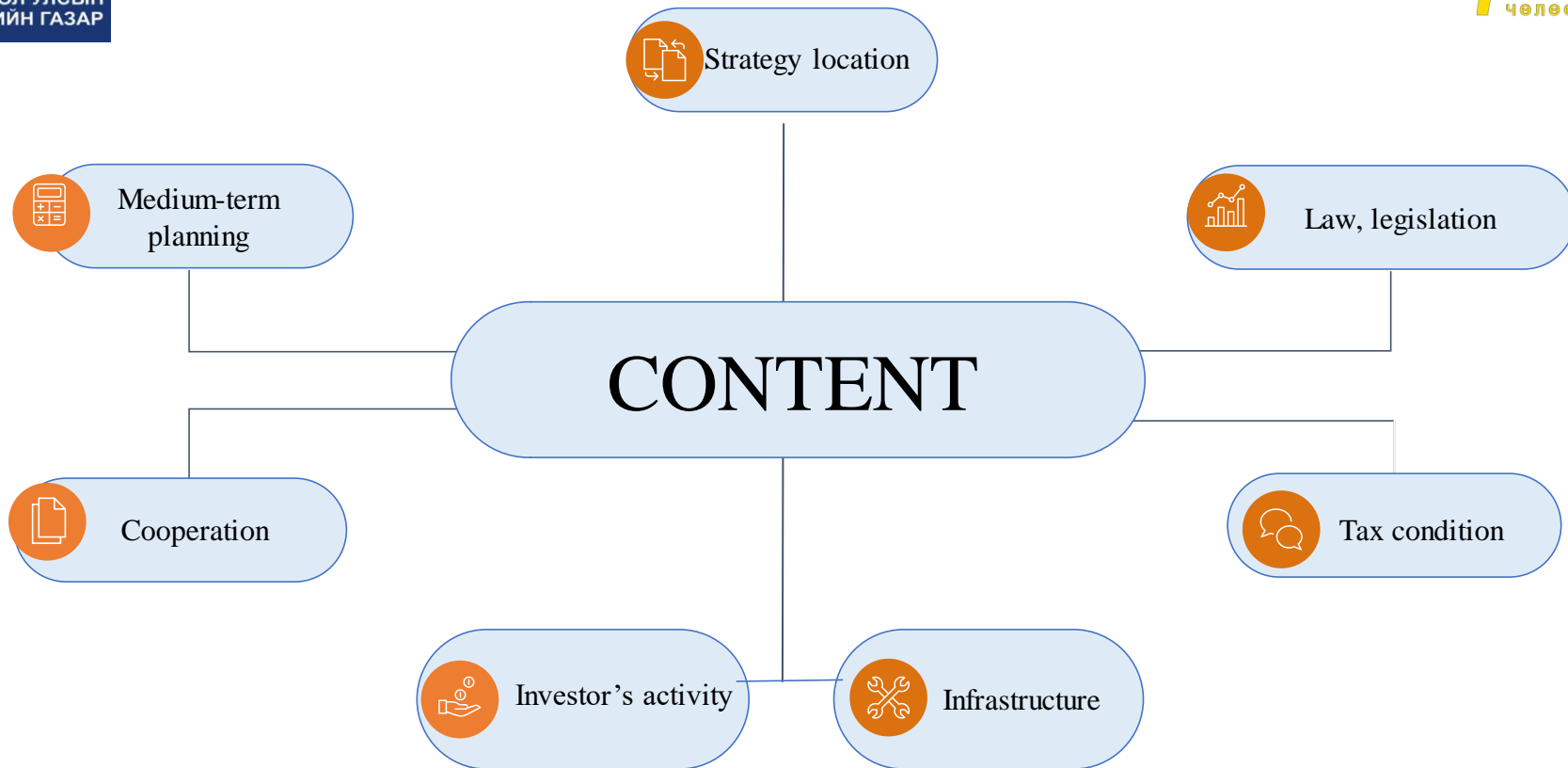


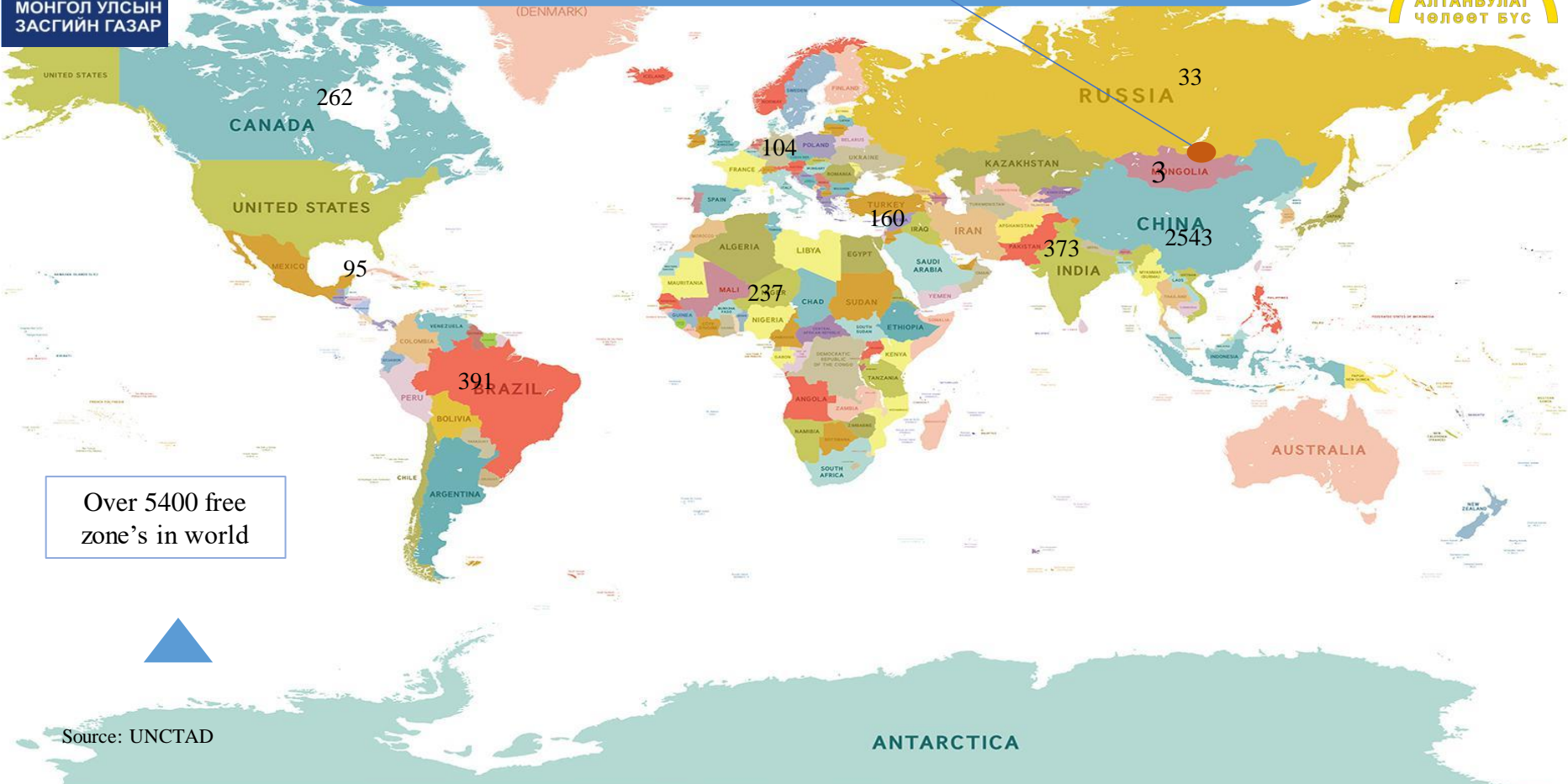


“ALTANBULAG” FREE ZONE

2022



THE FIRST FREE ZONE IN MONGOLIA “ALTANBULAG” FREE ZONE



Over 5400 free
zone's in world



МОНГОЛ УЛСЫН
ЗАСГИЙН ГАЗАР

STRATEGY LOCATION



THE SHORTEST ROAD
BETWEEN ASIA AND EUROPE



From Ulaanbaatar to “Altanbulag” free zone-335 km-AH3
From Ulaanbaatar to Zamiin-Uud free zone -650 km-AH3



From “Altanbulag” free zone to Ulan-Ude city /Russia/-235 km
From “Zamiin-Uud” free zone to Beijing /China/-675 km



From “Altanbulag” free zone to Khyagt /Russia/-1 km
From “Zamiin-Uud” free zone to Erlian city /China/-840 m



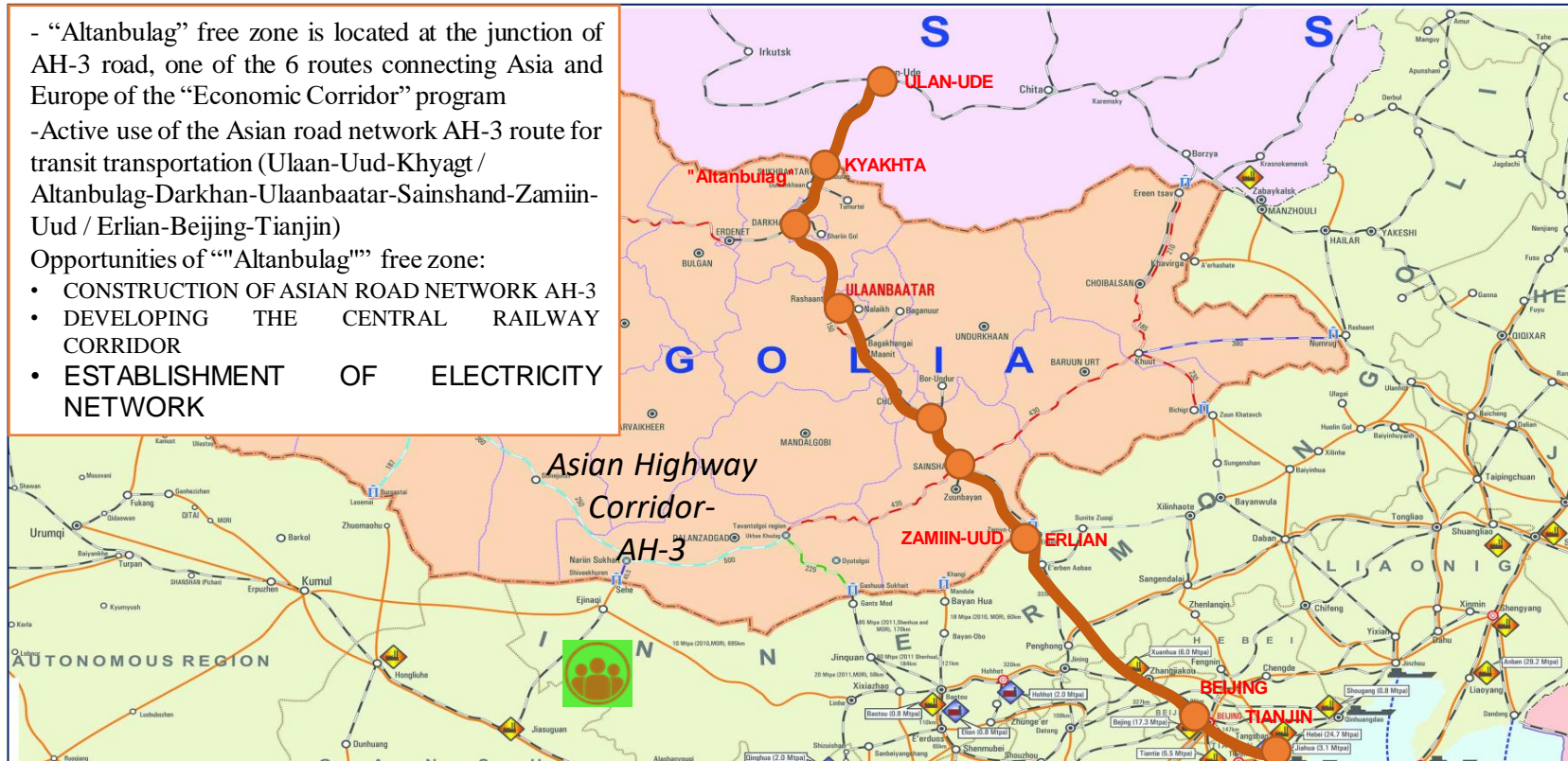
“Altanbulag” Free Zone and “Zamiin-Uud” Free Zone -
connected to the AH-3 vertical road network connecting
Russia and China

ECONOMIC CORRIDOR /AH-3 corridor connecting Mongolia with neighboring countries/

- “Altanbulag” free zone is located at the junction of AH-3 road, one of the 6 routes connecting Asia and Europe of the “Economic Corridor” program
- Active use of the Asian road network AH-3 route for transit transportation (Ulaan-Uud-Khyagt / Altanbulag-Darkhan-Ulaanbaatar-Sainshand-Zamiin-Uud / Erlian-Beijing-Tianjin)

Opportunities of “Altanbulag” free zone:

- CONSTRUCTION OF ASIAN ROAD NETWORK AH-3
- DEVELOPING THE CENTRAL RAILWAY CORRIDOR
- ESTABLISHMENT OF ELECTRICITY NETWORK



FAMOUS TEA ROAD



- “Maimaachin” - The main commodity traded at the port of Khiagt was tea, so the road through the port was called the Tea Road. The "Tea Road" is Wuhan-Beijing, Beijing-Gate, Gate City-Great Khuree, Great Khuree-Maimaachin-Troitskosavsk / Khyagt / , Troitskosavsk-Verkhneudinsk / Ulan-Ude / , Verkhneudinsk-Krasnoyarsk, Krasnoyarsk-Moscow It was about 9,000 km from Beijing to Moscow.
- The first Russian firm was established in the Great Khuree in 1860 due to the sharp increase in trade along the Tea Road. In 1893, British traders came to Mongolia with about five billion lan /lan is measure of the money at that time/ to buy sheep, camel wool and hides.
- With the invasion of Mongolia by the Tea Road, tea became a currency.
- 9000 km road was passed by Tea Road, in 1907 Beijing-Paris Rally which was total 19.994 km.

LAW OF MONGOLIA

1. Law of free zone /2002/
2. Law on the Legal Status of "Altanbulag" Free Trade Zone / 2002 /
3. About free zones / Revised version 2015 /

RESOLUTION OF THE PARLIAMENT

- “Concept of establishing a free economic zone in Mongolia” resolution No. 87 has been approved in 1995
- The boundaries of the “Altanbulag” Free Zone has been established by Resolution No. 66 in 1996
- The establishment of the “Altanbulag” free zone in 500 hectares of land in "Altanbulag" soum of Selenge aimag has been approved by Resolution No. 38 in 2002

LAW LEGISLATION

GOVERNMENT RESOLUTION

- Resolution No. 153 of 2014 “Procedure for temporary admission of passengers, goods and transportation to the region”
- Resolution No. 126 of 2015 “On re-approval of the structure and staffing”
- Resolution No. 182 of 2018 “On land valuation”
- Resolution No. 104 of 2020 “On write-off, issuance and registration of fixed assets”
- Resolution No. 105 of 2020 on “Approval of the list of goods worth up to 3.0 million MNT purchased by passengers exempt from customs and value-added tax upon entry into the customs territory from the free zone”.
- Resolution No. 110 of the Government of Mongolia of 2020 “On the introduction of an integrated electronic land management system”

OTHER RULES AND REGULATIONS

- Order No. A / 282 of 2019 of the Director General of Customs "Regulation on the implementation of the free zone regime“
- Amendment to Order A / 102 of 2020 of the Director General of Customs "Regulation on the implementation of the free zone regime"
- The General Authority for State Registration, “Altanbulag” free zone, “Zamiin-Uud” free zone and “Tsagaannuur” free zones jointly signed the 2015 “Special procedure for state registration of legal entities and property rights to operate in the free zone”

ACTION PLAN OF THE GOVERNMENT OF MONGOLIA FOR 2020-2024

3.1.17. The infrastructure development of free zones will be carried out in step by step, also create conditions for the development of export-oriented trade, services and light industry, and support foreign and domestic investors

FIVE-YEAR MAIN DIRECTIONS FOR THE DEVELOPMENT OF MONGOLIA IN 2021-2025

8.1.5. Renovate the facilities and equipment of free zones and border crossings, bring them in line with international standards and increase access.

- In the investment program: Construction of 14.6 km paved road within “Altanbulag” free zone

Goal 4.4. Initiate a preliminary study on the development of economic corridors with neighboring countries and the conclusion of a free trade agreement with the Eurasian Economic Union and the Republic of Korea:

4.4.2. expand trade and economic relations with third neighboring countries.

VISION 2050

MONGOLIAN LONG-TERM DEVELOPMENT POLICY

By creating a free zone to accelerate the international trade turnover, integration and development in the world economic system, we will increase employment by introducing high-tech production and new services, and support the settlement of people in satellite towns and villages.



CONDITIONAL STATUS IN LONG-TERM AND MEDIUM-TERM POLICIES IN MONGOLIA

№	Policy document	Conditional status
1	CONCEPT OF ESTABLISHING A FREE ECONOMIC ZONE IN MONGOLIA /Annex to the Resolution No. 87 of the Parliament of Mongolia of 1995/	The following criteria shall be followed in selecting the territory for establishing a free economic zone: 1 / Strictly comply with the national security requirements of Mongolia; 2 / be suitable for conducting foreign trade activities in terms of transport and geographical location; 3) to have more opportunities to enter foreign markets by engaging in production and services in relevant fields; 4) to facilitate the creation of new industrial or social infrastructure; 5) to create conditions attractive to foreign and domestic investors.
2	CONCEPT OF FOREIGN POLICY OF MONGOLIA /Appendix to the Resolution of the Parliament of Mongolia No. 10 of 2011/	20. Implement projects and measures that will have a significant impact on economic development, such as the establishment of economic and trade free zones, large joint ventures or foreign-invested enterprises, concessions, and the creation of new infrastructure, in line with national security goals.
3	CONCEPT OF REGIONAL DEVELOPMENT OF MONGOLIA /Annex to the Resolution No. 57 of the Parliament of Mongolia of 2001/	3.12.5. The possibility of connecting the territory of Mongolia with the regions of international cooperation through the capital city, regional centers and free zones based on foreign aid and support, and the need to ensure the internal balance of the territory by connecting the regions at low cost. Priority will be given to improving roads across roads and along major railways
4	Action Plan of the Government of Mongolia for 2020-2024 /Resolution No. 24 of the State Great Khural of Mongolia for 2020/	3.1.17. We will carry out the construction of infrastructure in the free zones in stages, create conditions for the development of trade, services and light industry for export and domestic markets, and support foreign and domestic investors.
5	“TALYN ZAM” NATIONAL PROGRAM /Annex to the Government Resolution No. 142 of 2017/	Goal 4. Implement urban development policy in free zones and border crossings, develop border areas and establish new cities and settlements.
6	STATE INDUSTRIAL POLICY /Annex to the Resolution No. 62 of the Parliament of Mongolia of 2015/	4.2.3 Objectives to define industrial priorities and comprehensively plan and implement industrial clusters, free zones, industrial and technology parks, and transport and logistics networks
7	GOVERNMENT POLICY ON FOOD AND AGRICULTURE /Annex to the Resolution No. 104 of the State Great Khural of Mongolia in 2015/	6.2.5. Establish an agricultural free zone to attract foreign and domestic investment and support export-oriented production in remote areas.
8	GOVERNMENT POLICY ON THE CONSTRUCTION SECTOR / Annex to Government Resolution No. 70 of 2019 /	Establish an import supply center in the free zone
9	THREE PILLARS DEVELOPMENT POLICY /Annex to Government Resolution No. 42 of 2018/	3.3.3.12. to implement “Altanbulag” establish the urban development project;

TAX CONDITION

01

Article 10

Special customs regime of the free zone

•Simplified customs clearance for goods entering the free zone from abroad, export to the border, and import of goods worth up to 3.0 million purchased by passengers into the customs territory.

No non-tariff restrictions shall be imposed on goods entering or exit the Free Zone

Goods entering the free zone will be subject to risk-based customs control

02

Article 15

Special employment regime

•A free zone shall be fully exempted from payment for a job if an enterprise, organization or individual provides a foreign citizen with a job and provides income-generating work or service.

•If a legal entity operating in a free zone implements projects or programs to empower and specialize its employees, expenses shall be deducted from the taxable income of the current year.

•.

03

Article 16

Impose a special tax on free zones

- Goods imported into the free zone are not subject to import customs duties, VAT and excise taxes.
- No tax shall be levied on the export of goods from a free zone
- No VAT shall be levied on the entry of Mongolian goods into the free zone from the customs territory
- Buildings registered in the zone are fully exempt from real estate tax

04

Article 23

Land fee discounts and exemptions

- 100% discount for the first 5 years and 50% discount for the next 3 years for businesses engaged in trade, tourism and hotel services
- Enterprises engaged in infrastructure and production will be 100% exempt for the first 10 years.
- Land fees may be reduced for a certain period of time, taking into account the fulfillment of obligations on the use, possession and protection of land benefits, and the Government shall decide on the timing and percentage of the reduction

05

Revised version of the income tax law /article 22/

Reduced income tax equal to 50% of the income from investments over \$ 500,000 in infrastructure for the free zone.

22.5.8. Income tax equal to 50% of the income from investments over \$ 300,000 for production and services in the free zone shall be reduced.

LAND RELATIONS

The land rights for possession and/or use shall be granted as a result of project selection or audition (22.4 the law of free zone).

LAND EVALUATION

(Government Resolution and Order of the Minister of Construction and Urban Development Order No. 208 of 2018)

Name of free zone	BASIC EVALUATION OF 1 HECTARE OF LAND (FOR LAND USE)	
"Altanbulag"	Trade, all kind of service (Tugrug)	All kind of manufacture except agriculture (Tugrug)
	120.000.000	80.000.000

FIRST PRICE OF AUCTION:

- Trade and service 1 hector-24 million tugrugs
- Production field 1 hector-6,4 million tugrugs

LAND FEE

- Trade and service 1 hector-1,2 million tugrugs
- Production field 1 hector- 0,8 million tugrugs

LAND DISCOUNTS AND RELEASES

FOR BUSINESS ENTITIES IN TRADE, TOURISM AND SERVICES

100% DISCOUNT IN FIRST FIVE YEARS (23.1)

50% NEXT THREE YEARS (23.1)

INFRASTRUCTURE AND INDUSTRIAL ENTERPRISES ITS BRANCH

100% FREE FOR THE FIRST 10 YEARS FROM THE DAY OF STARTING ACTIVITIES (23.2)



MANUFACTURED PRODUCT, TRADE DISCOUNTED GOODS EXPORT



The Government of Mongolia has entered into double taxation exemption agreements with 26 countries and investment promotion and mutual protection agreements with 43 countries.

OPPORTUNITY TO ENTER THE EUROPEAN UNION AND, JAPANESE MARKET AND ASIAN PACIFIC COUNTRIES



EU GENERAL DISCOUNT SYSTEM (EU GSP+)

99 CATEGORY 7200 TYPES

446.7
million
costumers

**EXEMPTION FROM IMPORT CUSTOMS
DUTIES**



MADE IN MONGOLIA



**APTA- ASIA PACIFIC
AGREEMENT/Mongolia**
, China, Bangladesh,
India, Laos, Korea and Sri
Lanka
366 CATEGORY 10,667
5-100% TAX DISCOUNT
ON ITEMS

2.9 billion
costumers



JAPAN EPA

► 97 CATEGORY 9300 TYPES

126.5 million
costumers

**IMPORTED IMPORTANT
TARIFFS IMMEDIATELY AND
IN STAGE FOR 10 YEARS**

MADE IN MONGOLIA:

PRODUCT MADE IN FREE ZONE

*"Goods produced in a free zone" means
goods produced in the territory of a free zone for more
than 40 percent of the value added spent on the
production of goods.*

FREE ZONE TIMELINE

2003-2016

Executed works 26.5 billion MNT investment by the state budget:

- Temporary power supply line
- Intra- and external water and sewage pipelines
- Operation of the out-of-area sewage booster pump station
- Flood protection dam works
- Improved dirt road work
- Construction of customs trade roads and squares
- “Altanbulag” Free Trade Zone Master Plan, General Plan.
- In 2014, the "Altanbulag" Free Zone was officially opened and switched to a permanent mode of operation.
- With the organization of "Expo-2016", our activities have intensified.

2017-2021

- Streets and roads of "Altanbulag" Free Zone have been addressed.
- Design work for regional and intra-soum power supply expansion / Selenge, "Altanbulag" /
- "Altanbulag" Free Zone was re-registered in the State Registry and the organization's logo was approved.
- Published a book about “"Altanbulag"” free zone.
- A Mongolian-Russian business meeting was held in the "Altanbulag" Free Zone.
- A delegation led by Li Ji-hyun, Chairman of the Standing Committee of the National People's Congress, aid an official visit to the "Altanbulag" Free Zone.
- The Beijing-Paris International Auto Rally passed through the "Altanbulag" Free Zone
- A tripartite memorandum of understanding was signed with the Sino-Russian border trade zone in Manchuria, China
- “Memorandum of Understanding between Mongolia and the Republic of Turkey on Cooperation in the Free Zone Sector
- List of goods worth up to MNT 3.0 million purchased by passengers in the free zone ”was approved by Government Resolution No. 105.
- In accordance with Government Resolution 105, the “Regulation on the Implementation of Free Zone Procedures” of the General Customs Administration was amended.
- Amendments were made to the “Procedure for Implementing the Free Zone Procedure”
- According to the government resolution, the strategic plan of “"Altanbulag"” free zone for 2021-2024 has been revised.
- Introduced “Land Manager” land management program.
- Revised the law “On free zones” have been approved

**Infrastructure Projects Invested by the State
budget between 2003-2012 /26.5 mnt. billion /**



1. Temporary power supply line:

- 6/04 kV Power transmission substation / 4 pieces / 2470 kBa. /2008 /
- 3.8 km 6kV overhead transmission line with wooden timber for temporary power supply in the zone. /2008 /
- 7 wells of fresh water, 11.8 km of 6 kV reinforced concrete transmission line, 7 substations with a capacity of 349 kW. /2010/
- Selenge-Altanbulag 25 km 12 sewage pumping station's power supply 6 kV 19.8 km power transmission line with 6 kV reinforced concrete structures, 12 substations capacity 1100 kW /2017 /

2. Water and sewage pipelines outside and inside the zone:

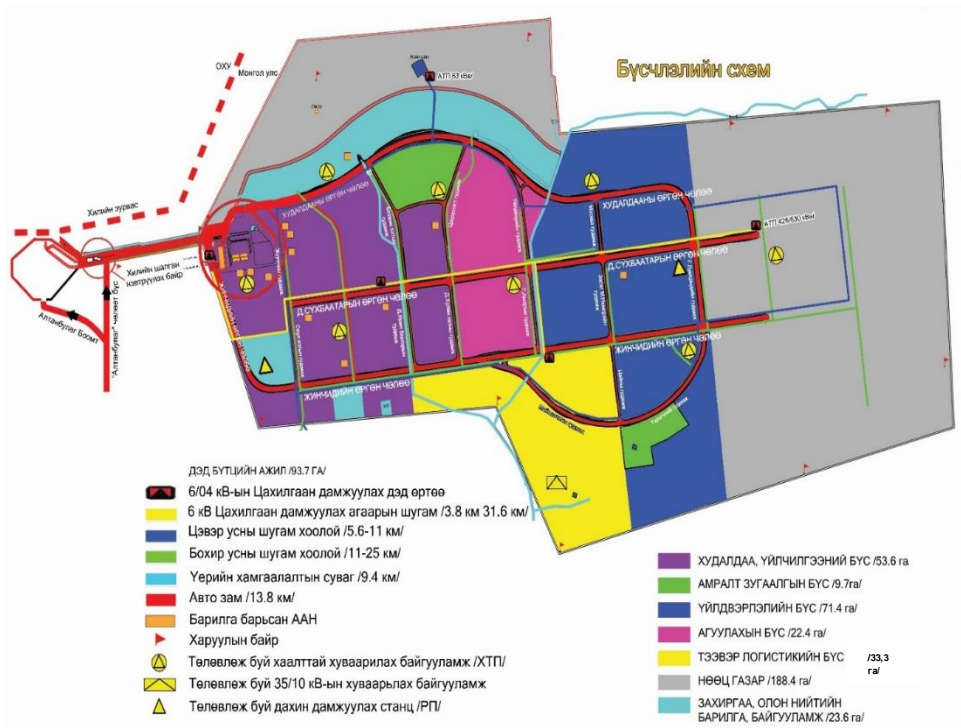
- 7 deep wells with a capacity of 6000 m3 of fresh water per day, 50 m3 reservoir, 5.6 km within the zone and 11 km outside the zone
- Reservoir -800 m3 /2010/
- Sewage pipeline with a capacity of 8000 m3 of wastewater per day, inside 11 km, outside-25 km
- Expansion pump station-12 pcs /2017/

3. Flood protection canal work:

- Flood protection canal-9.4 km /2011 /

4. Improved unpaved road works:

- 2.8 km within the region /2008 /
- 0.81 km of the collar section /2008 /



Projects with the ready feasibility studies and a designs

- “Altanbulag” free zone Governor's office, specialized inspection laboratory building **3.288.503.017** mnt/2008 /
- Construction work of the main well and canalization facility of “Altanbulag” free zone association **2.128.494.000** mnt/2011 /
- “Trade and service center” building of “Altanbulag” free zone/ design and budget made in 2012/ **3.041.201.382** mnt
- Construction of 13.8 km road in "Altanbulag" free zone **43.000.000.000** mnt/201 /
- “Altanbulag” free zone thermal power plant- **60.000.000.000** mnt/2015/
- "Construction of 0.81 km paved road in "Altanbulag" free zone collar **4.400.000.000** mnt/2016 /
- Regional and soum power supply extension work / Selenge, "Altanbulag" / **15.634.142.908** mnt/2018 /

THE TOTAL AMOUNT: 131,492,341,307 MNT

The budget must be revised based on the current evaluation.

INCOME FROM "ALTANBULAG" FREE ZONE TO THE STATE BUDGET IN 2021

Land fee is 113,006,693 MNT, auction is 324,029,512 mnt, collection is 63,709,619.42 mnt, deposit is 12,326,960 mnt. A total of **513,072,784.42 MNT** was transferred to the state budget

Land fees, charges
2008-2021
→ /terminated an agreement for possession of land with 234 entities/
1,965,690,170 MNT

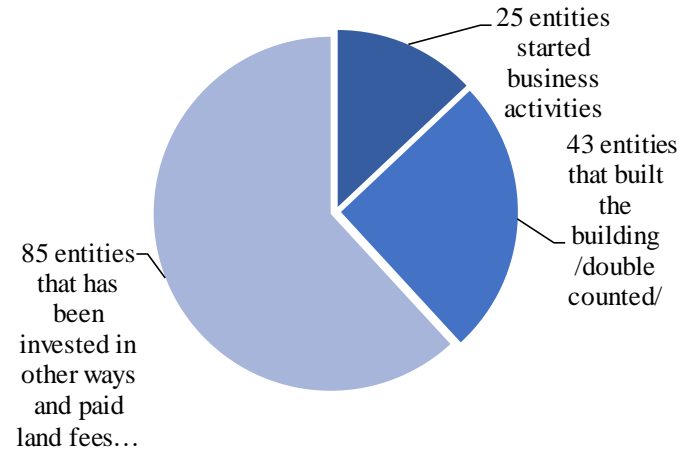
Corporate income tax, health and social insurance premiums, personal income tax
2017-2021 III quarter
→ **2,060,392,917 MNT**

Project selection /7 times/
2017-2020
→ **9 companies**
/contracted-5/

Number of companies that submitted their projects-17

Auction /1 time/
/2021.09.02/
→ **9 companies**
/contracted- 7/

Number of participating companies-87



- 137 enterprises registered in "Altanbulag" free zone
- 9.1 mnt. billion was invested by 72 /double counted/companies.
- As a result of public and private investment, 1,352 temporary jobs and 66 permanent jobs were created.
- As of 2021 more than 748 temporary jobs and 51 permanent jobs /double counted/

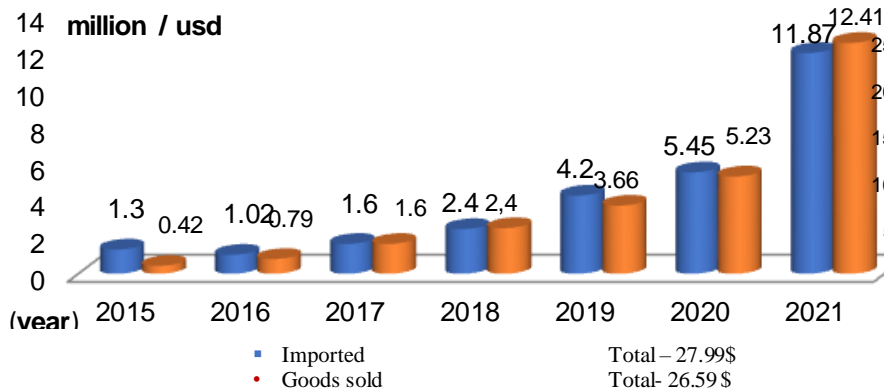
BUSINESS ENTITIES WITH PERMANENT ACTIVITIES

Number of the entities	Company activity	Duration /by year/	Importing country	Category of the product
25	Trade and service	2014-2022	UAE, Netherlands, Chile, Argentina, Germany, Italy, Denmark, Turkey, Russia, China, Japan, South Korea, Republic of Kazakhstan, Republic of Uzbekistan, Republic of Kyrgyzstan	More than 100 types of products in duplicate, such as food, machinery, equipment, household and cosmetics, sports goods and ready-made clothing.

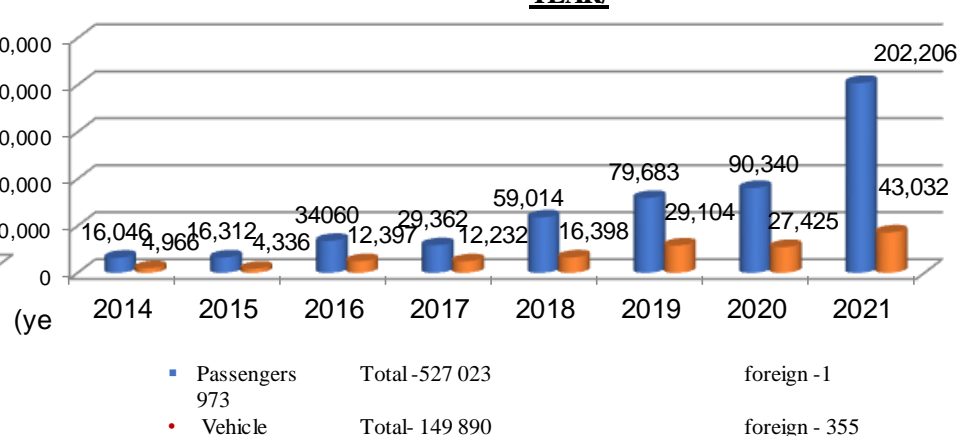




TRADE TURNOVER /BY YEAR/



PASSENGERS AND VEHICLES ENTERED TO THE FREE ZONE /BY YEAR/



Because of the pandemic, the Free Zone had been temporarily stopped.

2020.02.27 - 2020.03.01. By the order of the Governor /3 days/

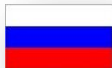
2020.03.01 - 2020.03.23. By the decision of the Province Emergency Commission /23 days/

From November 2, 2020 to February 28, 2021 by the decision of the AEK / 120 days /

Compared to 2014 and 2021, the number of passengers entering the free zone increased 12.6 times and the number of vehicles increased 8.5 times.



FOREIGN RELATIONS AND COOPERATION



- Embassy of the Russian Federation in Mongolia
- Russian Trade Representative Office in Mongolia
- "Capitalist" business magazine of the Irkutsk region of Russia



FREE ZONE INVESTORS COUNCIL

Improve public-private partnerships. Protecting the business environment, mutual protection and promotion of investment



- Implement a quarantine regime



- The free zone will be responsible for checking passengers and vehicles and providing security.



МОНГОЛ УЛСЫН
ГАДААД ХАРИЛЦААНЫ ЯАМ

- Introduce Mongolia's policy and position in international, regional and multilateral economic cooperation



MULTILATERAL COOPERATION



- Simplified customs clearance, control and regulation of special customs regimes.



- Implement special regulations on tax credits and exemptions



- Regulate the registration of legal entities and property to operate in the free zone.



- Embassy of the People's Republic of China in Mongolia
- -Mongolian-Inner Mongolian Business Association
- -Zonghua Investors Association
- -China-Russia border trade zone in Manchuria



United Nations Conference on Trade and Development

15th -22th MEETING OF THE MONGOLIAN-RUSSIAN INTERGOVERNMENT COMMISSION ON TRADE, ECONOMY, SCIENCE AND TECHNICAL COOPERATION AND RECOMMENDED PROPOSALS FOR THE 13TH AND 14TH MEETINGS OF THE SUB-COMMITTEE ON REGIONAL AND BORDER COOPERATION

- Make research of possibility of opening a direct gateway and road connecting the “Altanbulag” Free Zone of Mongolia with the Kyakhta, Russia.
- “To cooperate with relevant organizations in resolving the issue of importing and producing logs from Russia on preferential terms in the “Altanbulag” free zone.
- Establish a joint logistics center in the "Altanbulag" Free Zone of Mongolia
- The “Altanbulag” Free Zone Administration will connect the “Altanbulag” Free Zone to the railway and the AH-3 road network in Asia as part of the supply of additional electricity and the establishment of the Central Railway Corridor.

PROPOSALS INCLUDED IN THE PLAN OF THE VIII REGULAR MEETING OF THE MONGOLIAN-KAZAKHSTAN GOVERNMENT COMMITTEE ON TRADE, ECONOMY, SCIENCE, TECHNOLOGY AND CULTURAL COOPERATION

- To study the experience of developing the “Altanbulag” Free Zone as an economic cooperation zone in order to give an important impetus to the development of trade and economy in the regions of Mongolia and Kazakhstan.
- To cooperate on the establishment of a transport and logistics center in the “Altanbulag” free zone.

MEMORANDUM :

- Tripartite memorandum of understanding on cooperation between Manchuria, China-Russia border trade zone, Customs bonded zone and “Altanbulag” free zone of Mongolia./2019/
- "Memorandum of Understanding between Mongolia and the Republic of Turkey on cooperation in the field of free zones" / 2021 /

- The activities included in the action plan to implement the Action Plan of the Government of Mongolia for 2020-2024:
 - 1 The general development plan of “Altanbulag” Free Zone will be revised and approved.
 2. Expand regional and intra-aimag and soum power supply Selenge and Altanbulag soum. / With approved design and budget /
 3. The “Altanbulag” Free Zone will be connected to the Unified Customs Tele Monitoring System.

The Asian Development Bank has been proposed for the construction of a 14.6 km paved road within the "Altanbulag" Free Zone and the construction of a transport and logistics center, which are included in the five-year guidelines for Mongolia's development for 2021-2025.
- Cooperate with the Ministry of Roads and Transportation to establish a logistics center in the "Altanbulag" Free Zone and approve the terms of reference.
- To entrust the aimag's professional organization with the infrastructure works (sewerage and fresh water pipelines) outside the free zone handed over to the state commission, and to reflect the operating costs in the aimag budget and cooperate.
- Increase the recurrent costs of the free zone, and include the operating costs of the infrastructure facilities in the local budget, followed by the free zone budget.



THANK YOU FOR YOUR ATTENTION

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