

# Mongolia Growth Group

## Provides Year-End 2016 Update

TORONTO, CANADA, January 31, 2017 /FSC/ - Mongolia Growth Group Ltd.

(YAK - TSXV and MNGGF - USA) ("MGG") or ("the Company") a commercial real estate investment and development company participating in the Mongolian economy, announces an update on certain year-end figures. Please note that the following numbers are unaudited and are subject to change.

### Portfolio Updates

The Company continues to maintain high occupancy rates, despite increasing vacancy across the property sector. At the end of the quarter, retail occupancy was 95% while office occupancy was 78%. Additionally, the Company's new tenancy strategy at Tuguldur Center has experienced recent success and average weekly occupancy is now over 90%, which is a 1-year high. The Company did not dispose of any assets during the quarter.

### Agency Business

The Company continues to increase the number of listings and invest resources into its agency business, including the hiring of additional agents. The Company believes that it now has one of the largest inventories of active listings of any agency in Mongolia. Unfortunately, demand for properties is low and with lease and sale prices declining rapidly, potential tenants and purchasers are holding off for lower prices, leading to less transaction volume than originally anticipated. Despite the anemic demand for property in Ulaanbaatar, the Agency business is beginning to add incremental revenue. For more information on available properties, please visit <http://www.MGGProperties.com>.

### Unrealized Change in Fair Value of Properties

Following an initial review of its portfolio by a well-regarded international property valuation firm, the Company anticipates recognizing an impairment to the Fair Value of its properties during the fourth quarter as a result in changes in lease rates and property values since the end of the second quarter when it last recognized an impairment.

### Public Securities

During the quarter, one of the Company's offshore subsidiaries, purchased 4,000,000 shares of Mongolian Mining Corporation (Ticker Symbol 975: Hong Kong Stock Exchange) at an average price of approximately 24.9 Hong Kong cents. The Corporation currently owns 19,000,000 shares of Mongolian Mining Corporation.

### Liquidity and Capital Resources

The Company ended the year with approximately \$1,800,000 of cash and cash equivalents and no debt, however approximately \$670,000 of this cash balance relates to a refundable security deposit for an asset disposal, with the potential of being returned if the transaction cannot be completed. As of today, the Company has no certainty that this transaction will be completed. The Company remains concerned about its cash balance and is focused on increasing its liquidity position, despite the need to potentially sell assets at discounts to market prices.

### **Normal Course Issuer Bid**

During the quarter, the Company repurchased 371,500 shares at a gross cost of CDN \$123,525. Despite the expectation that the economy will continue to worsen for the foreseeable future and that AFFO will worsen with reduced revenues and currency depreciation, the Company believes that its shares are undervalued. However, the Company intends to be highly disciplined about its purchases due to its limited cash reserves and the continued economic uncertainty.

### **Outlook**

During the fourth quarter, the continued decline in the Mongolian Togrog along with a rapid deterioration in business conditions continued to impact the Company. The Company is focused on maintaining its reduced cost structure while trying to keep occupancy at above market rates. Unfortunately, it is expected that operating results will continue to deteriorate in future quarters as the full scope of the economic crisis hits the property market. As there has been no catalyst to reverse the economic predicament, it is possible that this crisis may last for many years and the Company remains focused on selling property assets in order to ensure sufficient liquidity to survive a much longer and deeper crisis than previously envisioned.

The Company will have a full overview in its year-end results.

### **Non IFRS Measures**

The Corporation refers to Funds from Operations (“FFO”) and Adjusted Funds from Operations (“AFFO”). “FFO ” is not defined under IFRS. The Corporation calculates FFO in accordance with the Real Property Association of Canada (“REALpac”) White Paper on Funds from Operations issued April 2014. FFO is defined as net income (loss) and comprehensive income (loss) calculated in accordance with IFRS, excluding: (i) Unrealized change in fair value of investment properties (ii) depreciation and amortization of investment properties; (iii) gains (or losses) from sales of investment properties and equipment; (iv) tax on gains or losses of sale on investment properties (v) deferred income tax (expense) recovery; (vi) impairment/losses on all real estate assets (vii) Gains or losses on PPE properties (viii) share based payments. “AFFO ” is not defined under IFRS and may not be comparable to AFFO used by other issuers. The Corporation has defined AFFO as FFO subject to certain adjustments, including: development expenses not capitalized, large one-time expenses and other adjustments as determined by Management.

### **For further information please contact:**

Ms. Genevieve Walkden, Corporate Secretary  
(877) 644-1186  
gwalkden@MongoliaGrowthGroup.com

*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.*

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### **Forward-looking Information and Statements**

Information and statements contained in this news release 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 and statements contained in this news release include information with respect to our intention to move forward into the construction of international standard properties in Mongolia.

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 development of real property in Mongolia; competition, financing and refinancing risks; risks related to economic conditions; risks related to regulation of the real estate business 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 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 release.