



Ulaanbaatar city 16102, bayangold district, 20th khoroo,  
Songolon, "Just Agro" LLC

## "Makh Bond"

<b>Number of offering bonds to public:</b>	<b>3,000,000</b>
<b>Par value:</b>	<b>10,000 MNT</b>
<b>Required investment:</b>	<b>30,000,000,000 MNT</b>
<b>Maturity:</b>	<b>12 months</b>
<b>Yield per year:</b>	<b>16.2%</b>
<b>Yield per month:</b>	<b>1.35%</b>
<b>Yield payment frequency:</b>	<b>Per quarter</b>
<b>Type of bond:</b>	<b>Nominal, intangible</b>
<b>Guarentee of bond:</b>	<b>Assets and sales contracts</b>



Underwriter



**BDSec JSC**

Underwriter, brokerage, diller, and investment advisory

Ulaanbaatar city Mongolia, Sukhbaatar district, 8th khoroo,  
8-p xopoo, Youth's avenue 27/1  
Phone: 976-11-313108, Fax: 976-11-323411  
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## TO INVESTORS

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Company is issuing bonds in accordance with the “Company Law” of Mongolia and all related regulation pursuant to Mongolian Financial Regulatory Committee Law.

In accordance with article 7.1 of the “Securities Law” this publicly offered bonds are registered at Financial Regulatory Committee. In doing so, you should carefully consider that any risk involved in issuing bonds is not guaranteed.

You should also be aware of that participating in making investment by trading bonds are **always risky** action can quickly lead to large losses as well as gains.

In addition, you should carefully review this prospectus including the process of issuing bonds for better investment decision.

Try to include all the necessary information that will help the investors to make their decision to buy the bonds in this prospectus. Somehow all required information may not include in this prospectus so if the investors need more information you can contact with the issuing company and the underwriting company.

To prepare this prospectus the underwriting company followed the article 28 of the “Securities Law” and used financial statements that are audited by an official auditing company.



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## INTRODUCTION

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The issuer company operates as livestock purchase, slaughtering, meat processing and semi-finished meat products and supplies both domestic and foreign markets. From 2005 the company started a long term investment strategy, within this work they installed latest equipment and using modern technology meeting world industry standards as a result the company alone serves for 32.3% (41634 livestock) meat supply, 26% of total slaughter capacity (large cattle-1810, small cattle-8900 in one day), 30% of total storage capacity (19200 ton), 22.8% of meat exports (4518.9 ton of meat exported in 2010) of Mongolia. Also in 2010 the company supplied 40% of the industrial processed meat (2111 ton), procures 1/3 of the strategic meat reserve and meat export out of Ulaanbaatar city (produced 6918.9 tons of meat and meat products).

From 2006 the company removed the old slaughtering, meat processing system and introduced new system. Through this new system the company established a large network of slaughtering and packaging plants that covers 11 province of Mongolia.

There are total of 35 small and big sized slaughtering plants in operation with capacity to produce 90,000 tons of industrial processed meat a year, but due to current assets the slaughtering plants are only using 20-30% of their total capacity. Most of the meat supplies are made through a middle man this is great danger to the food safety.

### **Advantages of the Issuer:**

- ✓ Company established a large network of slaughtering and packaging plants that have location advantages. This advantage will minimize the impact of force majeure and other animal disease.
- ✓ The distance to mill is decreased till 50-200km, this gives the advantage to increase the amount of cut ability from one livestock, and also the company can control the increasing cost of meat processing.



- ✓ “Makh Market” LLC has introduced Hazard Analysis and Critical Control Points System.
- ✓ Slaughtering and packaging plants that are located in the Selenge, Baganuur, Dornod and Ulaanbaatar are connected to rail roads.
- ✓ In 2011 the meat processing and exporting contracts are made in advance, For example:
  - In March 10<sup>th</sup> of 2011 made a contract with “Uni trade” Co. to export 4600 tons of lamb to Iran within February 28<sup>th</sup> of 2012 by using 2 times of transportation.
  - In April 15<sup>th</sup> of 2011 made a contract with Russian company “Buryatmyasprom” Co. to export 12000 tons of beef and horsemeat that worth 30,720,000 USD within August 1<sup>st</sup> of 2011 till December 31<sup>st</sup> of 2012.
- ✓ Issuer guarantees their bonds and the interest payment by their real estates. These are the advantages of the issuer that it will use the funding efficiently and repay the bonds in time.

Security issuer’ financial performance before the securities are introduced is total 3.85 billion MNT of debts, of which 2,81 billion MNT is short term loan from Savings Bank of Mongolia to fund their current asset.

According to the first loan agreement of 1,900,000,000 MNT which is made on 29October, 2010, Savings Bank has financed 1,900,000,000 MNT with the condition of 21.6% of interest with 1 year, on January 21<sup>st</sup> of 2011 there was an amendment on the agreement, and the amendment was to increase the amount of the loan by 915,000,000 MNT with the condition of 15.6% of interest, extended the payment period till October 20<sup>th</sup> of 2012.

According to the collaborate agreement made between “Golomt Bank” LLC, “Just Agro” LLC and “BDSec” JSC on May 17<sup>th</sup> of 2011, Golomt Bank wants to buy from the Issuer company’s issuing bonds with the amount equal to 10 billion MNT.



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**INFORMATION OF THE ISSUING BOND**

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<b>Type of Bond:</b>	Nominal and intangible
<b>Par value:</b>	10,000 MNT
<b>Number of bonds offered to the public:</b>	3,000,000
<b>Required investment:</b>	30,000,000,000 MNT
<b>Maturity:</b>	12 months
<b>Yield, per year, /per month/:</b>	16,2% , /1,35%/
<b>Yield payment frequency:</b>	Per quarter
<b>Public placing of Bonds:</b>	Partially
<b>Frequency of bond issues:</b>	Three times
<b>Amount of issuance in each part:</b>	10,000,000,000 MNT
<b>Calling a bond:</b>	Bond will be redeemed at the end of maturity period
<b>Purpose of issuing a bond:</b>	Financing meat processing activities
<b>Guarantee:</b>	Bond is guaranteed by assets and meat sales contracts.
<b>Overrunning of the period of payment:</b>	Additional overdue charges, 0.02% of total amount of interest, will be paid for each additional day.
<b>Underwriter:</b>	“BDSEC” JSC
<b>Registration, depository, clearing and settlement of the Bond:</b>	“Mongolian Securities Clearing House and Central Depository” LLC
<b>Bond trading:</b>	All of the Bonds will be offered to the public through Mongolian Stock exchange.



**BOND PLACEMENT ON THE PRIMARY MARKET**

3,000,000 volume of bond's valid period on the primary market placement is 12 months. Bond placement on the primary market it will be divided into three tranche and placed partially.

Period	2011						2012								
	Cap	8	9	10	11	12	1	2	3	4	5	6	7	8	9
MMB 1		10 Billion MNT													
MMB 2		10 Billion MNT													
MMB 3		10 Billion MNT													
Interest Payment 1				+			+			+			+		
Interest Payment 1					+			+			+			+	
Interest Payment 1						+			+			+			+
Capital Payment 1													+		
Capital Payment 1														+	
Capital Payment 1															+

- I. After getting the permission from “Financial Regulatory Commission”, first part of the issuing bonds will be placed on the primary market within August 30<sup>th</sup>, 2011. After the successful first tranche placement on primary market successfully, deliver the records to the competent authorities’ and announce to the public within 15 working days.
- II. The second tranche of the issuing bonds will be placed on the primary market within August-September 2011, after the first issued bonds are successfully traded. After the successful second tranche placement on primary market successfully, deliver the records to the competent authorities’ and announce to the public within 15 working days.
- III. The third tranche of the issuing bonds will be placed on the primary market within 30<sup>th</sup> of October of 2011, after the second part of the issued bonds are successfully traded. After the successful third tranche placement on primary market successfully, deliver the records to the competent authorities’ and announce to the public within 15 working days.



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**GLOSSARY**

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BOD	Board of Directors
Currency Rate	Exchange rate of Bank of Mongolia as given date
FRC	Financial Regulatory Commission
JSC	Joint Stock Company
LLC	Limited Liability Company
MSE	Mongolian Stock Exchange
Issuer	“Just Agro” LLC to finance by issuing debt
Underwriter	“BDSec” JSC
MNT	The official currency of Mongolia
VAT	Value Added Tax
HACCP	Hazard Analysis and Critical Control Point
GDP	Gross Domestic Product
AS	Agricultural Sector



**INTRODUCTION OF PARTICIPANTS IN THE OFFERING**

**Audit:** “Dalavan Audit” LLC



“Dalaivan Audit” LLC established in 1993 and operates as audit, advisory, evaluation of asset and business. In 2007 joined the world’s biggest accounting, financial service provider “Baker Tilly International”.

*“Auditors that audited Just Agro” LLC:*

No	Full name	Major, degree	Occupation	Work experience	Contact
1.	Tserengavaa, Jigden	CPA, Auditor, appraiser	Chief Executive	Working as an accountant and auditor for 36 years	Phone: 976 11-305401 E-mail: info@dalaivanaudit.mn
2.	D.Mendbayar	CPA, Auditor	Auditor	Working as an accountant and auditor for 5 years	Address : Mongolia, Amarsanaa street-5, Bayangol District,
3.	A.Sarangerel	CPA	Assistant of auditor	Working as an accountant and auditor for 6 years	Ulaanbaatar-210524, Dalaivan Audit Company

**Evaluation:** “Burtgel Erdem niigemleg”

*“Appraisers that evaluated Just Agro” LLC:*

N	Full name	Major, degree	Work experience	Contact
1	Banzdai, Sainjargal	Economist, accountant /Ph.D in economics /	"Gobi" "Petrovis" , "Buyan" , "Tavanbogd Group",	Phone: 976-99169793
2	Luvsan-Ish, Munkh-Ochir	Economist, accountant /Ph.D in economics /	"Erel", "Just Group"	



**Law:** “Anand and Batzaya” LLC



“Anand and Batzaya” LLC started to give advises and advocatory service from 2003.

In 2010 made a contribution agreement with “Gibson, Dun and Crutcher” LLP.

*“Lawyers that give legal evaluation to Just Agro” LLC:*

Nº	Full name	Major, degree	Occupation	Work experience	Contact
1	Bodihuu, Batzaya	Lawyer, Ph.D	Executive Director	Working as an lawyer for 7 years	Mobile phone: 976-99110907, 99990564 Mobile phone (International): 852 93332727 E-mail: batzaya@anand-advocates.mn, batzaya@yahoo.com
2	Chuluun, Otgonbaatar	Lawyer, Member of Mongolian Attorney Committee	Lawyer	Worked as an lawyer and advisor	Mobile phone: + 976-99035886. E-mail: otgonbaatar@anand-advocates.mn,



Underwriter: "BDSec" JSC



"BDSec" JSC is a company that gives brokerage, underwriting and investment advisory services and served over 60% of all the companies that capitalized a financial funding from MSE.

*"Specialists that are working on Just Argo's business plan":*

No	Full name	Major, degree	Occupation	Work experience	Contact
1.	Burenmend, Lkhagvadorj	Business Administration, MBA	Chief Executive Officer	Working at stock market since 1997	phone: 976 -323411 Mobile phone: 976-99082446 E-mail: lkh@bdsec.mn
2.	Buyandelger, Lkhamdolgor	Financial management, Bachelor	Senior specialist of Investment department	Working at stock market since 2006	Phone: 976 -11-321763 Mobile phone: 976-99010589 E-mail: lhamdolgor@bdsec.mn
3.	Ganbold, Munkhtulga	International Management, Bachelor	Manager of the department in charge of investors	Working at stock market since 2007	Phone: 976 -11-323411 Mobile phone: 976-99010539 E-mail: mganbold@bdsec.mn
4.	Battumur, Ganbold	Business Administration	Specialist of Investment department	Working since 2008	Phone: 976 -11-323411 Mobile phone: 976-99012845 E-mail: ganbold@bdsec.mn
5.	Bayarsaikhan, Byamtsogt	Accountant, Bachelor	Specialist of financial department	Working since 2010	Phone: 976 -11-323411 Mobile phone: 976-99057062

					E-mail: byambatsogt@bdsec.mn
					Phone: 976 -11-313108
6.	Togtokhcuren, Otgontseren	Internationalec onomics,Bach elor	Specialist ofcustomer service depatment	Working since 2010	Mobile phone: 976-99043165 E-mail: otgoo@bdsec.mn

### DECISION MAKING BODIES' INFORMATION

Issuer only have one member and the supreme authority is “Just Group” LLC.

<i>Full name</i>	<i>Occupation</i>	<i>Residential Address</i>
Sharavlamdan, Batkhuu	Chief Executive Director of “Just Agro” LLC	Chief Executive Director of “Just Group” LLC

### Board of directors information:

<b>№</b>	<b>Name</b>	<b>Position</b>	<b>Work experience</b>	<b>Contact</b>
1.	T.Sodnomdarjaa	Executive Director	16 year in construction sector, 30 year in meat sector.	(976)-8811-8370, (976)-9911-8370
2.	L.Bolor	Deputy director in charge of marketing	7 year in Just Group, Speaks in English,Korean, and Russian.	(976)-8800-0088
3.	Ch.Baasanjargal	Deputy director in charge of financial	4 year as an accounting teacher, 6 year in meat sector. CPA	(976)-8801-8880, (976)-9906-8880



- 
4. S.Zorig Deputy director in charge of production 30 year in meat sector (976)-8804-0682
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By the charge of the Chief Administrative Director of “Just Group” LLC on 12<sup>th</sup> of October 2007 Turtogtoh, Sodnomdarj became the executive director of issuer company.

In 31<sup>st</sup> of March 2011 the issuer company rearranged their regulation and registered at Government account ship. According to the article 2.3 of the new regulation the company should have board of directors. Board of directors’ brief information:

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## ONE. COMPANY INTRODUCTION

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### 1.1. Introduction of bond issuer

<b>Company name:</b>	“Just Agro” LLC
<b>Year of Establishment:</b>	2007
<b>State registration number:</b>	9011098074
<b>Registration number:</b>	5138424
<b>Shareholder:</b>	100% owned by “Just Group” LLC
<b>Operation guidelines:</b>	Meat and semi-finished meat product production and selling
<b>Period of operation:</b>	Perpetual
<b>Number of branches:</b>	Total branches covers 11 province of Mongolia

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### 1.2. ADDRESS OF THE ISSUER, EXECUTIVE DIRECTOR, AND CONTACT NUMBER

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#### **Central Office:**

“Makh Market building” in Sonsoglon, 20<sup>th</sup> khoroo, Bayangol district Ulaanbaatar city.

Director: T.Sodnomdarjaa

Phone: 976-77329074

Fax: 976-11-636277

Web site: [www.justgroup.mn](http://www.justgroup.mn)



E-mail: [info@justagro.mn](mailto:info@justagro.mn)

**Branches in local area:**

Bayan-Olgii "Makh-Market", Bayan-Olgii province, Olgii soum, 4th bag. Director: N.Beibithan  
Phone:(976)- 8807-2812

Bulgan "Makh- Market", Bulgan province, Khutag-Ondor soum, 1st bag, Director: E.Purevlam  
Phone:(976)- 8807-8227

Zavkhan "Makh-Market", Zavkhan province, Otgontsengel soum, Khairkhan bag  
Director: Ch.Altantsetseg  
Phone: (976)-8807-3554

Sukhbaatar "Makh-Market", Sukhbaatar province, Baruun-Urt soum, 5th bag  
Director: L.Gankhuyag  
Phone:(976)- 8800-9801

Uvs "Makh-Market", Uvs province, Ulaangom soum, 3rd bag  
Director: D.Tumur-Ochir  
Phone: (976)- 8804-0692

Dornod "Makh-Market", Dornod province, Kherlen soum, 1st bag  
Director: M.Enkhat  
Phone:(976)- 8804-2150

Khovsgol "Makh-Market", Khovsgol province, Moron soum, 7th bag  
Director:U.Erdenebaatar  
Phone: (976)- 8804-0877

Baganuur "Makh-Market", Ulaanbaatar city, Baganuur district, 3rd khoroo, uildveriin kheseg/factory section.  
Director: D.Luvsantsend  
Phone: (976)- 8807-0604

Selenge "Makh-Market", Selenge province, Sukhbaatar soum, 4th bag  
Director: O.Baatartsogt  
Phone: (976)-8804-0670

Ovorkhangai "Makh-Market", Ovorkhangai province, Arvaikheer soum, 5<sup>th</sup> bag  
Director: J.Shoovdor  
Phone: (976)- 88079301





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### 1.3. HISTORY OF THE ISSUER

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Issuer company operates as preparation of livestock and processes the supplied livestock by industrial meat processing, produce a final products such as meat and meat related products and supply both domestic and foreign market.

Issuer company stopped the old expensive way of processing meat and introduced new system called zoned meat processing in 2007.

Today the issuer company has established branches that cover 11 provinces and the capacity to slaughter 10710 head of cattle within a day, storage capacity of 19200 ton.

#### **History of the Business:**

In 2000 “Just Group” LLC made a strategic decision that enter into agribusiness, and export meat that are processed in the local area. The operation was runned by internal business department of the group. Last 10 years this department purchased old meat processing plants and invested, rebuilted the buildings, installed new equipments and technologies and combined it in one system. For example:

In November 2002, National Property Committee held a auction to sell an unfinished meat storage warehouse with capacity of 10,000 ton, three meat, meat related product manufacturing companies and one citizen participated in the auction and citizen Ch.Burdembat, “SJ” LLC, “New Agro” LLC and “Just Group” LLC purchased it.

As a result in November 2003 they finished the unfinished building and purchased new equipments from Japan and Korea, installed it and finally established the “Makh-Market” LLC.

In February 2006 “Just Group” LLC purchased the 30% of “Makh Market” LLC shares from “SJ” LLC so that “Just Group” LLC owns 60% of the “Makh-Market” LLC.

In 2007 “Just Group” LLC purchased the 40% of “Makh-Market” LLC’s shares from “New Agro” LLC and from citizen Ch. Burdembat so that “Just Group” LLC owns 100% of the “Makh-Market” LLC.

Starting from 2007, introduced new way of preparing livestock system that purchase livestock directly from herders through their branches located in the local area, without any middle man.



In 2010, introduced Hazard Analysis and Critical Control Points, an international systematic approach to food safety in result, hygiene requirements at all stages of plant and of employees have increased. In effect, products hygiene and quality assurances have improved and our standards are drawing closer to the world standard.

In January 2011, the main factory's railroad started to operate so that exporting became more fast and flexible.

**Capital Investment:**

From 2006, the issuer company started to invest and purchase plants in the local area in order to increase the capacity of the plants, increase the exporting amount, and introduce new livestock preparing system without any middle man.

In 2006 Sukhbaatar makh market, in 2007 Zavkhan makh market, Bulgan makh market, Bayan-Olgii makh market, Uvs makh market, in 2008 Khuvgul makh market, Dornod makh market, in 2009 Baganuur makh market, Selenge makh markets plants were rearranged and expanded.

In 2010 invested 962 million MNT to renew the cooling system of Bulgan, Zavkhan and Sukhbaatar's makh markets plants. As a result the production refrigeration has increased twice as the capacity to refrigerate 19200 tons, also they stop the pyrone's refrigerating system as internationally prohibited to use.

In order to introduce the HACCP system, the issuer company purchased the required equipments, installed it and held training.

In 2010,Ulaanbaatar city's Makh Market factory's refrigerating system renewed. As a result the main factory's storage capacity increased by 2500 tons and total of 7000 tons.

Planning to bring the Uvurkhangai Makh- Market plant into operation in October 2011.



1.4. MARKET INFORMATION

30% of our GDP's are made from agricultural sector especially majority of them are made from animal husbandry products.

Agricultural production rate in GDP:

- Before the transitional period within 1981 to 1992 average was 17 percent
- After the transitional period within 1992 to 2000 average was 35 percent
- From 2009 to 2010 average was 23.5 percent

From last 3 years statistical information 40 percent of total employment, 10 percent of foreign trades are made within agricultural sector. By the employment rate agricultural sector's one of the important sector to our country's economy and it'll be same in the future.

Most of the agricultural productions are made from animal husbandry sector; most of the products are meat, wool, and cashmere production. Specific characteristic of animal husbandry sector is their traditional ways that throughout all the season keep moving following their pasturage, and water. In animal husbandry sector not only herders are participating but Government, middle men, financial service providing companies especially banks, animal hospitals, transportation service providing companies, wholesalers and retailers are participating in this sector. These things are somehow financial embarrassment on herders and producers.

By end of the 2010, within the country totally 32.7 million head of cattle's were counted this is 25.7 percent lower than previous years. This is because of the disaster occurred in 2010 and also in some province there were some animal diseases.

Table 1 Total Livestock /by type/

<i>No</i>	<i>Livestock</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>
1.	Horse	2,239.5	2,186.9	2,221.3	1,920.3
2.	Cow	2,425.8	2,503.4	2,599.3	2,176.0
3.	Camel	260.6	266.4	277.1	269.6
4.	Sheep	16,990.1	18,362.3	19,274.7	14,480.4
5.	Goat	18,347.8	19,969.4	19,651.5	13,883.2

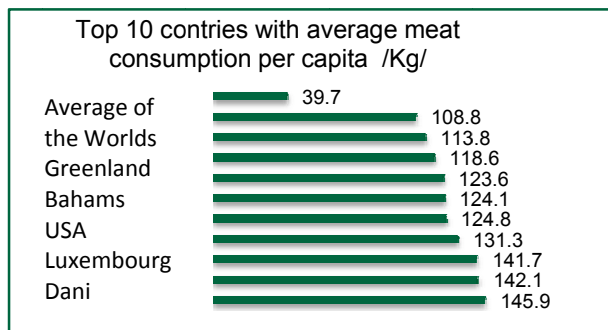


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<b>Total</b>	<b>40,263.8</b>	<b>43,288.5</b>	<b>44,023.9</b>	<b>32,729.5</b>
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**Meat, meat product market of Mongolia:**

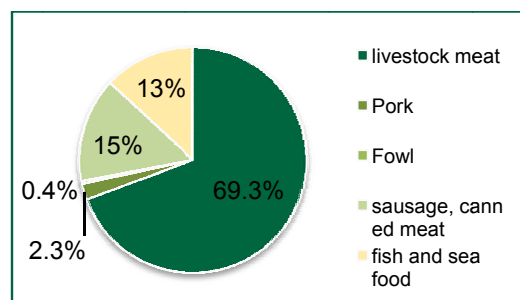


In 2010 our country's meat per capita was 10<sup>th</sup> in the World or one person is using 108.8 kg of meat in year this is 2.7 more than Worlds average consumption.

*Figure 1 World's meat consumption*

**Consumption:**

According to the reports by the statistical office and food research companies consumption of our country's meat, meat products are divided as following livestock meat 69.3%, pork 2.3%, fowl 0.4%, sausage, canned meat 15%, fish and sea foods are 13% of total consumption.



*Figure 2 Consumption of meat and meat related products*

From this information we can see that our country's main meat consumption is meat, meat products from livestock.

**Supply:**

Average consumption of our country is 13-15% of total livestock in one year, about 8 million head of cattle or producing 230,000 tons of meat and supplying the domestic customers. 10% of all the produced meat in the agricultural sectors are produced in meat processing plants it's about 23,000 tons of meat are produced by industrial way. From the statistical information it's only 14% of the total meat processing plants capacity. Main supply of meat, meat products are five kinds of livestock. For example:



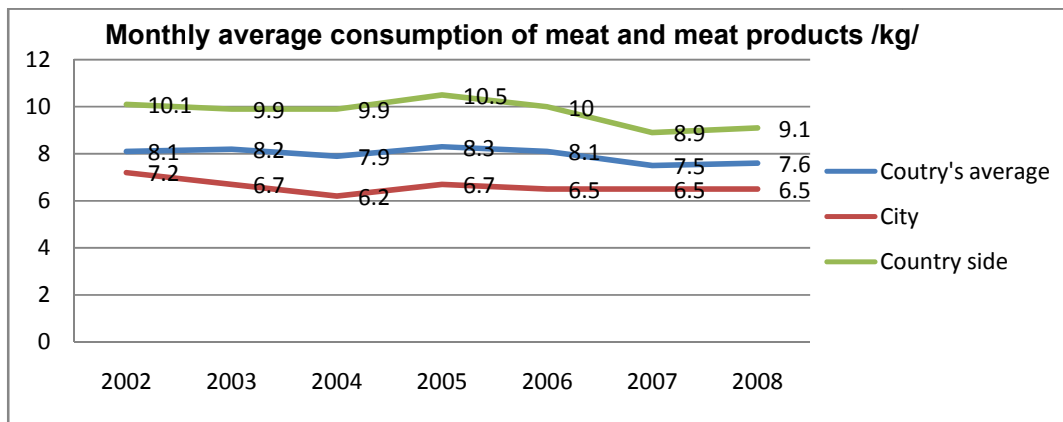


Total meat produced at Agricultural sector divided as following: 25-30% is cow, 35-40% is sheep, 15-20% is goat, and 15-20% is horse meat. By the research in 2009, after the calculation of flock overturn it's possible to produce more than 200,000 tons of meat from agricultural sector.

During last five years the number of livestock increased dramatically so that supply of livestock in food sector increased also the meat processing plants capacities increased. Considering the meat consumption by structurally the goat consumption in food increased related to the increase in price of cashmire and goat skin.

In 2010, country's monthly average consumption of meat, meat products were 8.4 kg, in Ulaanbaatar city it was 6.4 kg, one Mongolian monthly average meat consumption is 6.4 kg. By the increase of the population the demand for meat and meat products are increasing. From 1990 the population of capital city increased twice as before and according to 2010 statistics the population of Ulaanbaatar city reached 1161.8 thousand. There is an potential to supply the meat demand but the meat processing plants are operates as seasonally so it cannot fully use their capacity to produce meat. The evidence of this is that every spring the supply of the meat decreases and the price of the meat increases because of this inflation rate increases. So its important to process the meat by industrial way and store at appropriate cold storage and increase the storage period.

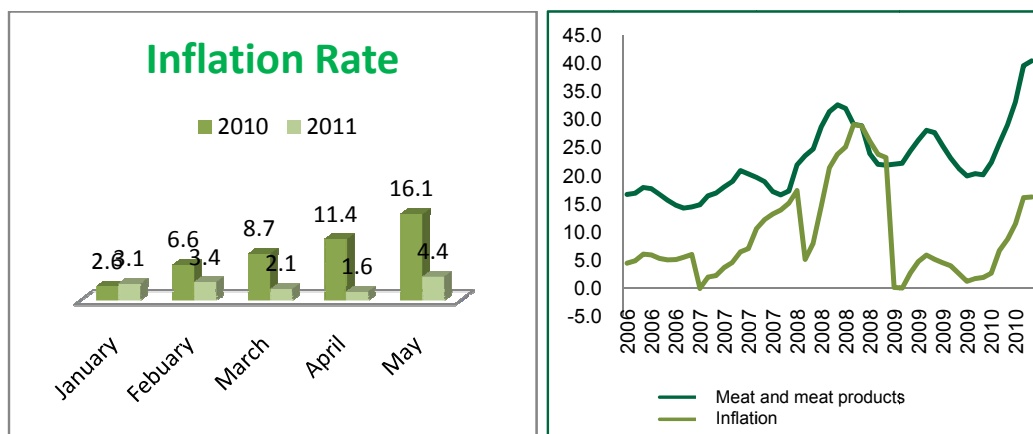




**Meat price and Inflation:**

Compering the inflation rate of Ulaanbaatar city's 2011 with 2010 the inflation rate decreased by 11.7 ops. The decrease of inflation rate can fully related to meat price. 90% of the inflation rate is derived from meat and meat products.

In April 2010 when the inflation rate exceeds from 8% the main thing that influenced was the increase of the meat price. Because of natural disaster and drought and heavy snow 7.5 million head of cattle died, it influenced the country's meat supply. The meat supply of Ulaanbaatar city decreased threefold compare to previous years and it influenced negatively to the meat price.

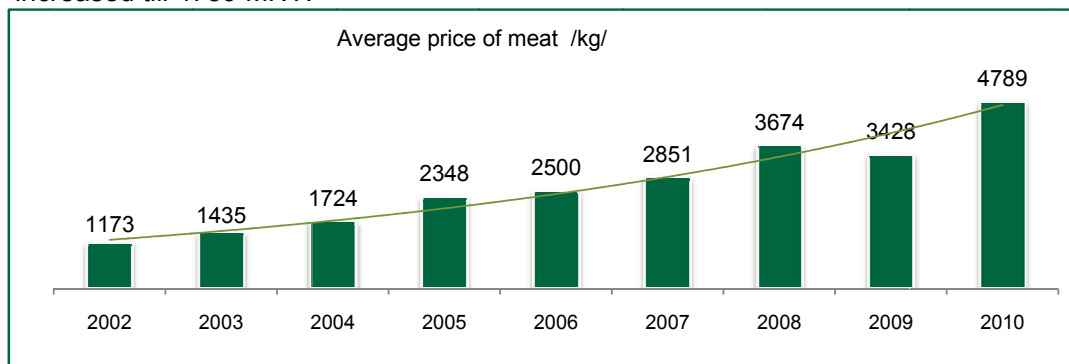


In figure 7 showed the relation and tendency of meat price index with inflation rate of 2006 to 2010. The figure shows when the price of meat is high then the inflation rate is also high and when the price is low the inflation rate is low. In 2008 because of World Financial Crisis the inflation rate increased.

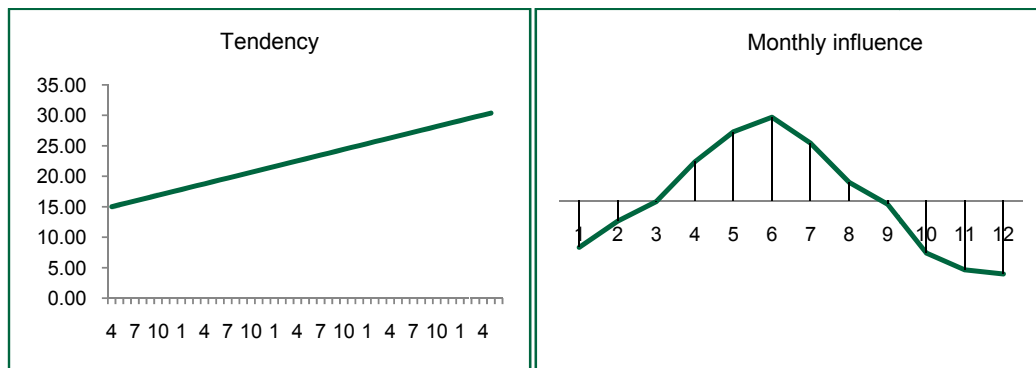


**Meat price:**

In 2002 the average meat price was 1173 MNT but in 2010 the average meat price increased till 4789 MNT.



By the research on price of meat, the price of meat increases from December to June and from June to December the price decreases, this is because of our country’s weather, meat processing and the meat processing factories work as seasonal so the supply of the meat decreases in the spring.



The tendency of meat price is going to increase year by year.

**Reserved meat:**

One way to decrease the shortage of meat supply at every spring and supply the demand of customers fully is to reserve a meat. In 2006 our country’s government took action according to Article 178 to reserve meat for spring and summer consumption and give bonuses to the companies that reserved meat.

**Some statistical information about meat reserving:**

In 2008: “Makh Impex” LLC, “Taij trade” LLC, “Mongol makh expo” LLC, “Makh export” LLC, “Just agro” LLC, “Eastern Cobi” LLC these companies reserved 7000 tons of meat totally.



In 2009: “Just Agro” LLC, “Makh Impex” LLC, “Eastern Cobi” LLC, “Mongol makh expo” LLC, “Taj trade” LLC, “Makh export” LLC these companies reserved 7000 tons of meat totally.

In 2010: “Just Agro” LLC, “Makh Impex” LLC, “Eastern Cobi” LLC, “Mongol makh expo” LLC, “Taj trade” LLC, “Makh export” LLC, “Tenger trade” LLC, “Davshilt trade” LLC, “West Mongol international” LLC, “Sooton” LLC these small and big sized 10 companies reserved 2800 tons of meat by their own capitals.

Table 2 Reserved meat

Year	Amount of reserved meat /ton/				Trade /ton/			Price of reserved meat /MNT/		
	Lamb	Chevon	Beef	Total	April	May	June	Lamb	Chevon	Beef
2010	Around 2000	Around 700		<b>2800</b>	1325	1475		2900	1900	
2009	5000	1400	600	<b>7000</b>	1000	3600	2400	2800	2100	2800
2008				<b>7000</b>	1300	2500	1500	2900		
					(III)					
					1700					
2007				<b>3900</b>				2100		
2006	1500	5000	500	<b>7000</b>				2100		

If calculate the consumption of meat and meat products of the people living in capital city is 186 ton per day. If calculate the consumption of reserved meat by the peoples buying power in spring its 7.4 ton per day. From the research in order to decrease the price of meat during the spring the capital city needs to reserve 11 to 16 thousand tons of meat, its supply of 50 to 80 day.

From 2008 to 2010 averagely 6 to 11 companies participated to reserve meat and received 6.3 billion MNT totally as a bonus. In 2008 totally reserved 7000 ton of meat and received bonus of 414 MNT for each kg. In 2009 received 340 MNT for each kg and in 2010 the government planned to gave 500 MNT for each kg totally equals to 2.4 billion MNT and depending on the companies meat reserving performance they gave 58% of the total budgeted capital.





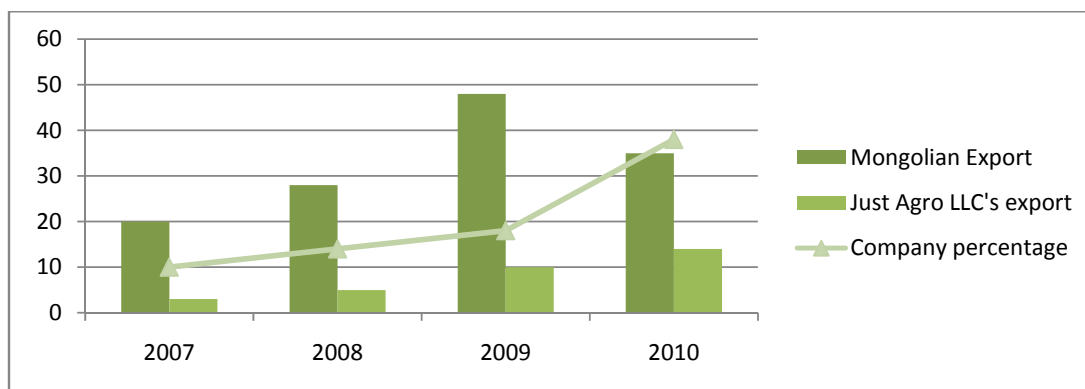
**Foreign market and export:**

Mongolian Government made an agreement to supply meat with the governments of Russia, China and Vietnam. In 2009 our country exported 8.8 thousand tons of beef; 8.6 thousand tons of horse meat and in 2010 exported 3.9 thousand tons of beef, 10.9 thousand tons of horse meat. Beef export decreased 55.9% from previous year. This is because in some eastern province there were foot and mouth disease so Russia banned their beef import. But horse meat export increased by 26.5% from previous year.

*Table 3 Meat Export*

Type of livestock	2007	2008	2009	2010
Horse meat	7,072.8	6,097.1	8,635.3	10,925.0
Beef	3,846.8	4,210.4	8,818.5	3,888.2
<b>Total</b>	<b>10,919.6</b>	<b>10,307.5</b>	<b>17,453.8</b>	<b>14,813.2</b>

Last 3 years meat export the following ten companies made 97% of the total exported meat; “Just Agro” LLC, “Sooton” LLC, “Tenger trade” LLC, “Makh Impex” LLC, “Eastern Cobi” LLC, “Mo Tuva” LLC, “Bumnomin” LLC, “EDGS” LLC, “Yurranzit” LLC, “Mongema” LLC. Meat importing countries standards, other requirements, transportation and other things are becoming obstacle to increase the meat export.



Population of Russia is 142 million, second largest meat importer after USA and with high economic growth. Our country's meat export only take 1% of Russia's meat import.

According to Russian statistical information from animal hospital one person's average consumption of meat is 81 kg in one year but as today Russian per persons consumptions is 62 kg. According to this information there are around 1.2 million tons of carcass meat market available so it's showing that there is high chance for meat processing companies to increase their export amount.



**Competitors:**

There are total 35 small and big sized meat processing plants are operating with the capacity to produce 90 thousand tons of meat by industrial way, but they are only using 20-30% of their total capacity and supplying 30%(23 thousand tons) of the big cities consumption. This means that most of the meat processing and the supplies are made by middle men. Majority of the meat and meat product producing companies don't have proper meat processing network, warehouses and capacity so they are more interested to directly sell it in the market. Issuer company is producing usually carcass meat, meat that removed from bone so there is less pressure from domestic meat producing companies. According to 2010's information there are around 70 meat, meat product producing plants are operating and 50 of them are located in Ulaanbaatar city. The products of these plants can be categorized as following:

There to:

- Carcass Meat
- Derivatives
- Graded meat
- Snag , sausage
- Canned product /preserves, beef and horse meat stew/
- Semi-finished and finished goods these are main categories that the products are divided

Most of the sales are carcass meat sales because customers buy it a lot. So meat processing plants are exporting carcass meat and also competing graded meat, snag, canned product, semi-finished and finished products market but it only consider as 10% of the total meat market.

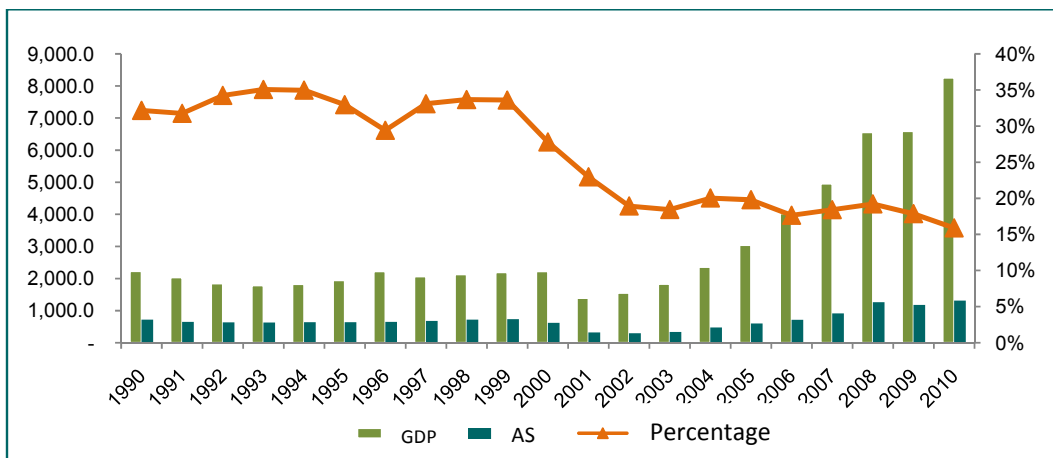
Issuer directly can't think that other meat processing plants as a competitor, because Issuer Company's main goal is to produce carcass meat and export most of it.



**1.5. MONGOLIAN ECONOMY AND GOVERNMENT POLICY**

In 2010 the increase of the GDP has surpassed the previous year's planned rate, and the mining sector has an advantage for country's economic growth.

The dynamic movement of GDP and the agricultural sectors production from 1990-2010.



As seeing from the graphs the Agricultural sector is stated to develop from 2001 but the GDP's continuously decreased.

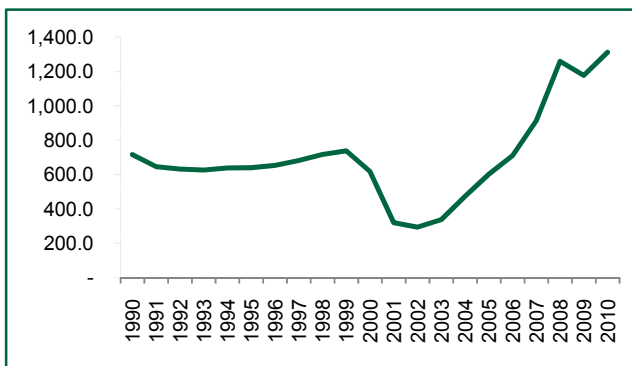


Figure1. Agricultural production dynamics, million MNT

From these graphs the Government need to focus more to develop the agricultural sector. Even the interest rate of individual's savings has went down, the loan interest rate has no change. It caused by bank and financial organizations` are

hesitating high expensed resources. It shows property and currency distribution is getting lost.

The structure of the economy is changing; the affect of themining sector's increasing. The difference between city and country sides are dramatically increasing so the migration to city is increased because of this unemployment, poverty rate is increasing. The sanitation and safety of foods are becoming more important rather than quality and standard.



**Government activity:**

- Taking some steps to increase the workplace and train more specialized workers.
- The government is implementing some unified policies for food supply as meat reserving; meat processing companies are freed from VAT.
- As the mining sector is developing dramatically the government is focusing how to balance the economic structure so these activities are affecting positively for the issuers activity.

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1.6. **CORPORATE STRUCTURE OF ISSUER**

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*Picture 1 Organizational structure*



**1.7. INFORMATION OF THE HEAD AND SUBSIDIARIES OF ISSUER**

Head of the issuer company is Mongolian entity “Just Group” LLC, it owns 100%. “Just Group” LLC’s equity is 2,014,000,000 MNT. “Just Group” LLC established in 1999 as a trader of petroleum, from 2000 entered into agricultural sector, and from 2006 entered into construction sector. In 2009 they invested high amount of capital into mining and financial sectors and now they are operating in these fields successfully. They opened their permanent representation in Moscow, Russia and Beijing, China.

**“Just Group” LLC’s operating business sectors:**

- |                            |                          |
|----------------------------|--------------------------|
| Agriculture                | - “Just agro”LLC         |
| Petroleum                  | - “Just oil”LLC          |
| Bank and Financial sector  | - “Savings” Bank         |
| Construction sector        | - “Erd Tana”LLC          |
| Mining sector              | - “Olon Ovoot Gold”LLC   |
| International trade sector | - “markentael house” LLC |

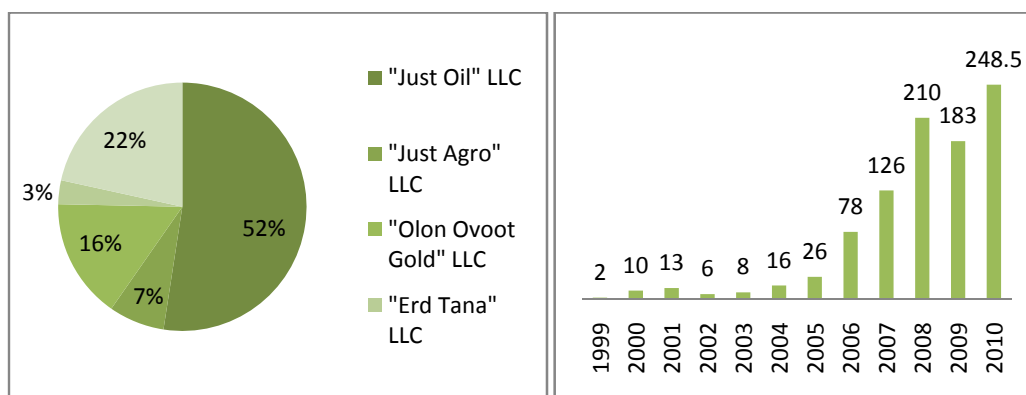


Figure 16. Structure of sales revenue /by subsidiaries / Figure 2. Sales Revenue of “Just Group” LLC /Billion MNT/

**“Just Oil”LLC:**

“Just Oil ”LLC is the pioneer business of “Just Group” LLC, it established in 1999. “Just Oil” LLC is one of the biggest oil importing company in the country with 4 warehouses and 41 petrol stations located in Ulaanbaatar and in 16 provinces.

**Contact:**

Ulaanbaatar 14191, Sukhbaatar district, Baga toiruu 42, Mongolian Youth Unions Building, Phone/fax: (976)-11314014, 1131826, E-mail: [oil@justgroup.mn](mailto:oil@justgroup.mn), Web site: [www.justgroup.mn](http://www.justgroup.mn)



**“Savings Bank”:**

This bank started to operate from 1940's to provide apartment charges, utility charges, payment, and saving service to public, from 1996 it became state property company. From April 2009 the bank started to use “Just Group” LLC's policy as their own management policy by doing this the bank renewed their long-term goal, and their concept of business and increased their business range.

In 2010 the Savings Bank combined the Mongol Post bank as a result the asset of the bank has doubled and in the end of 2010 the total asset was 442.7 billion MNT. By the combination of the banks the number of branches becomes 320, it allowed them to reach and provide their service to every province and soums of Mongolia.

**Contact:**

*Ulaanbaatar city 15160, Chingeltei district, 1<sup>st</sup> khoroo, Operators street-4, main building of Savings bank, Phone/fax: (976)-70115566, 11327467, E-mail: [bank@savingsbank.mn](mailto:bank@savingsbank.mn), Web site: [www.savingsbank.mn](http://www.savingsbank.mn)*

**“Erd Tana” LLC:**

“Erd Tana” LLC's established in 2004 and operates in the construction sector. In December 2010 they bring 10 floored 2 buildings, 15 floored 3 building into exploration located in Bayanzurkh district.

**Contact:**

*Ulaanbaatar city 13335, Bayanzurkh district, 14<sup>th</sup> khoroo, Eastern four road trading centers building, Phone/fax:(976)-11456562, E-mail: [erdtana@justgroup.mn](mailto:erdtana@justgroup.mn), web site: [www.justgroup.mn](http://www.justgroup.mn)*

**“Olon Ovoot Gold” LLC:**

Started from June 2009 the “Olon Ovoot Gold” LLC's operating at the Olon Ovoot gold deposit. The Olon Ovoot Gold deposit is located in Mandal- Ovoo soum, South Cobi province, 500 km from Ulaanbaatar city, 100km from Dalanzadgad capital city of South Cobi province, 45 km from Mandal-Ovoo soum.

**Contact:**

*Ulaanbaatar city 14191, Sukhbaatar district, Bag toiruu 42, Mongolian Youth Unions Building, Phone/fax: (976)-11329074, 55252490, E-mail: [info@olonovootgold.mn](mailto:info@olonovootgold.mn), web site: [www.justgroup.mn](http://www.justgroup.mn)*



**“Markentail house” LLC:**

This company is established in 2008 in order to trade the product that “Just Group” LLC’s producing in the world market.

So by this “Markentail House” becomes the first Mongolian company that trades the mining products that produced in Mongolia.

**Contact:**

Ulaanbaatar 14191, Sukhbaatar district, Baga toiruu 42, Mongolian Youth Unions Building, Phone/fax: (976)-11318261, 315612, E-mail: [finance@justgroup.mn](mailto:finance@justgroup.mn), Web site: [www.justgroup.mn](http://www.justgroup.mn)

**“Khatan Suman” LLC:**

This company is established in 2010 as an international trading. “Khatan Suman” LLC’s occupied 100% by “Just Agro” LLC.

**Contact:**

*Ulaanbaatar city, Bayangol District, 20<sup>th</sup> khoroo, Songolon, “Just Agro” LLC’s building Phone: (976)-11 636277,*

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1.8. INTRODUCTION OF DECISION MAKING PERSONNEL

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According to article 2.1 of the issuer company’s policy the decision making authority is “Just Group” LLC.

*Table 4 Information of administrators*

No	Full name	Occupation	Working experience
1.	Sharavlamdan, Batkhuu	Chief executive director of “Just Group” LLC	From 1990-1992 worked at National Statistical Office as a statistician, economist. From 1992-1994 worked at Ulaanbaatar city’s executive branch as a specialist. From 1994-1996 worked at “MCS” LLC as a deputy director. From 1996-1999 worked at “Jump” LLC as a deputy director. From 1999 to present working at “Just Group” LLC as a chief executive director.



**Board of Directors:**

By the order of the Chief Executive Director of “Just Group” LLC on 12<sup>th</sup> of October 2007 Turtogtoh, Sodnomdarj became the executive director of issuer.

In 31<sup>st</sup> of March 2011 the issuer company rearranged their regulation and registered at Government account ship. According to the article 2.3 of the new regulation the company should have board of directors. Board of directors’ brief information:

*Table 5 Board of directors*

No	Name	Occupation	Work experience	Contact
1.	T.Sodnomdarjaa	Executive Director of “Just Agro” LLC	16 year in construction sector, 30 year in meat sector.	(976)-8811-8370, (976)-9911-8370
2.	L.Bolor	Deputy director in charge of marketing of “Just Agro” LLC	7 year in Just Group, Speaks in English,Korean, and Russian.	(976)-8800-0088
3.	Ch.Baasanjargal	Deputy director in charge of financial of “Just Agro” LLC	4 year as an accounting teacher, 6 year in meat sector. CPA	(976)-8801-8880, (976)-9906-8880
4.	S.Zorig	Deputy director in charge of production of “Just Agro” LLC	30 year in meat sector	(976)-8804-0682

Pursuant to the article 81<sup>st</sup> of the company law and article 3.1 of the company charter, people in position of BODs, chief executive officer, deputy director, management team, director of financial department, general accountants are considered as decision making personnel.

**Information of other decision making bodies:**

*Table 6 other decision making personnel*

No	Full name	Occupation	Work experience
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1	S.Buuveibaatar	General Accountant of "Just Agro" LLC	Worked 5 year at "Erdenet Proccession" LLC's meat processing plant, 3 year at "Just Agro" LLC.
2	O.Nemekhbayar	Economist of "Just Agro" LLC	Graduated from MNU and started to work.
3	G.Bayarsaikhan	Director of engineering department of "Just Agro" LLC	Worked 17 years in cooling system.
4	D.Erdenechimeg	Director of quality and safety department of "Just Agro" LLC	31 years of working experience, 5 year in meat sector.
5	B.Dorjdulam	Director of administration and human resource department of "Just Agro" LLC	Worked at "Just Group" LLC for 6 year.
6	D.Luvsantsend	Director of Baganuur Makh market plant	Worked 25 year in meat sector
7	N.Beibitkhan	Director of Bayan-Olgii Makh market plant	30 years of working experience, 5 years in meat sector.
8	E.Purevlkham	Director of Bulgan Makh market plant	Worked 9 year in meat sector.
9	M.Enkhat	Director of Dornod Makh market plant	14 years of working experience, one year in meat sector.
10	D.Tumur-Ochir	Director of Uvs Makh market plant	3 year in meat sector
11	J.Shoovdor	Director of Uvurkhangai Makh market plant	38 years of working experience, 2 year in meat sector.
12	Ch.Altantsetseg	Director of Zavkhan Makh market plant	3 year in meat sector
13	L.Gankhuyag	Director of Sukhbaatar Makh market plant	23 years of working experience, 7 year in meat sector.
14	O.Baatartsogt	Director of Selenge Makh market plant	6 year in meat sector.
15	U.Erdenebaatar	Director of Khuvsgul Makh market plant	2 year in meat sector.



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**1.9. INFORMATION OF THE EMPLOYEES AND STAFFS**

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In 2010 “Just Agro” LLC’s operating with 253 employees, 573 hired workers. From these 125 employees and 16 temporary workers are working at the main plant, the remaining employees are working at the other plants that are located in the local areas. The remaining employees are divided as following: 13 at “Bayan-Olgii Makh market” plant, another 13 at “Sukhbaatar Makh market” plant, 14 at “Bulgan Makh market” plant, 15 at “Zavkhan Makh market ” plant, 10 at “Uvs Makh market” plant, another 10 at “Dornod Makh market” plant, 16 at “Khuvsgul Makh market” plant, 15 at “Baganuur Makh market” plant, 11 at “Selenge Makh market” plant, and 9 are working at “Uvurkhangai Makh market” plant.

65% of the total employees are male and 35% are female, from this the employees of the plants located in the local areas is 84% are male and 16% are female. By the age class 45% are till 36 years old, 28% are between 35-45 years old, and the remaining 27% are over than 45 years old. In another word the plants operation is operated by 3 generations of employees.

From these employees 32% are bachelors and higher degreed managerial personnel, 40% are specialists of technology and engineering, and remaining 28% are secondary educational workers. From this 22% are specialist in engineering, 15% are specialist in animal husbandry sector.

Every year they determine their worker real needs and plan training programs that are really needed for their employees.

The company is focusing on their employees training, so they always retrain their employees, also they focus on their hired workers social status, ability and practices.

The human resources of the local plants are usually hired workers so it is necessary to train them by training them the quality of the raw materials will improve. So the local plants are focusing to motivate their hired employees by giving them bonuses, and encouraging them.



1.10. LOCATION OF THE SUBSIDIARIES AND THEIR CAPACITY

Issuer company is one of the biggest company in the animal husbandry sector with the capacity to slaughter 10 thousand head of cattle in one day and storage capacity with 19.2 thousand tons of meat, subsidiaries that located in 11 province of Mongolia.



Picture 2: location of the subsidiaries

From 2002 “Just Group” LLC made a long term investment into the agricultural sector, within this investment the issuer company made a steps to renew their technologies as a result the issuer company alone serves 32.3% (41634 livestock) meat supply, 26% of the slaughter capacity (large cattle-1810, small cattle-8900 in one day), 30% of total storage capacity (19200 ton), 22.8% of the meat exports (4518.9 tons of meat exported in 2010) of Mongolia. Also in 2010 the supplied 40% of the industrial processed meat (2111 ton), procures 1/3 of the strategic meat reserve and meat export out of Ulaanbaatar city (produced 6918.9 tons of meat and meat products).

Buying the livestock from the herders directly without any middle man at their local plants, made the livestock receiving period longer until December of the given year, and using flexible money policy that are suitable for the local market as the result the number of livestock processing is increased and the cut ability has been increased. Increase of the cut ability made it possible to recover the price increase of meat processing and decreased the cost of production and it's affecting the company's revenue positively.



**Plant Capacity:**

*Table 7 Capacity of the plants*

Name of the plants	Slaughtering capacity in one day (number of cattle)		Storage capacity (ton)	Capacity of deep freezing (day/ton)
	Large cattle	Small Cattle		
1 Ulaanbaatar Makh market	-	1,000	7,000	20
2 Bayan-Oglii Makh market	120	800	1,000	20
3 Bulgan Makh market	120	700	500	20
4 Zavkhan Makh market	120	-	500	15
5 Sukhbaatar Makh market	120	800	750	20
6 Uvs Makh market	80	400	250	15
7 Dornod Makh market	200	1,600	3,000	60
8 Khuvsgul Makh market	200	500	1,000	40
9 Baganuur Makh market	300	1,000	1,200	40
10 Selenge Makh market	350	1,600	3,000	40
11 Uvurkhangai makh market	200	500	1,000	/Unfinished/
<b>Total</b>	<b>1,810</b>	<b>8,900</b>	<b>19,200</b>	<b>290</b>

**Technological Innovation:**

By the full support and funding from “Just Group” LLC the issuer company made a technological innovation from 2006-2010 amount equals to 28.3 billion MNT.

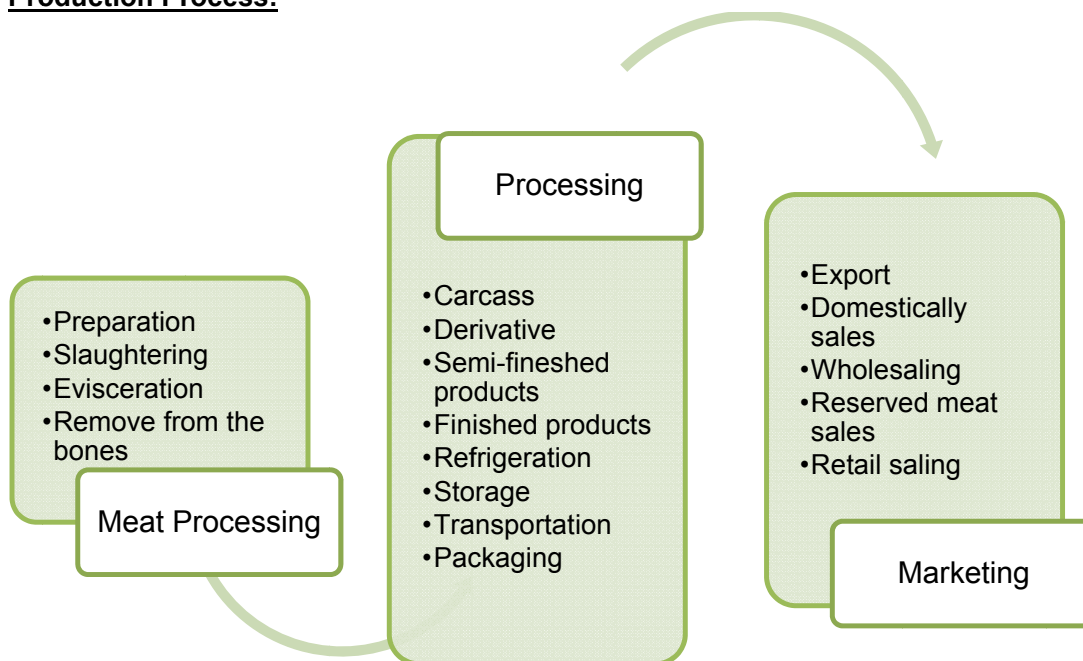
*Table 8 Company's Investment amount*

Indicator	2006	2007	2008	2009	2010	Total
Plant	89.8	1,940.0	1,264.9	6,659.9	285.2	10,239.9
Rearrangement of plants	109.4	195.8	703.7	96.9	520.4	1,626.2
Enlargement of plants	48.8	189.0	485.5	19.9	-	743.2
Purchase of equipments and installments	36.8	418.9	524.0	1,138.4	2,105.7	4,223.8
Purchase of fixed assets	-	474.3	160.3	12.0	4.1	650.7
Main factory	-	6,786.1	3,554.3	-	-	10,340.3
Construction and roads	2.6	-	-	71.0	340.1	413.7
<b>Total</b>	<b>287.4</b>	<b>10,004.2</b>	<b>6,692.7</b>	<b>7,998.1</b>	<b>3,255.5</b>	<b>28,237.8</b>



**1.11. PRODUCTION AND QUALITY INSPECTION**

**Production Process:**



*Diagram 1: Production process*

In every stage of the production the issuer company pursues the International standards. Because the meat sector is the main product of the food sector so it requires high quality and safety procedures.

**The plants technological procedures:**

*Table 9 Plants technological procedures*

1. <i>Meat processing technology</i>	When the livestock come they are quarantined and tested, if there is an sick livestock then it'll not be processed.
2. <i>Slaughtering technology</i>	Before the slaughter the livestock will be rest for 36 hours, it helps that during the slaughter the meat will not become hard and lose their quality. Slaughtering process is held in dedicatory line with the environment that adequate of sanitation, and all the butchers are adequate of sanitation and healthy.
3. <i>Eviscerating technology</i>	After the slaughter the carcasses are eviscerated at minus 4 degrees in order to remove the sourness from the meat. Meats are eviscerated for 24 hours in order to softthen the meats.



4. <i>Technology to remove the meat from the bones</i>	This process requires high standards, so the walls, floors, ceilings of the room mustn't include any chemical elements and the rooms must be made from materials that impermeable hotness and goldness, everything that falls on the floor must be removed automatically. The workers also follow high requirements of standards and safety.
5. <i>Refrigeration technology</i>	The carcass and cutted meats must be refrigerated at least minus 40 degrees, and it will be keep its freshness until it goes to the end user. By doing this the quality of the "Makh Market" brands meat will never lost.
6. <i>Storage technology</i>	Meat, meat product must be stored at least minus 14 degress.
7. <i>Transportation technology</i>	The transportations are made by an dedicatory packages so that during the transportation the products will not damage, to clog or amortized.
8. <i>Packaging, distribution technology</i>	Meat, meat products will be packaged as a customer wants. Follow the special standards of packages. Choose the right distribution channels to distribute the packaged products to the end users.
9. <i>Unoffending to the environment</i>	All the waste that are comes from the plants will be put into centralized waste plant. Will use ammonian refrigerating system so need to focus on their safety.

Meat processing and the operation of the meat processing plants are shown diagram.

A. *Other meat processing plants operational diagram:*



Diagram 2: *other meat processing plants operational diagram*

B. *Makh market meat processing plants operational diagram :*

*Issuer company's subsidiary plants operational range is within 200 km radius and all the herders within that radius are closely connected with the plants.*



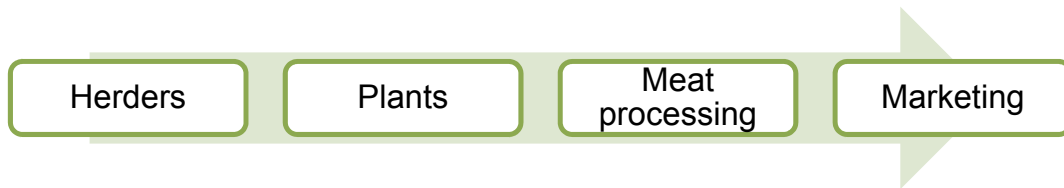
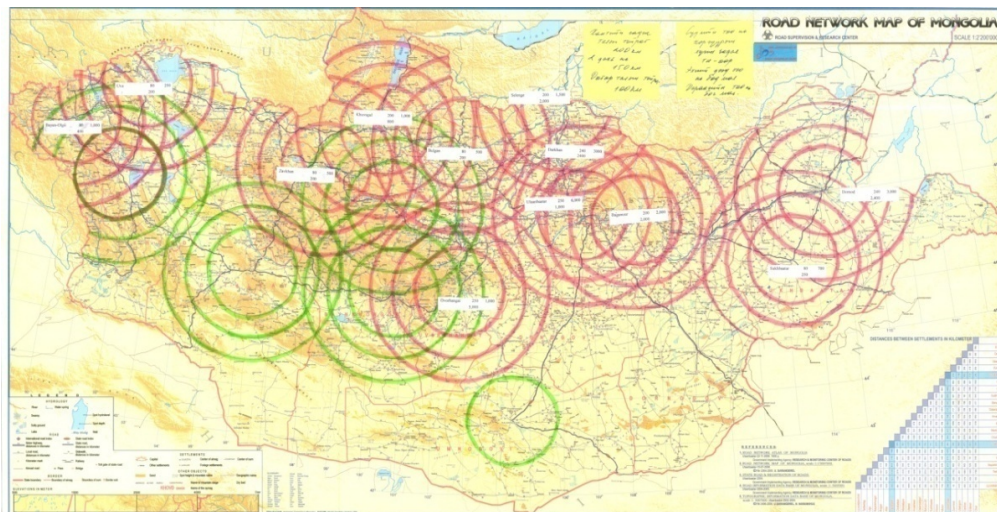


Diagram 3: Makh Markets meat processing plants operational diagram

In 2007 the issuer company introduced new meat processing system and it generated some possibilities like: herders don't need to go far to sell their livestock the distance has become close so that the livestock will not lose their weights, no middle man between herders and plants so it allowed them to decrease the price boosts, supply the customers with high quality meats, and during July to December any time the herders can sell their livestock at current market prices. Through this system the plants are directly buying the livestock from herders without any middle men, and producing high quality meats with low price.

Table 10: Meat processing and cut ability

Types	2007		2008		2009		2010	
	Number of processed livestock	Cut ability of one livestock %/	Number of processed livestock	Cut ability of one livestock %/	Number of processed livestock	Cut ability of one livestock %/	Number of processed livestock	Cut ability of one livestock %/
<b>Cow</b>	16,703	42.3	19,765	45.2	25,468	46.3	6,238	47.7
<b>Horse</b>	3,335	44.5	4,615	47.4	9,521	49.9	4,152	51.5
<b>Sheep</b>	33,902	40.1	55,911	42.1	860	41.9	23,374	42.3
<b>Goat</b>	4,235	39.1	8,273	36.5	1,116	-	7,870	41.9
<b>Total</b>	58,175	-	88,564	-	36,965	-	41,634	-



Picture 3: Radius of the subsidiaries



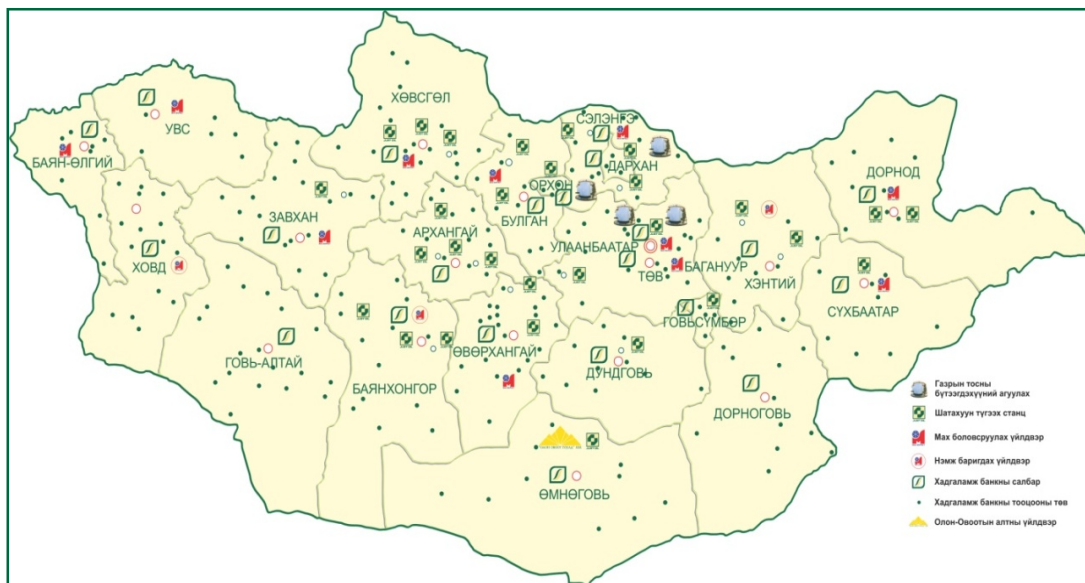
**Cooperating with the banks with the following ways during the meat processing:**

1. Payment of the livestock:

The cash assets that are dedicated for meat processing are put into Savings Banks deposits and the payments are done by their branches in local areas. Payments for the herders who sold their livestock will receive a checks with that checks the herders can get their money from any branches of Savings Bank within 3 work day. This is avoiding having high amount of cash at the plants and saving cashes from any risks, also it is helpful for the herders that they can control their expenses.

2. Connect the debts of the herders with the meat processing:

During the winter holiday “White moon” and “Naadam” , or when the school starts the herders needs cash so they take a loan from the banks. When the herders make a request to pay the debt after selling their livestock, they contact with the company and join together and supply their livestock in fall. In order to encourage the herders who supplied their livestock to the plants the issuer company pays 1/3 of the debts of the herders. Branches of Savings Banks are located in every province and soums so there aren't any trouble to cooperate with Savings Bank.



Picture 4: Location of the issuer and Savings Banks branches





**Process of livestock supply:**

Animal doctor, livestock counter, weigh man, specialist of livestock processing and other related officers will take the livestock from the herders and also government's animal inspectional inspector will inspect the process. During the process they will weigh the livestock's live weight and by the cut ability weight.

Following documents are prepared when receiving livestock:

- Certificate of origin /from the local animal hospital/
- Description of police
- Description of local governor and ID of the livestock supplier
- List of the hunch

Randomly choose 20-30% of the total livestock received in order to make inspection, if it's required /suspicious livestock, during the export meat processing, request from the partner, or decision made by animal doctor and inspectional inspector/ then the livestock will be 100% involved in blood testing. If there are some ill and suspicious livestock come out then quarantine that livestock, if it's inadequate then according to the "meat inspectional regulation" to solve separately.

**Production:**

Issuer company has generated an meat processing plants that have advanced new meat processing technologies, and producing meat, meat products with the quality, safety that meets with the international standards and supplying both domestic and foreign market.

**Quality Inspection:**

Major term and requirement of meat processing starts from the preparation of livestock until the production of finished goods, transportation, and marketing and in every step the quality inspections should be strict by doing this the customers will be satisfied with the products.

So in every step of the production the issuer is making quality inspections. For example in 1<sup>st</sup> of September 2010 they introduced the HACCP system at their main Makh market plant also they installed new technologies that are fully meet with ISO 22000 International standard.

Quality inspection of the production:



1) *Test from livestock:*

This test is taken one day before the livestock are been slaughtered and the result must be ready before the slaughtering starts. If necessary took test from every livestock, if not then take test from 20-30% of the total livestock.

2) *Test from the meat:*

This test is made from the sample, test the meat that comes from local areas are as following.

Hereto:

- a. In local area examined by the animal doctor.
- b. when arrived at Makh market main plant examined through quality control test.
- c. Every quarter examined at main laboratory of country's animal hospital and at the main laboratory of animal hospital of Ulaanabatar city.

3) *The following test are tested on the meat and meat product*

Following tests are tested on the meat and meat product to determine the quality: PH, moist, nitrite, azote, protein, peroxide, formalin, benzyl, number of germs, salmonella, fungal, E coli tests.

**Inspectional Laboratory:**

Issuer company is established an inspection laboratory at their main and subsidiary plants, and inspecting the sanitation, freshness. The main laboratory is authorized from the National Occupational Inspection.

The main laboratory works as give advice and directly controls the branch laboratories, also supplying them with the needed medicines and equipments.

Currently four branch laboratories are equipped with full equipments (Bulgan Makh market, Sukhbaatar Makh market, Khuvsgul Makh market and Uvs Makh market). Further step by step other branch laboratories will be equipped with the necessary equipments.

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1.12. **INFRASTRUCTURE AND TRANSPORTATION**

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Step by step all the plants that are located in the local areas are imporeved by new technologies, main plant and the production workshop is equipped with the equipments "Hankook Fujee Industries Co.ltd", "Guangzhou Xuzhong Food Machinery Co.ltd", and has the capacity to refrigerate 1500-2000 kg of meat in one day. The



finished goods workshop is equipped with the equipments of Russian and Seydelmann factory's and has the capacity to produce 1000kg of sausage in one day.

The refrigerating equipments are from Hasagewa Japan, Dong Yong factory Korean, the slaughtering plants are equipped with the equipments of Russia, Korea, and Germany, and the laboratories are equipped with the equipments of Russia and China.

From local plants there are total 5 trucks delivering meat and derivatives to Ulaabaatar city's main plant, 3 of the trucks are equipped with refrigerators and 2 of them are ordinary trucks each of them has capacity of 20 ton, the 2 ordinary trucks are used in the winter time. Issuers' main plant is located in Ulaanbaatar city 5 floored building, the building consists from slaughter shop, meat processing shop, finished production shop, and storage refrigerators. In every floor of this 5 floored building there are storage refrigerators with the total capacity of 7000 tons of meat. From these storage refrigerators currently refrigerators located in the 1<sup>st</sup> and 2<sup>nd</sup> floor are in use. In every floor there are an control camer and the security of the storage is done by another company. Every time when the shifts changes they must match with the financial calculations. For distribution they use trucks with the capacity of 600-1000kg.

In order to make the transportation of the products faster "Just Agro" LLC connects the main plant with Trans-Mongolian railroad on January of 2011. Therefore the main and the other plants had an advantage to directly export their products from their main plants to customers.

Trans-Mongolian railroad connects with Trans Siberian railroad at Naushc city of Russia; also it connects with China through the boarder point of Zamiin-Uud.

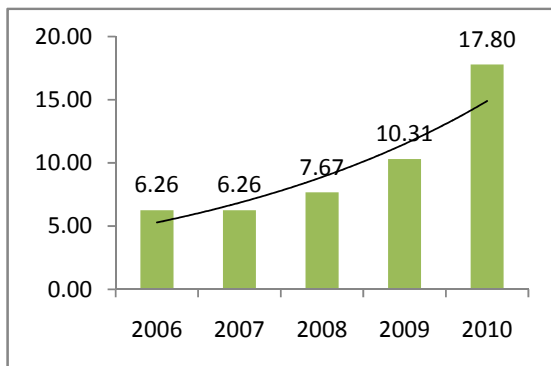


Picture 1: network of Trans-Mongolian railroad

**1.13. MARKETING**

According to our country the meat sales are divided into three ways: first one is through middle man, second one is through meat processing plants, and last one is exporting.

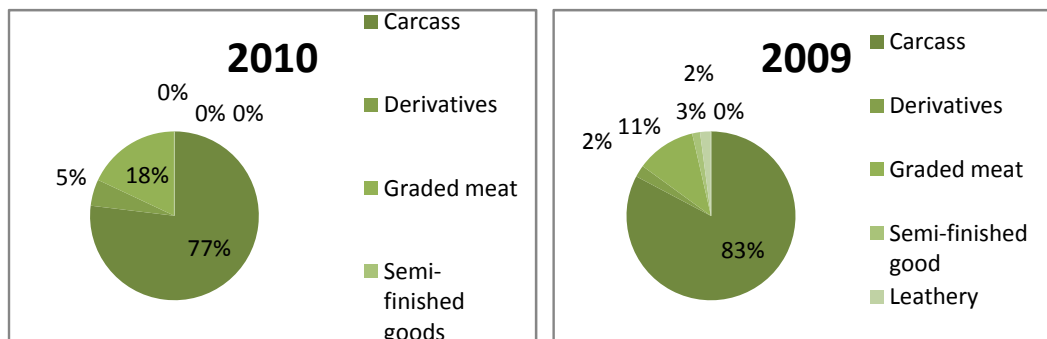
As a result of the technological advancement, capital investment, and the implementing policies and strategies of the issuer company helped the company's production and year by year the sales volume is increasing.

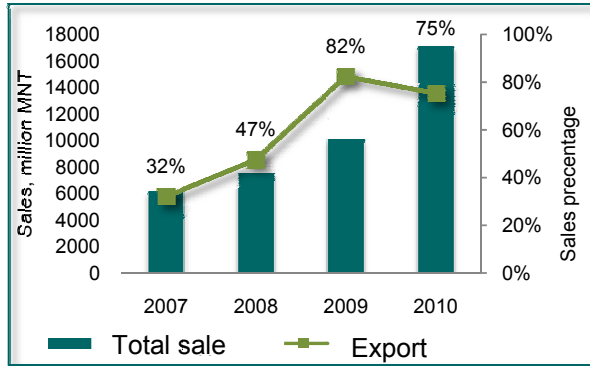


Issuer company is producing big cattle and small cattle carcasses, derivatives, graded meat, and semi-finished meat products at their main and 11 meat processing plants that are located in 11 province of Mongolia and supplying both domestic and foreign markets.

For last few years issuer company is focusing more on exports, innovate their technologies that are suitable for international standards and trying to increase their meat, meat product export. By the end of 2010 issuer company's export volume has been doubled compared with 2006 export volume.

Figure 9: Total sales structure





Last 2 years issuer company exported mainly beef and horse meats and it's because of the interest of the buyers.

For example, in 2009 they processed mainly beef and horse meat, exported 82% of total produced meats and supplied

derivatives and semi-finished goods for domestic market. In 2010 they still mainly processed beef and horse meats, exported 92% of the total beef and 97% of total horse meat that they produced and supplied the remaining meats to domestic market.

Table 11: Export volume (ton)

Exporting products	2007	2008	2009	2010	Total
Beef	474.6	1,186.8	2,205.1	2,559.7	4,426.2
Horse meat	651	239.7	475.3	1,911.4	3,277.4
Lamb	-	-	-	47.7	47.4
Dried beef	-	-	0.8	-	0.8
Finished goods	-	-	-	0.1	0.1
<b>Total</b>	<b>1,125.6</b>	<b>1,426.5</b>	<b>2,681.2</b>	<b>4,518.9</b>	

From 2007-2010 the exported meat, meat products are divided as following: 65.9% is beef, 33.6% is horse meat and the remaining percentages are lamb and other products. Issuer company generally trade their meat, meat products with Russia and Iran, 99.2% of total meat, meat products that are produced for last four years were supplied to Russian companies.

Table 12: Meat sales of Russia

	2007	2008	2009	2010	Total	Percentage
Ulaan Ud city, Buryatmyasprom	544.7	2,846.8	8,272.5	11,238.0	22,902.0	86.4%
Tuva	1,410.9	723.9	-	-	2,134.9	8.1%
Erkhuu city, "Sivmarjer" LLC	-	-	16.78	-	16.8	0.1%
Erkhuu city, "Ircutski" LLC	-	-	-	986.4	986.4	3.7%
Khagas, Abacan city	-	-	-	457.9	457.9	1.7%



From the table we can see that the main buyer of “Just Agro” LLC’s “Buryatmyasprom” plant of Ulaan Ud city, last four years total sales 86.4% was made with “Buryatmyasprom” plan.

“Buryatmyasprom” plant is cooperating with the issuer company for last 10 years and generally buys beef and producing canned beefs and supplying their domestic market. The buyer has 4 plants, 8 non manufacturing plants and the capacity to produce 130 thousand canned meats, 20 tons of sausages, and 10 tons of semi-finished products in one day.

**Sales of the reserved meat:**

Issuer company made an contract with the department of Ulaanbaatar city’s governor and started to reserve meat for the spring consumption of the population started from 2006.

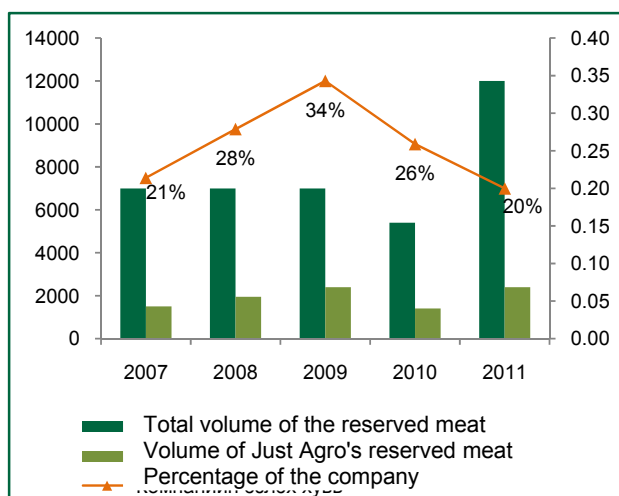


Table 13: Volume of reserved meat of "Just Agro" LLC

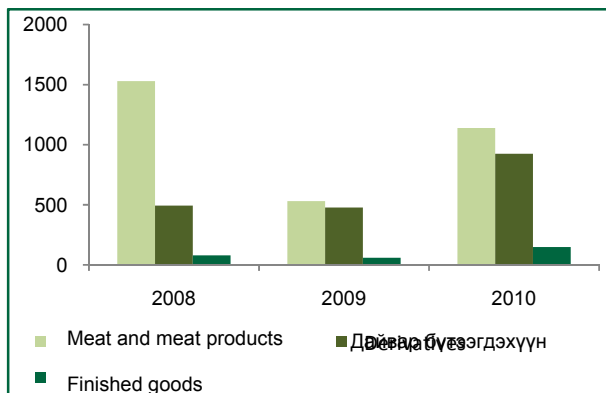
No	Meat type	2007	2008	2009	2010	2011
1.	Beef	350	350	150	550	150
2.	Lamb	1,150	1,150	1,770	150	1,770
3.	Chevon	-	-	480	700	480
	<b>Total</b>	<b>1,500</b>	<b>1,500</b>	<b>2,400</b>	<b>1,400</b>	<b>2,400</b>



**Retail sales of meat:**

Issuer company is selling buuz, dumplings, mince, smoked and normal sausages other products through their own brand stores and also through larger chain stores.

Issuer company has no future plan to develop this kind of business, because the sales volume is small and there are many competitors in this market.



From the last 3 years sales volume 60% is carcass and graded meat (3199.3 ton), 35% is derivatives (1895.3 ton), and 5% is finished goods (287 ton).



1.14. FINANCIAL STATEMENTS OF LAST 3 YEARS

Table 14: Balance sheet

Balance	/MNT/			
A. Current Asset	2008	2009	2010	2011 Q2
Cash and cash equivalents	128,733,317	18,060,895	6,940,500	52,106,257
Account receivable	222,813,606	2,095,073,758	345,598,844	184,638,902
Bad debt amortization	-	-	-	-
Other tax receivable	-	3,204,489	-	-
Other receivable	-	-	217,800	-
Inventory	5,068,403,113	8,196,365,925	3,313,597,149	2,876,561,466
Prepaid expenses	-	-	-	96,490,343
Account of subsidiaries	-	-	1,900,000,000	1,066,883,993
<b>Amount of the current asset</b>	<b>5,419,950,037</b>	<b>10,312,705,067</b>	<b>5,576,354,293</b>	<b>4,276,680,963</b>
<b>Non-current asset</b>				
Fixed asset	17,151,258,000	20,322,578,160	20,883,624,889	32,044,297,532
Accumulated depreciation	-	-408,392,026	-917,962,901	-200,326,993
Other fixed asset	6,836,670,101	10,018,327,778	11,654,545,739	13,490,059,641
Accumulated depreciation	-42,770,053	-735,497,819	-1,556,698,211	-535,138,103
Unfinished buildings	-	101,735,623	2,524,374,686	2,2569,520,200
Intangible asset	3,953,871	3,953,871	3,953,871	3,953,871
Accumulated depreciation	-	-395,387	-790,774	-988,467
Investment and others	-	-	-	2000,000
<b>Amount of non-current asset</b>	<b>23,949,111,919</b>	<b>29,302,310,200</b>	<b>32,591,047,298</b>	<b>47,373,377,679</b>
<b>Amount of total asset</b>	<b>29,369,061,956</b>	<b>39,615,015,267</b>	<b>38,167,401,591</b>	<b>51,650,058,643</b>
<b>B. Liabilities and owners equity</b>				
Account payables	602,041,664	2,819,494,978	1,025,513,169	420,466,973
Salaries payables	-	-	-	-
Income tax payables	3,449,132	-	20,504,560	8,563,936
Citizen income tax payables	5,786,140	6,342,867	987,460	127,696
VAT payables	-	-	-	-
Other tax payables	-	-	-	-
Health social insurance payables	5,657,547	-	-	169,405
Dividend payables	-	-	-	-
Short term bank loans	-	-	1,900,000,000	2,815,000,000
Other payables	-	-	-	-
Preceded income	-	-	116,170,108	127,830,009
Short term payables/subsidiaries	4,988,955,225	7,109,912,733	2,469,871,858	-
<b>Amount of short term payables</b>	<b>5,605,889,706</b>	<b>9,935,750,577</b>	<b>5,533,047,154</b>	<b>3,372,158,019</b>
Long term payables	16,984,335,300	24,982,391,094	28,237,845,242	468,187,241
Long term loans	-	-	-	-
Other long term payables	-	-	-	-
<b>Amount of long term payables</b>	<b>16,984,335,300</b>	<b>24,982,391,094</b>	<b>28,237,845,242</b>	<b>468,187,241</b>
<b>Amount of debt</b>	<b>22,590,225,006</b>	<b>34,918,141,671</b>	<b>33,770,892,396</b>	<b>3,840,345,261</b>







**PRESCRIPTION OF THE BOND**

<b>Owners equity</b>							
Private equity	10,000,000	-	10,000,000	-	10,000,000	-	28,247,845,242
Amount of capital stock	10,000,000	-	10,000,000	-	10,000,000	-	28,247,845,242
Revaluation capital	11,554,795,132	-	11,554,795,132	-	11,129,775,386	-	26,567,984,661
Other section of owners equity							
Retained earnings /loss					-6,743,266,192	-	-7,006,116,520
<b>During balance report</b>	<b>5,529,488</b>	<b>-</b>	<b>-2,081,963,354</b>	<b>-</b>	<b>123,340,997</b>	<b>-</b>	<b>64,042,787</b>
<b>Before balance report</b>	<b>-4,791,487,671</b>	<b>-</b>	<b>-4,785,958,183</b>	<b>-</b>	<b>-6,866,607,189</b>	<b>-</b>	<b>-7,070,159,308</b>
<b>Amount of owners equity</b>	<b>6,778,836,949</b>	<b>-</b>	<b>4,696,873,595</b>	<b>-</b>	<b>4,396,509,195</b>	<b>-</b>	<b>47,809,713,382</b>
<b>Amount of debt and owners equity</b>	<b>29,369,061,956</b>	<b>-</b>	<b>39,615,015,267</b>	<b>-</b>	<b>38,167,401,591</b>	<b>-</b>	<b>51,650,058,643</b>



Table 15: Income Statement

<b>Income Statement</b>				/MNT/
<i>Indicators</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011 Q2</i>
<b>Sales revenue</b>	7,669,353,855	10,309,506,115	17,799,654,295	3,675,716,415
Sales depreciation and return	-27,210,995	1,678,903	1,871,418	
Sales discount		400,217		
<b>Amount of sales revenue</b>	<b><u>7,642,142,860</u></b>	<b><u>10,307,426,996</u></b>	<b><u>17,797,782,877</u></b>	<b><u>3,675,716,415</u></b>
Cost of Goods Sold	4,992,702,491	6,000,055,274	8,874,999,731	1,712,994,699
<b>Gross Profit /loss/</b>	<b><u>2,649,440,369</u></b>	<b><u>4,307,371,722</u></b>	<b><u>8,922,783,146</u></b>	<b><u>1,962,721,716</u></b>
Salaries expenses	693,125,611	1,063,419,166	1,130,814,909	393,447,463
Social insurance expenses	78,123,971	131,998,154	138,141,175	55,128,365
Repair and service costs	90,221,773	96,783,654	210,313,205	33,724,712
Operating costs	199,007,038	291,336,294	309,184,324	49,615,540
Rental costs	36,223,655	39,265,624	34,611,250	13,566,831
Commission costs	62,859,803	72,208,795	46,082,427	16,077,346
Transportation cost	174,443,284	227,043,963	151,170,616	7,729,200
Raw material costs	11,767,660	24,543,825	28,766,066	
Depreciation costs	759,720,590	1,102,551,568	1,434,607,603	860,460,048
Marketing costs	14,985,689	21,464,051	10,694,214	3,723,970
Post, communication costs	21,422,687	23,860,239	15,280,029	7,250,475
Fuel costs	170,901,138	378,164,246	240,541,891	37,979,031
Bad debt costs			9,040,522	
Interest rate expenses	550,735,409	3,174,908,815	4,910,534,681	207,150,904
Other costs	420,185,807	508,465,733	484,368,011	188,845,191
<b>Total operation expenses</b>	<b><u>3,283,724,114</u></b>	<b><u>7,156,014,125</u></b>	<b><u>9,154,150,925</u></b>	<b><u>1,874,915,537</u></b>
<b>Main operating profit /loss/</b>	<b><u>-634,283,746</u></b>	<b><u>-2,848,642,404</u></b>	<b><u>-231,367,779</u></b>	<b><u>87,806,178</u></b>
Unearned revenues	668,775,061	826,185,982		
Unearned loss	25,512,696	59,506,933		-13,852,973
<b>Amount of unearned revenues /loss/</b>	<b><u>643,262,365</u></b>	<b><u>766,679,050</u></b>	<b><u>375,218,337</u></b>	<b><u>-13,852,973</u></b>
<b>Net profit before tax /loss/</b>	<b><u>8,978,619</u></b>	<b><u>-2,081,963,354</u></b>	<b><u>143,850,557</u></b>	<b><u>73,953,206</u></b>
Tax	3,449,131,50	-	20,509,560	9,910,418
<b>Net profit after tax /loss/</b>	<b><u>5,529,488</u></b>	<b><u>-2,081,963,354</u></b>	<b><u>123,340,997</u></b>	<b><u>64,042,787</u></b>



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**1.15. INFORMATION ABOUT THE DEBTS OF THE ISSUER**

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Bond issuer' financial performance before the bonds are introduced is total 3.85 billion MNT of debts, of which 2,81 billion MNT is short term loan from Savings Bank of Mongolia to fund their current asset.

According to the first loan agreement of 1,900,000,000 MNT which is made on 29October, 2010, Savings Bank has financed 1,900,000,000 MNT with the condition of 21.6% of interest with 1 year, on January 21<sup>st</sup> of 2011 there was an amendment on the agreement, and the amendment was to increase the amount of the loan by 915,000,000 MNT with the condition of 15.6% of interest, extended the payment period till October 20<sup>th</sup> of 2012.



**1.16. INDEPENDENT AUDITOR'S REPORT**

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Fax: +976-11305403  
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**DALAJVAN AUDIT**  
Certified audit, appraisal and accounting  
consultancy company

**INDEPENDENT AUDITOR'S REPORT**


**To: T. Sodnomdarjaa**  
**Executive Director of Just Agro LLC**


We have audited the accompanying financial statements of Just Agro LLC (hereinafter refers as Company), which comprise the balance sheet as of June 30, 2011 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express our independent opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatements.

During the audit, we were provided with the implementation status of prior audit recommendations given to the audit findings revealed during the financial audit of FY2010 and the interim review for 1<sup>st</sup> quarter FY2011 by the management and finance officials. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the management actions on the audit findings would greatly affect our qualification of audit opinion on the financial statements for the period ended December 31, 2011.

  
**General Director, CPA**  
**Ts. Jigden**  
July 22, 2011

  
an independent member of  
**BAKER TILLY  
INTERNATIONAL**



*The financial statements of Just Agro LLC as at June 30, 2011*

**Working Note:**

1. The following significant transactions were occurred during the 2<sup>nd</sup> quarter of FY2011:
  - 1.1 The balance of Investment account has been increased by MNT 2,000,000 as the companies named as "Makh Market International" LLC and "Khatan suman" LLC have been registered as subsidiaries of Just Agro LLC.
  - 1.2 On December 20, 2011 Just Agro LLC signed an agreement for Loan Transfer and Utilization amounted to MNT 7.5 billion with "Khatan suman" LLC. During the 2<sup>nd</sup> quarter of FY2011, Just Agro LLC borrowed a total of MNT 915,000 from Savings Bank. As a result, short term loan has been increased by this amount.
  - 1.3 Meat Processing Factory in Selenge Aimag (a province) and another same factory in Baganuur (a district) owned by "Khatan suman" LLC are being utilized by Just Agro LLC under an agreement for Property Adoption. In accordance with the agreement, Just Agro LLC is responsible for operation of factories, their maintenance and safety. Thus, the factories have been recorded into the accounts of the company.
  - 1.4 An official of the company explained the action stated in 1.3 is expected to be continued throughout FY2011. Thus, the auditor will audit the operational results to be reported in the financial statements for the year ended.
2. During the audit, the auditor obtained the implementation status of prior audit recommendations given to the audit findings revealed during the financial audit of FY2010 and the interim review for 1<sup>st</sup> quarter FY2011 from finance officials. There were a total of 7 recommendations focused on the financial reporting, accounts recording, the estimates of equity, costing and taxation. The company has been implemented 5 recommendations.

**DALAI VAN-AUDIT" Co.,Ltd**  
**CERTIFIED ACCOUNTING, AUDITING**  
**& APPRAISAL**

Auditor's Assistant: Sh.Narantungalag



**1.17. EVALUATION COMPANY’S CONCLUSION ON THE ISSUER COMPANY’S ASSET AND BUSINESS**

The company’s assets and business evaluation has been executed by “Burtgel- Erdem Association” LLC for their issuing bonds.

The company’s assets were evaluated by every plants, and by the type of the assets, the total assets are calculated to be 45,206.9 million MNT.

- The evaluations of the total assets are calculated as following: current asset minus total amount of debt. From the audited financial statements of the issuer the following conclusions are made:

The current asset is recorded as 5576.3 million MNT but 12.3 million MNT were transferred to prepaid expenses. To evaluate the current asset we calculated as following: the net income is calculated 15% of the ending balance of the finished goods and evaluation were increased by 467.7 million MNT, while the debts of 1900.0 million MNT between the subsidiaries of “Just Agro” LLC was removed from the short term debt, and evaluated the current asset as 4,144.0 million MNT and the short term debt is 3,633.1 million MNT.

- Accounted 28,237.3 million MNT as an long-term debt is totally invested capital by “Just Group” LLC for the last five year to fund the “Just Agro” LLC, so according to the conclusion of “Dalaivan Audit” LLC the amount of long term debt is decreased, and according to the charge of the Chief Executive Director of “Just Group” LLC on March 30<sup>th</sup> of 2010, the long term debts removed and on table 3 the new evaluation of current asset is calculated.

**CORRECTED BALANCE SHEET AFTER ASSET EVALUATION ( million MNT)**

Asset	Financial statement of 2010		Adjustment of evaluation	Revalued evaluation
	Balance	Auditors adjustment		
<b>1. Current Asset</b>				
- Cash and cash equivalents				16.9
- Account receivables and other receivables	16.9	-12.3		333.5
- Settlements of parties	345.8		-1 900.0	
- Raw material	1 900.0		467.7	3781.3
- Prepaid expenses	3 313 .6	12.3		12.3
Amount of current asset	5 576.3		-1 432.3	4 144.0
<b>2. Non-Current Asset</b>				
- Fixed asset (net) and unfinished buildings	32 587.9	-431.8	13 050.8	45 206.9
- Intangible assets	3.2			3.2
Amount of non-current asset	32 591.1	-431.8	13 050.8	45 210.1
<b>Total Asset</b>	<b>38 167.4</b>	<b>-431.8</b>	<b>11 618.5</b>	<b>49 354.1</b>



<b>3. Short term debt</b>				
- Account payables	1 025,5			1 025.5
- Other payables, урьдчилсан орлого	137.7			137.7
- Payables for party	2 469.9	-1 900.0		569.9
- Bank loans	1 900.0			1 900.0
Amount of short term debt	5 533.1	-1 900.0		3 633.1
<b>4. Long term debt</b>	28 237.8	-28 237.8		
<b>Total Liabilities</b>	<b>33 770.9</b>	<b>-28 237.8</b>	<b>-1 900.0</b>	<b>3 633.1</b>
<b>5. Amount of owners equity</b>	<b>4 396.5</b>	<b>27 806.0</b>	<b>13 518.5</b>	<b>45 721.0</b>

After the evaluation of the net assets the total asset amount was 45,721.0 million MNT and it's 9 times higher than the end of the 2010 financial statement.

67.3% or 21806.0 million MNT of long term debt was transferred to owners equity account and 32.7% or 518.5 million MNT was increased by the reevaluation. After considering all these evaluation the net asset (total asset minus all the debts) of "Just Agro" LLC is 45.720 billion MNT (this amount is rounded).

The total amount of the evaluation is evaluated by the following ways: 45% of importance to the asset evaluation, 55% of importance to the business evaluation and by the average 45.720 billion MNT is multiplied by 45% and 60.072 billion MNT multiplied by 55% and plus the answers is 612.5 million MNT, the total asset and business evaluation of "Just Agro" LLC's 53.300 billion MNT, all the detailed reports and evaluation methods are send to the customer.

**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 10<sup>th</sup> 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 Batkhoo 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](http://www.anand-advocates.com).



*The company's main operation is meat processing and storage. These operations are regulated under following laws*

- Law on nutritive
- Law on chemical and dangerous elements
- Law on “prevention from rustle and crime”
- Law on “genetic fund of livestock and health service”

According to the law of Mongolian administration, territory unit and their governance also in accordance with the #72 of the Bayangol districts country's meeting, the production and service department of the given districts governors office granted a special certificate #97 allowing to run a production and service in the territory of Bayangol district. The certificate is valid from November 24<sup>th</sup> of 2010 till November 24<sup>th</sup> of 2011.

Company has secured their plants safety and according to the law on fire safety, and the regulation made by the director of the emergency front office the issuer company is adequated the safety of the workplace so they allowed the evaluation of workplace fire safety. This evaluation is valid from December 03<sup>rd</sup> of 2010 till December 03<sup>rd</sup> of 2011.

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On March 24<sup>th</sup> of 2011 according to the article 7s subject 7.1.9 the States Specialized Inspection Agency granted a AAA classed procuracy for the main plant of the issuer (AAA procuracy is an right to supply meat to international markets), and granted AA classed procuracy for the subsidiaries of the issuer (AA procuracy is an right to supply meat for domestic market and if the importing country allows then it can supply international market).

This procuracy is only granted to plants that have been inspected by the states animal hospital, plant prohibition and banned inspection, and the expert's confirmation.

In our country there are 42 standards are pursued by the meat and meat product producing plants.

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Company's jurisdictions, management structure, rights and duties, company's financial and functional policies, and plans are determined by the company law, “Just Group” LLC's regulations and accountancy policy, financial procedures manual, rule of the company and by the functionalhome rules.

Head company of the issuer only have one shareholder so the shareholder have the rights to change the form of company, reorganize, also have the right to liquidation and this is the weakness of the company.



By issuing a bond the company is entering into the stock market so it must follow the law of stock market, and the regulations and policies that are introduced by the Financial Regulatory Committee and Mongolian Stock Exchange JSC.

The subsidiaries of the company is coordinated by the company's home rules.

*The labor relationships are regulated under following laws:*

1. *Civil law*
2. *Law on labor*
3. *Law on sending labor force abroad and receive labor force from abroad*
4. *Law on social insurance*
5. *Law on safeto of labor and sanitary*
6. *Law on minimum wage*
7. *Government resolutions for social insurance law*
8. *Government resolutions for "Conterversy arbitration commissions regulations" and etc..*

The purpose of these laws and regulations are to serve equally for both sides as the employee and the employer.

*The tax of the organizations and entities are regulated under following laws.*

1. *General law of tax*
2. *Law of income tax*
3. *Law of VAT*
4. *Law of real estates tax*
5. *Law of accountancy and etc.*

The purpose of the general law of tax is to collect tax for state, to assign, to charge, to report, to pay, to inspect and to collect tax from taxpayer, control the relationship between taxpayers and taxcollectors.

By the law of income tax, the organizations will be tax on following incomes:

- I. *Operational income /according to the income rate at article 8.1.1-8.1.11 of the law of income tax/,*
- II. *Capital income /according to the income rate at article 9.1.1-9.1.4 of the law of income tax/,*
- III. *Income of inventory liquidation /according to the article 10.1.1-10.1.2 of the law of income tax/*



The following products, work and services will be charged for 0-10% of VAT

- I. All the products that are sold within Mongolia,
- II. All the products that are exported from Mongolia
- III. All the products that are imported to Mongolia
- IV. All the service and works done within Mongolia

In the law there are some products and services that are exempted from the tax:

- In order to support the grain and meat producers they are exempted from VAT.
- In order to increase the supply of meat that are processed industrial ways the producers are exempted from VAT.

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*Most of the Worlds countries are suffering from a deficiency of food,so nowadays Mongolians need to fully supply the domestic market with meat, milk, milk products, flour, rice, and vegetables that are grown by themselves and further help some Worlds countries to decrease the foodstuff deficit, and export so the government is implemating some projects to support the agricultural sector.*

#### ***I. “Mongolian Livestock” program***

On May 20<sup>th</sup> of 2010 the Great State Assembly certified the Mongolian Livestock program in order to increase the number of livestock that are compititive in todays world market and make it as one of the economically effiecient sector of the country, and supply both domestic and foreign market wit high quality meat.

#### ***II. “Health of the livestock” program***

This program approved by the accordance with the resolution #64 of Government on April 21<sup>st</sup> of 1999, the purpose of this resolution was to improve the health care system of the livestock that for stock-raisings, and all the livestock must be protected from diseases. Through this program the animal diseases will decrease and the barrages related to animal diseases will be removed so that the export amount will increase.

#### ***III. “Support the development of animal husbandry” program***

This program approved by the accordance with the resolution #160 of Government of Mongolia on June 24<sup>th</sup> of 2003. Program will be carried out from 2003-2008 and 2009-2015, and the purpose of this program is to develop the animal husbandry sector as dairy-farming, meat farming, and meat and dairy



farming and by this increase the productivity of livestock, and improve the breed.

If this program successfully implement's then hereinafter there will be advancement in the exporting meat quality, and the competitiveness of the Mongolian meat will increase in the World market.

**IV. "Improvement of the livestock quality" program**

*This program approved by the accordance with the resolution #93 of the Government of Mongolia on April 26<sup>th</sup> of 2006, and the purpose was to improve the quality of livestock and protect the genetic fund of the livestock.*

**V. "Food supply and nutrition", "Warranty of the food" program**

On 2001 the Government of Mongolia approved the following 2 big programs .

*In order to decrease the price boost the Government of Mongolia is giving bonuses for reserved meat. Contract of meat reserving and giving bonuses:*

*This contract is made between general manager of Ulaanbaatar city and the meat reserving companies.*

*Through this contract the meat reserving companies, meat storing companies also the selling companies are selected and inspected by the government inspectors.*

*Issuer company made this contract with Mongolian Meat Association on August 25<sup>th</sup> of 2010. According to the contract issuer company needs to reserve 2400 tons of meat totally in 2011 (beef 150 ton, lamb 1770 tons, chevon 480 tons).*



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**TWO. THE ISSUE**

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**2.1. INTRODUCTION OF THE OFFERING**

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In accordance with article 42, 43 of the “COMPANY LAW” and article 4, 5 of the “SECURITIES LAW” “MAKH” bond is issued to the public by company.

<b>Bond Type:</b>	Nominal and intangible
<b>Par value:</b>	10,000 MNT
<b>Bond volume offered to the public:</b>	3,000,000
<b>Required investment:</b>	30,000,000,000 MNT
<b>Maturity:</b>	12 months
<b>Annual Yield /monthly/:</b>	16.2% /1.35%/
<b>Interest payment frequency:</b>	Quarterly
<b>Primary market placement:</b>	Partially
<b>Frequency of bond issuance:</b>	Three times
<b>Amount per issuance:</b>	10,000,000,000 MNT
<b>Call back condition:</b>	Bond will be redeemed at the maturity date Financing meat processing activities
<b>Use of proceeds:</b>	Bond is guaranteed by asstes and meat sales
<b>Guarantee:</b>	contracts. Additional overdue charges, 0.02% of total amount of interest, will be paid for each additional day.
<b>Overrunning of the period of payment:</b>	
<b>Underwriter:</b>	“BDSEC” JSC
<b>Registration, depository, clearing and settlement of the Bond:</b>	“Mongolian Securities Clearing House and Central Depository” LLC
<b>Bond trading:</b>	All of the Bonds will be offered to the public through Mongolian Stock exchange.

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**2.2. DECISION TO OFFER BONDS TO THE PUBLIC**

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In accordance with 42th and 43th provisions of “COMPANY LAW OF MONGOLIA”, 4th and 5th provisions of “SECURITIES LAW” and resolution №A-01/19, dated on March 30<sup>th</sup>, 2011, of general director of “Just Group” LLC, shareholder of the issuer, “Just Agro” LLC is issuing Bonds with above mentioned conditions.

***Legal opinion given by Law firm about validation of decisions to offer bonds to the public***





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**2.3. GUARENTEE OF THE BONDS**

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According to the article 6 of the agreement made between issuer and underwriter company the guarantee of the bonds will be the real estates and exporting contracts of the issuer company.

Real Estates:

The following plants of the issuer is the guarantee of the bonds capital and interest payments.



**“ЖАСТ ГРУПП” ХХК-ИЙН ЕРӨНХИЙ ЗАХИРЛЫН  
ТУШААЛ**

2011 оны 05 сарын 19 өдөр

Дугаар А-01/28

Улаанбаатар хот

Хөрөнгө тусгаарлах зөвшөөрөл олгох тухай

“Мах бонд” өрийн бичиг гаргах гэж байгаатай холбогдуулан ТУШААХ нь:

Нэг. “Жаст Агро” ХХК-ийн “Би Ди Сек” ХК-тай байгуулсан Андеррайтерын гэрээний дагуу “Мах бонд” өрийн бичиг гаргахтай холбогдуулан энэхүү тушаалын Нэгдүгээр хавсралтад дурьдагдсан “Жаст Агро” ХХК-ийн үл хөдлөх эд хөрөнгүүдийг бондын баталгааны барьцаа болгож тусгаарлан “Би Ди Сек” ХК-тай барьцааны гэрээ байгуулахыг “Жаст Агро” ХХК-ийн Гүйцэтгэх захирал Л.Содномдаржаа/-д зөвшөөрсүгэй.

Хоёр. Нэгдүгээр хавсралтад дурьдагдсан салбар үйлдвэрүүдийн хөрөнгүүдийг Андеррайтерын гэрээгээр тохиролцсоноос өөр зорилгоор ашиглахгүй байхыг “Жаст Агро” ХХК-ийн Гүйцэтгэх захирал Л.Содномдаржаа/-д үүрэг болгосугай.

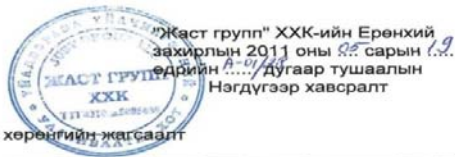
Гурав. Олон нийтэд санал болгож буй бондыг бүртгэх тухай Санхүүгийн Зохицуулах Хорооны тогтоол гарсны дараа Нэгдүгээр хавсралтад дурьдагдсан хөрөнгүүдийг тусгаарлан УБЕГазрын Эд хөрөнгийн эрхийн бүртгэлийн газарт бүртгүүлэхийг “Жаст Агро” ХХК-ийн Санхүү хариуцсан дэд захирал Л.Баасанжаргал/-д үүрэг болгосугай.

Дөрөв. Тушаалын хэрэгжилтэд хяналт тавьж ажиллахыг Дотоод хяналтын газрын захирал /Б.Хөхөожаргал/-д үүрэг болгосугай.



ЕРӨНХИЙ ЗАХИРАЛ

 Ш.БАТХҮҮ



Тусгаарлах хөрөнгийн жагсаалт

№	Үйлдвэрийн нэр	ҮХЭХӨЭ-ийн Улсын бүртгэлийн дугаар	Тусгаарлах хөрөнгийн дүн, (мян.төг)
1	Улаанбаатар ММ	Y-2205011375	11,939,667.9
2	Баян-Өлгий Мах маркет	Y-0213000010	4,491,252.2
		Y-0213000430	
		Y-0213000445	
		Y-0213000446	
		Y-0213000447	
		Y-0213000448	
		Y-0213000449	
		Y-0213000450	
3	Завхан Мах маркет	Y-0905000534	1,234,576.3
		Y-1213001436	
4	Сүхбаатар Мах маркет	Y-1213000413	1,157,204.0
		Y-0415000106	
5	Булган Мах маркет	Y-0415000106	1,384,128.6
6	Увс Мах маркет	Y-1520001817	815,467.6
7	Дорнод Мах маркет	Y-0614002893	8,374,918.5
		Y-0614002894	
		Y-0614002895	
8	Хөвсгөл Мах маркет	Y-1723002151	2,218,022.1
<b>Нийт дүн</b>			<b>31,615,237.2</b>

According to the resolution of the Chief Executive Director of "Just Group" LLC the following plants are the guarantee of the bonds.

№	Name of the plants	States registration number	Total Asset (thousand MNT)
1.	Ulaanbaatar Makh market	U-2205011375	11,939,667.9 MNT
2.	Bayan-Olgii Makh market	U-0213000010	4,491,252.2 MNT
		U-0213000430	
		U-0213000445	
		U-0213000446	
		U-0213000447	
		U-0213000448	
		U-0213000449	
		U-0213000450	
		U-0213000451	



		U-0213000453	
3.	Zavkhan Makh market	U-0905000534	1,234,204.3 MNT
4.	Sukhbaatar Makh market	U-1213001436	1,157,204,0 MNT
5.	Bulgan Makh market	U-0415000106	1,384,128.6 MNT
6.	Uvs Makh market	U-1520001817	815,467.6 MNT
7.	Dornod Mkh market	U-0614002893	8,374,918.5 MNT
		U-0614002894	
		U-0614002895	
8.	Khuvsgul Makh market	U-1723002151	2,218,022.1 MNT
	Total		31,615,237.2 MNT

Exporting contract:

In March 10<sup>th</sup> of 2011 made a contract with “Uni trade” Co. to export 4600 tons of lamb to Iran within February 28<sup>th</sup> of 2012 by using 2 times of transportation.

In April 15<sup>th</sup> of 2011 made a contract with Russian company “Buryatmyasprom” Co. to export 12000 tons of beef and horsemeat that worth 30,720,000 USD within August 1<sup>st</sup> of 2011 till December 31<sup>st</sup> of 2012.

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**2.4. BONDHOLDERS RIGHTS**

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A holder of a bond in a company enjoys following rights:

A bondholder has the right to demand the following documents and information:

- Performance of the project, Төслийн гүйцэтгэл, progress report, and other documents related to the projects.
- Capital expenditure of project budget, financial reports
- The market value of the bonds, information of the exchange market
- A bondholder has the right to sell their bonds on the secondary market.
- End of every quarter receive interest, if the interest paying day exceeds then consider undue loss of 0.02% from interest payment and receive the interest payment along with the undue loss.
- Has the right to sell the bonds back to the issuer with the nominal value



- Take any information related to the issuer companies progress performance from the issuer or from the underwriter company, and enjoys all other rights that are in the law.

**2.5. ISSUER RIGHT**

- Issuer needs to report fair information about their financial statements and other information
- Issuer spends the capital from the bonds only for the issued purpose.
- Issuer needs to guarantee the bonds with their real estates and exporting contracts.
- Issuer needs to guarantee the capital and interest payments of the bonds with their equities.

Obligation to deliver information to bondholders:

“Just Agro” LLCneeds to deliver every information related to capital expenditure of the bonds to bondholders. Issuer will deliver their information by the following ways

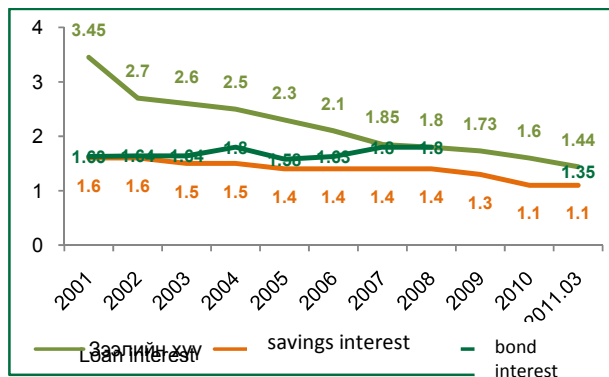
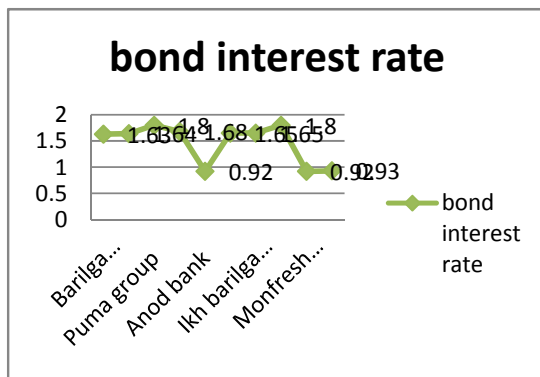
Upload the information on [www.justgroup.mn](http://www.justgroup.mn) web site. Send the information by e-mails of the bondholders. Organize a tour for bondholders.

**2.6. THE OFFERING INTEREST RATE OF ISSUER**

Issuer company determined their interest rate by comparing the interest rate of the commercial banks, other bonds that have been exchanged previously on the MSE.

The interest rate of the “Meat bond” is 16.2% in a year, 1.35% in a month and comparing it with the interest rate of the commercial banks 51.4% higher than savings interest rate and 0.6% lower than loan interest rates.

From 2001 companies started to issue a bonds and exchange it on the Mongolian stock market in order to capitalize a funding, until now totally 13 companies have been issued a bonds. You can see the interest rate of the issued bonds in stock market.



**2.7. BONDS PLACEMENT ON THE PRIMARY MARKET**

The 3,000,000 number of issuing bonds valid period of placement on the primary market is 12 months. When placing the bonds on the primary market it will be divided into three parts and placed by partially.

- I. After getting the permission from “Financial Regulatory Commission”, first part of the issuing bonds will be placed on the primary market within August 30<sup>th</sup> of 2011. After the placement of the first part of the issued bonds on primary market successfully send the records to competent authorities’ and announce among public within 15 working days.
- II. The second part of the issuing bonds will be placed on the primary market within August-September 2011, after the first issued bonds are successfully traded. After the placement of the secondpart of the issued bonds on primary market successfully send the records to competent authorities’ and announce among public within 15 working days.
- III. The third part of the issuing bonds will be placed on the primary market within 30<sup>th</sup> of October of 2011, after the second part of the issued bonds are successfully traded. After the placement of the third part of the issued bonds on primary market successfully send the records to competent authorities’ and announce among public within 15 working days.

Period	2011					2012								
	8	9	10	11	12	1	2	3	4	5	6	7	8	9
Cap														
MMB 1	10 Billion MNT													
MMB 2	10 Billion MNT													
MMB 3	10 Billion MNT													
Interest Payment 1				+			+			+			+	
Interest Payment 1					+			+			+			+
Interest Payment 1						+			+			+		+
Capital Payment 1													+	
Capital Payment 1														+
Capital Payment 1														+



The bonds savings, registrations and the payments of the bonds on primary and secondary markets will be done by Mongolian Securities Clearing House and Central Depository LLC.

If the issuer transferred the payments within 12 o'clock then it's considered as T+0, if transferred after 12 o'clock then it is considered T+1. In otherword if the depository receives the payments before 12 o'clock then it will transfer the payments of the bondholders within 14-16:30 PM of that day, if receives the payments after 12 o'clock then it will transfer the payments of the bondholders 9-12 AM of the next day.

Issuer will transfer the first, second, third and fourths interest payments and the capital payment of the bonds to the account of the holders at Mongolian Securities Clearing House and Central Depository LLC.

If the interest paying day is weekend then it will be transferred until the next working day.

#### **How to buy the bonds?**

The investors will buy the bonds through brokerage and dillering companies.

Before entering into exchange the investors needs to credit cash you want buy and other fees at your securities account.

#### **Who is able to buy the bonds?**

On primary market exchange all Mongolians and foreign organizations that have accounts on Mongolian Securities Clearing House and Central Depository LLC.

If you need more specific information about how to open a account please contact with brokerage firms.

#### **Taxation and Commision**

##### **Commercial commission:**

In order to participate at the exchange of the bonds you need to pay 0.1% of commission of total amount of sales.

##### **Tax:**

In accordance with "Private person income tax law", the paragraph 30.2 of Article 30 indelicate that "the taxes on the revenues mentioned in the paragraphs 13.1.3 and 13.1.4 of this law will be calculated and paid from January 01 of 2013". The paragraph 13.1.3 indicates that "dividend revenue" and the paragraph 13.1.4 indicates "interest income". Therefore, any individual who earns dividend revenue will not pay an income tax on dividends until January 01 of 2013.



The paragraph 16.3 of the “Corporate income tax law” indicates that “the following incomes will be separately determined as taxable income”, and the paragraph 16.3.1 indicates that “dividend revenue”. The paragraph 17.2 indicates that “The rates of taxes indicated in this paragraph will be defined as follow”, and the paragraph 17.2.1 indicates that “the tax rate of dividend revenue will be calculated by 10 percent”. Therefore, companies which earn dividends should be taxed by 10 percent.

**To impose income tax on the sale of common stock:**

The taxable income on the sale of common stock and other securities will be calculated by the difference between the income from the sales and the sum of cost for the purchase and commission paid both buy and sell side. Individuals and corporate will pay 10 percent of income tax for the income from stock sale.

**Foreign exchange rate /Mongolian tugrug/**

Mongolia Stock Exchange listed stocks are traded against the national currency called tugrug. /MNT/ The currency rate will be set as of the given day’s rate which is renewed on the commercial banks’ website on a daily basis.

Please follow the links below to view Mongolian largest commercial bank’s currency rates:

**Golomt bank: [www.golomtbank.com](http://www.golomtbank.com)**

**Khan bank: [www.khanbank.com](http://www.khanbank.com)**

**State bank: [www.statebank.mn](http://www.statebank.mn)**

**Trade and Development bank: [www.tdbm.mn](http://www.tdbm.mn)**

**Savings bank: [www.savingsbank.mn](http://www.savingsbank.mn)**

**How to credit cash to buy bonds?**

Investors need to credit certain amount cash that is not less than a total value of the purchasing shares and the commission. A wire transfer should be sent to the Securities Clearing House and Central Depository’s bank account.

Please contact your brokerage firm to get more details on wire transfers.

**The bank accounts of Mongolian Securities Clearing House and Central Depository LLC**

Name of the recipient: “MSCHCD” LLC

Recipient bank: Savings Bank

Recipient account number: 10000018669



SWIFT code: SVBMMNUB

Recipient bank: Golomt Bank

Recipient account number: 1102017223

SWIFT code: GLMTMNUB

Recipient bank: Khaan Bnak

Recipient account number: 5082007254

SWIFT code: AGMOMNUB

Recipient bank: Public Bank

Recipient account number: 3413000658

SWIFT code: STBMMNUB

Recipient bank: Trade and development bank

Recipient account number: 499138239

SWIFT code: TDBMMNUB

**Prejudication:**

According to the collaborate agreement made between “Golomt Bank” LLC, “Just Agro” LLC and “BDSec” JSC on May 17<sup>th</sup> of 2011, Golomt Bank wants to buy from the Issuer company’s issuing bonds with the amount equal to 10 billion MNT.

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**2.8. USE OF PROCEEDS AND A BRIEF FEASIBILITIES STUDY OF THE PROJECT**

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**Order of the day**

Currently “Just Agro” LLC’s producing meat that are meets the requirements of the domestic and foreign partners. However the following order of the days are required:

**The preparation of livestock**

Every year at least prepare 300 thousand head of cattles and involve in test, improve the inspection:

- When receiving large number of livestock an livestock that are lower than the standard weight may received;





- During the slaughtering process derivatives or some useful parts maybe lose;

### **Finance**

The preparation of livestock is seasonal so during June to October the demand of cash increases so it may effect the stable financial position negatively

Also the company cannot fully supply the demand of the cash.

### **Management and internal control**

Improve the managements information system;

Improve the performance monitoring;

### **Ways to solve**

In order to decrease the problems mentioned above, needs to develop a business plan and implement it into management activities and performance monitoring. Also increase the preparation of livestock so that unit price will decreases. In order to increase the preparation of livestock:

- Start the preparation of livestock earlier,
- Start the slaughtering before the competitors,
- Flexible costing,
- Employ meat preparing agencies

### **Operational schedule and financial planning of 2011-2013**

#### **Preparation of livestock and meat processing**

- Every year at least preapre 300 thousand head of cattles
- This number is estimated after calculating the natural disaster and other force majeure. This number is 80% of the total capacity of the plants.
- The prices will be different depending on the provinces, the average price per kg would be around 900-1000 MNT.

In 2011 310 thousand head of cattles, in 2012 316 head of cattles will be prepared. This number is estimated 80% of the total capacity of the plants, and in order to calculate this we need to consider the natural disasters and other force majeure.



	2011							2012						
	7	8	9	10	11	12	Дун	7	8	9	10	11	12	Дун
<b>Number of livestock that will be prepared</b>														
Cow	4,500	10,200	10,700	10,200	3,400	1,000	40,000	4,500	10,200	10,700	9,700	6,900	2,500	44,500
Horse	2,300	6,300	6,300	4,600	500	-	20,000	2,300	6,300	6,300	4,500	-	4,600	24,000
Sheep	12,000	12,000	12,000	12,000	87,000	95,000	230,000	12,000	12,000	12,000	12,000	87,000	105,000	240,000
Goat	-	-	-	-	-	20,000	20,000	-	-	-	-	-	20,000	20,000
<b>Average weight of one head of cattle, price /Thousand MNT/</b>														
Cow	270.0	270.0	270.0	270.0	270.0	270.0		283.5	283.5	283.5	283.5	283.5	283.5	
Horse	252.0	252.0	252.0	252.0	252.0	252.0		257.6	257.6	257.6	257.6	257.6	257.6	
Sheep	50.0	50.0	50.0	50.0	50.0	50.0		52.5	52.5	52.5	52.5	52.5	52.5	
Goat	36.0	36.0	36.0	36.0	36.0	36.0		36.8	36.8	36.8	36.8	36.8	36.8	
<b>Expense of preparing one head of cattle,/thousand MNT/</b>														
Cow	2.4	2.4	2.4	2.4	2.4	2.4		2.4	2.4	2.4	2.4	2.4	2.4	
Horse	2.4	2.4	2.4	2.4	2.4	2.4		2.4	2.4	2.4	2.4	2.4	2.4	
Sheep	0.4	0.4	0.4	0.4	0.4	0.4		0.4	0.4	0.4	0.4	0.4	0.4	
Goat	0.4	0.4	0.4	0.4	0.4	0.4		0.4	0.4	0.4	0.4	0.4	0.4	
<b>Cost of one head of cattle,/thousand MNT/</b>														
Cow	272.4	272.4	272.4	272.4	272.4	272.4	-	285.9	285.9	285.9	285.9	285.9	285.9	-
Horse	254.4	254.4	254.4	254.4	254.4	254.4	-	260.0	260.0	260.0	260.0	260.0	260.0	-
Sheep	50.4	50.4	50.4	50.4	50.4	50.4	-	52.9	52.9	52.9	52.9	52.9	52.9	-
Goat	36.4	36.4	36.4	36.4	36.4	36.4	-	37.2	37.2	37.2	37.2	37.2	37.2	-
<b>Total cost /million mNT/,</b>	<b>2,415.4</b>	<b>4,986</b>	<b>5,122.3</b>	<b>4,553.5</b>	<b>5,434.6</b>	<b>5,783.5</b>	<b>28,295.0</b>	<b>2,519.1</b>	<b>5,189.0</b>	<b>5,332</b>	<b>4,578</b>	<b>6,571.5</b>	<b>8,204.1</b>	<b>32,393.8</b>
Cow	1,226.0	2,778.8	2,915.1	2,778.8	926.3	272.4	10,897.4	1,286.7	2,916.5	3,059.5	2,773.6	1,973.0	714.8	12,724.1
Horse	585.2	1,603	1,602.9	1,170.4	127.2	-	5,088.7	598.1	1,638.2	1,638.2	1,170.2	-	1,196.2	6,240.8
Sheep	604.3	604.3	604.3	604.3	4,381.1	4,783.9	11,582.1	634.3	634.3	634.3	634.3	4,598.6	5,550.0	12,685.7
Goat	-	-	-	-	-	727.1	727.1	-	-	-	-	-	743.1	743.1

During the livestock preparation following costs occurs: milling, medicines, ear-tags and these costs were calculated the previous years calculation. The livestock will be bought in bulk. So the cost per head of cattle will not be increase.

The cut ability from one head of cattle will not decrease from 2010s rate.

Indicators		2011	2012
Total weight of carcass meat, in tons	Cow	5,076.0	5,647.1
	Horse	2,800.0	3,360.0
	Sheep	4,025.0	4,200.0
	Goat	320.0	320.0
Total		12,224.0	13,530

The cost of meat processing of 1 kg meat is around 2314 MNT.

Indicators	2011	2012
Cost of livestock preparation /million MNT/	28,295.4	32,393.8
Total weight of meat, /tons/	12,221.0	13,527.1
The cost of 1 kg meat	2,314	2,394

The cost of livestock preparation cannot determine the direct materials costs, because the cost of previous year meat processing influences. This cost is estimated in the financial sectors as an switching cost. So when calculating the costs, try to consider if there are an increase in buying cost from herders.

**Sales prediction**

Sales predictions are divided into following categories: Exporting, domestic and reserved meat, and derivatives.

Prediction of export is determined by the average price of the advanced made contracts (3395 MNT per kg), domestic sales prediction is determined by the average retail price of previous years (2900 MNT per kg).

**Sales prediction /million MNT/**

	2011-2012	2012-2013
Export	29,387.5	32,825.0
Domestic selling	6,702.6	7,521.4
Other incomes	4,143.3	4,460.0
Total	40,233.4	44,806.5

The meat businesses cash flow cycle usually lasts for 12 to 15 months. In other words cash spend for livestock preparation of June 2010 likewise become meat on September to December of that year and sell it until next years new meat preparation. Next years new meat selling usually starts from September. So the cashes spend for 2010 meat preparation cannot fully fund the next years meat preparation.

**Cost of Goods Sold**

Gost of Goods Sold is calculated the following method:  $COGS = \text{beginning inventory} + \text{inventory purchased} - \text{ending inventory}$ .



Because preparation of livestock, processing and storages are in one cycle, so the cycling period is different from the fiscal years.

**Forecast of revenue**

For calculate the forecast of revenue didn't use the accounting period instead used the meat processing period from June 30<sup>th</sup> of 2011 till July 01<sup>st</sup> of 2012. Because if we use the accounting period then there will be difference between livestock preparation cost. Explaining the reason:

The cost of the first half years sales of the meat is prepared previous year so the cost is different, and the cost of the last half years sales of meat is prepared this year and also the cost is different so the costs are different, in order to calculate the revenues the calculation must be done by livestock preparation cycling period.

**Forecast of revenues /million MNT/**

	2011-2012	2012-2013
Sales revenue	40,233.4	44,806.5
Bonuses from reserved meat	1,200.0	1,200.0
GOGS	30,327.5	34,290.2
Gross profit	11,105.9	11,716.3
Administration and marketing expenses	1,987.8	1,977.6
Depreciation expenses	1,754.3	2,279.7
Financial expenses	4,787.0	842.0
Operating incomes	2,576.6	7,020.5
Non operating incomes /expenses/	403.6	403.6
Tax	298.1	702.0
Net income	2,682.1	6,318.5

By the forecast of revenue the administration and depreciation expenses are constant.

**Forecast of cash flow**

According to "Just Agro" LLC all the meat that are prepared previous year must be finished by June of the next year and by July all the warehouses and other facilities must be cleaned and ready to receive the livestock. The forecast of cash flow also calculated by the livestock preparing cycle.



Indicators	2011	2012
Sales revenue	3,678,772.73	11,201,457.93
Export revenue	7,150,000.00	55,062,500.00
Storage revenue	76,291.27	76,291.27
Slaughtering revenue	327,272.73	327,272.73
Bonuses for reserved meat	-	1,200,000.00
Loans of operations	935,750.21	1,976,221.46
VAT receivable	-	-
Fundings from bonds	30,000,000.00	-
<b>Amount of cash flow in</b>	<b>42,168,086.94</b>	<b>69,843,743.39</b>
Loan payment	752,987.13	1,975,988.30
Current asset loan payment	-	-
Repayment of bonds	-	30,000,000.00
Investment	-	-
Inventory Purchase	25,723,063.64	29,448,900.30
VAT of purchased inventory	2,572,306.36	2,944,890.03
Factory overheads	3,801,858.85	4,998,901.19
Administrational expenses	1,574,607.50	3,570,781.59
Marketing expenses	317,105.90	472,950.76
Loan interest rate	16,843.50	32,003.44
Current asset loan interest rate	-	-
Interest rate of bonds	810,000.00	4,050,000.00
Expense of introducing bonds	705,000.00	-
Long term loan interest rate	-	-
Balanced budget incidence	(337,161.97)	1,310,289.78
<b>Amount of cash flow out</b>	<b>35,936,610.92</b>	<b>78,804,705.40</b>
Depreciation expenses	839,641.11	2,054,510.89
Net cash flow	7,071,117.13	(6,906,451.12)
<b>Ending balance of cash</b>	<b>7,071,117.13</b>	<b>164,666.01</b>

According to the forecast of cash flow statement of 2011-2012 the financial resource is not enough to fund the livestock preparation so the issuer company is issuing bonds in order to fund their livestock preparation. According to the calculation the issuer company can fully repay the payments and has the potential to collect enough financial resources.



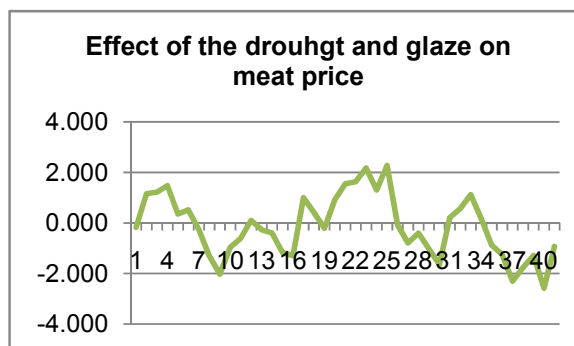
**2.9. ISSUER’S RISK ANALYSIS FOR INVESTORS**

**Nature, weather related risks:**

Mongolian animal husbandry sector is fully dependent from weather. By this any natural disaster, like drouhgt, glaze and animal diseases directly effect to the meat sector.

Following risks may occure in meat sector because of change of weathers.

improper livestock loss because of drought and glaze. This will lead to decrease of the meat supply and increase of the meat price. For example: winter of 2009-2010 there was a glaze and 7.5 million livestock lossed this leads to dramatic decrease on meat supply. The main



thing that is effecting the meat price are drought and glaze. According to the research every 115 year drought and glazes occurs and that year the supply of meat decreases and price of meat increases dramatically.

- Because of the overheat during summer the livestock are shortage with keep so they cannot fully take their keeps. This will affect the cut ability and the quality.
- Mongolia is located in the active zone of foot and mouth disease, malignant anthrax and other diseases so if these diseases occure then the quality and supply of meat decreases.

**Company’s operational risks**

The subsidiaries of the issuer company’s operate in the local areas so the following risks might occurs:

- The meat preparing, processing, and selling isn’t organized in one system so any buyer or middle man can buy the livestock form herders with higher prices and supplying the market and it’s affecting the operation of meat processing plants negatively. For example decrease the meat processing market and increase the price of the livestock;
- Also during the way to the plants the livestock are losing their weights, some of them are dying so the herders are more likely to sell it directly to middle men.



**Risks during the production and storage**

*The company is focusing on the investment to improve the technologies, quality of the products and improve the employees abilities but from sudden and external, internal forces there might be some risks may occure*

- Because of shortage of raw materials cannot operate with the full capacity of the plants,
- Because of some diseases the supplies decreases,

**Marketing risks:**

Meat is one of the important consumption of a person, so the meat needs to be have high quality. Following risks may occure during the meat processing, marketing and buyers behavior.

- Because of any natural disaster or diseases the transportation cannot be made in time,
- Because of any diseases the importing countries might banne their meat export
- Increase the tax of import so that the marketing expenses increase
- Because of the direct supply of meat from herders or middle man the sales of the company decreases.

**Risks related to human resource**

*The country's economy is growing, and all sectors are growing fast. Especially the mining sector is growing fast and the number of people that are willing to work at this sector is icreasing.* This might cause the following risks. For example;

- Lose a professional employees and workforce deficiency.
- During the meat processing period workforce deficiency in local plants,

**Risks related to financial**

*Because of the change of the main raw materials price of company the following risks may occure:* For example;

- Because of the increase of the raw materials price the costs might exceed the budgeted expenses.
- Due to the increase in raw materials cost ,shortage of current asset
- The buyers might not pay in time
- Due to the country's economy the bonuses for reserved meat might not pay in time



### **Economical Risk**

The negative affects of the country's economy and social may effect negatively to the company's operations, marketing and production cost. For example;

- Due to the increase of inflation rate the purchasing power of buyers decreases
- Due to the increase of electricity charge the production cost increases
- Due to the unstable exchange rate,
- The Chinese business men are cooperating with middle men and buying a large number of livestock so it's leading to increase of the livestock price,
- Due to the price increase of Russian petroleum companies and increase of the exporting tax of petroleum the transportation costs are increasing,
- Due to the increase of the foreign trade the rail road transportation has been increased so the product delivery cannot made in time
- Exporting the livestock by foot,

### **Political regulatory risks**

The governments regulation and policies might effect the company's production, marketing and costs, for example;

- Due to unstable government the laws and regulation of the sector changes
- In order to make the price of the meat stable decrease the price lower than maket value
- Due to the improve the social welfare of the population change in tax amount
- Decrease the bonus amount for reserved meat

### **Risks related to financial responsibilities**

Issuer company has low risks that related to the bonds interest payments and capital payments, but there are some factors that might effect the issuer to cannot pay the payments;

- All the risks mentained above might affect the issuer company's financial responsibility.

### **Other risks**

Due to the devaluation of money the value of bonds that investors have might decrease. There aren't any ways to avoid this risk. All the risks mentioned above are from internal and external effects.





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**UNDERWRITER COMPANY'S INFORMATION**

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“BDSec” JSC, underwriter, broker, dealer and investment advisory company, was established in 1995 and has been operating in capital market for 15 years. Our company changed its organization structure in June, 2006 by becoming publicly traded company and raised 1.0 billion MNT. In 2008, additional shares were issued to raise total of 3.7 billion MNT and expanded its operation range.

Our company was granted Underwriting service permission in accordance with number 34 resolution of June 07, 2005, becoming one of the first underwriting service companies. Between 2005 and 2008, total of 15 companies raised capital by issuing securities in Mongolian capital market, of which “BDSec” JSC worked on 10 publicly traded companies' issuing.

Also “BDSec” JSC has experience and worked as mediator of Puma bond of “Puma Group” in 2004, 2005, Reconstruction bond of “Moninjbar” JSC in 2005, Niislel Urguu Bond of “Niislel Urguu” JSC in 2007 and as an assistant executor of MCS Electronics bond of “MCS Electronics” in 2004.

**CONTACT NUMBER AND ADDRESS OF RESPONSIBLE SPECIALIST FOR FURTHER DETAILED INFORMATION ON SECURITY.**

Member of Mongolian Stock Exchange

“BDSec” JSC

[www.bdsec.mn](http://www.bdsec.mn)

Address: Office building of “BDSec” JSC, Zaluuchuud Avenue, 27/1, 8<sup>th</sup> khoroo, Sukhbaatar district, Ulaanbaatar city, Mongolia.

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## PRESCRIPTION OF THE BOND

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