



Annual operation report /Form 1/

Article 20 of the Securities Market Law stipulates the ongoing obligations of the issuer, and the issuer is responsible for submitting annual operational report to the Financial Regulatory Commission and the exchange in accordance with the below form, and shall disclose to the public through its website.

<i>Issuer's name, state registration certificate number, securities symbol, phone number</i>	Mongolian Stock Exchange SRCN:000267784 File number:9012001021 Securities code: 510 Phone: 11-313747		
<i>Name of listed exchange</i>	Mongolian Stock Exchange JSC		
<i>The sector of business operation</i>	66110-Operating trading of securities in the capital market and self-regulatory organization		
<i>Name and date of registration of the audit firm registered with the FRC that issued an audit conclusion on the year-end financial statements</i>	"Ulziit account audit" LLC		
<i>Total number of shares issued by the issuer</i>	231,305,936 unit		
<i>Names of the specialist who prepared and the official who reviewed the annual report</i>	Reviewed by: Kh.Erdeneburen, Senior financial officer, Administration and Finance department		
1.	<i>Financial statement for the reporting period /fill out the summary report indicators and attach the financial statement/</i>		
<i>Balance sheet</i>	Index	1/1/2022	12/31/2022
	Asset		
	Current asset	2,874,020,101.40	2,296,778,319.65
	Non-current asset	2,504,553,658.08	23,184,922,418.26
	Total asset	5,378,573,759.48	25,481,700,737.91
	Debt and owner's equity		
	Short-term debt	941,068,789.20	998,657,547.96
	Long-term debt	-	990,846,139.66
	Owner's equity	4,437,504,970.28	23,492,197,050.28
Total debt and owner's equity	5,378,573,759.48	25,481,700,737.91	

		Index	1/1/2022	12/31/2022
		<i>Income statement</i>		Sales revenue (net)
		Cost of sales		
		Total revenue (loss)	5,501,624,362.55	4,241,344,850.62
		Profit before tax (loss)	3,352,735,578.87	769,747,808.20
		Income tax expense	168,185,939.88	123,519,584.56
		Net profit for the period (loss)	3,184,549,638.99	646,228,223.64
		Other profit		20,008,784,115.62
		Asset revaluation surplus margin		20,008,784,115.62
		Total income	3,184,549,638.99	20,655,012,339.26
<i>Statements of retained earnings</i>		Index	1/1/2022	12/31/2022
		Equity	23,130,593,600.00	23,130,593,600.00
		Asset revaluation surplus	12,362,216.67	20,021,146,332.29
		Other parts of the owner's equity	446,321,902.02	446,321,902.02
		Accumulated profit	(19,151,772,748.41)	(20,105,864,784.03)
		Total owner's equity	4,437,504,983.28	23,492,197,059.28
<i>Cash flow statement</i>		Index	1/1/2022	12/31/2022
		Net operating cash flow	2,272,456,273.35	(705,389,180.92)
		Net investing cash flow	(97,682,445.84)	(423,392,511.67)
		Net financing cash flow	0.00	131,127,879.87
		Net total cash flow	2,174,773,827.51	(997,653,812.73)
		Balance of cash and cash equivalent	554,589,808.41	2,729,363,635.92
		The closing balance of cash and cash equivalents	2,729,363,635.92	1,731,709,823.19
1.1.	<i>Audit report on annual financial statement</i>			
	<i>An unchanged result from the previous report</i>			
1.2.	<i>Audit conclusion letter /the conclusion letter must be developed within the context of the content mentioned in this instruction/</i>			
<p><i>The state audit performed the audit in accordance with the international standards of the Supreme Audit Institution and the procedures and instructions approved by the Auditor General of Mongolia. Auditing was made independent of the organization to be audited and fulfilled within the auditor's ethical responsibilities. Audit evidence that we have obtained is sufficient enough to provide a basis for an opinion.</i></p>				

2.	<i>A brief description of factors affecting the issuer's financial condition and results of operations during the reporting period, as well as the management's assessment and the measures to be taken in the future.</i>							
2.1.	<i>Operational performance /Financial ratios /</i>	<table> <tr> <td><i>Net profit percent</i></td> <td>18%</td> </tr> <tr> <td><i>Gross profit percent</i></td> <td>15%</td> </tr> <tr> <td><i>Return on equity</i></td> <td>2.75%</td> </tr> </table>	<i>Net profit percent</i>	18%	<i>Gross profit percent</i>	15%	<i>Return on equity</i>	2.75%
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<i>Return on equity</i>	2.75%							
2.2.	<i>Liquidity ratios and financial resources</i>	<table> <tr> <td><i>Turn ratio</i></td> <td>2.30</td> </tr> <tr> <td><i>Quick liquidity ratio</i></td> <td>2.27</td> </tr> <tr> <td><i>Debt and equity ratio</i></td> <td>0.085</td> </tr> </table>	<i>Turn ratio</i>	2.30	<i>Quick liquidity ratio</i>	2.27	<i>Debt and equity ratio</i>	0.085
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<i>Debt and equity ratio</i>	0.085							
2.3.	<i>The external and internal factors affecting the operations of the issuer, its market share in the operating industry, changes or developments in the range of products and services, and measures planned to be taken by the issuer in response to changes and development.</i>	<i>In 2022, trading of investment instruments including but not limited to, shares of 183 companies, debt instruments of 21 companies, 2 closed-end investment funds, and 5 asset-backed securities were made. In 2022-2023 we are working to offer shares of influential commercial banks and state-owned companies to the public. Furthermore, the Mongolian Stock Exchange is planning to trading of coal from 2023, and futures contracts based on other mining commodities from 2024.</i>						
2.4.	<i>Details of off-balance sheet transactions and information on accounting policies</i>	<i>There are no off-balance sheet transactions.</i>						
2.5.	<i>Information on loan repayment received during the reporting period, and loan pledges and guarantees;</i>	<i>No loans were received during the reporting period.</i>						
3.	<i>Information on conflict of interest and significant transactions conducted by the issuer during the reporting period, the importance and the purpose of the transaction, and information about the person with a conflict of interest / all conflicts of interest transactions made during the reporting period shall be included/</i>							
4.	<i>Information on Compensation (salary, bonus, etc).</i>							
<i>During a fiscal year, 82,760.0 million MNT was allocated to the salaries and bonuses of the Board members of "The Mongolian Stock Exchange".</i>								

5. Information related to corporate governance

Board Responsibilities

The Board of Directors (The Board) is accountable to the shareholders for the performance of the MSE.

The Board is responsible for evaluating, reviewing, and appointing the CEO's performance results, internal control, risk management, and monitoring the implementation of laws and regulations. The period of the company's strategic plan for 2019-2021 has expired, and the strategy for the next mid-term plan, i.e. 2022-2024, has been determined, its implementation has been monitored, and guidelines and recommendations have been provided. During the reporting period, the executive management team of the Mongolian Stock Exchange held regular meetings to monitor the implementation of operational strategies, goals, and objectives. The duties of the Board are clearly stated in the "Regulations of the Mongolian Stock Exchange" and "Rules of Procedure of the Board of Directors".

Committees under The Board

MSE has 3 permanent committees with set responsibilities assigned by the Board, and the main purpose of these committees is to form an opinion to support the decision-making activities of the board of directors. The activities of the committees are regulated by the "Rules of Procedures of the Board of Directors".

Committees of the Board:

- Nomination committee;
- Audit committee;
- Compensation committee.

The Board member can serve on more than one committee. The Companies Act stipulates that an independent member of the Board shall serve on the audit committee.

Nomination, appointment, and renewal of the Board members

A nomination committee is established for the purpose of independent evaluation of the structure and composition of the Board. The Nomination Committee examines the skills and experience of the members of the Board, evaluates and reviews whether the members' skills are suitable for forming the operational strategy of the MSE, and monitors its implementation. Based on this assessment, a new member is nominated for the Board. Before appointing the members, a comprehensive investigation and inquiry are also carried out by the Companies Act and other relevant regulations on subjects such as education, skills, previous employment history, whether they have significant credit debts, or whether they have a criminal record.

Release or re-election of members of the Board

The members of the board of directors are elected by the shareholders' meeting for a term of 1 year, and the member can be re-elected. The Board may temporarily appoint a member in place of the Board member who has submitted a request for release until a replacement member is elected. In 2022, members D. Bayanzul, D. Enkhbaatar, M. Sanjaadorj, L. Naranchimeg, A. Batpurev, R. Gandiimaa, and A. Anar were re-elected. S.Enkhzorig and B.Sukh-Ochir were released. S.Tulga and Ch. Dondogmaa were newly appointed.

The Board Secretary

The Board is responsible for appointing a secretary who is directly responsible for ensuring smooth operations and coordination between shareholders' meetings, the Board, the executive director, and other stakeholders. The Board secretary must be certified in the field of corporate governance and is appointed by the Board at the recommendation of the chairman of the Board.

2022 онд уг албан тушаалыг эрхэлж байгаа этгээдэд өөрчлөлт орж, 2022 оны 11 дүгээр сард шинээр томилсон ба холбогдох гэрчилгээг авсан байна.

A new secretary was appointed in November 2022 and the relevant certificate was obtained.

6. Information on market risks

Macro risk

The state of the country's economy is closely related to the financial market and is considered an influential factor. Mongolia is considered to be a country with high cyclical fluctuations depending on the external economic environment and the price of commodities. Unexpected macroeconomic factors such as economic shock, exchange rates, inflation rates, unemployment, and geopolitical factors can negatively affect business profitability and people's purchasing power. As a result, the stock market faces a risk of being weakened, which will directly or indirectly affect the operation. The following are risk factors that have a major impact on the economy:

- ✓ Exchange rate volatility;
- ✓ Inflation;
- ✓ Unemployment rate;
- ✓ Fluctuations in commodities price, supply and demand;

- ✓ Budget and monetary policy;
- ✓ Border restrictions and constraints. Etc.

In order to prevent and reduce the possible negative effects caused by the above-mentioned economic risk factors, MSE regularly observes internal and external macroeconomic changes and trends, conducts research and analyzes, and adjusts its risk management policies and strategies based on the assessment of factors, implementing new policies, diversifying our products and services, and improving the method we use to deliver our products and services.

Market risk

The market risk factors that MSE may face include the concept of risks due to negative factors that may arise in the market, such as interest rate risk, exchange rate risk of securities depending on supply and demand, and currency risk.

In addition, many market factors outside the control of the Issuer, which may affect the market value of companies listed on the MSE and the demand for trading in the secondary market, may adversely affect the operations and financial condition of the MSE. Market risk factors may include the following.

- ✓ Investment policies and strategic trends of major financial institutions;
- ✓ Impact of changes in demand and supply of financial instruments, over-the-counter products, and other capital market products and services in the securities market;
- ✓ Changes in laws and regulations that directly or indirectly impose restrictions (or increase related costs) in market trading, participants' access to the market, provision of information services, and investment management of the issuer and its member companies;
- ✓ Impact on the market due to sanctions and other restrictions.

In order to prevent the risk factors mentioned above, MSE has approved and followed the risk management policy document. According to the policy, minimizing the risk that may arise due to unfavorable market conditions, managing the risk, and regular monitoring are carried out.

7.	information of shareholders ownership /names of shareholders with ownership of 5 or more percentage of total shares, and number of total shareholders/
	Ministry of Finance 100%
8.	If the issuer has issued shares to the public for the purpose of implementing a project, a report on the progress of project implementation and the use of funds raised during the period from the start of the project to its completion.
None	
9.	Dividend information
Paid dividends of 1,592.2 MNT to the State property agency.	
10.	Information on the report of activities carried out by the issuer in the field of social responsibility during the reporting period
The staff of "The Mongolian Stock Exchange" joined the "Billion Trees" national movement and planted trees in the 24th district of Songinokhairkhan district.	
Signature of the person who prepared the information, the person who confirmed the accuracy of the information, and the date:	

Full name: Kh.ALTAI

Position: CEO of "Mongolian stock exchange"

Signature:

Signature of the person who prepared the report, date:

Full name: Kh.ERDENEUREN

Position: Senior financial officer

Signature: