

## **Mongolia Growth Group Ltd.**

### **September 2014 Communiqué to Shareholders**

TORONTO, CANADA, November 10, 2014 /FSC/ Mongolia Growth Group Ltd. (YAK: TSXV and MNGGF: USA), a real estate investment and development company benefiting from the dynamic growth of the Mongolian economy via ownership of institutional-quality commercial property assets in the capital city of Ulaanbaatar, Mongolia is pleased to announce the release of its September 2014 Shareholders Letter.

### **CEO Communiqué to Shareholders:**

**Dear Shareholders,**

After taking over as CEO in March this year, we restructured our business operations to better align with a best-in-class real estate company. Today, we want to discuss two of these operations for the benefit of our shareholders:

- i) **The Real Estate Investment Portfolio** (assets owned and managed by MGG)
- ii) **Real Estate Developments** (assets developed and built by , prior to their transfer to our Real Estate Investment Portfolio)

#### **i) The Real Estate Investment Portfolio**

MGG currently owns 57 Properties, including retail, office and residential.

We refined our strategy this year, which was to only keep properties that fall within the following criteria:

- Commercial properties (retail and office)
- Located in the Central Business District
- Located along tier one and tier two roads
- Highly bankable assets

Our assets that fall outside of these parameters, we will gradually sell these over time and this initiative has commenced and is progressing well.

We will not be owning residential property as Investments going forward.

The proceeds from these sales are being recycled into the capital requirements of our downtown real estate developments in order to work towards fulfilling our potential revenue generating capabilities.

## **ii) Real Estate Developments**

This year, we are undertaking the company's largest and most complex project to date, the redevelopment of the Tuguldur Center. Tuguldur Center is an 80 year old building located in the heart of downtown, in the Nation's capital city, Ulaanbaatar.

Under our plan, we have changed the use of this property from having previously been a medical facility known as Tuguldur, and have transformed it into a modern shopping destination. For this reason, we would like to take this opportunity to dedicate this month's CEO Communiqué to our flagship development and outline what we have planned and designed, and which is now well under construction.

### **TUGULDUR CENTER DEVELOPMENT PROJECT**

#### **Summary**

In February 2014, the MGG Board approved the acquisition of various buildings and lots of land that would eventually comprise the overall area for the proposed Tuguldur Center.

Since our vision for Tuguldur Center would be a comprehensive and extensive development, we decided not to attempt in one go the permanent long term development following the acquisition, with the associated costs and timeline of a multi-year mega project. Instead, for the first five years we will have an Interim Development, which will be staged at low-cost for each stage, but high-yielding.

For this interim development, MGG would provide all funding and own 100% of this property, while controlling all development / management functions from start to finish.

In parallel, over the next three or so years, we will carefully plan the long term development of this significant land package in the center of downtown Ulaanbaatar, Mongolia, while also seeking a suitable joint venture partner. We envision a partner that would provide project financing for MGG's long term vision, which would encompass using our entire land package at this site to build a trophy mixed-use high rise development to compliment the Ulaanbaatar skyline.

#### **Location**

- Tuguldur Center building and associated land package sit directly on Peace Avenue in the very heart of Ulaanbaatar. The Central Square and the Parliament Building are less than 500 yards away.
- Additionally, the core of the Central Business District, including the two most prominent buildings - Central Tower and Blue Sky Tower are also located within a 500-yard radius.

#### **Location Advantages**

- Over 10,000 people pass in front of Tuguldur Center each day
- It is located at one of Ulaanbaatar's busiest bus interchanges
- The asset is located in the heart of Administrative and Central Business Districts

- Half of “Grade A” and a third of “Grade B” offices are located within a 500-yard radius
- Seven major Higher Education Institutes and Colleges are within a 500-yard radius
- International luxury hotels such as Shangri-La and Hilton are under construction less than 1,000 yards away
- The Mongolian Parliament, three Major Foreign Embassies and four Ministry Buildings sit within a 500-yard radius

### **The Interim Development**

Having carefully assessed the current economic climate, short-term market outlook, demand versus supply in the retail space sector, among various other usual market forces, we have concluded that an Interim Development should be considered first before a more Permanent complex mixed-use Development is built in the future.

#### **Stage 1**

This stage consists of the complete remodeling and renovation of the existing building facing the Peace Avenue frontage.

- Master planning period took 2 months
- Stage 1 Design period took 3 months
- Stage 1 construction commenced in July 2014 and is planned for completion early-November 2014
- Stage 1 occupancy is planned during November, with some early partial handovers for major tenants, who need to commence interior fitouts early.
- Stage 1 cost is estimated at US\$750,000
- Stage 1 Gross Leasable Area created is estimated at 10,817sq ft
- Stage 1 Leasing is progressing well and is forecast to generate significant new revenue

#### **Stage 1 – BEFORE Development begins**



Stage 1 – AFTER Development



## **MGG Ulaanbaatar, Mongolia Business Activities Update**

### **A Progress Note from the CEO:**

#### **i) The Real Estate Investment Portfolio:**

As our 57 property portfolio transitions more into investment grade assets, we will be establishing an Asset Management function to oversee the portfolio, in place of our Property Management function.

#### **ii) Real Estate Developments:**

##### **Tuguldur Center**

Our team are very busy with the planning, design and construction of Tuguldur Center Development Stage 1, which is on schedule and within budget.

##### **Peace Tower**

This will be covered in future updates.

#### **iii) Leasing:**

The real estate portfolio is 97% leased and understandably this doesn't cover our land bank. There is no vacancy in retail, with only a few office spaces remaining.

#### **iv) Property Sales:**

We are executing on our 2014 strategy of having a real estate portfolio that is only commercial and downtown, and we are gradually selling properties outside this strategy.

The sale of our residential properties and non-core commercial properties will be ongoing well into 2015.

We have 5 residential properties remaining and they will all be sold, as per our strategy of having no residential property.

We sold 1 residential property in September, 2014.

#### **v) Financial:**

The proceeds from our property sales are being recycled into the capital requirements of our downtown real estate developments.

Once Tuguldur Center Stage 1 is complete in November 2014, the new revenue will imminently commence.

vi) **Mongolian Economic Update**

- A Euromonitor survey ranked Mongolia as the 5<sup>th</sup> fastest growing **consumer market** in the world with an expected 11.8% year over year growth (CNBC). This increase relates to **retail spend growth**, as opposed to GDP growth. MGG have experienced this increase by the fact that we have no retail vacancy in our investment portfolio.
- Mongolia jumps 4 Spots to #72 (from #76) in the World Bank's "Ease of Doing Business 2015 Rankings" (infomongolia)
- Mongolia's parliament adopted for the first time a rail gauge compatible with China, to ease transport of its second-biggest export, coal, to its largest customer. (Bloomberg)
- Sinopec submits preliminary FS of \$30 billion coal gasification project to Ministry of Mining (Montsame New Agency)
- Mongolia set to almost double minimum wage to MNT 380,000 a month
- Mongolia plans to export 5,000 tons of meat to Russia by end of 2015

Our business is progressing well and has traction on all fronts and I look forward to updating you again next month with relevant achievements and new developments in the Mongolian economy. If you have any questions, please feel free to contact me on my email below.

Sincerely,

**Paul J. Byrne**

*Chief Executive Officer*

*Mongolia Growth Group Ltd.*

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\*The core commercial property portfolio is defined as those commercial assets that are held for long term investment and excludes certain development assets which produce minimal rental revenues, certain assets that are actively being marketed and all residential properties. Two properties included in the calculation are accounted for as PP&E assets in the Company's financial statements as filed with SEDAR.

\*\*Billed revenue represents the revenue billed to tenants, net of VAT. It does not take into account bad debt expense, late payment penalties, interest income or management fee revenue. Revenue numbers assume that Mandal Daatgal's rental revenue was attributed to MGG during 2013, as opposed to having it removed on consolidation, for ease of comparisons.

For further details on the foregoing document, please refer to the Corporation's filing on SEDAR.  
For more information on Mongolia Growth Group Ltd., please see our website: [www.MongoliaGrowthGroup.com](http://www.MongoliaGrowthGroup.com)

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Mongolia Growth Group Ltd. is a publicly traded and leading property investment and development company in Ulaanbaatar, Mongolia. MGG owns an extensive property portfolio, in diversified segments of the property market, with an emphasis on institutional-grade commercial assets.

MGG undertakes its own property acquisitions, develops brownfield land assets and repositions outdated properties, relying on in-house services for all facets of both the investment portfolio and development side of the business. In addition, MGG acts as a full-service third party provider for institutional clients and tailors transactions covering acquisition-to-suit, build-to-suit, as well as refurbish-to-suit, for property owners and major tenants.

### **Forward-looking Information Cautionary Statement**

Information and statements contained in this Letter to Shareholders that are not historical facts are “forward-looking information” within the meaning of applicable Canadian securities legislation and involve risks and uncertainties.

Forward-looking information is necessarily based upon a number of assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. MGG cautions the reader that such forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results and developments to differ materially from those expressed or implied by such forward-looking information.

Such risks and uncertainties include, but are not limited to: risks associated with investment in and redevelopment of real property in Mongolia; competition, financing and refinancing risks; risks to the consumer mortgage market; a lack of correlation between disposable income and consumption; risks related to economic conditions; risks related to mining and mining development in Mongolia; risks related to regulation of the real estate in Mongolia; political risk in Mongolia; changes in Mongolian taxation rules; reliance on key personnel; environmental matters; tenant risks; and other risk factors more particularly described in in MGG's filings with Canadian securities regulators, which filings are available at [www.sedar.com](http://www.sedar.com).

Additional risks and uncertainties not presently known to MGG or that MGG currently believes to be less significant may also adversely affect MGG. Forward-looking information is designed to help you understand management's current views of our near and longer term prospects, and it may not be appropriate for other purposes. MGG does not undertake any obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise, except to the extent legally required.

The TSXV has not reviewed and does not accept responsibility for the adequacy or accuracy of this Letter to Shareholders.