PREMIUM NEXUS JSC

Consolidated Financial Statements

For the year ended 31 December 2024

(With Independent Auditors' Report Thereon)

Contents

Management's Responsibility Statement

The Group's management is responsible for the preparation of the financial statements.

The consolidated financial statements of Premium Nexus JSC (the "Company") and its subsidiaries (together the "Group") have been prepared to comply with International Financial Reporting Standards. The Group's management is responsible for ensuring that these financial statements present fairly the state of affairs of the Group as at 31 December 2024 and the financial performance and cash flows for the period 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 it to ensure that the financial statements comply with the requirements set out in Notes 2 to 6 thereto.

The Group's management also has a 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 consider that, in preparing the financial statements including explanatory notes, it has used appropriate policies, consistently applied and supported by reasonable and prudent judgment and estimates, and that all applicable accounting standards have been followed.

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

Gankhuyag.A	Bat-Erdene G.
Chief Executive Officer	Chief Financial Officer

PREMIUM NEXUS JSC
ПРЕМИУМ НЭКСУС ХК
УЛААНБААТАР ХОТ 6155804

Ulaanbaatar,
Mongolia

Date: 10 April 2025

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

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

Independent Auditors' Report

To: The Shareholders and Board of Directors of Premium Nexus JSC

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

KPMG

Key Audit Matters, Continued

Revenue recognition

Refer to Note 25 to the consolidated financial statements and the accounting policies in Note 3.

Area of focus	How our audit addressed the area of focus
Whilst revenue recognition and measurement are not complex for the Group, there may be a deliberate, systematic misrepresentation of sales revenue due to the high degree of competition in the retail industry, especially revenue recognition over sub-franchise stores and sales to end customer for certain components. As a publicly listed entity in the securities market, the Group is under pressure on its financial performance from both inside and outside stakeholders. Consequently, there might be pressure to meet performance targets. This could lead to a high inherent risk relating to occurrence of the revenue, specially relates to the existence of sub-franchise stores and sales to end customer for certain components. Due to these factors, we have considered revenue recognition over sub-franchise stores and sales to end customer for certain components to be a key audit matter relevant to our audit of the consolidated financial statements.	Our audit procedures over revenue included, among others: - We have assessed selected controls which management has in place over the sales and revenue recognition process over sub-franchise stores, focusing on controls over the existence and accuracy of revenue recognition. - We have performed audit procedures over sales between the Group and sub-franchise stores by sending confirmation letters to the owners of sub-franchise stores. - We performed audit procedures over sales between certain components of the Group and its customers by sending confirmation letters. - We have conducted inquiries of management and those charged with governance, relating to instances of fraudulent revenue recognition and any relevant significant unusual transactions during the year. - We have assessed the appropriateness of accounting policy for revenue recognition and comparing with the applicable accounting and reporting standards.

Other Information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

KPMG

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

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

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

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

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

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

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

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

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

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

KPMG

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

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, and the General Director of the audit firm is Soyolmaa Gungaanyambuu.

КЭЙ ПИ ЭМ ЖИ АУДИТ ХХК
KPMG AUDIT LLC
УЛААНБААТАР ХОТ
5543495

KPMG Audit LLC
Ulaanbaatar, Mongolia
10 April 2025

Signed by:

Soyolmaa Gungaanyambuu
General Director

Approved by:

Sang-Yong Cho
Partner

This report is effective as at 10 April 2025, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any. Furthermore, this report is intended solely for the use of the shareholders of the Group. To the fullest extent permitted by law, we do not assume responsibility towards or accept liability to any other party in relation to the contents of this report.

In thousands of MNT	Notes	31 Dec 2024	31 Dec 2023
ASSETS			
Non-current assets			
Property, plant and equipment	9	118,133,460	84,451,983
Right-of-use assets	10	60,568,629	50,532,242
Intangible assets and goodwill	11	39,774,043	5,744,456
Finance lease receivables	12	10,031,970	8,238,816
Loan issued	13	47,049	-
Prepayments	15	2,580,879	770,655
Trade and other receivables	16	2,381,209	2,160,078
Deferred tax assets	31	1,985,220	1,426,574
Total non-current assets		**235,502,459**	**153,324,804**
Current assets			
Loan issued	13, 36	27,599	2,000,000
Inventories	14	47,194,508	28,250,029
Prepayments	15	7,326,359	1,761,313
Trade and other receivables	16, 36	10,329,858	3,675,977
Cash and cash equivalents	17, 36	10,431,533	2,980,585
Finance lease receivables	12, 36	3,119,136	1,502,377
Total current assets		**78,428,993**	**40,170,281**
TOTAL ASSETS		**313,931,452**	**193,495,085**
EQUITY			
Share capital	18	111,425,203	81,776,864
Share premium	18	45,757,916	13,820,503
Other equity		318,731	318,731
Accumulated deficit		(63,586,419)	(110,184,780)
Equity attributable to owners of the Group		**93,915,431**	**(14,268,682)**
Non-controlling interest		8,873,378	-
TOTAL EQUITY		**102,788,809**	**(14,268,682)**
LIABILITIES			
Non-current liabilities			
Long-term lease liabilities	10	64,535,185	56,622,145
Long-term borrowings	19, 36	23,389,243	33,882,015
Government grants	20	498,904	-
Other long-term liabilities		1,834,721	709,269
Contract liabilities	24	43,388	117,781
Deferred tax liabilities	31	4,598,558	259,675
Total non-current liabilities		**94,899,999**	**91,590,885**
Current liabilities			
Lease liabilities	10, 36	17,695,275	12,079,710
Borrowings	19, 36	24,733,230	19,969,946
Government grants	20	627,087	-
Other taxes payable	22	2,138,926	1,669,598
Trade and other payables	23, 36	66,899,736	81,166,900
Contract liabilities	24	1,457,762	1,245,531
Current income tax payable		2,690,628	41,197
Total current liabilities		**116,242,644**	**116,172,882**
TOTAL LIABILITIES		**211,142,643**	**207,763,767**
TOTAL LIABILITIES AND EQUITY		**313,931,452**	**193,495,085**

The accompanying notes on pages 5 to 49 are an integral part of these consolidated financial statements.

In thousands of MNT	Note	2024	2023
Revenue	25	598,378,660	390,496,597
Cost of sales	26	(518,272,786)	(393,362,620)
Gross profit/(loss)		**80,105,874**	**(2,866,023)**
General, administrative and selling expenses	27	(34,803,106)	(17,130,606)
Impairment loss on financial assets	16	(566,913)	(37,447)
Other gains, net	28	21,864,014	3,054,660
Other income		628,384	17,070
Operating profit/(loss)		**67,228,253**	**(16,962,346)**
Finance costs	29	(19,438,179)	(17,506,483)
Finance income	30	2,562,377	1,136,615
Profit/(loss) before income tax		**50,352,451**	**(33,332,214)**
Income tax (expense)/benefit	31	(2,949,957)	625,911
PROFIT/(LOSS) FOR THE YEAR		**47,402,494**	**(32,706,303)**
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		**47,402,494**	**(32,706,303)**
Attributable to:			
Equity holders of the parent		46,598,361	(32,706,303)
Non-controlling interest	34	804,133	-
		47,402,494	**(32,706,303)**
Earnings/(loss) per ordinary share for profit/(loss) from continuing operations attributable to the owners of the Group, basic and diluted (in MNT per share)	32	42	(40)

The accompanying notes on pages 5 to 49 are an integral part of these consolidated financial statements.

In thousands of MNT	Notes	Share capital	Share premium	Other equity	Accumulated deficit	Total	Non-controlling interest	Total equity
Balance at 1 January 2023	18	**81,776,864**	**13,820,503**	**318,731**	**(77,478,477)**	**18,437,621**	**-**	**18,437,621**
Loss for the year		-	-	-	(32,706,303)	(32,706,303)	-	(32,706,303)
Balance at 31 December 2023	18	**81,776,864**	**13,820,503**	**318,731**	**(110,184,780)**	**(14,268,682)**	**-**	**(14,268,682)**
Profit for the year		-	-	-	46,598,361	**46,598,361**	804,133	**47,402,494**
Issue of ordinary shares		29,648,339	32,020,206	-	-	**61,668,545**	2,367,049	**64,035,594**
Acquisition of subsidiaries with NCI	33, 34	-	-	-	-	**-**	5,702,196	**5,702,196**
Transaction cost		-	(82,793)	-	-	**(82,793)**	-	**(82,793)**
Balance at 31 December 2024	18	**111,425,203**	**45,757,916**	**318,731**	**(63,586,419)**	**93,915,431**	**8,873,378**	**102,788,809**

In thousands of MNT	Note	2024	2023
Cash flows from operating activities:			
Profit/(loss) before income tax		50,352,451	(33,332,214)
Adjustments for:			
Depreciation	9	19,174,982	14,670,795
(Losses)/gain on disposals of property, plant and equipment, net	28	(7,492)	27,867
Write-off of property, plant and equipment	9	105,233	161,633
Amortisation of intangible assets	11	1,282,756	1,136,540
Amortisation of government grants	20	375,324	-
Impairment loss on financial assets	16	566,913	37,447
Depreciation of ROU assets	10	12,649,118	11,749,379
Gain on disposals of ROU assets	28	(1,899,749)	(1,722,713)
Foreign exchange differences	28	(45,856)	22,417
Gain on disposals of investments	28	-	(342,907)
Gain on bargain purchase	28	(19,476,657)	-
Finance income	30	(2,562,377)	(1,136,615)
Finance costs	29	18,861,121	17,255,606
		79,375,767	**8,527,235**
Changes in working capital:			
Inventories	14	(14,263,111)	3,588,344
Prepayments	15	(4,521,123)	1,551,938
Trade and other receivables	16	(1,516,398)	394,541
Other tax payables	22	178,483	802,118
Trade and other payables	23	11,919,789	3,195,250
Contract liabilities	24	1,202,403	495,894
Cash generated from operating activities		**72,375,810**	**18,555,320**
Interest paid for borrowings	21	(7,025,530)	(6,805,263)
Income taxes paid		(1,014,039)	(39,769)
Interest paid for lease liabilities	21	(11,916,941)	(10,292,530)
Interest received		2,172,877	895,085
Net cash generated from operating activities		**54,592,177**	**2,312,843**
Cash flows from investing activities:			
Purchase of property, plant and equipment	9	(36,332,729)	(34,958,873)
Proceeds from disposals of equipment	9	1,169,846	2,387,444
Purchase of intangible assets	11	(1,821,912)	(245,255)
Proceeds from disposals of intangible assets	11	-	119,925
Receipt from finance lease receivables	10	2,418,645	816,716
Proceeds from sale of subsidiary	28	1,034,381	342,907
Net cash used in investing activities		**(33,531,769)**	**(31,537,136)**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		2,367,049	30,000,000
Proceeds from borrowings	21	63,371,715	31,827,300
Repayments of borrowings	21	(66,526,553)	(23,105,377)
Payments of finance lease liabilities	21	(13,085,709)	(8,797,770)
Proceeds of loan receivable		400,000	(2,000,000)
Net cash generated from/(used in) financing activities		**(13,873,498)**	**27,924,153**
Effect of exchange rate changes on cash and cash equivalents		(135,962)	**-**
Net (decrease)/increase in cash and cash equivalents		7,586,910	(1,300,140)
Cash and cash equivalents at the beginning of year	17	**2,980,585**	**4,280,725**
Cash and cash equivalents at the end of the year	17	**10,431,533**	**2,980,585**

The accompanying notes on pages 5 to 49 are an integral part of these consolidated financial statements.

1 Reporting entity

These consolidated financial statements have been prepared in accordance with IFRS Standards for the year ended 31 December 2024 for Premium Nexus JSC (the “Company”) and its subsidiaries (together the “Group”). On 28 February 2024, the name of the Group was changed from Central Express CVS JSC to Premium Nexus JSC.

The Company was incorporated and is domiciled in Mongolia. The Company was established in accordance with Mongolian regulations. The Company was registered with the State Registration Office on 22 February 2017 and was granted a State Registration Certificate no. 9007001006 with a Company Registration no. 6155804.

As at 31 December 2020, the Company was a limited liability company and the Company’s immediate and ultimate parent company was Premium Group LLC (“PG”), a company incorporated in Mongolia. The Company was 90.1% owned by PG, which is ultimately controlled by Mr. Ganbold A. and Mr. Gankhuyag A., citizens of Mongolia, and 9.99% owned by BGF Retail Co. Ltd, Korean-based company.

On 8 June 2021, the Company’s ownership structure had changed in accordance with the Shareholder’s Agreement. 90.1% of all outstanding ordinary shares of the Company held by Premium Group LLC had been transferred to 8 shareholders, 7 of which are also shareholders of Premium Group LLC.

On 12 November 2021, the Company was registered in TIER 3 of the Mongolian Stock Exchange and issued 137,960,969 new shares with issue price MNT 208 per share (16.87% of the Company’s shares) (par value MNT 100 per share) and raised MNT 27,616,599 thousand, including an excess of consideration received over the par value, less transaction costs (Refer to Note 18).

After successful listing on the Mongolian Stock Exchange in 2021, the Company became a public joint stock company. On 5 May 2022, the Company’s listing TIER was improved to TIER 2 from TIER 3 after complying with the relevant requirements and obtaining approvals from the Mongolian Stock Exchange.

Table below shows the Company’s shareholding structure for shareholders who own 5% or more of the Company’s shares as at 31 December 2024. The Company is ultimately controlled by two siblings, Mr. Ganbold A. and Mr. Gankhuyag A., citizens of Mongolia.

No	Shareholders	Ownership
1	Gankhuyag A.	27.0%
2	Ganbold A.	18.6%
3	Premium Group LLC	17.2%
4	BGF Retail Co. Ltd	8.3%
5	Bayarjargal Ts.	7.9%
6	Other investors (less than 5%)	21.0%
	Total	**100.0%**

The Company’s management is comprised of the Board of Directors and executive management. Shareholders control the Company by holding Shareholders’ meeting and some shareholders who are directors pf the Group attends the Board of Directors meetings.

As at 31 December 2024, members of the Company’s Board of Directors were:

- Gary Stephen Biondo, Independent Non-Executive Chairman;
- Gankhuyag A., Chief Executive Officer;
- Ganbold A.,
- Bat-Erdene G., Chief Financial Officer;
- Munkhchimeg Ch.,
- Chinzorig G., Deputy Chief Executive Officer;
- Bat-Erdene B.,
- Erdenechimeg U., Independent Non-Executive Director; and
- Ganzorig V., Independent Non-Executive Director.

1 Reporting entity (Continued)

As at 31 December 2023, members of the Company's Board of Directors were:

- Gankhuyag A., Chairman;
- Ganbold A.,
- Bat-Erdene G.,
- Uyanga Z.,
- Chinzorig G., Chief Executive Officer;
- Bat-Erdene B.,
- Gary Stephen Biondo, Independent Non-Executive Director;
- Erdenechimeg U., Independent Non-Executive Director; and
- Ganzorig V., Independent Non-Executive Director.

Principal activities. The principal activities of the Group are retail sales, purchase of goods, and the operation of convenience stores, food production and sales in Mongolia. On 18 April 2018, the Company entered into a Master Franchise Agreement with BGF Retail Co. Ltd, Korean-based company principally engaged in the operation of convenience stores, and re-branded stores to convenience store brand of Korea, "CU".

The number of stores as at 31 December 2024 was 445 (2023: 374), of which 372 are Company owned stores (2023: 327) and 73 are sub-franchise stores (2023: 47). The number of the Group's employees as at 31 December 2024 was 4,677 (2023: 4,308).

Registered address and place of business. The Group's registered address is 7th floor, Sakura tower, Ikh Mongol Street, 26th region, Bayanzurkh district, Ulaanbaatar, Mongolia.

Functional and presentation currency. The consolidated financial statements are presented in Mongolian togrogs ("MNT"), which is the currency of the primary economic environment in which the Company and its subsidiaries operate. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The consolidated financial statements were authorised for issue by the Board of Directors on 10 April 2025.

2 Basis of Preparation

Statement of compliance. These consolidated financial statements have been prepared in accordance with IFRS Standards under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and financial instruments categorised at fair value through profit or loss. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The preparation of consolidated financial statements in conformity with IFRS Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Going concern. Management prepared these consolidated financial statements on a going concern basis. These consolidated financial statements therefore do not include any adjustments relating to the recoverability and classification of recorded asset and liability.

3 Material Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

Property, plant and equipment. Property, plant and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

3 Material Accounting Policies (Continued)

At the end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs of disposal. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year within other gains/(losses), net.

Depreciation. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Buildings	25 years
Plant and equipment	10 years
Machinery and vehicles	10 years
Furniture, and office equipment	2-10 years
Leasehold improvements	7-10 years

The residual value of an asset is the estimated amount that the Group would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Right-of-use assets. The Group leases various premises for stores. Rental contracts are typically made for fixed periods of 2 years to 10 years.

Right-of-use assets are measured at cost in the amount of the initial measurement of lease liability.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives.

Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

	Useful lives in years
Space areas	7-9 years
Vehicles	1-2 years
Warehouse	3-6 years

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

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

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

3 Material Accounting Policies (Continued)

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 recognise.

Inventory. Inventories are recorded at the lower of cost and net realisable value. The cost of inventory for construction materials and supply materials are determined on first-in, first-out (FIFO) basis. The cost of inventory for goods for resale is determined on Retail Inventory Method (RIM). Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Intangible assets. The Group’s intangible assets other than trade name and goodwill have definite useful lives and primarily include capitalised franchise fee and software licences.

Intangible assets are amortised using the straight-line method over their useful lives:

	Useful lives in years
Franchise fee	10 years
Software licences	5 years
Land use right	25 years

The intangible assets’ residual values, useful lives and method of amortisation are reviewed, and adjusted if appropriate, at the end of each reporting period.

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs of disposal.

Financial instruments - key measurement terms. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market’s normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm’s length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost (“AC”) is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses *(“ECL”)*. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

3 Material Accounting Policies (Continued)

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – measurement categories. The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

3 Material Accounting Policies (Continued)

Financial assets – reclassification*.* Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL. The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC. The Group measures ECL and recognises net impairment losses on financial assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC, trade and other receivables and loans issued, are presented in the statement of financial position net of the allowance for ECL.

The Group applies simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for impairment of trade and lease receivable. For other financial assets the Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter (“12 Months ECL”). If the Group identifies a significant increase in credit risk (“SICR”) since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any (“Lifetime ECL”). Refer to Note 36 for a description of how the Group determines when a SICR has occurred. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group’s definition of credit impaired assets and definition of default is explained in Note 36. For financial assets that are purchased or originated credit-impaired (“POCI Assets”), the ECL is always measured as a Lifetime ECL. Note 36 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – derecognition. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial assets – modification. The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g., profit share or equity-based return), significant change in interest rate and change in the currency denomination.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

3 Material Accounting Policies (Continued)

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied financial liability from share-based payment arrangement and other financial liabilities designated as such at initial recognition and (ii) loan commitments.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch-up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Offsetting financial instruments. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

Trade and other receivables. Trade and other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method.

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

Borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently carried at AC using the effective interest method.

3 Material Accounting Policies (Continued)

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

To the extent that the Group borrows funds specifically for the purpose of obtaining asset, the Group determines the amount of borrowing costs eligible for 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 borrow 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 the 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 borrowing made specifically for the purpose of obtaining a qualifying asset.

Government grants. Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest, the initial carrying amount of the government loans is determined using the effective interest rate method. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of profit or loss over.

Finance lease receivables. Where the Group is a lessor in a sub-lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable at amount equal to the net investment in the lease. At the commencement date measurement of the net investment in the lease comprises the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives payable,
- amounts expected to be receivable by the Group under residual value guarantees,
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.
- Finance lease receivables are initially recognised at commencement (when the lease term begins), using a discount rate implicit in the lease to measure net investment in the lease.
- The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from sub-leases is recorded within finance income in profit or loss for the year.

Credit loss allowance is recognised using a simplified approach at lifetime ECL. The ECL is determined in the same way as for trade receivables. The ECL is recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

Lease liabilities. Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,

3 Material Accounting Policies (Continued)

- 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 that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The Group determines the enforceable period of each lease based on the broader economics of the lease contracts. Considering the existence and significance of identified penalties, the Group determines at the commencement date that the enforceable period extends beyond contractual period and will extend as long as the termination penalties remain more than insignificant.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Group, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, and
- makes adjustments specific to the lease, e.g. term, country, currency and collateral

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Equipment with value MNT 15,000 thousand or less.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

3 Material Accounting Policies (Continued)

Value added tax. Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for the ECL of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT. According to article 14.1.5 of the VAT Law, VAT paid regarding the purchase and construction of equipment is deferred and amortised over 5 years following the date of purchase or construction for offset against VAT payable. Deferred VAT receivable that is expected to be utilised or deducted within twelve months after the reporting period is included in current assets and the amount that is expected to be utilised or deducted for more than twelve months after the reporting period is included in other non-current assets, respectively.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Share capital. Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Related party transactions. In the normal course of business, the Group enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. Terms and conditions of related party balances are disclosed in Note 8.

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

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

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

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

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

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

3 Material Accounting Policies (Continued)

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

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

Contingent assets and liabilities. 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.

Revenue recognition. Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. Revenue is recognised net of discounts, returns and value added taxes, export duties, excise tax, other similar mandatory payments.

Sales of goods.

(a) The Group operates a chain of retail stores. Revenue from the sale of goods is recognised when the Group sells a product to the customer.

(b) Payment of the transaction price is due immediately when the customer purchases the product. It is the Group's policy to sell its products to the end customer with a right of return within 24 hours. The number of products returned has been insignificant over the years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur.

(c) The Group operates a loyalty program where retail customers accumulate points for purchases made which entitle them to a discount on future purchases. A contract liability for the award points is recognised at the time of the sale. A contract liability is recognised until the points are redeemed. Revenue is recognised when the points are redeemed.

(d) The Group from time to time offers a customer incentive promotion "buy three, get for one free". This is a material right which is accounted for as a separate performance obligation. An element of the transaction price is allocated to the material right using the relative stand-alone selling price. Free products rights is exercised at the time of the last purchase with 100% redemption and revenue recognised at point in time.

(e) Revenue from the sales with discounts is recognised based on the selling price, net of the discounts.

Sub-franchise revenue income. Sales are recognised when control of the good has transferred, being when the goods are delivered to the sub-franchise stores. The sub-franchise stores have full discretion over the goods, and there is no unfulfilled obligation that could affect the sub-franchisee's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the sub-franchisee, and either the sub-franchisee has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Royalty for use of brand name. The Group grants a sub-franchise the right to operate as store using the Group's brand name, where upfront payment is received. The sub-franchise right is a distinct performance obligation, which is transferred over time. Upfront payments for sub-franchise fee is recognised on a straight-line basis over the term of the franchise agreement. A contract liability is recognised for the transaction price which is allocated to the future periods.

Other service revenue. The Group provides services under fixed-price and variable price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period.

Where the contracts include multiple performance obligations, the transaction price is allocated to each separate performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

In case of fixed-price contracts, the customer pays the fixed amount based on the contract.

3 Material Accounting Policies (Continued)

If the contract includes variable consideration, revenue is recognised only to the extent that it is highly probable that there will be no significant reversal of such consideration.

Interest income. Interest income is recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income, all fee received between the parties to the contract that are an integral part of the effective interest rate, all other premiums or discounts. Interest income on debt instruments at FVTPL calculated at nominal interest rate is presented within 'finance income' line in profit or loss.

Fees integral to the effective interest rate include origination fees received or paid by the Group relating to the creation or acquisition of a financial asset, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

Staff costs and related contributions. Wages, salaries and other salary related expenses are recognised as an expense in the year in which the associated services are rendered by the Group's employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

As required by law, companies in Mongolia make contributions to the government pension scheme - Social Security and Health Insurance Fund. Such contributions are recognised as an expense in the profit or loss as incurred. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

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

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

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. The CODM has been identified as the Board of Directors and executive management of the Group. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. Reportable segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Business combination. The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. Under acquisition method, the consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any previously held interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The consideration transferred is also measured at fair value.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- acquisition-date fair value of any previous equity interest in the acquired entity,
- the amount of any non-controlling interest in the acquiree

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

3 Material Accounting Policies (Continued)

Common control transaction. A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by same party or parties both before and after the combination, and that control is not transitory.

The Group applies the acquisition accounting to a business combination under common control, and accounting policy for business combination is applied its entirety by analogy because a common control transaction remains a business combination.

If the acquisition accounting gives rise to an apparent gain on a bargain purchase, such amount is recognised directly in equity as an other equity from the shareholders of the Group.

Consolidated financial statements. Subsidiaries are those investees, that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition of and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Foreign currency translation. The functional currency of the Company and its subsidiaries is the currency of the primary economic environment in which the Company and its subsidiaries operates. The functional currency of the Company and its subsidiaries, and the Group's presentation currency, is the national currency of Mongolian Tugrik ("MNT"). The consolidated financial statements are presented in MNT, which is the Group's presentation currency.

Transactions and balances. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the official exchange rate of the Bank of Mongolia ("BoM") at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into the Group's functional currency at year-end official exchange rates of the BoM are recognised in profit or loss. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss and other comprehensive income within 'finance income' or 'finance cost'.

All other foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income within 'Other gains/(losses), net'; Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

At 31 December 2024, the principal rate of exchange used for translating foreign currency balances were USD 1 = MNT 3,420.25 (2023: USD 1 = 3,410.69), KRW 1 = MNT 2.32 (2023: KRW 1 = MNT 2.65), CNY 1 = MNT 468.57 (2023: CNY 1 = 480.01) and EUR 1 = MNT 3,566.98 (2023: EUR 1 = MNT 3,791.66). The principal average rate of exchange used for translating income and expenses was the spot rate ruling on the date of the transaction.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Useful lives of property, plant and equipment. The estimation of the useful lives of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance program; and (c) technical or commercial obsolescence arising from changes in market conditions.

Leases. The Group leases space areas, vehicles, and warehouses. Lease contracts are typically made for fixed periods of 3 years to 9 years. The Group determines the enforceable period of each lease based on the broader economics of the lease contracts. Considering the existence and significance of identified penalties, the Group determines at the commencement date that the enforceable period extends beyond contractual period and will extend as long as the termination penalties remain more than insignificant.

The Group uses its incremental borrowing rate as a base for calculation of the discount rate because the interest rate implicit in the lease cannot be readily determined. The discount rate applied was 16% for MNT denominated leases.

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

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

Estimating net realisable value of inventories. The net realisable value of inventories represents the estimated selling price for inventories less all estimated costs of necessary to make the sale. Reviews are made periodically by management on damaged, obsolete and slow-moving inventories.

While the Group believes that the estimates are reasonable and appropriate, significant differences in the actual experience or significant changes in estimates may materially affect the profit or loss and equity.

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

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

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

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

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

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

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

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

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

The application of the new and amendments to IFRS Accounting Standards in the current year has had no material impact on the Group's financial positions and performance for the current year and on the disclosures set out in these financial statements.

6 New Standards and Amendments to IFRS Accounting Standards that have been issued but not yet effective

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

Effective date	New accounting standards or amendments
1 January 2025	• Lack of Exchangeability – Amendments to IAS 21
1 January 2026	• Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 • Annual Improvements to IFRS Accounting Standards – Volume 11
1 January 2027	• IFRS 18 Presentation and Disclosure in Financial Statements • IFRS 19 Subsidiaries without Public Accountability: Disclosures
Available for optional adoption / effective date deferred indefinitely	• Sales or Contribution of Assets between the Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

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

6 New Standards and Amendments to IFRS Accounting Standards that have been issued but not yet effective (Continued)

IFRS 18 Presentation and Disclosure in Financial Statements

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

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

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

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

7 Segment Information

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the entity. The CODM, identified as the Board of Directors and executive management of the Group, have identified one reportable segment since the Group's business activities are strategic business units that although focus on different product and services, however, are managed together as a single business unit requiring combined marketing strategy and service level. Moreover, discrete financial information for each business activity of the Group is not available.

Accordingly, these financial statements have been prepared on the basis of single reportable segment. Each business activity from which the Group earns revenue is disclosed in note 25 to the financial statements. Revenue from transactions with a single customer did not exceed 10% of the Group's total revenue. The Group's operations take place in one geographical location, in Mongolia and all assets of the Group are based in Mongolia.

8 Balances and Transactions with Related Parties

During 2024, the Group has acquired Chinggis Shar Airag LLC, Central Commerce LLC, Central Coffee Roasting LLC and Stora Central LLC through business combination. Refer to Note 11 and 33.

On 9 February 2024, the Company established Premium Commerce LLC, a subsidiary of the Company, with principal operation of wholesale trade.

On 15 May 2024, the Group established Premium Nexus Logistics LLC, a subsidiary of the Group, with principal operation of logistics and transportation.

Entities under common control as at 31 December 2024 were Premium Group LLC, Premium Concrete LLC, Premium Building Materials LLC, Premium Innova LLC, Premium Projects LLC, Premium Novelty LLC, Premium Mining Services LLC, Arcadia Garden LLC, Ad Smart Network LLC, Four Seasons Farming LLC, Suld Itgel Soyombo LLC, UMS LLC, Finco Capital NBFI LLC and Edmix Chemicals LLC. Other related parties include entities, where the shareholders of the Group directly or indirectly, have an interest of more than half of the voting rights or otherwise have power to exercise control over their operations. Key management personnel consist of Executive Directors and Directors of Departments.

At 31 December 2024, the outstanding balances with related parties were as follows:

In thousands of MNT	**Note**	**Shareholders**	**Entities under common control**	**Other related parties**
Trade and other receivables	16	-	448,425	-
Borrowings	19	2,063,762	19,849	-
Trade and other payables	23	2,428,393	92,468	275,414
Other long-term payables		711,257	-	-

All transactions were made on normal commercial terms and conditions and at market rates. The transactions with related parties for the year ended 31 December 2024 were as follows:

In thousands of MNT	**Shareholders**	**Entities under common control**	**Other related parties**
Purchase of goods	10,534,074	2,910	5,005,220
Sale of goods	-	227,372	-
Service provided by	-	4,506	-
Purchase of PPE	-	42,184	-
Interest expense	212,883	358,646	-
Other income	-	75,519	-
Other expense	5,863,403	197,005	-
Issuance of shares	5,120,900	30,000,000	-

8 Balances and Transactions with Related Parties (Continued)

Entities under common control as at 31 December 2023 were Premium Group LLC, Premium Concrete LLC, Premium Building Materials LLC, Premium Projects LLC, Premium Novelty LLC, UMS LLC, Premium Mining Services LLC, Premium Corporation LLC, Stora Central LLC, Central Commerce LLC, Central Coffee Roasting LLC, Chinggis Shar Airag LLC, Chinggis Shar Airag Club LLC and Arcadia Garden LLC. Other related parties include entities, where the shareholders of the Group directly or indirectly, have an interest of more than half of the voting rights or otherwise have power to exercise control over their operations. Key management personnel consist of Executive Directors and Directors of Departments.

At 31 December 2023, the outstanding balances with related parties were as follows:

In thousands of MNT	**Note**	**Shareholders**	**Entities under common control**	**Other related parties**
Prepayments	15	-	48,535	-
Other receivables	16	8,334	12,475	-
Borrowings	19	8,075,713	2,010,964	-
Trade and other payables	23	3,006,656	30,226,712	974,916
Payables for purchase of property, plant and equipment		191,880	-	-
Other long-term payables		709,269	-	-

All transactions were made on normal commercial terms and conditions and at market rates. The transactions with related parties for the year ended 31 December 2023 were as follows:

In thousands of MNT	**Shareholders**	**Entities under common control**	**Other related parties**
Purchase of goods	2,384,098	10,705,205	6,986,823
Service provided by	1,023,331	-	-
Sale of goods	-	28,944	941
Disposals of property, plant and equipment	-	4,682	-
Interest expense	370,511	283,061	-
Purchase of property, plant and equipment	-	7,406,833	-
Other operating expense	3,924,232	-	-

8 Balances and Transactions with Related Parties (Continued)

Compensation to key management personnel comprising 26 individuals is presented in the table below (2023: 10 individuals):

In thousands of MNT	**2024**	**2023**
Short-term benefits:		
- Salaries	3,160,198	1,301,125
- Short-term bonuses	1,552,035	-
Post-employment benefits:		
- Social insurance contribution	568,558	162,584
Total	**5,280,791**	**1,463,709**

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

9 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

In thousands of MNT	**Buildings**	**Plant and equipment**	**Machinery and vehicles**	**Furniture and office equipment**	**Land and land improve-ments***	**Leasehold improve-ments**	**Construction in progress**	**Total**
Cost at 1 January 2023	**12,334,697**	**4,932,504**	**1,101,690**	**41,083,713**	**47,964**	**25,016,885**	**2,306,292**	**86,823,745**
Accumulated depreciation	**(664,122)**	**(864,238)**	**(386,701)**	**(12,759,046)**	**(335)**	**(4,811,210)**	**-**	**(19,485,652)**
Carrying amount at 1 January 2023	**11,670,575**	**4,068,266**	**714,989**	**28,324,667**	**47,629**	**20,205,675**	**2,306,292**	**67,338,093**
Additions	4,151,777	5,510,657	462,231	8,467,665	-	15,765,799	3,500	**34,361,629**
Reclassification	-	-	96,661	9,136,463	-	(9,233,124)	-	**-**
Disposals (cost)	-	(44,065)	(60,000)	(159,408)	-	-	(2,309,792)	**(2,573,265)**
Disposals (depreciation)	-	10,979	28,197	118,778	-	-	-	**157,954**
Write-off (cost)	-	-	-	(912,578)	-	-	-	**(912,578)**
Write-off (depreciation)	-	-	-	750,945	-	-	-	**750,945**
Depreciation charge	(587,452)	(566,745)	(144,724)	(9,527,363)	(908)	(3,843,603)	-	**(14,670,795)**
Cost at 31 December 2023	**16,486,474**	**10,399,096**	**1,600,582**	**57,615,855**	**47,964**	**31,549,560**	**-**	**117,699,531**
Accumulated depreciation	**(1,251,574)**	**(1,420,004)**	**(503,228)**	**(21,416,686)**	**(1,243)**	**(8,654,813)**	**-**	**(33,247,548)**
Carrying amount at 31 December 2023	**15,234,900**	**8,979,092**	**1,097,354**	**36,199,169**	**46,721**	**22,894,747**	**-**	**84,451,983**
Acquisitions through business combinations (Note 33)	12,499,873	1,438,477	2,080,155	528,783	2,943,783	110,470	-	**19,601,541**
Additions	1,040,980	3,225,816	2,390,312	20,075,999	-	7,789,398	-	**34,522,505**
Disposals (cost)	-	(46,330)	(1,230,692)	(371,698)	-	(126,916)	-	**(1,775,636)**
Disposals (depreciation)	-	9,156	544,451	59,675	-	-	-	**613,282**
Write-off (cost)	-	(9,923)	(38,435)	(500,177)	-	-	-	**(548,535)**
Write-off (depreciation)	-	5,161	36,802	401,339	-	-	-	**443,302**
Depreciation charge	(1,608,602)	(1,359,353)	(526,545)	(10,772,870)	(12,156)	(4,895,456)	-	**(19,174,982)**
Cost at 31 December 2024	**30,027,327**	**15,007,136**	**4,801,922**	**77,348,762**	**2,991,747**	**39,322,512**	**-**	**169,499,406**
Accumulated depreciation	**(2,860,176)**	**(2,765,040)**	**(448,520)**	**(31,728,542)**	**(13,399)**	**(13,550,269)**	**-**	**(51,365,946)**
Carrying amount at 31 December 2024	**27,167,151**	**12,242,096**	**4,353,402**	**45,620,220**	**2,978,348**	**25,772,243**	**-**	**118,133,460**

* As at 31 December 2024, carrying amount of the Land is MNT 2,957,838 thousand (2023: MNT 25,300 thousand)
The amount of depreciation expense capitalised in inventory for the year ended 31 December 2024 was MNT 208,503 thousand (2023:nil).

9 Property, Plant and Equipment (Continued)

Collateral

The Group has pledged certain machinery, plant and equipment with total carrying amount of MNT 58,559,312 thousand to secure loans from Golomt bank. Refer to Note 19.

10 Right-of-use Assets and Lease Liabilities

The Group leases space areas, vehicles and warehouses. Lease contracts are typically made for fixed periods of 3 years to 9 years. The Group determines the enforceable period of each lease based on the broader economics of the lease contracts. Considering the existence and significance of identified penalties, the Group determines at the commencement date that the enforceable period extends beyond contractual period and will extend as long as the termination penalties remain more than insignificant.

Movement in the consolidated carrying amount of right of use asset and lease liabilities were as follows:

In thousands of MNT	Space areas	Warehouses	Total
Carrying amount at 1 January 2023	**46,960,531**	**-**	**46,960,531**
Additions	16,371,139	-	**16,371,139**
Disposals	(1,050,049)	-	**(1,050,049)**
Depreciation charge	(11,749,379)	-	**(11,749,379)**
Carrying amount at 31 December 2023	**50,532,242**	**-**	**50,532,242**
Additions through business combination (Note 33)	328,240	966,641	**1,294,881**
Additions	28,462,352	2,541,015	**31,003,367**
Disposals	(9,612,743)	-	**(9,612,743)**
Depreciation charge	(12,027,624)	(621,494)	**(12,649,118)**
Carrying amount at 31 December 2024	**57,682,467**	**2,886,162**	**60,568,629**

10 Right-of-use Assets and Lease Liabilities (Continued)

Disposals in 2024 related to sub-leases transactions and recognition of finance lease receivables.

The Group recognised lease liabilities as follows:

In thousands of MNT	2024	2023
Short-term lease liabilities	17,695,275	12,079,710
Long-term lease liabilities	64,535,185	56,622,145
Total lease liabilities	**82,230,460**	**68,701,855**

Interest expense included in finance costs of 2024 were MNT 11,916,941 thousand (2023: MNT 10,292,530 thousand). Refer to Note 29.

Short-term and low value leases and variable lease payments summarised as follows:

In thousands of MNT	2024	2023
Expense relating to short-term leases	1,104,134	557,561
Expense relating to leases of low-value assets	29,916	259,248
Variable lease payments based on revenue	2,140,708	1,885,836

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as collateral for borrowings.

11 Intangible Assets

Movements in the carrying amount of intangible assets for consolidated financial statements were as follows:

In thousands of MNT	Goodwill	Trade name	Land use right	Franchise agreement	Software licenses	Other intangible assets	Total
Carrying amount at 1 January 2023	-	-	**1,393,825**	**1,268,740**	**3,152,992**	**38,960**	**5,854,517**
Additions	-	-	-	-	1,146,404	-	**1,146,404**
Disposals	-	-	(86,440)	-	-	(33,485)	**(119,925)**
Amortisation charge	-	-	(118,897)	(239,447)	(772,721)	(5,475)	**(1,136,540)**
Carrying amount at 31 December 2023	-	-	**1,188,488**	**1,029,293**	**3,526,675**	-	**5,744,456**
Acquisitions through business combinations (Note 33)	668,186	32,219,618	-	-	581,733	20,894	**33,490,431**
Additions	-	-	-	-	1,788,143	33,769	**1,821,912**
Amortisation charge	-	-	(114,259)	(240,046)	(917,740)	(10,711)	**(1,282,756)**
Carrying amount at 31 December 2024	**668,186**	**32,219,618**	**1,074,229**	**789,247**	**4,978,811**	**43,952**	**39,774,043**

The allocation of the depreciation and amortisation charge is for property, plant and equipment, right of use assets and intangible assets:

In thousands of MNT	2024	2023
Cost of sales (Note 26)	30,332,205	25,719,581
General, administrative and selling expense (Note 27)	2,566,148	1,837,133
Charged to inventory	208,503	-
Total depreciation and amortisation	**33,106,856**	**27,556,714**

12 Finance Lease Receivables

In thousands of MNT	2024	2023
Current portion of finance lease receivables	3,119,136	1,502,377
Non-current portion of finance lease receivables	10,031,970	8,238,816
Total finance lease receivables	**13,151,106**	**9,741,193**

As at 31 December 2024, the Group was acting as an intermediate lessor of 73 premises of stores (2023: 47), which the Group subleases to its sub-franchisees.

In 2024, interest income from lease receivables was MNT 2,016,301 thousand (2023: MNT 879,968 thousand), which was recognised in the profit or loss as finance income. Refer to Note 30.

The carrying amount of lease receivables do not differ significantly from its fair value. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for lease receivables.

To measure the expected credit losses, finance lease receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of leases over a period of 36 months prior to the end of the reporting period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the lessees to settle the receivables.

As at 31 December 2024 and as at 31 December 2023 the Group did not recognise ECL, as ECL is immaterial at those dates.

The maturity analysis of the finance lease receivable is as follows:

In thousands of MNT	2024	2023
1 year	4,937,458	3,142,292
2 years	4,921,907	3,142,812
3 years	4,932,319	3,142,812
4 years	1,834,519	3,142,812
5 years	447,417	979,872
Later than 5 years	233,675	40,303
Total undiscounted finance lease payments receivable at 31 December	**17,307,295**	**13,590,903**
Unearned finance income	(4,156,189)	(3,849,710)
Finance lease receivable at 31 December	**13,151,106**	**9,741,193**

13 Loans Issued

In thousands of MNT	2024	2023
Corporate loan:		
Non-current loan	47,049	-
Current loan	27,599	2,000,000
Total carrying amount of loans at AC as at 31 December	**74,648**	**2,000,000**

14 Inventories

In thousands of MNT	2024	2023
Goods for resale	40,830,744	22,579,634
Direct materials	2,252,038	647,059
Supply materials	1,597,624	1,160,276
Goods in transit	1,970,040	3,674,810
Construction materials	544,062	188,250
Total inventories at 31 December	**47,194,508**	**28,250,029**

The cost of inventories recognised as an expense during the year representing cost of sales amounted to MNT 364,516,060 thousand (2023: MNT 256,813,791 thousand) in the statement of profit and loss.

Write-off of inventories amounted to MNT 16,708,543 thousand (2023: MNT 24,535,796 thousand) in the consolidated financial statements. These were recognised as an expense for the year and included in cost of sales in the statements of profit and loss.

15 Prepayments

In thousands of MNT	2024	2023
Current:		
Prepayments to suppliers	7,326,359	1,712,778
Prepayments to related parties	-	48,535
Total current prepayments	**7,326,359**	**1,761,313**
Non-current:		
Prepayments for purchases of property and equipment	2,580,879	770,655
Total non-current prepayments	**2,580,879**	**770,655**
Total prepayments	**9,907,238**	**2,531,968**

16 Trade and Other Receivables

In thousands of MNT	Note	2024	2023
Trade receivables from third parties		6,387,020	592,980
Trade receivables from related parties	8	436,000	20,809
Other receivables from third parties		824,694	926,153
Other receivables from related parties	8	12,425	-
Total financial assets within trade and other receivables		**7,660,139**	**1,539,942**
Amounts due from employees		318,844	92,428
VAT and other taxes receivable		2,350,875	2,043,607
Total non-financial assets within trade and other receivables		**2,669,179**	**2,136,035**
Total trade and other receivables at 31 December		**10,329,858**	**3,675,977**
Non-current trade and other receivables		2,381,209	2,160,078
Current trade and other receivables		10,329,858	3,675,977

The carrying amount of accounts receivable does not differ significantly from its fair value.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of customers over a period of 3 months before each statement of financial position date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

As at 31 December 2024 and as at 31 December 2023, the Group did not recognise ECL, as ECL is immaterial at that dates.

As at 31 December 2024, the amounts of credit loss allowance for other receivables assessed individually is MNT nil.

Below is the credit loss allowance movement:

In thousands of MNT	2024	2023
Allowance for credit losses on other receivables at 1 January	-	-
Increase in loss allowance recognition in profit or loss during the year	566,913	37,447
Write-off	(566,913)	(37,447)
Allowance for credit losses on other receivables at 31 December	-	-

17 Cash and Cash Equivalents

In thousands of MNT	2024	2023
Cash on hand	560,514	840,894
Bank balances on demand	9,871,019	2,139,691
Total cash and cash equivalents at 31 December	**10,431,533**	**2,980,585**

The carrying amount of cash and cash equivalents does not differ significantly from its fair value.

As at 31 December 2024 and as at 31 December 2023, the Group did not recognise ECL, as ECL is immaterial at that dates.

The table below discloses the credit quality of bank balances based on credit risk grades of banks based on Fitch, Moody's rating as at 31 December 2024 and 31 December 2023. Refer to Note 36 for the description of the Group's credit risk grading system.

In thousands of MNT	2024	2023
- B rated banks	9,871,019	2,139,691

18 Share Capital and Share Premium

Balances of share capital and share premium were as follows:

	Number of shares in thousands	*In thousands of MNT*		
		Ordinary shares	Share premium	Total
At 1 January and 31 December 2023	**817,768**	**81,776,864**	**13,820,503**	**95,597,367**
New shares issued	296,483	29,648,339	32,020,206	**61,668,545**
Transaction costs	-	-	(82,793)	**(82,793)**
At 31 December 2024	**1,114,251**	**111,425,203**	**45,757,916**	**157,183,119**

In November 2021, the Company went public on the Mongolian Stock Exchange by issuing 137,960,969 new shares (16.87% of the Company's shares) and raised MNT 27,616,599 thousand. The share issue price was MNT 208 per share and share premium of MNT 13,820,503 thousand was recognised as excess of consideration received over the par value, less transaction costs.

On 25 January 2024, the Company issued 296,483,391 ordinary shares with par value of MNT 208 each for a total consideration of MNT 61,668,545 thousand in exchange for outstanding other payables, borrowings and exchange of shares of new subsidiaries. Refer to Note 33.

The total authorised number of common shares is 1,114,251 thousand shares (2023: 817,768 thousand shares) with a par value of MNT 100 per share (2023: MNT 100 per share). All issued ordinary shares are fully paid. Each ordinary share carries one vote.

Share premium represents the excess of contributions received over the par value of shares issued.

19 Borrowings

In thousands of MNT	Note	2024	2023
Non-current:			
Borrowing from third party		21,337,394	26,331,673
Borrowing from related party	8	2,051,849	7,550,342
Total non-current borrowings		**23,389,243**	**33,882,015**
Current:			
Borrowing from third party		24,701,468	17,407,201
Borrowing from related party	8	31,762	2,562,745
Total current borrowings		**24,733,230**	**19,969,946**
Total borrowings		**48,122,473**	**53,851,961**

The Group's borrowings are denominated in currencies as follows:

In thousands of MNT	2024	2023
– MNT	46,058,711	45,776,248
– KRW	2,063,762	8,075,713
Total borrowings at 31 December	**48,122,473**	**53,851,961**

The Group's borrowings are denominated in currencies and bear interest rates as follows (excluding interest payable):

In thousands of MNT	Currency	Annual Nominal interest rate	Maturity	2024	2023
Commercial bank	MNT	16.00%	2024.03.04	-	4,770,606
Commercial bank	MNT	17.00%	2024.07.21	-	5,027,945
Borrowing from related party	MNT	17.10%	2024.12.19	-	2,010,964
Commercial bank	MNT	15.00%	2025.03.31	576,765	-
Commercial bank	MNT	10.00%	2025.03.31	339,361	-
Commercial bank	MNT	18.00%	2026.04.30	2,472,552	-
Commercial bank	MNT	15.00%	2026.07.21	8,408,192	-
Commercial bank	MNT	15.00%	2026.07.31	3,335,521	-
Non-bank financial institution	MNT	34.80%	2026.10.26	19,849	26,410
Commercial bank	MNT	15.76%	2027.06.20	6,282,384	8,795,337
Borrowing from related party	KRW	4.60%	2027.09.24	2,063,762	8,075,713
Commercial bank	MNT	15.00%	2027.12.12	11,305,479	15,088,767
Commercial bank	MNT	15.00%	2028.07.20	9,187,726	10,056,219
Commercial bank	MNT	19.00%	2028.08.31	4,130,882	-
				48,122,473	**53,851,961**

19 Borrowings (Continued)

The Group does not apply hedge accounting and has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures. The carrying amounts of the borrowings are approximate to their fair values.

The borrowing agreements stated above require compliance with certain non-financial covenants. In case of non-compliance, the related borrowings would default i.e. the borrowings are immediately payable on demand. For this reason, quarterly monitoring of debt covenants is carried out by Finance Department. As at 31 December 2024 and 31 December 2023, the Group complied with all covenants.

During the year, the Company issued 24,620 thousand ordinary shares to BGF Retail Co.Ltd against conversion of borrowings amounting to MNT 5,120,900 thousand. Refer to note 18.

* The shareholders have pledged 320,016 shares (2023: 1,583,914) of the Group as collateral against the loan denominated in KRW.

Pledged assets

The Group pledged its property, plant and equipment to secure loans from Golomt bank. The carrying amount of the pledged machinery and plant and equipment amounted to MNT 58,559,312 thousand.

20 Government Grants

The government grants pertain loans obtained at favourable interest rates as assistance to sustain development in the food production sector.

Movement in this account is as follows:

In thousands of MNT	**Favourable borrowing rate**	**Total**
Cost		
At 1 January	-	**-**
Receipt	1,501,315	**1,501,315**
Amortisation during the year	(375,324)	**(375,324)**
At 31 December 2024	1,125,991	**1,125,991**
Non-current portion	498,904	**498,904**
Current portion	627,087	**627,087**

21 Reconciliation of Liabilities Arising from Financing Activities

The table below sets out an analysis of liabilities from financing activities and the movements in the Group's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing in the statement of cash flows:

In thousands of MNT	Borrowings	Lease liabilities	Total
Balances at 31 December 2022	**45,213,755**	**57,316,459**	**102,530,214**
Cash flows			
Loan drawdowns	31,827,300	-	**31,827,300**
Repayments of principal	(23,105,377)	(8,797,770)	**(31,903,147)**
Interest payments	(6,805,263)	(10,292,530)	**(17,097,793)**
Non-cash changes			
New leases	-	22,955,928	**22,955,928**
Termination of lease contract or sub-leases	-	(2,772,762)	**(2,772,762)**
Interest accrual	6,963,076	10,292,530	**17,255,606**
Foreign exchange adjustments	(241,530)	-	**(241,530)**
Balances at 31 December 2023	**53,851,961**	**68,701,855**	**122,553,816**
Cash flows			
Loan drawdowns	63,371,715	-	**63,371,715**
Repayments of principal	(66,526,553)	(13,085,709)	**(79,612,262)**
Interest payments	(7,025,530)	(11,916,941)	**(18,942,471)**
Non-cash changes			
New leases	-	31,003,367	**31,003,367**
Acquisitions through business combinations (Note 33)	3,017,100	1,294,881	**4,311,981**
Termination of lease contract or sub-leases	-	(5,683,934)	**(5,683,934)**
Debt to equity conversion	(5,120,900)	-	**(5,120,900)**
Interest accrual	6,944,180	11,916,941	**18,861,121**
Foreign exchange adjustments	(389,500)	-	**(389,500)**
Balances at 31 December 2024	**48,122,473**	**82,230,460**	**130,352,933**

22 Other Taxes Payable

In thousands of MNT	2024	2023
Personal income tax	1,353,681	982,002
Value added tax	325,174	422,447
Withholding taxes	176,224	127,714
Other tax payables	283,847	137,435
Total other taxes payable at 31 December	**2,138,926**	**1,669,598**

23 Trade and Other Payables

In thousands of MNT	Note	2024	2023
Trade payables to third parties		53,099,458	41,824,966
Trade payables to related parties	8	1,238,847	3,089,102
Other payables to third parties		5,580,405	1,694,248
Other payables to related parties	8	1,557,428	31,119,181
Liabilities for purchased property, plant and equipment		2,192,117	1,709,038
Total financial payables within trade and other payables		**63,668,255**	**79,436,535**
Amounts due to employees		3,231,481	1,730,365
Total other payables		**3,231,481**	**1,730,365**
Trade and other payables at 31 December		**66,899,736**	**81,166,900**

During the year, the Group issued 144,231 thousand ordinary shares to Premium Group LLC against settlement of other payables amounting to MNT 30,000,000 thousand. Refer to Note 18.

The carrying amount of trade and other payables does not differ significantly from its fair value.

24 Contract Liabilities

In thousands of MNT	2024	2023
Loyalties points	997,565	779,096
Gift cards	237,878	445,840
Contract liabilities – advances from customers	199,979	20,595
Contract liabilities of royalty fee	65,728	117,781
Total contract liabilities	**1,501,150**	**1,363,312**
Non-current contract liabilities	43,388	117,781
Current contract liabilities	1,457,762	1,245,531

The contract liabilities primarily relate to the advance consideration received from customers for royalty fees from sub-franchisees, for which revenue is recognised over time, and to the unredeemed customer loyalty points and gift cards. The amount of unredeemed customer loyalty points and gift cards is MNT 1,235,443 thousand (2023: MNT 1,224,936 thousand). These will be recognised as revenue when the points and gift cards are redeemed by customers, which is expected to occur with 1 year from the reporting date of these financial statements.

The amount of contract liabilities for royalty fees totalling MNT 74,393 thousand as at 31 December 2023 has been recognised as revenue in 2024 (2023: MNT 325,463 thousand).

The amount of MNT 1,224,936 thousand included in contract liabilities at 31 December 2023 has been recognised as revenue in 2024 (2023: MNT 583,259 thousand).

25 Revenue

In thousands of MNT	2024	2023
Revenue from sale of goods to end-customers	468,340,523	354,599,670
Revenue from sale of goods to sub-franchisees	105,316,071	30,165,104
Service revenue from sub-franchisees	21,340,692	5,454,053
Service revenue from end-customers	3,207,716	-
Royalties for use of brand name	173,658	277,770
Total revenue from contracts with customers	**598,378,660**	**390,496,597**

As a result of increase the number of retail stores in 2024 from 374 to 445, there is a significant increase in revenue from sale of goods to sub-franchises and to end-customer in 2024.

Timing of revenue recognition (for each revenue stream) is as follows:

In thousands of MNT	2024	2023
At a point in time	573,656,594	384,764,774
Over time	24,722,066	5,731,823
Total revenue from contracts with customers	**598,378,660**	**390,496,597**

26 Cost of Sales

In thousands of MNT	Note	2024	2023
Direct raw materials*	15	364,516,060	256,813,791
Loss of inventory	15	16,708,543	24,535,796
Direct labour costs**		53,268,549	47,595,537
Depreciation and amortisation expense	9, 10, 12	30,332,205	25,719,581
Distribution fees		13,745,598	8,386,772
Utilities		8,798,290	7,369,831
License fees		5,863,403	3,924,232
Short-term and low value leases and variable		3,129,356	2,543,773
Bank charges		2,407,369	1,674,383
Supply materials		2,342,525	2,031,037
Repair and maintenance		1,716,058	944,394
Cleaning		1,370,158	1,108,805
Security		897,309	1,442,253
Others		13,177,363	9,272,435
Total cost of sales		**518,272,786**	**393,362,620**

* The direct materials include goods purchased from related parties of MNT 15,743,675 thousand (2023: 18,417,696 thousand).

** Social contribution expenses of MNT 5,353,960 thousand (2023: MNT 4,647,922 thousand) to the State Social Insurance Scheme of Mongolia is included in the direct labour costs.

27 General, Administrative and Selling Expenses

In thousands of MNT	2024	2023
Labour costs*	19,227,840	9,280,970
Professional service fees**	3,116,699	822,367
Marketing expenses	3,210,980	1,668,429
Depreciation and amortisation	2,566,148	1,837,133
Communication and IT expenses	1,583,805	1,084,273
HR related expenses	948,291	345,317
Research and development expenses	702,070	77,469
Celebration expenses	549,947	477,932
Training and development expenses	220,130	432,205
Short-term and low value assets	145,402	158,872
Others	2,531,794	945,639
Total general, administrative and selling expenses	**34,803,106**	**17,130,606**

* Social contribution expenses of MNT 2,029,064 thousand (2023: MNT 1,079,782 thousand) to the State Social Insurance Scheme of Mongolia is included in the direct labour costs.

** Professional service fee includes audit fee of MNT 384,828 thousand (2023: MNT 217,623 thousand)

28 Other gains, net

In thousands of MNT	2024	2023
Gain on bargain purchase (Note 33)	19,476,657	-
Gain from disposals of ROU assets	1,899,749	1,722,713
Gain on disposals of property, plant and equipment	7,492	-
Gain from disposal of investments	-	342,907
Other gains	698,480	1,133,807
Write-off of property and equipment	(105,233)	-
Foreign exchange gain/(losses), net	45,856	(22,417)
Loss on disposal of property and equipment	-	(27,867)
Other losses	(158,987)	(94,483)
Total other gains, net	**21,864,014**	**3,054,660**

29 Finance Costs

In thousands of MNT	2024	2023
Interest expense on lease liabilities	11,916,941	10,292,530
Interest expenses on borrowings	6,944,180	6,963,076
Other finance costs	577,058	250,877
Total finance costs recognised in profit or loss	**19,438,179**	**17,506,483**

30 Finance Income

In thousands of MNT	2024	2023
Foreign exchange gain on borrowings, net	389,500	241,530
Interest income from lease receivables	2,016,301	879,968
Interest income on cash in banks and deposits	139,314	14,269
Interest income on a loan issued	17,262	848
Finance income recognised in profit or loss	**2,562,377**	**1,136,615**

31 Income Tax

(a) Components of income tax expense / (benefit)

Income tax expense recorded in profit or loss comprises the following:

In thousands of MNT	2024	2023
Current tax	3,502,969	61,206
Deferred tax benefits	(553,012)	(687,117)
Income tax expense/(benefit) for the year	**2,949,957**	**(625,911)**

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

A reconciliation between the expected and the actual taxation charge is provided below.

In thousands of MNT	2024	2023
Profit/(Loss) before income tax	**50,352,451**	**(33,332,214)**
Theoretical tax charge at statutory rate of 10%	11,688,113	(3,333,221)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Tax effect of non-deductible expenses	(5,232,044)	1,896,915
- Adjustment of historical tax losses	829,518	749,189
- Tax effect under the special tax rate	(51,460)	61,206
- Income not subject to tax	(440,197)	-
- Tax loss carry forward	(3,708,687)	-
- Tax credit	(135,286)	-
Income tax expense/(credit) for the year	**2,949,957**	**(625,911)**

Difference between IFRS and statutory taxation regulations in Mongolia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases.

31 Income Tax (Continued)

(c) Tax loss carry forwards

As at 31 December 2024 the Group has unrecognised potential deferred tax assets in respect of unused tax loss carry forwards of MNT 2,626,795 thousand (2023: MNT 749,189 thousand). The expiration schedule of the Group's recognised tax loss carry forward is as follows:

In thousands of MNT	2024	2023
Tax loss carry-forwards expiring by the end of:		
- 31 December 2024	-	13,000,593
- 31 December 2025	10,301,855	13,701,935
- 31 December 2026	7,491,892	7,491,892
- 31 December 2027	26,267,950	26,267,950
Total tax loss carry forwards at 31 December	**44,061,697**	**60,462,370**

Starting from 1 January 2020, the amendments to the Mongolian tax legislation became effective in respect of tax loss carry forwards. The 4-year expiry period for tax loss carry-forwards is applied. The amount of losses that can be utilised each year during the effective period is limited to 50% of annual taxable profit.31

The tax effect of the movements in the temporary differences for the year ended 31 December 2024 are:

In thousands of MNT	2023	(Charged) /Credited to profit or loss	Charged to gain on bargain purchase	2024
Property, plant and equipment	450,459	575,195	-	1,025,654
Right-of-use assets	924,090	(82,581)	-	841,509
Unrealised foreign exchange gains or losses	51,796	39,481	-	91,277
Property, plant and equipment	(259,446)	20,917	(1,111,287)	(1,349,816)
Intangible assets	-	-	(3,221,962)	(3,221,962)
Deferred tax assets/(liabilities)	**1,166,899**	**553,012**	**(4,333,249)**	**(2,613,338)**

The tax effect of the movements in the temporary differences for the year ended 31 December 2023 are:

In thousands of MNT	2022	(Charged) /Credited to profit or loss	2023
Property, plant and equipment	238,090	212,369	450,459
Right-of-use assets	470,752	453,338	924,090
Unrealised foreign exchange gains or losses	58,533	(6,737)	51,796
Property, plant and equipment	(287,593)	28,147	(259,446)
Deferred tax assets	**479,782**	**687,117**	**1,166,899**

32 Earnings per Share

Basic earnings/(loss) per share are calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of shares in issue during the year, excluding treasury shares.

Earnings per share from continuing operations are calculated as follows:

In thousands of MNT	2024	2023
Profit/(loss) for the year attributable to common shareholders	46,598,361	(32,706,303)
Weighted average number of common shares in issue (thousands)	1,097,809	817,769
Basic and diluted earnings/(loss) per common share (expressed in MNT per share)	42.45	(39.99)

The Group has no dilutive potential common shares; therefore, the diluted earnings per share equals the basic earnings per share.

33 Business Combination

On 25 January 2024, The Group acquired 90% of the shares of Chinggis Shar Airag LLC, 100% shares of Central Commerce LLC, 100% shares of Central Coffee Roasting LLC and 65.9% shares of Stora Central LLC. The acquisition was settled by issuing additional ordinary shares to the Group's strategic investors. The acquisition is part of the Group's strategic initiative to integrate synergistic businesses into its core operations that will create value through complementary businesses that align with the Group's long-term growth objectives.

The Group has elected to measure non-controlling interests in the acquirees at the proportionate share of its interest in the acquirees' identifiable net assets.

(a) Consideration transferred

The following table summarises the acquisition-date fair value of consideration transferred:

In thousands of MNT	Chinggis Shar Airag LLC	Central Commerce LLC	Central Coffee Roasting LLC	Stora Central LLC	Total
Ordinary shares issued	21,510,000	2,035,970	1,867,433	1,134,243	**26,547,646**
Total consideration transferred	**21,510,000**	**2,035,970**	**1,867,433**	**1,134,243**	**26,547,646**

(b) Identifiable assets acquired and liabilities assumed

The valuation of property, plant and equipment, intangible assets, other assets and liabilities was based on the management best estimate of fair value with input from independent third party.

33 Business Combination (Continued)

(b) Identifiable assets acquired and liabilities assumed (continued)

The following table summarises the recognised amounts of assets acquired, and liabilities assumed at the date of acquisition:

	Chinggis Shar Airag LLC	Central Commerce LLC	Central Coffee Roasting LLC	Stora Central LLC	Total
Cash and cash equivalents	496,720	253,751	24,426	77,666	**852,563**
Trade and other receivables	1,681,305	1,421,396	544,132	762,556	**4,409,389**
Prepayments and advances	769,204	152,225	12,206	110,288	**1,043,923**
Inventories	832,784	3,732,324	116,260	-	**4,681,368**
Property, plant and equipment	17,939,506	332,565	1,063,143	266,327	**19,601,541**
Right-of-use assets	-	882,926	235,213	176,742	**1,294,881**
Intangible assets	32,233,697	23,999	-	564,549	**32,822,245**
Other non-current assets	40,000	110,297	69,291	-	**219,588**
Deferred tax assets	-	2,304	1,082	-	**3,386**
Trade and other payables	(3,208,671)	(1,109,281)	(97,113)	(165,194)	**(4,580,259)**
Contract liabilities	(9,377)	(2,187)	-	(49,323)	**(60,887)**
Borrowings	-	(3,017,100)		-	**(3,017,100)**
Income tax payable	(154,867)	-	-	-	**(154,867)**
Other taxes payable	(264,850)	(11,312)	(2,612)	(12,071)	**(290,845)**
Lease liabilities	-	(1,144,372)	(238,368)	(184,101)	**(1,566,841)**
Deferred tax liabilities	-	-	-	(8,344)	**(8,344)**
Total identifiable net assets acquired	**50,355,451**	**1,627,535**	**1,727,660**	**1,539,095**	**55,249,741**
Non-controlling interests	5,035,545	-	-	524,831	**5,560,376**
Deferred tax liabilities on fair value increase	4,333,249	-	-	-	**4,333,249**
Goodwill on acquisition	-	408,435	139,773	119,978	**668,186**
Gain on bargain purchase recognised in other income and gains in the consolidated statements of profit or loss	(19,476,657)	-	-	-	**(19,476,657)**
Purchase consideration by share issuance	**21,510,000**	**2,035,970**	**1,867,433**	**1,134,242**	**26,547,645**

The Group issued 127,563,909 ordinary shares as consideration for the 90% interest in Chinggis Shar Airag LLC, 100% interest in Central Commerce LLC, 100% interest in Central Coffee Roasting LLC and 65.9% interest in Stora Central LLC. The new shares were issued at MNT 208 per share.

The fair values of the trade and other receivables as at the date of acquisition amounted to MNT 4,409,388 thousand. The gross amount of trade receivables is MNT 4,409,388 thousand and it is expected that the full contractual amounts can be collected.

33 Business Combination (Continued)

(b) Identifiable assets acquired and liabilities assumed (continued)

The Group incurred transaction costs of MNT 82,793 thousand for these acquisitions. These transaction costs have been charged directly to equity as a reduction in share premium.

For the year ended 31 December 2024, the Group recognised a gain on bargain purchase of MNT 19,476,657 thousand in the consolidated statement of profit or loss.

(c) Measurement of fair values

The fair value measurement of the property, plant and equipment and identifiable intangible assets were performed by an independent third party valuation company. Valuation expert is certified appraiser by Mongolian Institute of Certified Appraisers.

Assets acquired	Valuation techniques
Property, plant and equipment	The valuation model considers market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Identifiable intangible assets	The valuation method considers the present value of net cash flows expected to be generated by the tradename, by excluding cash flows related to contributory assets.

34 Non-controlling interest

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations:

(In thousands of MNT)	**Chinggis Shar Airag LLC**	**Central Commerce LLC**	**Central Coffee Roasting LLC**	**Stora Central LLC**	**Total**
NCI percentage	**16.8%**	**16.8%**	**9.1%**	**34.1%**	
Current assets	3,594,970	13,746,607	2,652,037	1,017,806	**21,011,420**
Non-current assets	51,197,958	2,071,252	1,178,051	1,199,283	**55,646,544**
Current liabilities	(599,461)	(11,751,003)	(1,719,690)	(765,613)	**(14,835,767)**
Non-current liabilities	-	(34,003)	(2)	(64,560)	**(98,565)**
Net assets	**54,193,467**	**4,032,853**	**2,110,396**	**1,386,916**	**61,723,632**
Net assets attributable to NCI*	**7,165,063**	**181,544**	**181,818**	**540,819**	**8,069,244**
Revenue	10,293,289	32,907,435	3,525,548	2,663,457	**49,389,729**
Profit (loss)	2,697,963	2,223,775	382,736	(165,762)	**5,138,712**
Total comprehensive income (loss)	**2,697,963**	**2,223,775**	**382,736**	**(165,762)**	**5,138,712**
Profit (loss) allocated to NCI	452,718	373,149	34,791	(56,525)	**804,133**

*On 25 January 2024, the Group acquired Chinggis Shar Airag LLC along with its wholly owned subsidiary, Chinggis Shar Airag Club LLC. The NCI at the acquisition was 10% which amounted to MNT 5,035,545 thousand (Refer to Note 33). In February 2024, Group sold an additional 6.8% to a third party, which resulted in additional NCI of MNT 2,367,049 thousand.

On 25 January 2024, the Group acquired 100% ownership of Central Commerce LLC. In February 2024, the Group sold NCI of 16.8% to a third party, which resulted in NCI of MNT 181,544 thousand.

On 25 January 2024, the Group acquired 100% ownership of Central Coffee Roasting LLC. In February 2024, the Group sold NCI of 9.1% to a third party, which resulted in NCI of MNT 181,818 thousand.

35 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates, management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these consolidated financial statements.

At 31 December 2024 the Group was not engaged in any litigation proceedings therefore, no provision has been made as the Group's management believes that it is not likely that any significant loss will arise.

Tax contingencies. Mongolian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by the tax authorities. Mongolian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for four (until 2019: five) calendar years preceding the year when decisions about the review was made. Under certain circumstances reviews may cover longer periods.

Mongolian transfer pricing (TP) legislation effective from 1 January 2020 is generally aligned with the international TP principles developed by the Organisation for Economic Cooperation and Development (OECD), although it has specific features. The TP legislation provides for the possibility of additional tax assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's-length basis. The management has implemented a plan and procedures to comply with current TP legislation.

As Mongolian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that an outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including increase in liquidity risk, where borrowings are repayable on demand. The Group was in compliance with all covenants at 31 December 2024 and 31 December 2023.

36 Financial Risk Management

The risk management function within the Group is carried out with respect to financial risks, operational risks, and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures in order to minimise operational and legal risks.

Credit risk. The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position.

36 Financial Risk Management (Continued)

The Group's maximum exposure to credit risk by class of financial assets (at gross values) is as follows:

In thousands of MNT	**2024**	**2023**
Trade and other receivables (Note 16)		
- Trade receivables	6,823,020	613,789
- Other financial receivables	3,218,328	3,086,231
Finance lease receivables (Note 12)		
- Finance lease receivables	13,151,106	9,741,193
Cash and cash equivalents (Note 17)		
- Bank balances on demand	9,871,019	2,139,691
Loans issued (Note 13)	74,648	2,000,000
Total maximum exposure to credit risk 31 December	**33,138,121**	**17,580,904**

Credit risk management. Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk.

Credit risk grading system. For measuring credit risk and grading financial instruments by the amount of credit risk, the Group applies an approach based on risk grades estimated by external international rating agencies (Standard & Poor's – "S&P", Fitch, Moody's). Internal and external credit ratings are mapped on an internally defined master scale with a specified range of probabilities of default as disclosed in the table below:

Master scale credit risk grade	**Corresponding ratings of external international rating agencies (S&P)**	**Corresponding PD interval**
Excellent	AAA to BB+	0.01% – 0.5%
Good	BB to B+	0.51% – 3%
Satisfactory	B, B-	3% – 10%
Special monitoring	CCC+ to CC-	10% – 99.9%
Default	C, D-I, D-II	100%

36 Financial Risk Management (Continued)

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- *Excellent* – strong credit quality with low expected credit risk;
- *Good* – adequate credit quality with a moderate credit risk;
- *Satisfactory* – moderate credit quality with a satisfactory credit risk;
- *Special monitoring* – facilities that require closer monitoring and remedial management; and
- *Default* – facilities in which a default has occurred.

External ratings are assigned to counterparties by independent international rating agencies, such as S&P, Moody's and Fitch. These ratings are publicly available.

Expected credit loss (ECL) measurement. *ECL* is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights).

An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Group: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest. PD an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

Expected credit losses are modelled over instrument's *lifetime period.* The *lifetime period* is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any.

Management models *Lifetime ECL,* that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The *12-month ECL,* represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining *lifetime period* of the financial instrument if it is less than a year.

The ECLs that are estimated by management for the purposes of these consolidated financial statements are point-in-time estimates. The estimates consider *forward looking information,* that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

For purposes of measuring PD, the Group defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments;
- international rating agencies have classified the borrower in the default rating class;
- the borrower meets the unlikeliness-to-pay criteria listed below:
  - the borrower is deceased;
  - the borrower is insolvent;
  - the borrower is in breach of financial covenant(s); and
  - it is becoming likely that the borrower will enter bankruptcy.

For purposes of disclosure, the Group fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Group.

The assessment whether there has been a significant increase in credit risk ("SICR") since initial recognition is performed on an individual basis. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted.

For purposes of disclosure, the Group fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Group.

36 Financial Risk Management (Continued)

The assessment whether there has been a significant increase in credit risk ("SICR") since initial recognition is performed on an individual basis. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted.

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Group's exposure to foreign currency exchange rate risk at the end of the reporting period:

	2024				
In thousands of MNT	USD	KRW	CNY	EUR	**Total**
Financial assets					
Cash and cash equivalents	143,499	9,339	-	6,314	**159,152**
Total financial assets	**143,499**	**9,339**	**-**	**6,314**	**159,152**
Financial Liabilities					
Trade and other payables	7,324,681	899,740	35,009	-	**8,259,430**
Borrowings	-	2,063,762	-	-	**2,063,762**
Total financial liabilities	**7,324,681**	**2,963,502**	**35,009**	-	**10,323,192**

	2023			
In thousands of MNT	USD	KRW	EUR	**Total**
Financial assets				
Cash and cash equivalents	41,016	481,046	764	522,826
Total financial assets	**41,016**	**481,046**	**764**	**522,826**
Financial Liabilities				
Trade and other payables	1,136,915	2,108,104	171,225	3,416,244
Borrowings	-	8,075,713	-	8,075,713
Total financial liabilities	**1,136,915**	**10,183,817**	**171,225**	**11,491,957**

The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

36 Financial Risk Management (Continued)

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the respective company entities, with all other variables held constant:

	At 31 December 2024		At 31 December 2023	
In thousands of MNT	Impact on Profit and Loss	Impact on equity	Impact on Profit and Loss	Impact on equity
US Dollar, strengthening by 5%	(359,059)	(359,059)	(54,795)	(54,795)
US Dollar, weakening by 5%	359,059	359,059	54,795	54,795
Korean Won, strengthening by 5%	(147,708)	(147,708)	(485,139)	(485,139)
Korean Won, weakening by 5%	147,708	147,708	485,139	485,139
Chinese Yuan, strengthening by 5%	(1,750)	(1,750)	-	-
Chinese Yuan, weakening by 5%	1,750	1,750	-	-
Euro, strengthening by 5%	316	316	(8,523)	(8,523)
Euro, weakening by 5%	(316)	(316)	8,523	8,523

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources.

The Group manages its liquidity by maintaining adequate cash balances and available credit limits, by monitoring forecast and actual cash receipts and expenses regularly, as well as by maintaining maturity analysis of financial assets and liabilities.

The table below shows liabilities at 31 December 2024 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flow, such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The maturity analysis of consolidated financial liabilities at 31 December 2024 is as follows:

In thousands of MNT	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Total
Trade and other payables (Note 23)	35,895,624	14,574,401	13,198,230	-	**63,668,255**
Borrowing from third party (Note 19)	13,332,071	7,096,319	7,950,312	25,482,839	**53,861,541**
Borrowing from related party (Note 19)	9,833	47,282	49,131	2,221,809	**2,328,055**
Lease liabilities (Notes 10)	1,942,254	9,718,883	11,633,064	90,161,720	**113,455,921**
Total future payments including future principal and interest payments	**51,179,782**	**31,436,885**	**32,830,737**	**117,866,368**	**233,313,772**

37 Management of Capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The amount of capital that the Group managed as of 31 December 2024 was MNT 102,788,809 thousand (2023: MNT negative 14,268,682).

38 Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgment in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

39 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9 “Financial Instruments” classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt instruments at FVOCI, (c) equity instruments at FVOCI and (c) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition. In addition, finance lease receivables form a separate category.

40 Events after the Reporting Period

On 22 January 2025, the Group entered into a finance lease agreement with Golomt Bank for the purchase of trucks to support its logistics operation with annual interest rate of 15% for total lease amount of MNT 1,116,145 thousand.

On 27 January 2025, the Group entered into a new loan agreement with Golomt Bank with annual interest rate of 15% for total loan amount of MNT 7,164,800 thousand.

41 Translation

These consolidated financial statements have been prepared in both Mongolian and English languages and the consolidated financial statements in English language will prevail in the case of misunderstanding between versions in Mongolian and English languages.