

1.18. THE LARGE SCALE TRANSACTIONS THAT ARE MADE BY THE ISSUER COMPANY WITH OTHERS, INDEPENDENT LEGAL CONCLUSION

In accordance with “the regulation no listing publically offered bonds, offering to primary market” that regards to the company’s initial public offering, the issuer has made an agreement with “Anand and Batzaya” LLC on March 10th of 2011.

After reviewed necessary materials according to the agreement, the law firm has made an independent legal conclusion with the following purposes:

- Whether the company’s charter, regulations, and agreements and transactions that are made with other legal entities should be complied with the related laws, regulations and code of corporate governance or not.
- Whether the company’s especial licenses are valid or not, whether the resolutions and decision of authorities are valid or not.

In order to make conclusion the following documents were analyzed:

1. Especial licenses and introductions of issuer company and “Just Group” LLC,
2. Operational and lobar regulations of the issuer company,
3. Transactions that are made by the issuer company with third party.



4. Issuer company's license and resolutions from Government Agencies
5. Necessary resolution from issuer company in order to make the conclusion

Law firms conclusion:

- I. **Introduction to the Parent Company:** The Company's parent company is "Just Group LLC, a company incorporated under the laws of Mongolia. "Just Group" LLC has a sole shareholder Batkhoo Sharavlamdan, a citizen of Mongolia. The registered capital of "Just Group" LLC accounts for MNT 2 014 000 000 /two billion fourteen million tugrug/. "Just Group" LLC undertakes import and sales of oil products, meat supply, meat export, domestic meat sales, mining (minerals exploitation), and construction. "Just Group" LLC holds 100 percent shares of "Just Oil" LLC, "Mercantile House" LLC, "Erd Tana" LLC, "Olon Ovoot Gold" LLC, and "Savings Bank" LLC in addition to "Just Agro" LLC.
- II. As Section 2.6 of Article 2 of the Articles of Incorporation of the Company provides for, the Executive Director of the Company has the power **"to issue orders, procedures, regulations, and guidelines to be enforced within the Company to give effect to the laws, the Articles of Incorporation, and bylaws of the Company and "Just Group" LLC"**.
- III. The bylaws, rules, and procedures enforced by the Company in its performance and operations provide for the vehicle to achieve the mission of the Company, allow the employees and the officers understand their responsibilities, restrict any unfair or illegal practices, comply with the effective laws and regulations of Mongolia, and emphasize the needs for the respect to and the accountability before the customers.
- IV. The agreements and contracts the Company signed with any third parties are not subject to the evaluation of presence of conflict of interest or substantially large agreement pursuant to Section 84.4 of Article 84 of the Corporate Law of Mongolia, which states, **"The provisions of this Chapter shall not apply to any company having a sole proprietor."**, Section 86.3 of Article 86, which states, **"The provisions of this Chapter shall not apply in the following circumstances."**, and Section 86.3.1 of the same Article, which further clarifies, **"if only one person holds all the ordinary shares of a Company"**. Put differently, the regulatory provisions for



agreements that are substantially large or of conflict of interest referred to in Article 84 and Article 86 of the Corporate Law of Mongolia are not applicable to the Company.

V. Section 2.5 of Article 2 of the Articles of Incorporation of the Company requires that **“decisions involving the collection or expenditure of funds or bank loans to be obtained”** be consulted with the Director General of “Just Group” LLC. The Director General of “Savings Bank” LLC and the Executive Director of the Company noted during the interviews that the Director General of “Just Group” was agreed verbally prior to the signing of the Loan Agreement with the Savings Bank. In the future, the Executive Director of the Company should note that when exercising his powers referred to in Section 2.5 of Article 2 of the Articles of Incorporation, it’s important to obtain a decision made in writing by the Director General of “Just Group” LLC or to document the agreement.

VI. According to Section 80.6 of Article 80 of the Corporate Law of Mongolia, **“The executive body of management shall engage in, without a power of attorney, such activities as transacting, signing agreements, or representing the Company to the extent of powers granted by the Representative Board”**, according to Section 2.6 of Article 2 of the Articles of Incorporation of the Company. The Executive Director has the right to **“manage and run the day-to-day operations of the Company, exercise control, and tackle such other matters as not prohibited in the Articles of Incorporation of the Company and Articles of Incorporation of “Just Group” LLC”**. Further, the Executive Director of the Company reserves the right to sign agreements with third parties as set out in Section 6.3.1 of Article 6 of the Company’s Articles of Incorporation, which reads, **“To sign contracts and agreements for and on behalf of the Company”**.

VII. It appears that some of the contracts and agreements were signed by the Chief Accountant of the Company or the Director in charge of Marketing and some of the agreements were approved by the Executive Director. If a contract /agreement is not approved by the Executive Director of the Company or if the Executive Director fails to authorize the signatory to sign



for and on behalf of the Company, the contract/agreement in question will be ineffective pursuant to Section 56.1.8 of Article 58 of the Civil Code of Mongolia. Therefore, it is advised that either the Executive Director approves a contract/agreement or due authorization is given to the signatory who signs for and on behalf of the Company.

- VIII. Meat and Meat Products Export Agreements are guided by the international trade principles and INCOTERMS 2000 Rules in addition to the Civil Code of Mongolia and other laws and regulations.
- IX. The business activities of the Company are not subject to licensing under the Licensing Law of Mongolia and other legislations. Conclusion # 11-29/189-1000 dated 23 April 2009 of the state inspector at the Specialized Inspection Agency of the Capital City confirms that the Company is in conformity with the Standard Requirements for Hygiene and Safety under MNS5023-2001 Standard for Meat and Meat Products as a company engaged in the production, export, and domestic sales of meat and meat products.
- X. It is established from the documents we reviewed that the Company meets the conditions and requirements for the license for export, import, cross-border transportation, production, exploitation, and sales of some toxic and hazardous chemicals required for its main business activities. As of the date of this legal opinion, no conditions requiring termination or immediate revocation of the license by the authorized body of public administration have been determined.
- XI. As provided for in Section 42.2 of Article 42 of the Corporate Law of Mongolia, the Company's decision involving the issuance of bonds shall be made by the shareholder "Just Group" LLC. In the decision, the quantity, type, maturity date, par value, interest rate, interest repayment period, buyback price of the debt securities, and other information must be specified. Accordingly, the quantity, par value, interest rate, and interest repayment terms and conditions of the debt securities or bonds were specified in Order # A-01/19 dated 30 March 2011 of "Just Group" LLC on Issuance of "Makh Bond".



- XII. The Company's control is exercised by Batkhuu Sharavlamdan, citizen of Mongolia, Director General and Shareholder of "Just Group" LLC.
- XIII. The Company increased its capital to MNT28 247 845 241.90 /twenty eight billion two hundred thirty seven million eight hundred forty five thousand two hundred forty one *tugrug*, ninety *mungu*/ pursuant to Order # A-01/18 and Order # A-01/26 dated 30 March 2011 and 22 April 2011 respectively of the Director General of "Just Group" LLC and had the alterations registered and confirmed at the Office of State Registration of Legal Entities at the General Authority for State Registration.
- XIV. Section 2.7 of Article 2 of the Procedures for Registration of IPO Securities and Initial Public Offering at the Primary Market states, "*A company issuing bonds for IPO must conform to the requirements set out in Section 2.2.1 to Section 2.2.3 and Section 2.3 of this Article. The sum of expected proceeds from the sales of the bonds shall not exceed the remaining net balance of the company's assets as of the last statement.*" As set forth in Section 31.1 of Article 31 of the Corporate Law of Mongolia, the Company's assets account for MNT **47 761 967 139.49 (forty seven billion seven hundred sixty one million nine hundred sixty seven thousand one hundred thirty nine *tugrug* and forty nine *mungu*)** as of the balance of Q1 of 2001. Therefore, the Company meets the requirements set out in Section 2.7 of Article 2 of the Procedures for Registration of IPO Securities and Initial Public Offering at the Primary Market with respect to its own assets.

The legal opinion has been prepared in accordance with the professional ethics, free from and clear of the Company's future proceeds and revenues. The legal fee for the preparation of the legal opinion has been determined in advance in accordance with the Legal Assistance Agreement without prejudice to the results of the legal opinion.

For more detailed information re Anand & Batzaya LLC, please visit www.anand-advocates.com.

