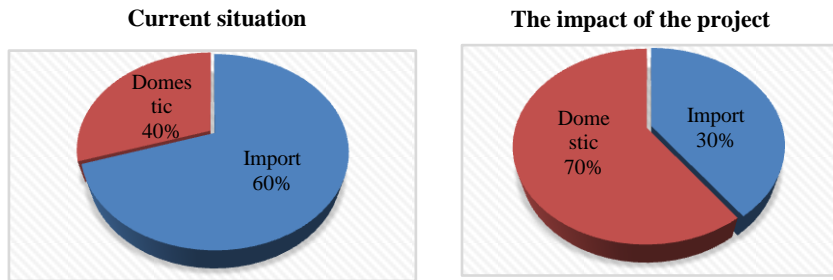


INDUSTRIAL AND TECHNOLOGY PARK OF CONSTRUCTION MATERIALS IN NALAIKH DISTRICT PROJECT

Investment highlights	Project proponent	Capital city citizen’s representative khural (City Council) Mayor of Capital city (City Governor) Mongolian government
	Sector and Industry overview	Legally supporting the industrial and technology park Supported by government policy 70% of Mongolian building materials manufacturing and trade is operating in UB city which is capital city of Mongolia Construction sector was increased by 94% in 2013 Building material demand was increased by 70% in 2013 Experts approve that due to government policy and expected mega projects, the increase is being kept further more. Approximately 60% of building materials was imported in 2013 and project impact will replace 30% of import materials



Project overview	Located in the Nalaikh district which is one of the nine districts of the Ulaanbaatar city and Central region of Mongolia.	
	Forty factories will be built in the park site Near to the well-developed infrastructure of Nalaikh district The park infrastructure, landscaping and main facilities including logistic center, laboratories and R&D center will be built by State and Capital budget investment through concession agreement. Once the project is completed, it will create more than 1,500 direct workplace	
Investment overview	Total investment	135.3 billion₮ / US\$70 million /
	- Engineering infrastructure	44.8 billion₮ /US\$23 million/
	- Road development and landscaping	63.4 billion ₮ /US\$33 million/
	- Construction for main facilities	27.1billion ₮ /US\$14 million/

Funding structure	Total investment	135.3 billion₮ / US\$70 million /
	Funding by Capital city	6.5 billion₮ / US\$3 million /
	Funding by Government	32.6 billion₮ / 17 million /
	Equity investment by private sector	27.0 billion₮ / US\$14 million /
	Funding by concession	69.2 billion₮ / US\$36 million /
	- Concession type	BOT, BOOT, DBFO

Company overview

- The feasibility study of the park was conducted by order the General planning department of the Capital city.
- The detail planning and infrastructure technical solutions are developing by professional firms.
- Project management organization which is named “Nalaikh Industrial and Technology Park of Building Materials” was established in accordance with the Resolution No.148 of the Presidium of the City Council on 8th of September, 2014
- Director of the organization was appointed by the City Governor’s decree № 5/229 on 29th of September, 2014. The organization has 14 staffs.
- Official address: 5th floor, City administrative building IV, Chingeltei district, Ulaanbaatar, Mongolia

Sector and industry overview
Legislation:

- The Law of Mongolia on the Free Zone - adopted in 2002 and renewed in Feb, 2015.
- “Approval guidelines for establishment and development of Industrial and Technology Park”, Parliament Decree No54, 2003
- “Law on Legal Status of Industrial and Technology Park”, 2009
- “Regulations on support and monitoring of Industrial and Technology park’s business activities” Government decree No104, 2011
- Mongolian Law on Investment
- Regulation on compliance of investment law
- Law of Mongolia on Land
- General Law of Mongolia on Taxation
- New Development Medium-term Target Program (2010-2016). It was approved by the Parliament Decree #36 of 2010.
- The Government Action Program for 2012-2016 approval by Parliament
- The Governor of the Capital city and Mayor of Ulaanbaatar’s action plan for 2013-2016 was approved by Capital City Council
- Action Program of Governor of the Nalaikh District for 2013-2016
- Master plan for development of building materials production (2007-2015). It was approved by the Government Resolution #222 of 2007
- “Program on Supporting Production of Common Building Materials” in accordance with the Government Resolution No.171 of 2012
- And other legalacts about government supports and incentives for investors and companies

Market overview:

- The Government has focused on to support the building material manufacturing.
- 70% of the building materials manufacturing and trade is operating in UB city which is capital city of Mongolia.
- Recently years, building material demand has increased constantly. Experts approve that due to government policy and expected mega projects, the increase is being kept further more.

The following is some market information of the main products of building materials:

Chart1 shows the whole building materials demand has increased dramatically and we have imported approximately 60 percent of domestic needs from abroad.

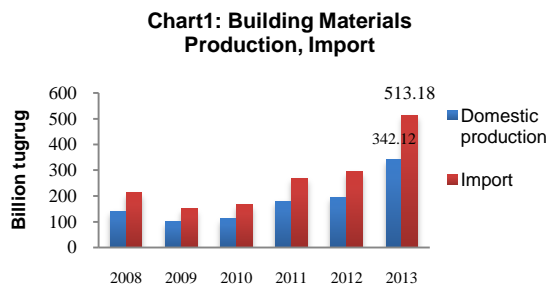


Chart2 shows the brick need, one of the main materials of construction, has rapidly risen at last few years.

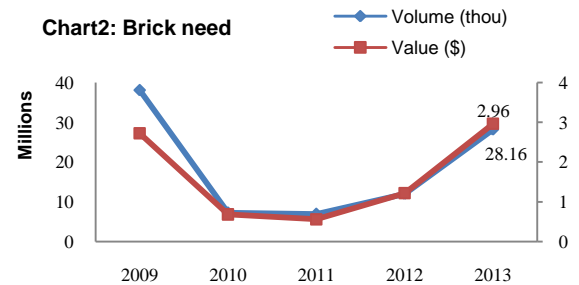


Chart3 shows concrete demand, basic material of construction, has increased gradually in Mongolia

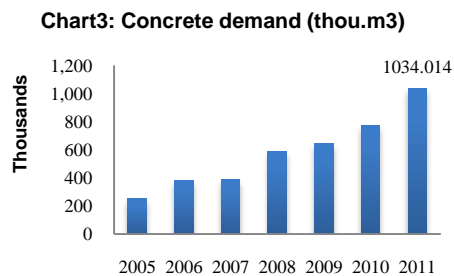
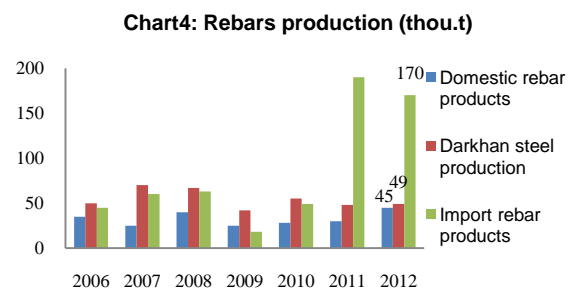


Chart4 shows most of the rebar have been imported and Mongolia just produces over 20 percent of domestic demand.



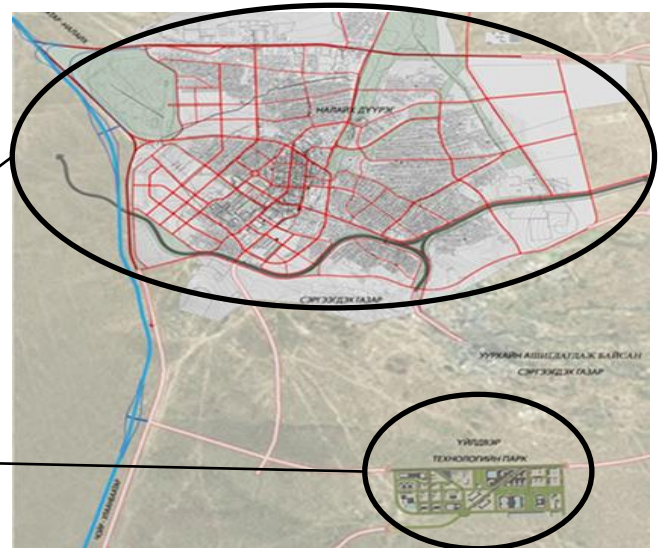
Project introduction

Project location:

The industrial and technology park of building materials is located in the 3rd khoroo of Nalaikh district, 6km in the south-east from center of the district. The park is to cover an area of 120 hectares.



Nalaikh district of the Ulaanbaatar city, Mongolia



Project

Production:

The park is including 40 factories of the following priority areas which will produce high-demanded building materials in Mongolia. The factory selection board of the project will select appropriate factory from the candidates submitted their request to the project management organization. By the end of 2014, more than 50 companies expressed their interest to build factory in the park land.

- Precast concrete products
- Flooring and roofing materials
- Steel and synthetic fiber armature
- Façade materials
- Ceramic and polymer products for plumbing systems
- Artificial and natural stone panels, products
- Lightweight, sound and thermal insulating new materials for wall-filling
- Manufacture of chemicals and paints
- Materials for electrical system
- Materials for heating system
- Face and fire bricks
- All types of glasses
- Steel casting and metal foundries
- Moisture and water resistant materials
- Newly developed, advanced structural materials
- Recycling factory

Infrastructure:

The infrastructure of the park will be built 2016 – 2018. The below table shows planned capacity of the infrastructure:

Core Infrastructure	Capacity	Main source
Heating supply system	10Gcal energy, 15700 tons of technology steam, annually	Will be developed individually in the project site
Water supply system	1500m ³ , daily	From Central system of Nalaikh district
Sewerage system	1000m ³ , daily	Will be developed individually in the project site
Power supply system	20MW, annually	From Central system of Nalaikh district
Information and communication system		From Central system of Nalaikh district
Main road to the park	app.3km	From national road between UB - Choir
Second road to the park	app.33km	From Millennium road
Roads, sidewalks and parking areas inside the park	355000m ²	-

Investment:

The proposed project is awaiting investment of about 135.3 billion tugriks (app.US\$70 million), according to the feasibility study.

The figure includes

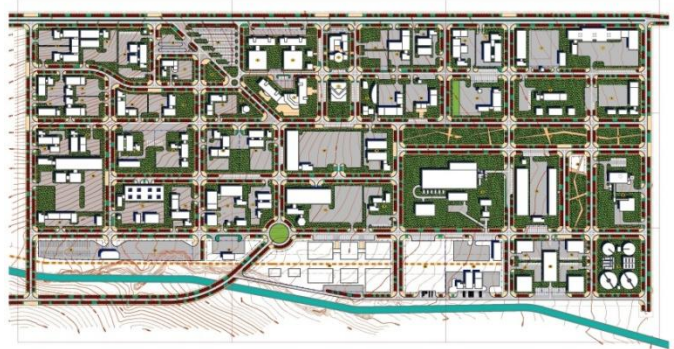
- 44.8 billion tugriks (US\$23 million) for engineering infrastructure development
- 63.4 billion tugriks (US\$33 million) for road development
- 27.1 billion tugriks (US\$14 million) for the cost of construction for main facilities, including Administration building and Business center, Building material laboratory and R&D center, and Logistics center

The funding and implementation of the project will be based on the PPP and Non-PPP model. The funding for the Non-PPP projects would be basically provided by the Capital city and Mongolian government. The PPP projects would also have the city's and government's contribution either as equity or quasi-equity or grant depending upon the risk appetite of government and the private developer. Initial idea for a range of possible PPP options are set out below:

- Concessions /BOT, BOOT, DBFO/
- Service contract
- Management contract

Some of key advantages

- Raw materials: Nalaikh district which is our park location area has plenty of building material's reserves such as sand, lime, gravel and clay of brick. So this is the best location to centralize raw materials from around the country.
- Current infrastructure: The Nalaikh district has well-developed auto road, railway, power supply, heating and water supply systems and our park location is close to those infrastructure advantages.
- Human resources: The Nalaikh district has 20563 workforces and unemployment rate is approximately 5 percent. Besides, it is possible to employ some professions from other districts of capital city
- Market volume: Capital city is main zone of the industry and construction market. Moreover, it provides about 50% of national GDP. In addition, 70% of domestic construction market is centralized in the Capital city.



Financial snapshot

Revenue sources:

- Revenue from securitization of land
- Dividend from equity investment
- Land rent and property rent
- Development charges in the areas under the control of park management unit
- External infrastructure development charges on all Land sale/long term lease
- General maintenance fee
- Betterment charges
- User charges for engineering infrastructure
- Toll/Entry connection Fee
- Landscaping/green belt fee
- Sale of developed property

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