,201)	-	(29,586,069)
At 31 December 2020	**264,172,594**	**8,000,000**	**-**	**2,902,049**	**167,033**	**275,241,676**

18. Long-term other payables

	2021	2020
TDB Leasing LLC	-	724,719
Tavan Bogd Trade LLC (Note 29.1)	25,622,107	14,230,453
	25,622,107	**14,955,172**

Long-term payables related to TDB Leasing LLC was for the purchase of industrial equipment with base interest rate of 4.7% per annum plus LIBOR. The debt will be fully repaid in 2022 and the equipment purchased is pledged with the Development Bank of Mongolia.

The terms of advances from Tavan Bogd Trade LLC with an interest rate of 7.8% per annum (previously 8% per annum) were amended on 1 September 2021 to be extended until 24 May 2024 (with previous maturity of 24 May 2022).

19. Share capital

	Number of shares		Share capital	
	2021	2020	2021	2020
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 2021 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 2020: 780,112,500 common shares authorised and issued at par value of MNT 1.00).

20. Dividend

	2021	2020
Balance at beginning of year	167,033	167,496
Declared dividend	-	-
Dividend paid	(100)	(463)
Balance at end of year	**166,933**	**167,033**

As per Resolution No. 03 of the Board of Directors dated 14 February 2022, no dividends were declared in 2021 and 2020.

21. Losses per share

	2021	2020
Net loss for the year	(37,946,028)	(46,155,341)
Weighted average number of ordinary shares outstanding	780,112,500	780,112,500
Losses per share (*in MNT*)	**(48.64)**	**(59.16)**

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

22. Revaluation reserve

	2021	2020
Balance at beginning of year	48,974,836	15,647,697
Revaluation surplus	(104,435)	33,327,139
Balance at end of year	**48,870,401**	**48,974,836**

23. Foreign currency translation reserve

	2021	2020
Balance at beginning of year	(1,362,032)	(278,529)
Exchange differences arising on translating the net assets of foreign subsidiaries	1,923,910	(1,083,503)
Balance at end of year	**561,878**	**(1,362,032)**

24. Income tax benefit

	2021	2020
Current tax:		
Current tax expense in respect of the current year	86,126	35,348
Deferred tax:		
Deferred tax benefit recognised in the current year	(252,100)	(1,363,139)
	(165,974)	**(1,327,791)**

24.1 Current tax

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

	2021	2020
Loss before taxation	(38,112,002)	(47,483,132)
Theoretical tax credit at statutory income tax rate of 10%	(3,811,200)	(4,748,313)
Effect of expenses that are non-deductible	560,984	471,521
Effect of non-taxable income	(118,373)	(109,661)
Tax under the special tax rate	86,126	9,720
Derecognition of previously recognised (recognition of previously unrecognised) deductible temporary differences	1,120,761	(137,619)
Unrecognised deductible temporary differences	1,995,728	3,186,561
Income tax benefit	**(165,974)**	**(1,327,791)**

According to the Mongolian Corporate Income Tax Law, an annual taxable income of up to MNT 6 billion (MNT 6 billion in 2020) will be taxed at 10%, and an annual taxable income of more than MNT 6 billion will be taxed at an additional 25%.

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 and IFRS 23.

The Group had an accrued tax loss of MNT 13,819,006 thousand (MNT 14,520,086 thousand in 2020) that could be deducted from future profit during the reporting year. This includes deferred tax assets. The tax loss incurred in 2021 can be carried forward up to 2025.

24. Income tax benefit (continued)

24.2 Current tax (assets) and liabilities

	2021	2020
Corporate income tax receivable	-	(265,286)
Corporate income tax payable	111,894	46,241
	111,894	**(219,045)**

	2021	2020
Balance at beginning of the year	(219,045)	(266,632)
Current tax expense for the year	86,126	35,348
Payments for income tax	(280,600)	(6,999)
Withholding tax expense	525,413	19,238
Corporate income tax payable / (receivable)	**111,894**	**(219,045)**

24.3 Deferred tax balances

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

2021	**Opening balance**	**Recognised in profit or (loss)**	**Closing balance**
Deferred tax assets / (liabilities) in relation to:			
Financial assets	(1,138,192)	1,011,408	(126,784)
Property, plant and equipment	20,270	(202,681)	(182,411)
Financial liabilities	-	-	-
Borrowings	2,386,661	(1,929,488)	457,173
Unused tax losses	2,804,743	1,372,861	4,177,604
	4,073,482	**252,100**	**4,325,582**

2020	**Opening balance**	**Recognised in profit or (loss)**	**Closing balance**
Deferred tax assets / (liabilities) in relation to:			
Financial assets	(196,597)	(941,595)	(1,138,192)
Property, plant and equipment	(14,150)	34,420	20,270
Financial liabilities	150,672	(150,672)	-
Borrowings	1,191,195	1,195,466	2,386,661
Unused tax losses	1,579,223	1,225,520	2,804,743
	2,710,343	**1,363,139**	**4,073,482**

25. Revenue and expenses

25.1 Revenue

	2021	2020
Sales of knitwear	95,831,241	80,242,446
Sales of sewn	28,757,779	24,091,381
Sales of woven	14,979,473	11,435,946
Service income	1,168,015	862,561
Others	3,607,821	460,171
	144,344,329	**117,092,505**

As of 31 December 2021, revenue recognised from contracts made with customers was MNT 96,639,981 thousand and MNT 100,790,805 thousand as of 31 December 2020.

25.2 Cost of sales

	2021	2020
Sales of knitwear	51,940,605	46,616,231
Sales of sewn	20,018,053	16,071,278
Sales of woven	8,686,002	7,859,335
Cost of service	858,003	848,643
Others	4,040,824	141,001
	85,543,487	**71,536,488**

25.3 Expenses by nature

	2021	2020
Changes in inventories	55,292,968	(15,536,051)
Raw materials and consumables	8,180,268	57,881,272
Salary and related cost	29,200,030	33,052,956
Depreciation and amortisation	11,829,178	12,819,926
Advertisement expenses	33,122,725	24,112,408
Supplies and consumables	1,428,501	2,623,385
Professional service fees	7,528,964	1,171,977
Selling expenses	2,930,567	1,460,051
Transportation expenses	1,707,263	2,166,414
Others	9,527,804	9,245,727
Total cost of sales, selling and marketing, and general and administrative expenses	**160,748,268**	**128,998,065**

25. Revenue and expenses (continued)

25.4 Selling and marketing expenses

	2021	2020
Salary and related cost	9,104,946	7,616,625
Depreciation and amortisation expenses	2,297,315	1,995,055
Advertisement expenses	33,122,725	24,112,408
Supplies and consumables	1,380,110	2,551,280
Utility expenses	94,658	236,952
Customer promotion expenses	116,905	144,786
Repairs and maintenances	153,590	309,239
Labour safety expenses	251,501	199,212
Selling expenses	2,930,567	1,460,051
Other taxes	357,626	429,174
Transportation expenses	1,707,263	2,166,414
Short term and low value leases	564,802	958,393
Insurance expenses	380,116	263,132
Business trips	49,472	114,047
Security expenses	-	7,115
Cleaning service	84,437	144,881
Fuel expenses	24,309	33,579
HR and related costs	245	23,553
Professional service fees	7,086,084	945,423
Communication expenses	105,538	97,759
Management fees	539,001	539,001
Other expenses	216,857	36,860
	60,568,067	**44,384,939**

25.5 General and administrative expenses

	2021	2020
Salary and related cost	7,505,012	5,548,677
Depreciation and amortisation expenses	2,761,025	2,382,308
Supplies and consumables	48,391	72,105
Utility expenses	29,895	91,681
Repairs and maintenances	222,039	143,598
Labour safety expenses	934,095	746,179
Bank charges	21,665	118,976
Other taxes	821,753	440,867
Insurance expenses	75,109	327,938
Business trips	16,536	9,570
Security expenses	529,394	577,746
Fuel expenses	61,042	87,794
HR and related costs	469,030	1,209,943
Professional service fees	442,880	226,554
Communication expenses	78,496	80,671
Other expenses	620,352	1,012,031
	14,636,714	**13,076,638**

26. Finance and other income

	2021	2020
Interest income	30,585	60,405
Rental and other income	932,840	2,555,242
	963,425	**2,615,647**

27. Other gains (losses)

	2021	2020
Net foreign exchange gain (loss)	2,944,061	(8,511,518)
Net gain (loss) on disposal of property, plant and equipment and intangible assets	(78,409)	10,096
Gain on derecognition of right-of-use assets	48,066	20,769
	2,913,718	**(8,480,653)**

28. Finance cost

	2021	2020
Interest expense on borrowings	22,303,297	25,707,748
Interest expense on other payables (including non-current)	2,367,392	2,713,257
Interest expense on lease liabilities	363,392	408,201
Other finance cost	440,205	713,054
	25,474,286	**29,542,260**

29. Balances and transactions with related parties

29.1 Balances with related parties

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

	2021	2020
Receivables from related parties (Note 6)	30,222	215,053
Payable to related parties /Short-term/ (Note 14)	185,933	12,477,541
Payable to related parties /Long term/ (Note 18)	25,622,107	14,230,453

Liabilities to related parties are related to the purchase of shares of Goyo LLC from Tavan Bogd Trade LLC on credit terms payable in August 2020. This was subsequently extended to May 2024 in October 2020 by entering into an additional agreement with the parent company. The Group has not pledged any assets on the agreement.

29.2 Transactions with related parties

The following transactions were incurred with Tavan Bogd Trade LLC which is the Group’s parent company:

	2021	2020
Advances received from parent (Note 17.2)	-	12,459,400
Payment of advances received from the parent (Note 17.2)	-	12,459,400
Purchases made from the parent	1,256,062	1,463,505
Sales made to the parent	39,134	4,392
Interest expenses paid to the parent	2,032,887	2,418,383

29. Balances and transactions with related parties (continued)

29.2 Transactions with related parties (continued)

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

	2021	2020
Advances received from related parties (Note 17.2)	41,483,084	-
Payment of advances received from related parties (Note 17.2)	41,483,084	-
Purchases made from related parties	454,406	645,589
Sales made to related parties	343,699	341,646
Interest expenses paid to related parties	272,418	-

The following transactions were incurred with Khan Bank which is an associated entity of the parent company:

	2021	2020
Proceeds from borrowings received from Khan Bank (Note 17.2)	39,237,105	69,270,000
Repayment of borrowings received from Khan Bank (Note 17.2)	47,237,105	89,000,000
Sales made to Khan Bank	1,115,012	10,500
Interest expenses paid to Khan Bank	207,648	3,308,145

All transactions with related parties are on mutually agreed terms.

29.3 Compensation of key management personnel

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

	2021	2020
The total amount of salaries and bonuses of the leading management	1,546,153	1,323,099

30. Contingent liabilities and commitements

The Group may incur various commitments and contingent liabilities to meet the financial needs and requirements of its customers. As at 31 December 2021 (absent in 2020), the Group does not have any contingent liabilities and commitments, if it does, it incurs as follows.

30.1 Contingent liabilities

Guarantees commit the Group 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. No material losses are anticipated as a result of these transactions.

30.2 Commitments

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

31. Contingent liabilities and commitements (continued)

30.3 Legal claims

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

32. Financial instruments and financial risk management objectives

(1) Introduction

The main risks inherent in the Group's operations are credit risk, liquidity risk and market risk which includes: interest rate risk and currency risk.

The primary goal of risk management is to allocate capital to business segments commensurate with their risk/reward profiles and to maximise the Group's risk-adjusted return on capital through a process of ongoing identification, measurement and monitoring. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The Group has a clearly defined risk management framework that is not designed to eliminate the risk but to optimise the risk and return trade-off thus keeping the suitable risk management system consistent with the Group's general concept and value, successful implementation and continuous improvements. The framework of "Risk management policy" is approved, supported and promoted by the Board of Directors (BoD) and is in place to ensure the following:

- The risk exposure is within the limits;
- The risk measure is in line with the business strategy as approved by the BoD;
- The capital allocation is consistent with the risk of exposures; and
- The Group's performance objectives are aligned with the risk appetite and tolerance.
- The risk management within the Group is carried out with strategic risk, compliance risk, financial risk, operational risk, force majeure and as well as risks that emerge time to time.

Risk management structure

The BoD acknowledges that one of the primary objectives is to explicitly enforce the collective oversight and risk governance responsibilities. The BoD adopts a "Three lines of defense" model in risk governance, where executive management is the first line of defense, the Risk Management Committee and the Senior Risk Officer are the second line of the defense and Internal Audit is the third line of the defense.

BoD's Risk and Audit Committee

The BoD'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

During the risk management processes throughout the Group, Internal Audit function follows the direction given by the Risk and Audit Committee. The Internal Audit function examines both the adequacy of the policies and procedures implemented at the Group and its compliance with the procedures and reports their findings to the BoD.

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

(1) Introduction (continued)

Risk Mitigation

Monitoring and controlling risks are primarily performed based on limits established by the BoD constantly. These limits reflect the business strategy and market environment of the Group as well as level of risk that the Group is willing to accept.

Basis sensitivity analysis is used to measure and analyse exposures resulting from changes in interest rates, foreign currencies, credit risks, and exposures arising from forecast transactions. Specific measures are taken to reduce the Group's risk, which are described in more detail below.

Excessive Risk Concentration

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

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

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

31.1 Credit risk management

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

Exposure to credit risk

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

	2021	2020
Cash in bank	4,377,221	12,786,882
Deposit placed for lease stores	557,284	523,829
Trade and other receivables*	1,324,752	3,081,189
	6,259,257	**16,391,900**

*excludes taxes receivable of MNT 933,377 thousand in 2021 and MNT 2,915,071 thousand in 2020.

Impairment losses on financial assets recognised in profit or loss were as follows:

	2021	2020
Impairment loss on trade and other receivables	110,920	170,306
Impairment loss on bank balances	-	-
Reversal of impairment loss on trade and other receivables	(31,116)	(9,037)
	79,804	**161,269**

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

	2021	2020
Domestic	970,442	597,203
Foreign	354,310	2,483,986
	1,324,752	**3,081,189**

Currently, there is no independent rating agency service available in the local market. Therefore, the Group has adopted a policy of making credit sales with customers who have history of long and trustworthy relationship with the Group and making credit sales within the pre-approved credit limits. The annual sales contract is concluded with the customers and renewed annually, and the compliance with the contract terms is continuously monitored.

There are no measures taken to address credit risk related to financial assets other than insuring the Group's accounts receivable or securing them under a letter of credit. In 2021, there are no accounts receivable insured or guaranteed by a letter of credit (2020: MNT 987,706 thousand). The management of the Group considers that bank balances that are deposited with local banks or financial institutions with high credit ratings to be low credit risk financial assets. The management of the Group considers the probability of default is negligible and accordingly, no loss allowance was recognised.

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

31.1 Credit risk management (continued)

The management of the Group has made collective assessments and/or individual assessments on the recoverability of trade and other receivables based on historical settlement records and adjusted for forward-looking information. The Group determines the expected credit losses on trade and other receivables not credit-impaired by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past to status in terms of the provision matrix.

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

31 December 2021	**Gross carrying amount**	**Loss allowance**	**Credit impaired**
Neither past due nor impaired	1,293,857	-	0.00%
Past due 0-30 days	22,245	-	0.00%
Past due 31-60 days	2,712	-	0.00%
Past due 61-90 days	76	-	0.00%
Past due more than 91 days	1,849,381	(1,843,519)	99.68%
	3,168,271	**(1,843,519)**	**58.19%**

31 December 2020	**Gross carrying amount**	**Loss allowance**	**Credit impaired**
Neither past due nor impaired	2,742,486	-	0.00%
Past due 0-30 days	-	-	0.00%
Past due 31-60 days	10,055	-	0.00%
Past due 61-90 days	183,776	-	0.00%
Past due more than 91 days	2,035,885	(1,891,013)	92.88%
	4,972,202	**(1,891,013)**	**38.03%**

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:

	2021	**2020**
Balance at 1 January	1,891,013	1,730,355
Loss allowance	110,920	170,306
Reversal of loss allowance	(31,116)	(9,037)
Amounts written off	(127,298)	(611)
Balance at 31 December	**1,843,519**	**1,891,013**

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.

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

31.1 Credit risk management (continued)

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.

31.2 Liquidity risk management

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

Ultimate responsibility for liquidity risk management rests with the BoD 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 detail 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.

31 December 2021	On demand and less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total	Carrying amount
Trade and other payables (including non-current) *	2,538,850	841,626	2,306,228	27,965,661	33,652,365	29,662,663
Bond payables	-	-	10,900,000	-	10,900,000	9,877,213
Short-term and long-term borrowings	12,962,824	15,594,978	93,156,100	127,348,350	249,062,252	226,058,669
Short-term and long-term lease liabilities	92,763	278,287	721,534	708,903	1,801,487	1,587,437
	15,594,437	**16,714,891**	**107,083,862**	**156,022,914**	**295,416,104**	**267,185,982**

31 December 2020	On demand and less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total	Carrying amount
Trade and other payables (including non-current) *	2,070,357	3,734,856	15,918,331	15,415,328	37,138,872	34,830,878
Bond payables	-	-	-	-	-	-
Short-term and long-term borrowings	42,510,672	51,226,888	185,280,321	4,667,815	283,685,696	272,172,594
Short-term and long-term lease liabilities	116,757	350,274	919,390	2,157,727	3,544,148	2,902,049
	44,697,786	**55,312,018**	**202,118,042**	**22,240,870**	**324,368,716**	**309,905,521**

*excludes taxes payable of MNT 2,065,186 thousand in 2021 and MNT 2,058,370 thousand in 2020 and refund liabilities, no refund liabilities in 2021 and MNT 1,010,634 thousand in 2020.

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

31.3 Market risk

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

31.3.1 Interest rate risk management

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

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

	2021	2020
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(230,685,710)	(266,845,503)
Variable rate instruments		
Financial assets	-	-
Financial liabilities	(31,284,393)	(36,886,369)
	(261,970,103)	**(303,731,872)**

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 increased or decreased by 50 basis points and all other variables were held constant, the Group's profit before tax for the year ended 31 December 2021 would increase or decrease by MNT 156,422 thousand (31 December 2020: MNT 169,422 thousand). This is mainly attributable to the Group's exposure to interest rates on its floating interest rate borrowings.

In the opinion of the management of the Group, the expected change in interest rate will not have material impact on the interest income on pledged bank deposits and bank balances, hence sensitivity analysis is not presented.

31.3.2 Foreign currency risk management

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

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

31.3 Market risk (continued)

31.3.2 Foreign currency risk management (continued)

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

31 December 2021	USD	EUR	CNY	Other
Cash and cash equivalents	758,401	2,477,973	629,992	121
Trade and other receivables	32,335	80,042	333,137	5,445
Deposit placed for leased stores	56,976	305,748	53,622	-
Trade and other payables	(1,023,891)	(732,018)	(66,505)	-
Long-term other payables	(25,622,107)	-	-	-
Short-term and long-term borrowings	(41,093,152)	(97,285,103)	-	-
Lease liabilities	(344,483)	(105,238)	-	-
	(67,235,921)	**(95,258,596)**	**950,246**	**5,566**

31 December 2020	USD	EUR	CNY	Other
Cash and cash equivalents	2,728,560	9,000,364	950,694	80
Trade and other receivables	496,644	1,533,944	422,176	-
Deposit placed for leased stores	56,990	326,899	-	-
Trade and other payables	(16,006,808)	(684,343)	(130,203)	(3,105)
Long-term other payables	(14,955,172)	-	-	-
Short-term and long-term borrowings	(35,769,005)	(105,505,456)	-	-
Lease liabilities	(489,467)	(755,710)	-	-
	(63,938,258)	**(96,084,302)**	**1,242,667**	**(3,025)**

The following significant exchange rates were applied during the year.

	Average rate		Reporting date spot rate	
(In MNT)	2021	2020	2021	2020
USD	2,849	2,813	2,849	2,850
EUR	3,372	3,212	3,223	3,496
CNY	442	408	447	436

Foreign currency sensitivity analysis

The Group is mainly exposed to USD, EUR and CNY (together referred to as "the foreign currencies"). The following table details 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.

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

31.3 Market risk (continued)

31.3.2 Foreign currency risk management (continued)

Foreign currency sensitivity analysis (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 and after tax by the amount shown below. This analysis assumes all other risk variables remain constant.

	2021 (profit or loss before tax)		2020 (profit or loss before tax)	
	Strengthening (10% increase)	Weakening (10% decrease)	Strengthening (10% increase)	Weakening (10% decrease)
USD	6,723,592	(6,723,592)	6,393,826	(6,393,826)
EUR	9,525,860	(9,525,860)	9,608,430	(9,608,430)
CNY	(95,025)	95,025	(124,267)	124,267
Other	(557)	557	303	(303)

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

31.4 Fair values 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.

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

31.4 Fair values 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:

	2021		2020	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Assets carried at amortised cost				
Cash and cash equivalents	4,389,479	4,389,479	12,798,745	12,798,745
Trade and other receivables	1,324,752	1,324,752	3,081,189	3,081,189
Deposit placed for leased stores	557,284	557,284	523,829	523,829
	6,271,515	**6,271,515**	**16,403,763**	**16,403,763**
Liabilities carried at amortised cost				
Trade and other payables	(4,040,556)	(4,040,556)	(19,875,706)	(19,875,706)
Bond payables	(9,877,213)	(9,877,213)	-	-
Short-term and long-term borrowings	(226,058,669)	(226,058,669)	(272,172,594)	(272,172,594)
Short-term and long-term lease liabilities	(1,587,437)	(1,587,437)	(2,902,049)	(2,902,049)
Other long-term payables	(25,622,107)	(25,622,107)	(14,955,172)	(14,955,172)
	(267,185,982)	**(267,185,982)**	**(309,905,521)**	**(309,905,521)**

32. Segment information

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.

32. Segment information (continued)

32.1 Segment revenue and results

		Segment revenue		Segment profit	
		2021	**2020**	**2021**	**2020**
Domestic sales	Knitwear	33,409,990	22,175,121	11,767,768	5,610,207
	Sewn	21,939,273	20,014,119	5,858,368	6,256,131
	Woven	7,938,312	6,151,370	3,018,996	1,508,852
	Service income	1,168,015	862,561	310,012	13,918
	Other	2,203,938	267,989	(1,345,005)	212,466
		66,659,528	49,471,160	19,610,139	13,601,574
Export sales /wholesale	Knitwear	29,990,703	31,890,120	12,586,466	12,297,385
	Sewn	1,970,595	749,403	663,291	223,757
	Woven	3,459,143	3,250,598	1,303,356	1,172,734
	Other	1,401,991	131,323	912,332	81,608
		36,822,432	36,021,444	15,465,445	13,775,484
Export sales /online	Knitwear	32,430,548	26,177,206	19,536,402	15,718,624
	Sewn	4,847,911	3,327,859	2,218,067	1,540,215
	Woven	3,582,018	2,033,978	1,971,119	895,025
	Other	1,892	60,858	(330)	25,095
		40,862,369	31,599,901	23,725,258	18,178,959
		144,344,329	**117,092,505**	**58,800,842**	**45,556,017**
Finance and other income				963,425	2,615,647
Other gains (losses)				2,913,718	(8,480,653)
Finance cost				(25,474,286)	(29,542,260)
Selling and marketing expenses				(60,568,067)	(44,384,939)
General and administrative expenses				(14,636,714)	(13,076,638)
Impairment losses on financial assets				(110,920)	(170,306)
Loss before tax				**(38,112,002)**	**(47,483,132)**

No single customer contributed 10% or more to the Group's revenue for both 2021 and 2020.

32. Segment information (continued)

32.2 Geographical information

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

	Revenue from external customers		Non-current assets	
	2021	**2020**	**2021**	**2020**
Mongolia	66,659,528	49,476,685	146,667,250	157,811,034
Korea	15,646,928	14,827,763	-	-
Germany	15,559,787	12,659,093	623,467	1,471,748
France	13,095,680	11,733,411	-	-
USA	10,349,694	6,631,629	382,809	542,626
China	4,879,404	3,762,446	53,622	-
Japan	4,483,493	2,915,926	-	-
Russia	2,703,211	1,845,834	-	-
United Kingdom	2,026,382	3,036,048	-	-
Italy	1,491,004	2,849,886	-	-
Other counties	7,449,218	7,353,784	-	-
	144,344,329	**117,092,505**	**147,727,148**	**159,825,408**

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

Non-current assets exclude deferred tax assets.

33. Capital risk management

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

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

34. Contractual obligations

The Group did not have any significant contractual obligations as of 31 December 2021 and 2020.

35. Events after the reporting period

On 6 January 2022, the Group has repaid a total of USD 1.5 million of the borrowings from EBRD.

On 18 February 2022, terms of the USD 10 million loan with a 6.7% interest rate per annum for a period of 24 months with Tavan Bogd LLC were amended to MNT 30 billion with a 12-month term and an interest rate of 11% per annum.

On 14 March 2022, half of the EUR 16 million short-term borrowings from IIB (EUR 8 million) was repaid and the remaining EUR 8 million was restructured into long-term borrowings due in 2027. The Group retained the right to withdraw the repaid EUR 8 million from IIB until maturity.

The Group has repurchased MNT 5.4 billion of the MNT 10 billion bond payables as of 21 March 2022.

The economic impacts of the Covid-19 pandemic, which spread in late 2019, continued into 2022. As part of the vaccination project launched in 2021 to support the social and economic recoverability, 69.8% of the total population was covered by the first dose, 66.7% by the second dose, and 31% by the booster dose. This has allowed the easing of pandemic related restrictions on majority of business operations.

36. Report translation

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