



Happy to **CU**

Premium Nexus JSC **2023**  
**ANNUAL REPORT**

# Disclaimer

The report from Premium Nexus JSC includes "forward-looking" statements, which are identified by terms such as "we anticipate," "we estimate," "we intend," "we plan," and other future-oriented expressions. It is important to understand that these statements do not guarantee future events or conditions. The anticipated conditions may not occur, and placing undue reliance on these assumptions is inadvisable.

The future trajectory of the Company's business could diverge significantly due to various factors, including, but not limited to, the risks and uncertainties outlined in the "Executive Management's Report" section of this document. As a result, given these risks and uncertainties, forward-looking statements and projections should not be taken at face value. Additionally, the company explicitly states that it is not obligated to update or revise any forward-looking statements in this report based on new information, different future results, or any other requirements.



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# COMPANY OVERVIEW

# Message from the Chairman



**Gary Stephen Biondo**

Chairman

Dear Esteemed Investors,

As we usher in a new era under the guidance of our newly appointed chairman, an exemplar of independence and judicious governance, I am both honored and exhilarated to address you in this year's communiqué. This period marks a significant pivot in our journey, with the transformation of Central Express CVS JSC into Premium Nexus JSC, symbolizing not only a change in name but a profound evolution in our strategic direction.

Our transition extends beyond a mere rebranding; it signifies our ambitious leap into diverse sectors, underpinned by the robust infrastructure we've collectively erected. This strategic diversification is designed to bolster our resilience and create a wellspring of opportunities for our shareholders. Despite the financial contours of our current landscape, where profitability is yet to be realized, our trajectory is aimed squarely at sustainable growth, with the acquisitions of the past year serving as cornerstones for future prosperity.

In a pioneering move for Mongolia, Premium Nexus JSC has instituted an ESG (Environmental, Social, and Governance) committee, reaffirming our unwavering commitment to corporate responsibility. This initiative not only elevates our operational ethos but also places us at the forefront of championing sustainable practices within the Mongolian corporate sector. Our dedication to ESG principles is a testament to our resolve to forge a legacy of positive impact on society, the economy, and the environment.

The appointment of an independent board member as chairman is a clear testament to our dedication to governance that genuinely reflects the interests of our 9,000 shareholders. This decision underscores our commitment to equitable treatment, ensuring that the voices of all shareholders, regardless of their stake size, are heard and valued. Such a stance reinforces our corporate ethos of transparency, accountability, and fairness. As your chairman, I assure all of our stakeholders of my absolute dedication of service to you.

As we navigate through these transformative times, our focus remains steadfast on creating intrinsic value for our shareholders and contributing meaningfully to the economic tapestry of Mongolia. Our journey may be marked by challenges, including our current financial standing, but it is also paved with the promise of innovation, diversification, and responsible stewardship. Our vision is measured in decades, while our focus is on the details and decisions that will lead us to success.

Let us embark on this ambitious path together, fortified by our shared vision and collective resolve. Premium Nexus JSC stands as a beacon of progress, not just in our expanded business ventures but in our profound commitment to contributing to a sustainable and equitable future.

Yours sincerely,  
Gary Stephen Biondo

Chairman

# Message from the CEO



**A. Gankhuyag**

CEO

I extend my warmest regards to all investors, business partners, employees, and customers,

The year 2023 has been a remarkable period of development for us. With a total of 374 stores, marking a 31% increase from the previous year, we have served over 45 million customers, reflecting a 34% surge compared to the previous year. Our sales have soared to 390 billion MNT, representing a remarkable 50% increase from the previous year, establishing us as a leading company in the industry. Throughout 2023, we have established 89 new stores and collaborated with approximately 400 supplier partners, enabling us to offer a diverse range of over 2,000 top-quality consumer products to 150,000 people every day. As a result, CU convenience stores are becoming increasingly accessible to everyone, evolving into vital social infrastructure that positively impacts the convenience and productivity of Mongolians' daily lives.

At the same time, we are confident that the company's long-term competitiveness will significantly increase as we expand our business infrastructure, enhance operational standards, and focus on improving our management system and human resource skills. As our company continues to experience rapid growth, we remain committed to investing in our manufacturing, distribution capacity, and sales infrastructure. Furthermore, in our pursuit to enhance market leadership and long-term competitiveness, we are delighted to announce that 2023 marks a significant year in which Central Express CVS JSC transitioned to Premium Nexus JSC and embarked on a "CU-centered cooperation investment platform business model."

The CU store is dedicated to ensuring that products desired by customers are consistently available in each store. Therefore, in 2023, we have strengthened the capacity of our logistics and distribution infrastructure, enabling us to distribute 99% of the 400,000 products sold daily through our logistics network. Consequently, we have become a distribution hub for over 300 manufacturers and wholesalers, facilitating the efficient delivery of their products to CU customers. Additionally, by establishing a centralized distribution infrastructure, we have not only met international food safety standards but also reduced traffic congestion in Ulaanbaatar by 829 trucks daily.

The mission of CU convenience stores is to facilitate the transition from the traditional market model prevalent in developing countries (push market), characterized by manufacturer and distributor-driven sales, to the customer-centric market model (pull market) observed in developed countries. Rather than merely delivering products desired by manufacturers or wholesalers to customers, our focus is on identifying and providing products that customers want.

To achieve this, we leverage technological advancements, particularly big data analytics, to gain insights into customer preferences. Armed with this knowledge, we serve as a conduit between customers and manufacturers, enabling us to manufacture, distribute, and sell innovative and highly valued products. This approach ensures increased customer satisfaction, optimal product manufacturing by suppliers, and overall market efficiency and value enhancement. To realize these objectives, it is imperative to develop Mongolian food production and transportation logistics for everyday products to meet global standards. Consequently, our company has invested in beer and coffee production, e-commerce, and expanded its operations. Looking ahead, we intend to continue investing in the food production, logistics, and technology sectors to enhance our company's competitiveness and foster the development of Mongolia's food production and trade infrastructure.

We are steadfast in our commitment to fulfilling the strategic objectives outlined in our IPO and remain dedicated to our mission and values. Our aim is to create value for customers and all stakeholders in the CU business platform while ensuring long-term sustainable growth.

At Premium Nexus JSC, we unite under the goal of "Simplifying people's daily lives with global standards" and strive to positively impact all stakeholders in the CU business platform, guided by the trust of our esteemed shareholders.

Yours sincerely,  
A. Gankhuyag

CEO

# CU convenience business vision, goals



## Goals

Simplify daily lives through  
world-class services



## Vision

Achieve global  
recognition



## Business mandate

### Our core 4 values

- Costumer centered
- Best-partnership
- Growth oriented
- Success

# Historic milestones

We are the first to introduce convenience store services in Mongolia, transforming the traditional mom and pops grocery store model to a new level. We have created conditions for consumers to select and purchase the products they need in a clean and comfortable environment that meets international standards. This initiative represents a significant advancement in the development of Mongolia's retail industry



2015

Premium Corporation opened Mongolia's first convenience store chain, Central Express, with three branches.



2017

Established Central Express CVS LLC.



2018

Signed an agreement with South Korea's BG F Retail Company to become the CU brand master franchise holder and received CU brand franchise rights.

Mongolia's first "Convenience" store received the MNS certificate.



2019

CU brand expanded to 50 branch stores within one year.

Launched the CU Loyalty Program and introduced the CU App.

# Historical milestones



2020

A 4,200 square meter distribution center with a normal temperature regime began operations.

Became the first chain in Mongolia with 100 branch stores.

Established Mongolia's first public food factory that meets international GMP and NASSR standards.

2021

The cold chain distribution center was commissioned.

CU has released its brand equity.



2022

Central Express CVS JSC signed an agreement to purchase 12 branches of the Circle K chain from Circle Chain LLC.

One-day sales of the CU chain store reached 1 billion MNT.

Became Mongolia's first chain with 200 branch stores.

Developed and introduced a complex information technology system with South Korean know-how across the network.

Opened CU brand's retail store.



Ranked 11th among the top 100 companies for the second time.

Became Mongolia's first chain with 300 branch stores.

Launched the CU brand franchise program.

President of Mongolia, Ukhnaagiin Khürelsükh, organized a meeting of the food industry within the framework of the national movement "Food Supply and Safety".

2023





# CU CONVENIENCE STORE BUSINESS OPERATION

## Significant events

### CU 5 year anniversary

We celebrated our 5th anniversary in August 2023 with a warm and friendly greeting, "Welcome to CU." Our stores offer customers the opportunity to purchase hot food, tea, and a variety of domestic and imported consumer goods that meet hygienic quality standards. These offerings simplify the daily lives of the citizens of Ulaanbaatar and continue to provide a variety of advanced services to consumers



## Significant events

### Ranked 11th among TOP-100 enterprises in Mongolia

Appreciating the relentless efforts to bring the world's best service standards to customers 24 hours a day by introducing a fresh perspective to Mongolia's retail sector, we were ranked 11th among the TOP-100 Mongolian enterprises. This achievement also marks us as the number one ranking company in the retail sector.



## Significant events

### The CU brand has opened its 300th branch store in Mongolia

In March 2023, CU convenience store inaugurated its 300th branch in Gerlug Vista town of Khan-Uul district. Distinguished guests including board members of Premium Group, Jang Yong-chul, Executive Director of Foreign Business and Merchandising of South Korea's BGF Retail Company, and Kim Tae-han, Head of Foreign Business Operations, graced the opening ceremony. They participated in the ceremonial ribbon-cutting and plaque installation. The event also marked the commencement of efforts to bolster the "Franchise Program," catering to aspiring entrepreneurs and small to medium-sized business owners seeking expansion opportunities.



## Significant events

### Increased rural store expansion

To enhance accessibility and provide standardized services to citizens, CU has expanded its presence in rural areas. Twenty new branch stores were recently opened across Central, Darkhan-Uul, Orkhon, Selenge, Overhangai, Govisumber, and Khentii provinces. This strategic initiative aims to bring essential services closer to residents while ensuring consistency in quality and offerings on par with global standards.



## Significant events

### To boost women's participation in business, CU has partnered with the Credit Guarantee Fund and Capitron Bank.

In May 2023, CU effectively promoted joint loan products with third-party organizations to expand the franchise program to more SMEs, including women entrepreneurs. As part of this initiative, the Credit Guarantee Fund and Capitron Bank will offer guaranteed business loans at low interest rates, aligning with the United Nations Sustainable Development Goal 5, aimed at achieving gender equality and increasing women's participation in the business sector. This collaboration marks a significant step towards empowering women entrepreneurs and advancing gender diversity in business.



## Significant events

### Six local companies supplying food prepared for the CU network have attained the prestigious HACCP certification

Ensuring food safety is paramount for CU chain stores, ensuring customers can access healthy and safe food. To achieve this, our company initiated the "Let's Grow Together" program in 2023. This program aims to enhance workplace conditions and implement rigorous hygiene practices, fostering collaboration with food product suppliers to uphold food safety standards.

In 2023, six suppliers successfully implemented the HACCP standard and obtained certification from authorized organizations. Building on this progress, five additional suppliers are preparing for certification by adopting HACCP standards in 2024.



**FRESH BOX LLC**



**GOO LIFE LORIS LLC**



**ALTAIDELGER LLC**



**BLUEJAY CATERING LLC**



**OSIS TJM LLC**



**FREE FOOD LLC**



With approximately 150,000 daily customers across 374 branches, an average of 73,000 prepared meals are sold daily. Thirty-eight percent of the food sold originates from the CU food factory, with the remaining 62 percent supplied by domestic food enterprises.

By implementing NASSR standards, these enterprises ensure quality and safety throughout the production process, from raw material preparation to distribution and delivery to consumers. This ensures the provision of reliable and safe products to consumers under strict supervision.

Moving forward, CU will continue to implement the "Let's Develop Together" program, collaborating to enhance the capabilities of national manufacturers and promote the production of safe and high-quality food.

## Significant events

### The President of Mongolia, U. Khurelsukh, recently visited the food production center of the CU brand.

As part of the "Food Revolution" national movement, President Ukhnaagiin Khurelsukh of Mongolia recently toured Central Express CVS JSC's Food Production Center. This visit encompassed an overview of the company's entire operations, including the Food Production Center and Distribution Center. Notably, the CU Food Production Center holds the distinction of being Mongolia's first prepared food factory with international

HACCP certification for food safety. Equipped with a laboratory for quality control of raw materials and finished products, five semi-automated food production lines, and a vacuum sterilization facility to mitigate external contamination, it ensures stringent safety standards. The products manufactured here are then distributed to CU's 300 branch stores.



## Significant events

### The President of Mongolia, U. Khurelsukh, recently visited the food production center of the CU brand.

During his visit, President Ukhnaagiin Khurelsukh of Mongolia commended the invaluable contribution of Central Express CVS JSC to providing healthy, safe, and guaranteed food to the citizens. Within the ambit of the "Food Revolution" national movement, which aims to bolster domestic food supply and safety and achieve

the goal of becoming a food exporting nation, the President emphasized the imperative of close cooperation between the private sector and the government. He reiterated the government's staunch support for enterprises that enhance food security and supply.



## Significant events

### Industrial food was prepared and delivered to the employees working at the flood hazard site

The CU food factory supplied high-quality, nutritious meals to military and police personnel, who were on high alert during a force majeure weather emergency.



### Employees working in adverse weather conditions were offered complimentary hot drinks

In response to the Capital Governor's decision to alleviate traffic congestion, CU provided complimentary tea and coffee to traffic police officers for three days. This gesture aimed to support those working tirelessly in freezing temperatures, day and night.

## Significant events

### BGF retail joint collaboration

The CU brand collaborated with a program organized by BGF Retail Company to foster tourism between Korea and Mongolia, facilitating enhanced cooperation and cultural exchange.



### CU organized a joint activity with the Ministry of Culture of Korea

To enhance health and tourism cooperation between Mongolia and Korea, as well as to promote Korean culture, Korea Week, organized annually by the Ministry of Culture of the Republic of Korea, featured engaging programs and events spanning three days. Among these activities, CU participated by setting up a shop and offering cold drinks and food to attendees.

# Significant events

## ICU program continues

Since 2021, the "CU HELP YOU" program has been in effect, aiming to prevent young children from getting lost, ensuring their safety, and safeguarding them from potential exposure to crime. This initiative is conducted in collaboration with the Family Violence and Crimes Against Children Department of the Metropolitan Police Department.



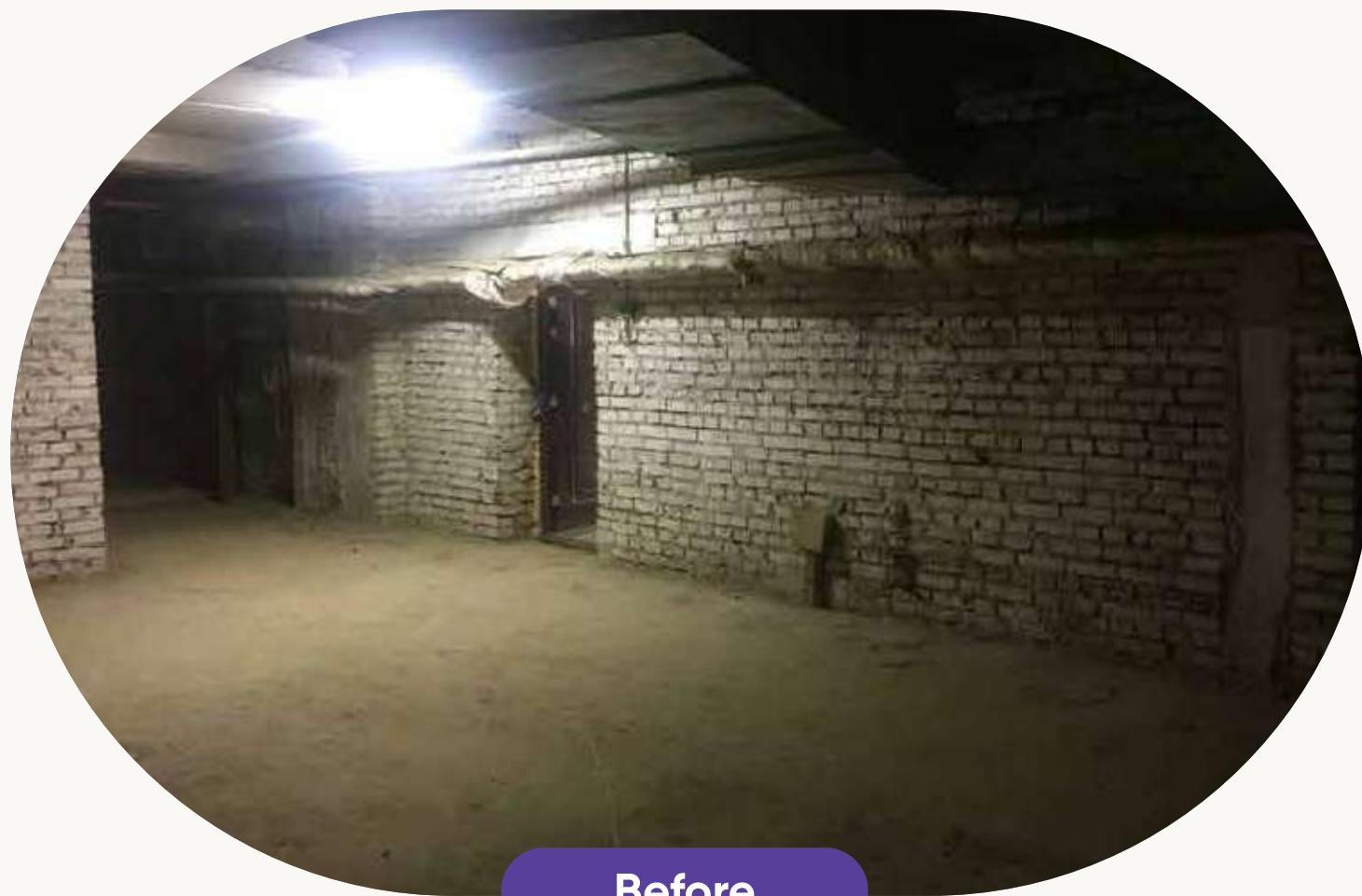
## Green space

In efforts to enhance green spaces in urban and local areas, CU contributed by planting 75 blooming trees and ornamental flowers across 43 sectors lacking outdoor green spaces in Ulaanbaatar, Erdenet, and Darkhan cities.

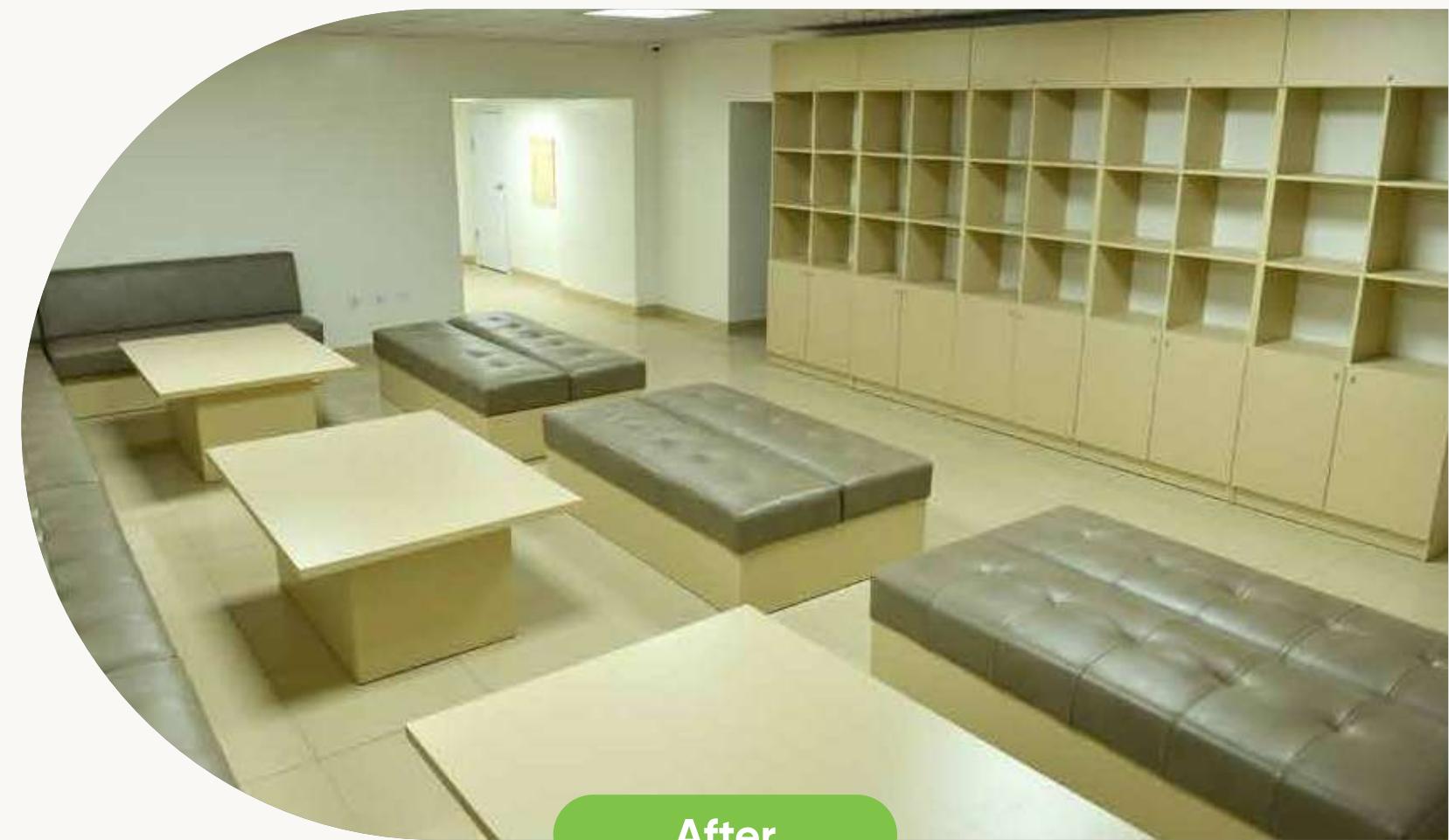
## Significant events

### The waiting room of the 3rd State Hospital for Neurology and Cardiac Surgery underwent renovation and beautification

In 2023, the CU brand renovated the waiting room of the 3rd State Hospital for Neurology and Cardiac Surgery, a crucial facility regularly attended by over 1,000 individuals with severe and mild neurological and cardiovascular diagnoses necessitating emergency surgery. The refurbished space was handed over to the hospital staff



Before



After

# CU Convenience store management structure



# HR Incentives

The human resource policy of the CU brand is centered on fostering a workplace environment that ensures equal access for all, promotes job satisfaction among employees, and offers opportunities for personal and professional development. In 2023, as part of this commitment, the "Flexible Time Schedule" program was launched, enabling employees to select working hours that align with their needs, including proximity to home or school.

Additionally, a comprehensive training program designed to facilitate career growth among employees was implemented in stages. Furthermore, an unlimited salary and bonus system was introduced as part of the human resource policy, reinforcing the company's dedication to fostering employee welfare and professional advancement.

## Training and Development

To meet the rapid growth demands of the retail industry, we prioritize systematic training across various aspects for our workforce. This includes imparting knowledge, honing skills, shaping attitudes, and refining management capabilities, from new recruits to store managers. Through this approach, we ensure that every individual is equipped to fulfill their duties with professionalism and proficiency.

## Online training platform

To tailor to the unique aspects of our company's operations, we've developed and implemented an e-learning platform. This platform offers flexible and interactive learning modules, enabling employees to continuously learn and develop regardless of time and space constraints. Through this initiative, our employees have full access to acquire knowledge and skills relevant to their duties, fostering continuous growth and professional development.

## Training hours

A total of 101,694 man-hours of training were delivered to 15,855 individuals, aimed at enhancing the skill levels of management, office, and shop staff. Within this training initiative, 2,256 man-hour courses were specifically organized to address the training and development requirements of individuals with special needs.



**15'855**  
Employee



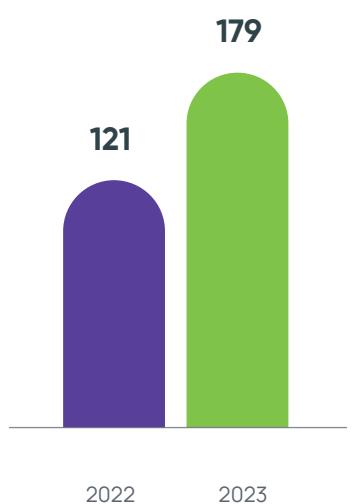
**101'694**  
Training hours



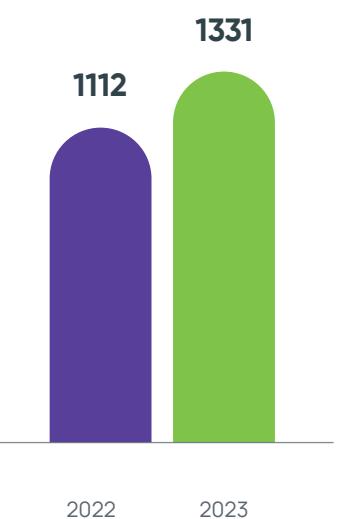
# HR Incentives

## Career development system

The CU brand implements a Career Development System to assess employee performance and support skill development. In 2023, based on career development evaluations, 1,331 employees experienced career advancements, double the number from the previous year. Additionally, 179 employees were promoted to management or store manager positions. Compared to 2022, there was a 20% increase in the number of employees experiencing career growth.



Store manager



Career development

## Salary system

Through the introduction of a performance-based salary incentive system, CU ensures fair evaluations irrespective of age, gender, or work experience. Employees are assessed on performance results, competitive skills, and leadership qualities via a transparent and unbiased evaluation process. As a result, salaries for direct store management have increased by 40%, reflecting the company's commitment to rewarding excellence and fostering a meritocratic work culture.



# HR Incentives



## 4,308

### Total Employees

In 2023, we had a total of 2,982 employees to run 374 stores



## 4%

### Special need employees

A significant portion, 4%, of the store's workforce comprises employees with special needs, totaling over 120 jobs. This initiative has generated more than 118,000 man-hours of employment opportunities, highlighting our commitment to fostering inclusivity and providing meaningful work opportunities for individuals with special needs.



## 70%

Female



## 30%

Male



## Salary

### Weekly

Starting from 2023, the store employees receive their salaries on weekly basis system.



## 72%

### Employee satisfaction

According to the international Gallup survey, an impressive 72% of all store employees express high levels of satisfaction, surpassing the global average by 5%.

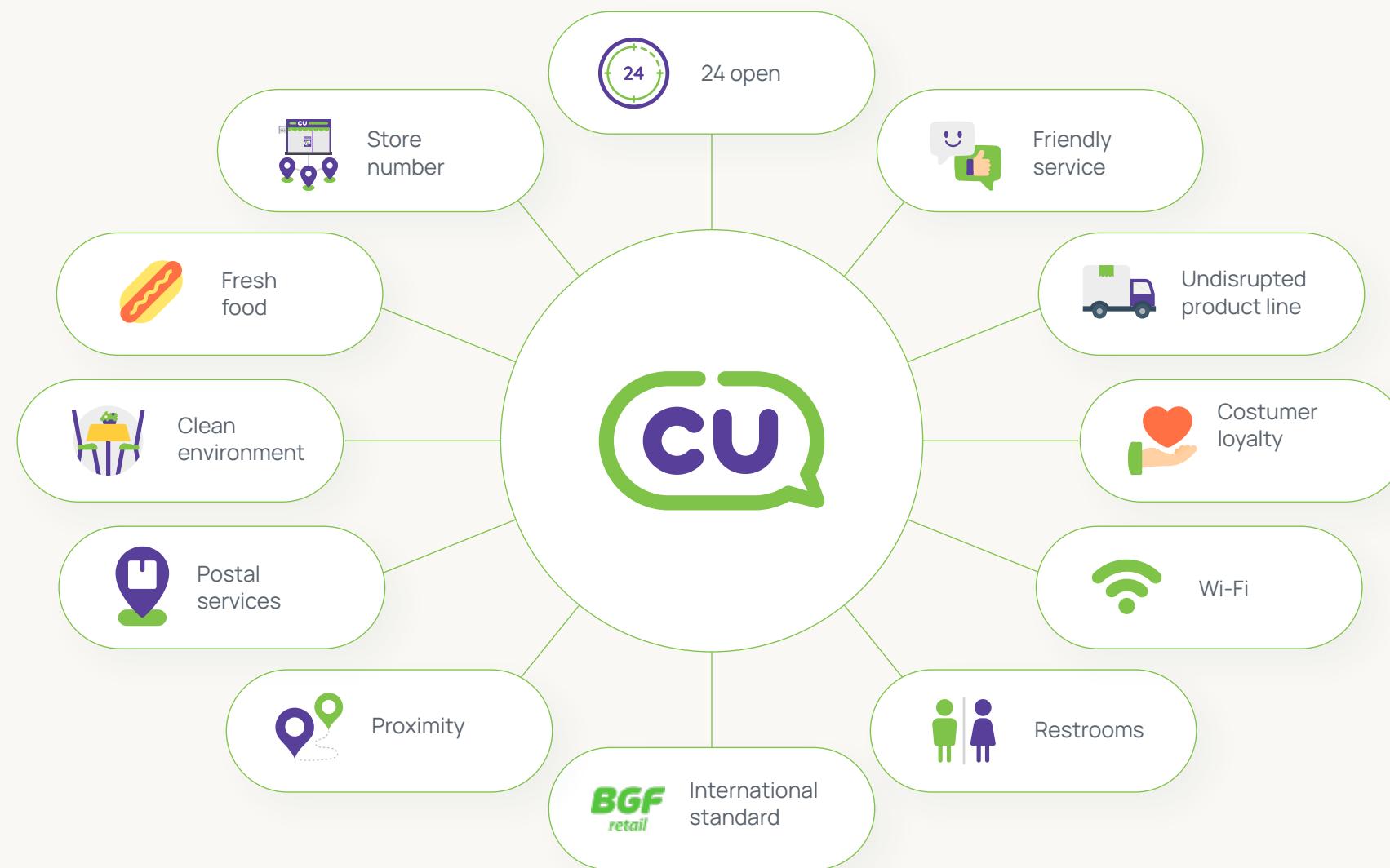


## 40%

### Salary growth

As part of our commitment to sustainable human resource management and workforce capacity building, we have increased the salary of store managers by up to 40%. This initiative reflects our dedication to recognizing and rewarding leadership excellence within our organization.

# Operational characteristics and advantages



Premium Nexus JSC is dedicated to offering the most convenient and accessible 24-hour products and services essential for consumers' daily lives through CU brand convenience stores. Our commitment lies in providing uninterrupted access to products and services, ensuring customer satisfaction remains at the forefront. To achieve this, we are actively developing comprehensive solutions encompassing product and service differentiation, logistics, and technology, thereby enhancing the overall customer experience.

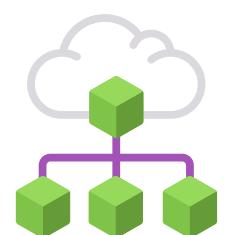
# Operational characteristics and advantages

## Strategic goals



### Market leadership

- Branch stores
- Service standard



### Infrastructure

- Distribution network
- Food manufacture
- Comprehensive information system



### Product and service standard, differentiation

- Brand products
- Special right products
- Import products
- Trendy products
- Comprehensive service centre



### Increase customer loyalty

- Friendly service
- Loyalty programs



### Incorporating technological advancements

- Network
- Digital transformation
- Fintech
- AI

# Store operations

In 2023, the CU convenience store chain, boasting the largest number of branches in Mongolia, operates 374 stores nationwide. To rapidly advance convenience store operations and align with market trends and customer needs, we have developed Mongolia's largest processed food factory, warehouse, and integrated distribution center infrastructure. This comprehensive development saves customers more time and energy compared to traditional self-service store operations, offering comfortable and cost-effective services while introducing a completely new standard in the service industry.

- We offer over 2,000 products across 17 categories, ensuring our customers can make quick and convenient choices.
- Utilizing an integrated information technology system, we tailor our product placements to match the location, usage characteristics, and specific customer needs of each store, thereby improving product availability and control.
- Through store consulting services, we continuously implement brand compliance standards across all locations, enhancing profitability, and improving store management capabilities. We are committed to gradually introducing world-class expertise to further elevate our operations.
- CU strictly adheres to the brand's service standards, conducting daily store operations in a healthy and safe environment. We implement a comprehensive brand compliance system to create value for our customers, ensuring all brand products and services comply with relevant laws and regulations. This proactive approach helps us mitigate potential risks and maintain the highest standards of service.



374 stores



24 hours open stores  
consist 66%

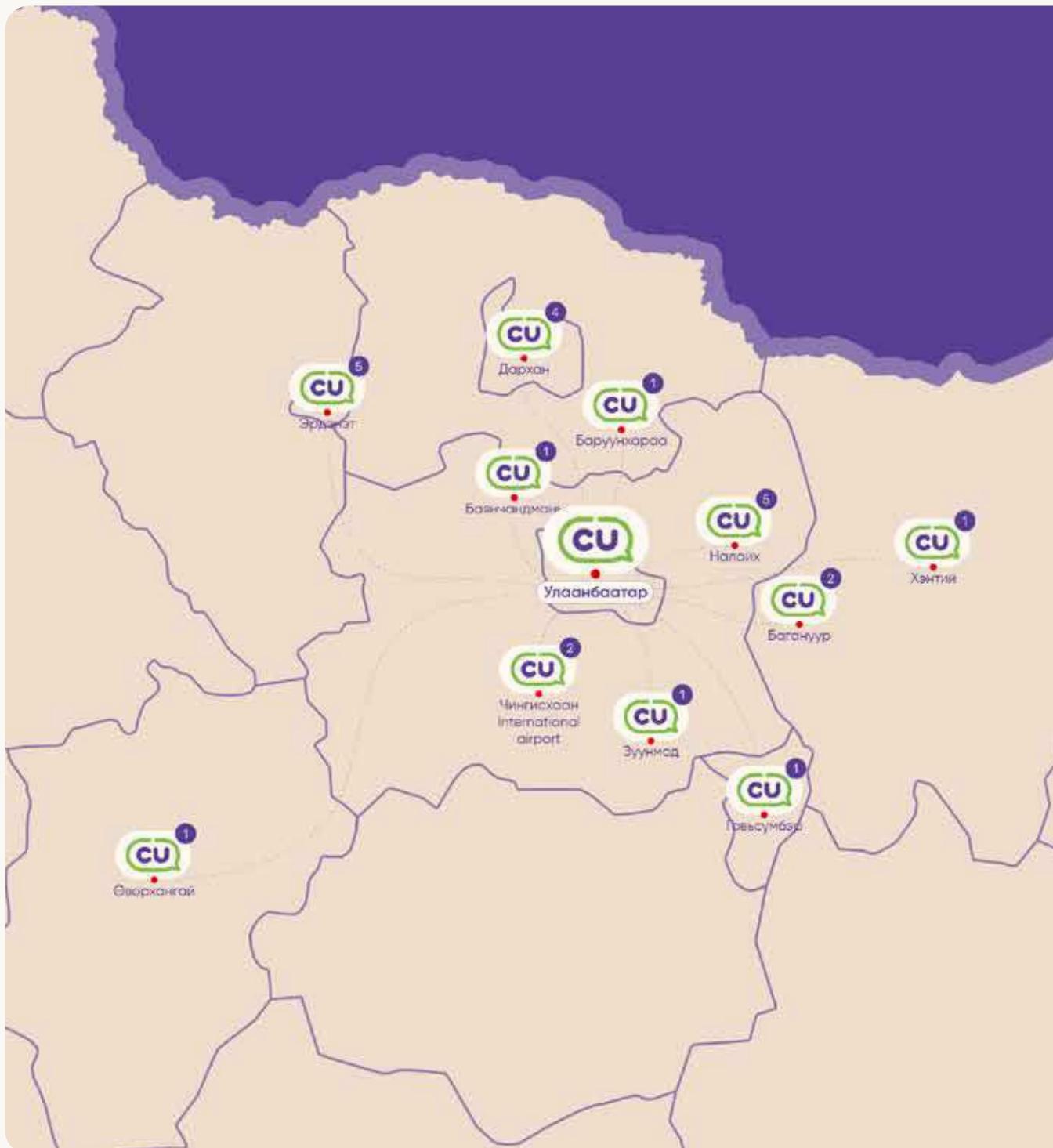


internal quality controls are  
done 3,947 times



We operate in five key areas: office, gas station, residential, service center, and roadside locations.

# Market expansion



Customers (thousands)	2022	2023	Growth
Ulaanbaatar	32,243	43,257	34.2%
Rural area	375	1,657	342%
<b>Total:</b>	<b>32,618</b>	<b>44,910</b>	<b>37.7%</b>

Store number	2022	2023	Growth
Ulaanbaatar	282	354	25.5%
Rural area	3	20	566%
<b>Total:</b>	<b>285</b>	<b>374</b>	<b>31%</b>

## Rural area

Local stores are established approximately 380 km from Ulaanbaatar, ensuring that CU brand standard services are available to regional customers. We provide a continuous supply of fresh food, essential goods, and products from our food factory and distribution center daily.

We have also opened our own branch stores in remote areas, including Bagahangai, Uverkhangai, Khentii, and Darkhan-Uul provinces, thereby expanding our services to a broader customer base.

## Ulaanbaatar city

In 2023, adhering to a policy of inclusive expansion, we opened branch stores in the outskirts of the city and remote locations. This initiative ensures that customers in these areas have access to the standard services of the CU brand.

## Store renovation

The organization and appearance of CU branch stores have become familiar to customers. However, embracing the principle of continuous improvement and modernization, we implemented the CU 2.0 Store design update in newly opened branches. The aim of this design update is to enhance the visibility of store goods and products, ensuring they are arranged in an orderly manner. This allows consumers to easily choose from a diverse range of items.

### As part of the store design update:

- Inside the store, a combination of white, purple, and gray colors was used to create a neater environment.
- The height of the counter was increased from 1.4 meters to 1.6 meters, allowing for a greater number of products and improving customer selection.
- In 2023, 85% of all stores completed the placement of the store manager's desk in the service hall. This change aims to ensure managers are always ready to assist both employees and customers, and to handle product stocking and replenishment without delay.
- Based on the unique characteristics and customer needs of each store location, additional products were placed by increasing the number of counters. Necessary equipment such as refrigerators, coffee machines, and toasters were added. Seating areas were made more accessible, and multi-seat toilets were completed.



## Store renovation

Branch stores with parking lots and multi-seat restrooms have been opened in 15 locations along the roads leading to and from the city, catering to the needs of both domestic and foreign tourists.

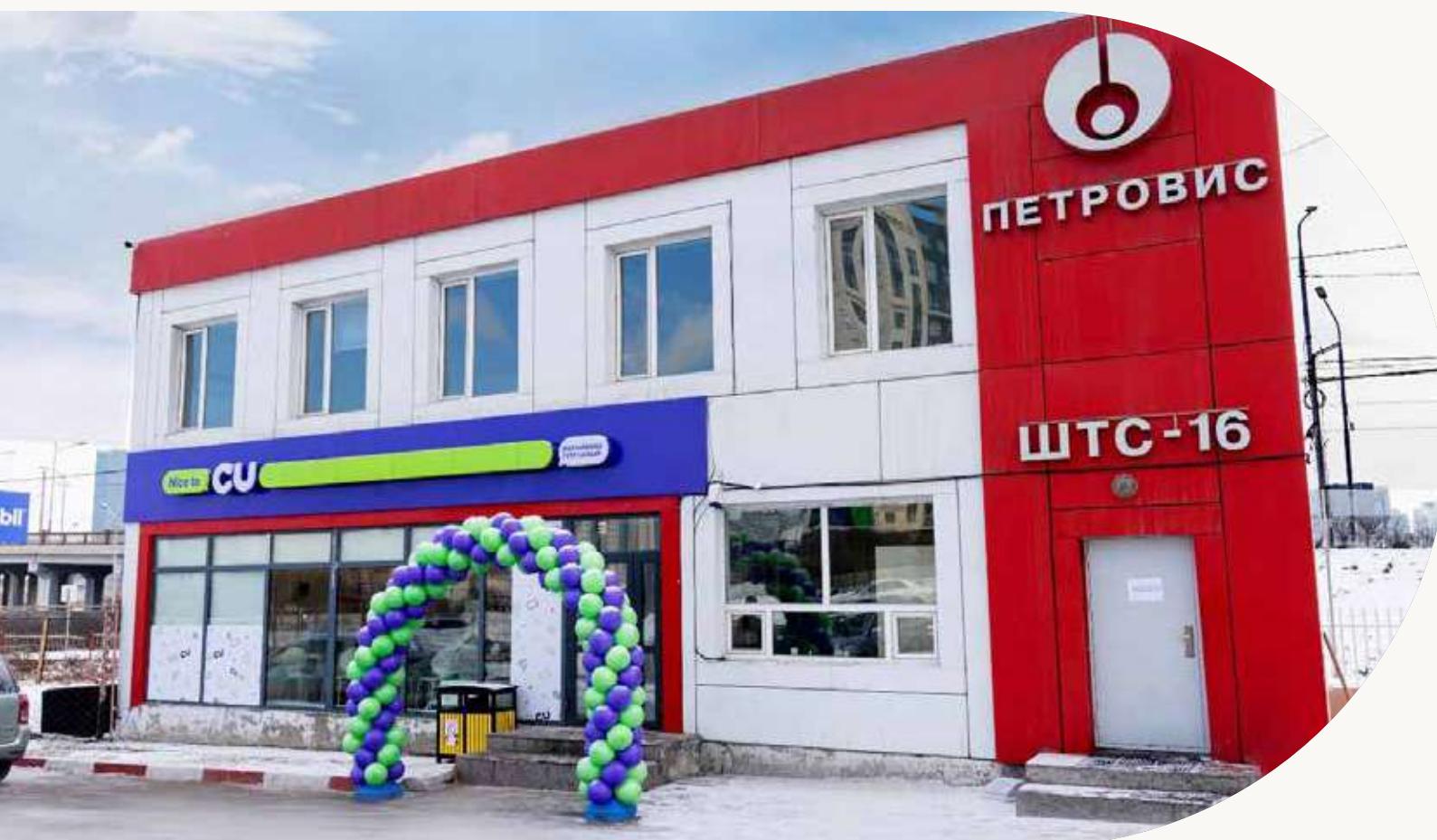
In 2023, a total of 118 seated toilets were installed at the newly opened branches at our own expense, enhancing the social infrastructure.



# Partnerships

## Petrovis x CU

CU Convenience Store is partnering with Petrovis Group to open CU convenience stores at 18 gas stations. This collaboration aims to provide customers with time-saving products and services across multiple locations. Convenience stores at gas stations are highly popular internationally and serve as a timely service for citizens who spend considerable time in their cars and balance busy work lives. These joint branches allow customers to quickly access essential products and services without searching for parking. Additionally, they offer car oil, lubrication products, and small spare parts, meeting a wide range of customer needs efficiently.



## MOBICOM X CU

To enhance customer convenience and comfort, CU has partnered with Mobicom Corporation to create a comprehensive service at the Tedi-2 and Sodon Khoroolol branches. Customers can enjoy CU hot coffee and purchase essential products while simultaneously accessing a full range of mobile communication services. This collaboration ensures that customers can efficiently manage their time by combining multiple errands in one location.

# Partnerships



## Go Power x CU

Since 2021, CU has partnered with Go Power Mongolia LLC to offer an innovative service: renting Go Power mobile phone chargers and returning them to the nearest CU convenience store after charging. With the increasing reliance on smartphones, we provide valuable services that save customers time and offer quick solutions. This service is available in a total of 51 stores, ensuring convenience and accessibility for customers on the go.

## Stora x CU

Stora, an e-commerce platform, simplifies the process of ordering products from major online shopping sites in America and China. Consumers receive their ordered goods from Stora boxes located in 32 CU branch stores nearest to them. This innovative solution enables consumers to independently make international purchases without needing to interact with post offices, transportation organizations, or individuals. Through this collaboration, convenience stores further enhance the value they provide to consumers by offering seamless access to international goods.



# Franchise business operations

In 2020, we initiated the franchising of CU branch stores to small and medium businesses. However, with the opening of the 300th branch of the CU brand in 2023, we began intensifying our efforts to reinvigorate the "Franchise Program" for aspiring entrepreneurs and small to medium-sized business owners looking to expand.

CU Franchise Program franchisees benefit from the opportunity to select from low-risk, long-term stable stores with a consistent customer base under well-known brands in the market.

Under the CU franchise program, the company provides comprehensive store support services, including product supply, brand standards compliance, store consulting services, marketing activities, IT systems, and training. Meanwhile, franchisees undertake the role of store management. This mutually beneficial arrangement allows franchisees to leverage the strength of the CU brand while receiving the necessary support to succeed in their entrepreneurial endeavors.

47

**Total Franchise right receivers**

In 2023 a total of 47 stores were transferred to Franchise right receivers

100%

**were trained and certified**

In addition to enhancing the skills of employees, franchisees collaborate with CU to provide training aimed at equipping individuals with the knowledge and skills necessary to effectively manage store operations.



## Franchise business operations

**Capitron Bank and the Credit Guarantee Fund have introduced discounted loan products specifically designed for small and medium-sized businesswomen.**

Successfully marketed joint loan products with third-party organizations to extend the franchise program to more SMEs, including women entrepreneurs. For example, in May 2023, we partnered with the Credit Guarantee Fund and Capitron Bank to support the 5th United Nations Sustainable Development Goal of achieving gender equality and increasing women's participation in the business sector. This partnership offers flexible criteria and guarantees, enabling women entrepreneurs to obtain business loans at low interest rates.



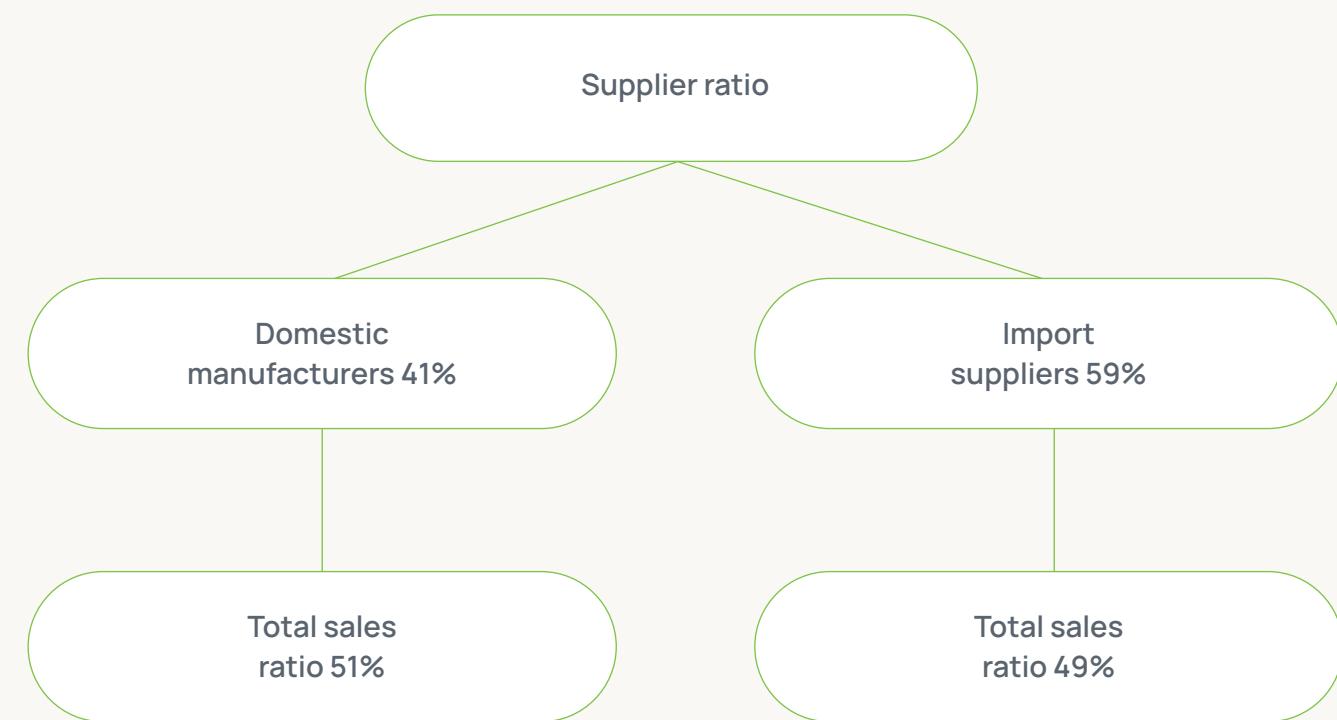
As of 2023, a total of 2 billion MNT discounted loans have been granted to 17 women entrepreneurs without requiring collateral. In the future, we will further expand our cooperation, expand the scope of credit products, increase the participation of women in the business sector, create their leadership, contribute to raising the standard of living, and support sustainable business.

# Product management activities

51% of the products purchased by consumers are sourced from domestic manufacturers. This support enables the CU brand to help local manufacturers expand their sales, extend their service scope, and grow their businesses.

To offer products and services that meet the needs of convenience store customers, we have implemented the following strategies:

- Sourcing Popular Products: We accept products already known and in demand by consumers from both foreign and domestic suppliers.
- Joint Development: We collaborate with domestic manufacturing companies to create new applications and introduce innovative, trendy products to the market.
- Exclusive Imports: We import internationally trending innovative products with official exclusive rights.
- In 2023, we introduced 1,143 new types of products to our network, based on customer preferences, usage features, and store location.



# GET powder drinks

GET brand products are a favorite among CU customers, known for offering real bean coffee made from 100% Arabica beans. We have enhanced the flavor of GET coffee with high-quality powders produced in Korea, providing customers with a variety of coffee options.



## GET Marshmallow latte

A combination of sweets and espresso to satisfy post meal cravings



## GET Mocha Latte

A hot chocolate milk with added espresso to enrich the flavour



## GET chocolate

In September 2023, GET brand chocolate was developed in cooperation with the national manufacturer Nine Star LLC. This chocolate, available in three flavors popular among Mongolians, quickly became one of the most popular products as soon as it hit the shelves.

# Fresh meals

## Local line

Mongolian food culture encompasses a variety of European-inspired menus, and familiar dishes from these menus have been adapted and marketed as packaged foods tailored to the unique environment of CU brand convenience stores.



## Burgers and Calzone

The Calzone from CU Eats is a staple product well-known to consumers. Recently, we introduced a Pineapple variety, which has quickly become a top seller and a hit with our customers since its launch.



## Chicken salad

Consumer research has revealed a growing demand for low-calorie, high-acid vegetable salads that are conveniently packaged and available anytime, anywhere, as consumers increasingly adopt healthier lifestyles. In response to this demand, we have introduced Modified Atmosphere Packaging (MAP) to the Mongolian convenience store chain. This innovative packaging solution helps maintain the freshness and quality of salads, making it easier for our customers to enjoy healthy options on the go.



# Bakery

## Mochi

Mochi, a traditional Japanese dessert, is particularly popular among children and young people in Asia and internationally. Our mochi product, developed in cooperation with customers, is notable for not containing food additives that extend shelf life, ensuring it meets safety standards for small children. Tailored to Mongolian conditions, this dessert is exclusively available at CU branch stores. Since its launch, sales of this exclusive product have been continuously increasing, reflecting its growing popularity among our consumers.



## Yonsei cream bun

The Yonsei cream bun, a hot-selling and trending product in Korea, is directly imported and offered exclusively to CU convenience store customers. This popular item has quickly become a favorite, adding to our diverse and appealing product lineup.



## Ice bread

Ice bread, which is becoming a trend in the international market, is developed in cooperation with the domestic customer in order to satisfy the consumer's dessert consumption, and is offered only to CU customers.



# Non-food products

## 1 needs

The 1needs brand, the proprietary brand of Korea's BG Retail Company, manufactures products tailored for daily body care and emergency needs for men and women of all ages.

CU convenience stores have exclusive rights to sell 15 types of beauty aids under the 1needs brand. These products are designed for convenience store use, featuring minimal packaging and a compact design for everyday use, while maintaining high quality at a low cost.



## Heyroo phone accessories

Heyroo, a brand of Korea's BGF Retail Company, officially offers 8 types of mobile phone accessories featuring popular characters to Mongolian children and youth. These products are distinguished by their affordable prices, colorful packaging, and compact design, making them particularly appealing to younger consumers.



## Gatsby

Gatsby, a well-known Asian men's beauty brand, has introduced five hair care and skin care products for men, available in small, convenient packages. This line caters to the needs of men seeking high-quality grooming products that are easy to use and suitable for daily use.



# Drinks

## Asahi beer

In October 2023, Premium Nexus JSC began importing and exclusively selling Asahi brand beer in Mongolia. Asahi is Japan's most famous beer brand and is internationally renowned. Asahi Breweries ranks among the top three beer producers globally, with the Asahi Super Dry brand successfully entering the markets of developed Asian countries.



Asahi Super Dry is known for being the driest beer in the world, crafted using the traditional Japanese Karakuchi fermentation process. This process involves fermenting high-quality malt, safflower, and wheat for an extended period. The result is a balanced combination of bitter, sour, and sweet flavors, contributing to its distinctive taste. Additionally, its superior light texture enhances food digestion after drinking, making it a popular choice among consumers.



# Supply chain

The integrated distribution center stands as a pivotal element within the CU convenience store infrastructure. By the end of 2022, approximately 64% of all products retailed in branch stores were channeled through our centralized distribution hub. Throughout 2023, our focus intensified on enhancing the efficiency of the distribution center while streamlining deliveries to branch stores. As a result, an impressive 99% of all products sold are now distributed through this unified center.

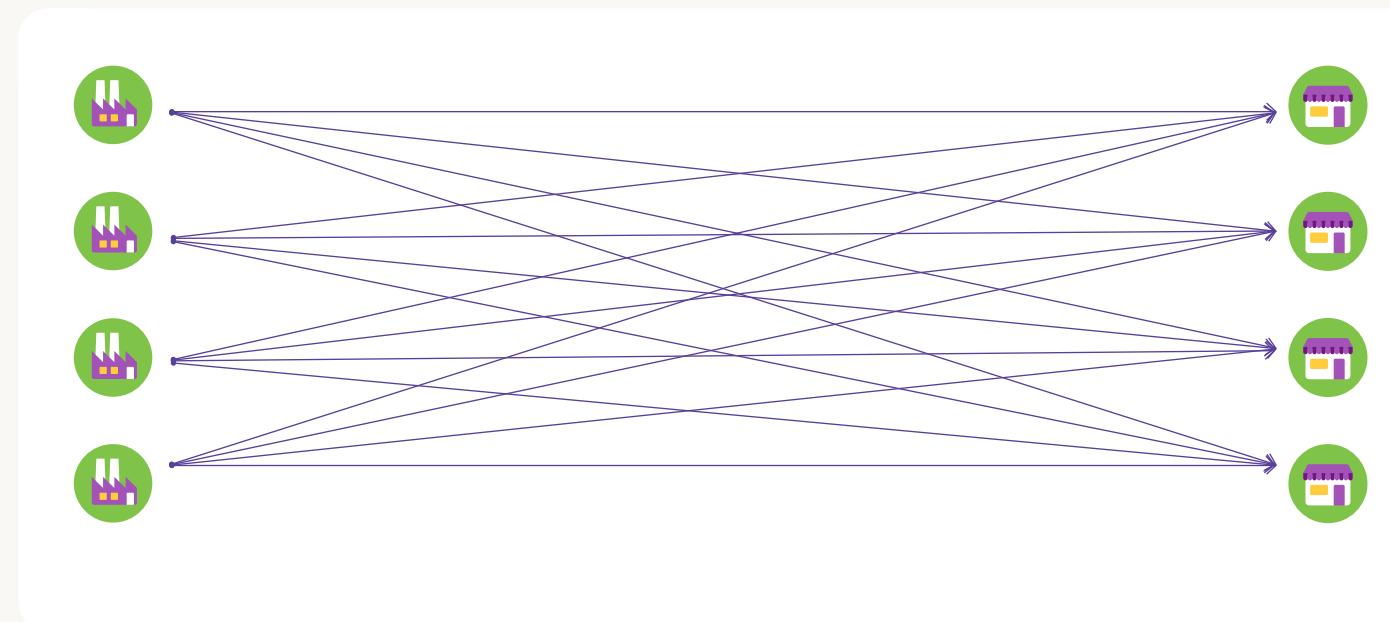
During the distribution process, meticulous sorting and delivery procedures are employed, ensuring optimal hygiene standards at every step. Specialized delivery vehicles are utilized to transport products to branches, guaranteeing safe and timely delivery. Moreover, to cater to the unique needs of certain items such as frozen products, ice cream, and temperature-sensitive packaged foods, a dedicated cold distribution center has been established. These items are meticulously handled and distributed to branches via specialized vehicles equipped with state-of-the-art temperature control mechanisms, ensuring their quality and integrity are maintained throughout the journey.



**Through strategic inventory optimization efforts, we have effectively mitigated the risk of disruptions and ensured a seamless supply chain to all branch stores.**

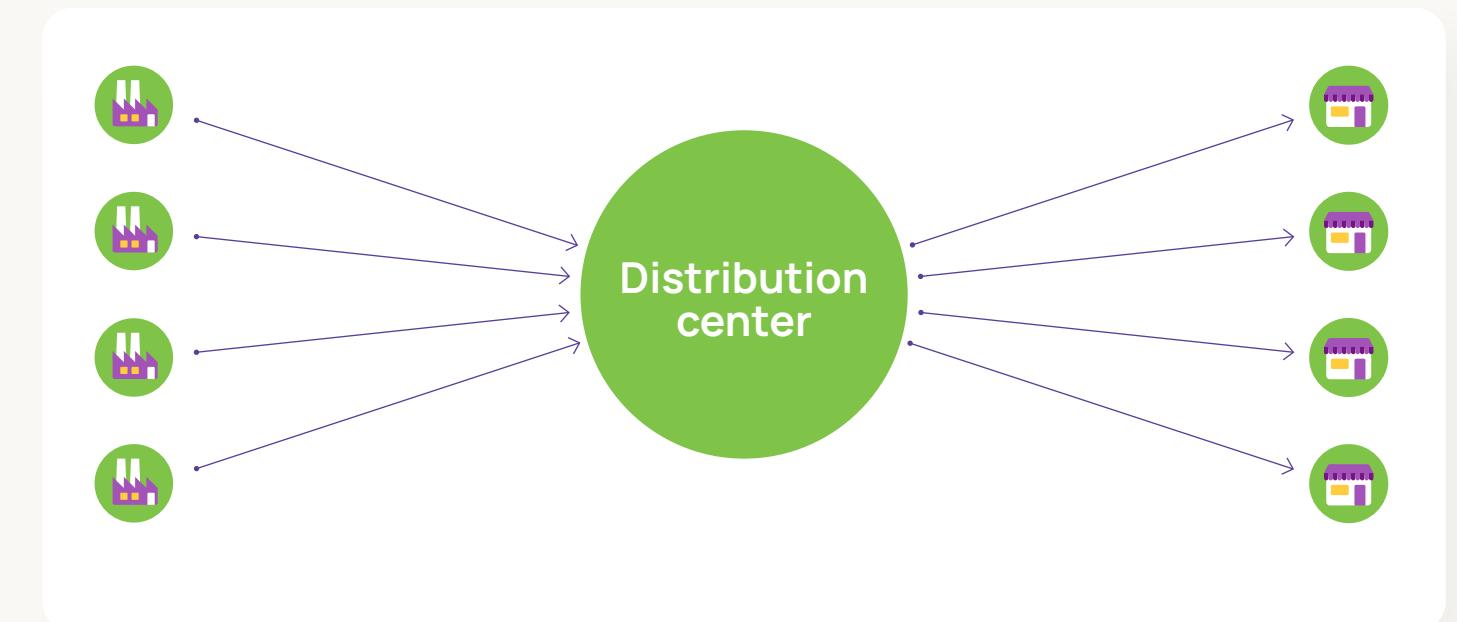
# Supply chain

## POINT-TO-POINT



Standardizing the delivery process ensured consistency across all branch stores, with an average of 92 deliveries per branch per day from each supplier.

## HUB-AND-SPOKE



Careful product classification and centralized distribution through our unified distribution center have enabled us to significantly mitigate the risk of disruptions.

Delivery	Point-to-Point	Hub-and-Spoke	Reduction
Daily deliveries	92	4	x23
Daily number of vehicles	920	91	x10

## Supply chain management of CU

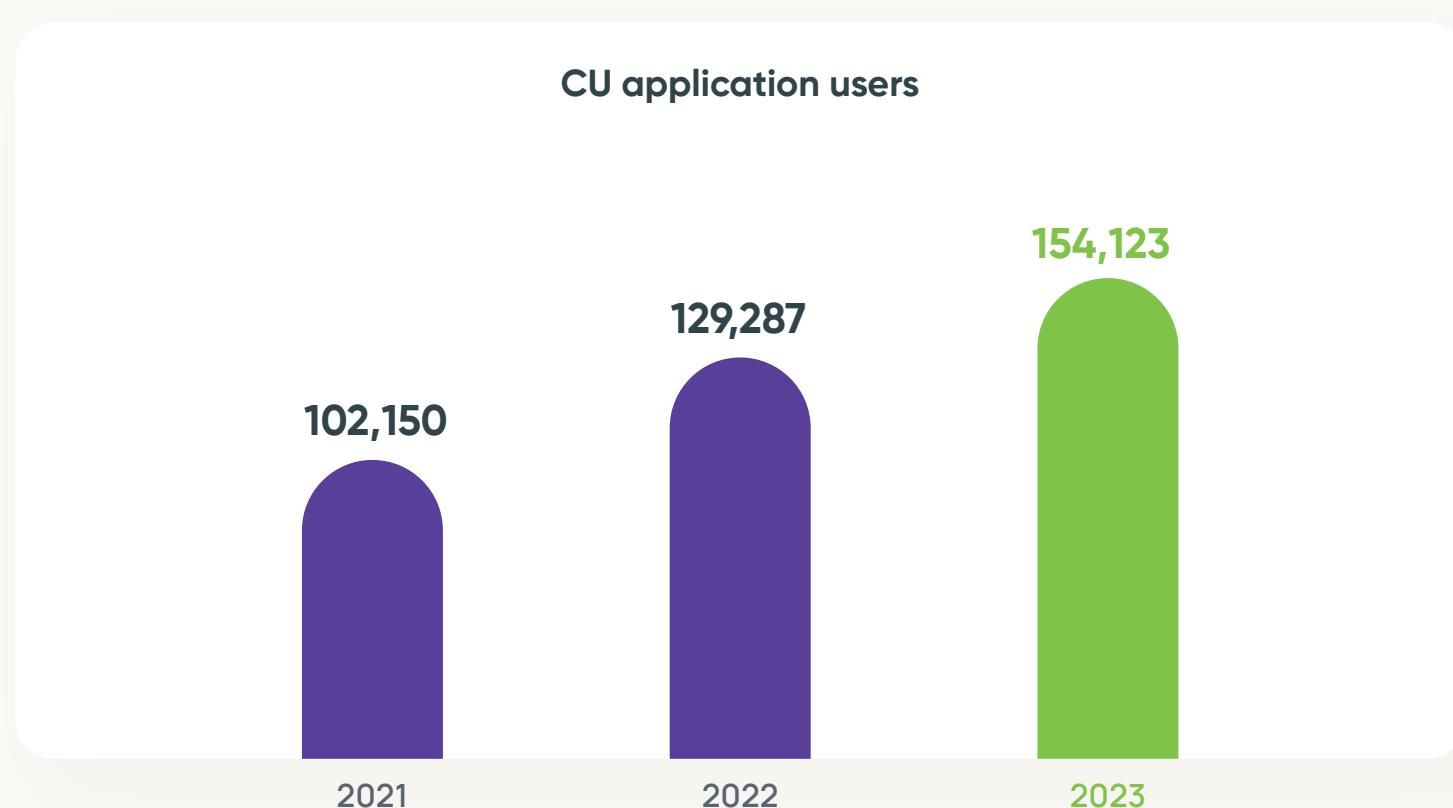


# Technological advancements

## Features of the CU application

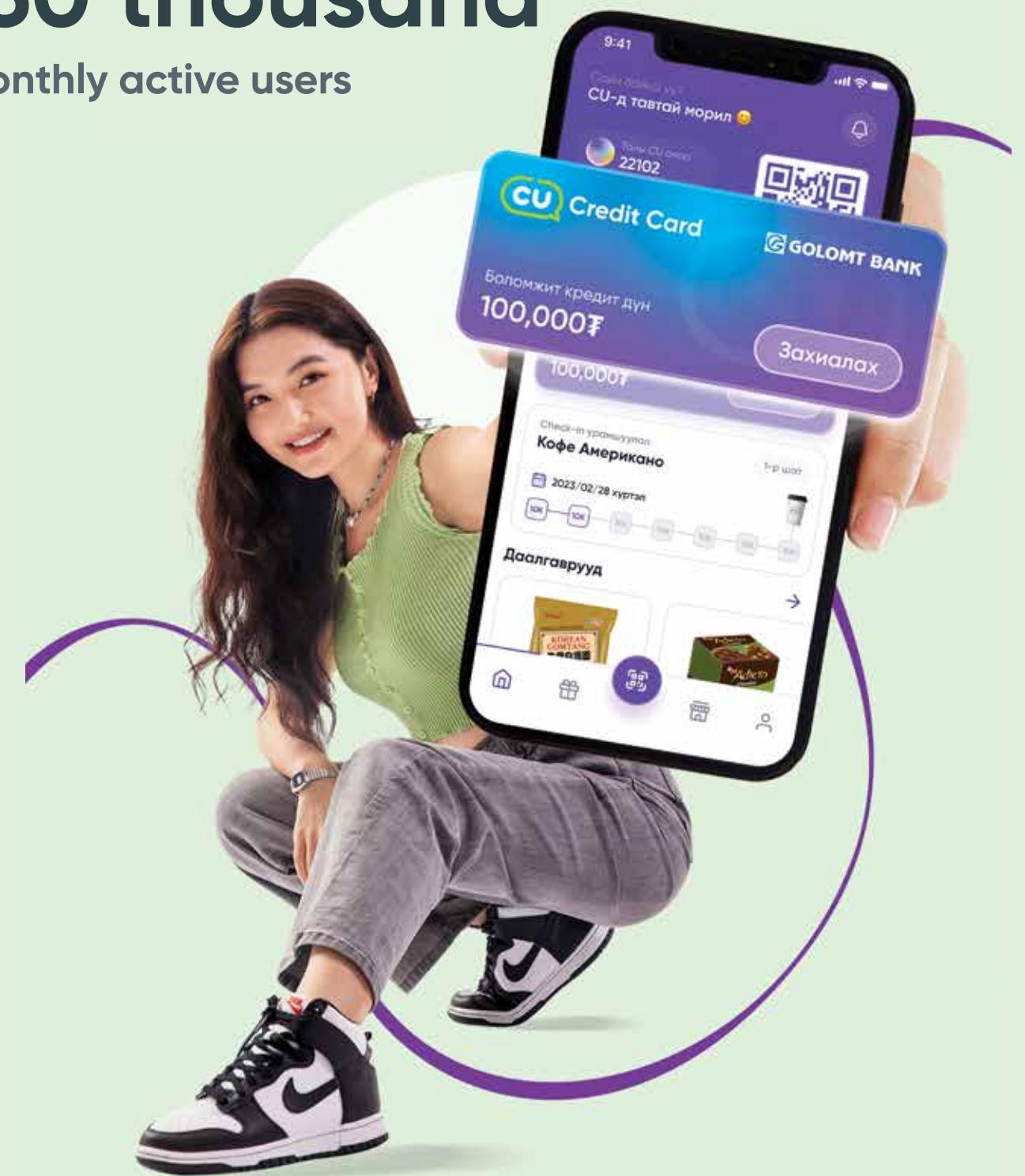
The Loyalty Program is designed to elevate long-term customer value by incentivizing purchases through loyalty points, rewards tied to purchase frequency, and access to diverse digital services, all accessible through the CU app.

## CU App User Profile as of December 2023:



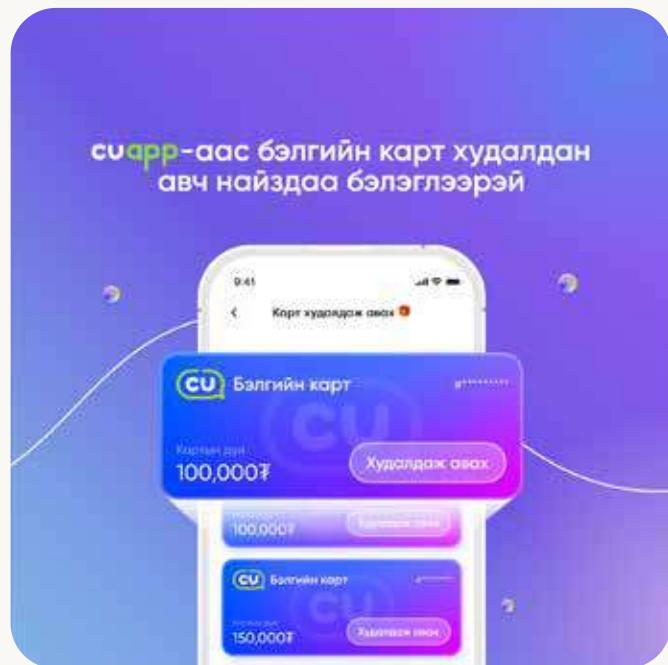
# 150 thousand

Monthly active users



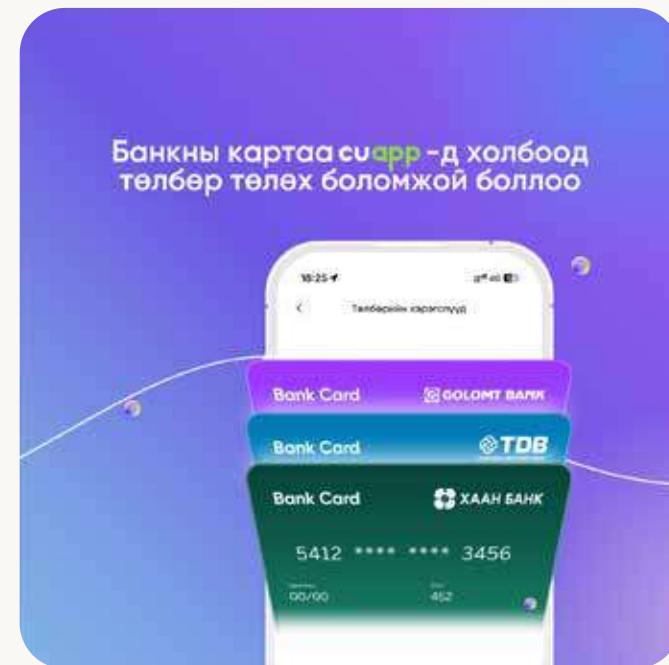
# Technological advancements

By revolutionizing the retail trade sector, the CU brand is committed to providing customers with a comprehensive range of services at their fingertips through the CU app. Through the development and integration of various digital services, CU is expanding its operational reach.



## CU Credit Card Services

In June 2023, the CU Credit Card, a collaborative effort with Golomt Bank, was successfully introduced, enabling users to make purchases on credit for necessary goods at CU. As of 2023, 3,341 users have become CU Credit card holders, making 44,602 credit purchases. Moving forward, the aim is to enhance flexibility in credit card ownership criteria, improve service conditions, and broaden access to credit cards.



## Paying within the CU app

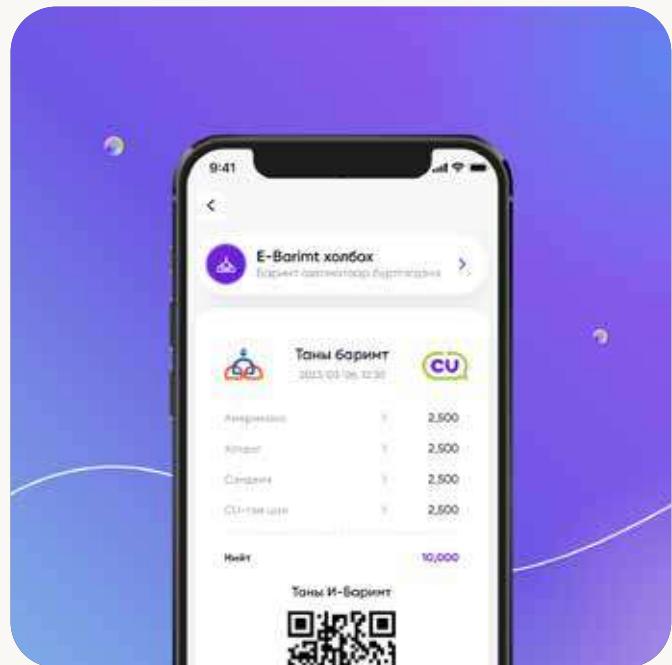
To streamline the purchasing process for customers, the CU app now features the ability to link a bank card and make payments directly within the application. This advancement has effectively halved service times for customers, ensuring swift and efficient transactions.



## Paperless E-Receipts

In June 2023, CU introduced a service that automatically registers users' receipts in the ebarimt lottery system when connected to the Ebarimt application. By October 2023, users connected to Ebarimt no longer needed to print paper receipts, resulting in 93 thousand users adopting the service and a reduction of paper waste from 1.4 million printed receipts.

# Technological advancements



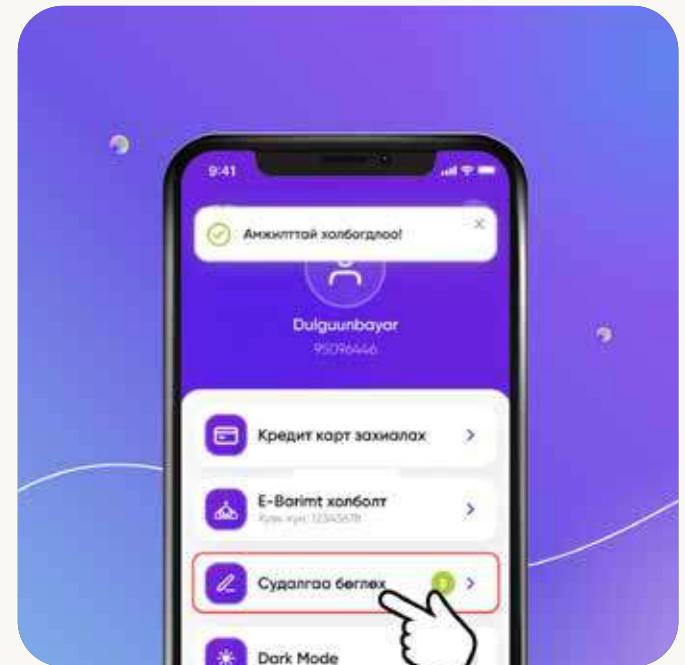
## Linking E-Mongolia to confirm personal information

To enhance user experience and offer personalized incentives, users now have the option to connect their E-Mongolia account to the CU system for information verification. This feature facilitates personalized incentives and birthday gifts for users, ensuring seamless access to age-restricted products at CU stores.



## Store Location Mapping

Within the CU application, users can conveniently locate the nearest CU stores and filter based on specific criteria such as 24-hour availability, alcohol and tobacco offerings, power bank availability, bus card services, and lottery branches. This feature provides users with comprehensive location information to meet their specific needs.



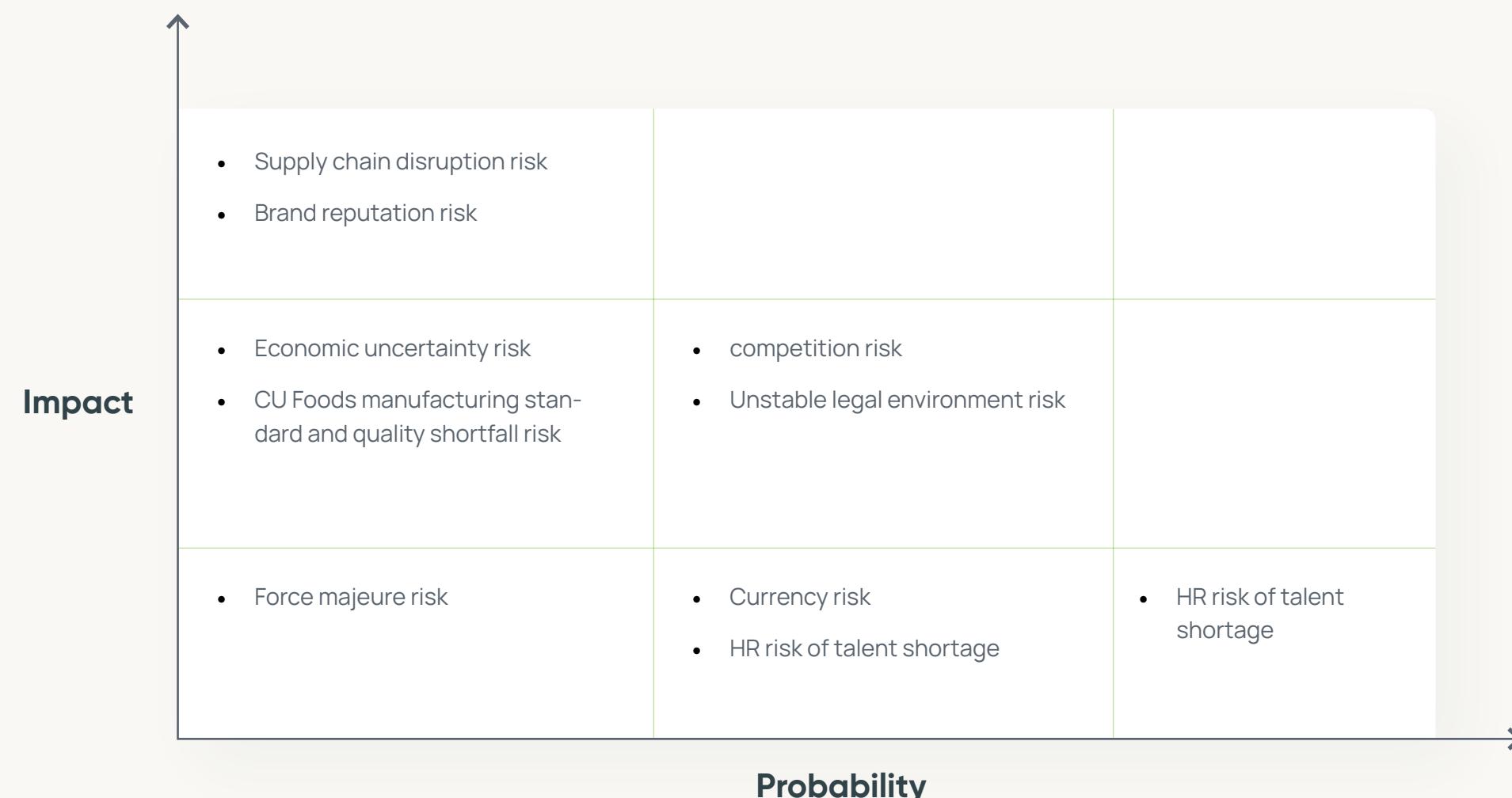
## Customer Surveys

Starting from February 2023, CU has been actively engaging with customers through the CU application to gather feedback via product taste surveys and Net Promoter Score (NPS) surveys. In 2023 alone, over 96,633 customers participated in NPS and product satisfaction surveys, encompassing more than 100 product types. Based on survey insights, CU has progressively enhanced product and service quality, resulting in a 17% increase in customer satisfaction compared to 2022.

# Risk assessment

Given the dynamic nature of both external market forces and internal company growth, the need for comprehensive short, medium, and long-term business policies and strategies has become increasingly apparent. These strategies are essential for precisely defining, mitigating, and preventing risks that may arise. As the landscape continues to evolve rapidly, risk management approaches must adapt to address changing circumstances, including the significant expansion of Premium Nexus LLC and the introduction of new infrastructure.

To effectively manage risks, the company's board of directors and management team have identified key risk factors in 2023 and categorized them within a risk matrix. This matrix serves as a framework for evaluating the potential impact and likelihood of various risks, allowing for proactive measures to be implemented to mitigate their effects.



# Risk assessment

Premium Nexus JSC is managing the following 5 main risks with the highest impact or the most frequent occurrences in the above risk matrix as follows.

## Risk of supply chain failure and disruption

Supply chain failure is the biggest risk to the massive infrastructure that provides reliable, consistent merchandise for +45 million purchases through a chain of 374 CU convenience stores, ensuring customers always have what they want. As the scale of business increases, the impact of this risk increases and the cost of lost opportunities increases. Therefore, in order to ensure the reliability of supply, Premium Nexus JSC is working to reduce this risk by integrated product management of 99.99% of all products through its distribution center.

## Risk of legal environment and regulatory instability

The incoherence and instability of the regulatory legal environment, which directly affects the retail business, including the convenience store business, risks creating ambiguity in the company's mid- and long-term decisions. Therefore, we worked to reduce the risk by developing a business plan and strategy in accordance with relevant laws, standards, ordinances and business patterns.

## Brand reputation risk

In the case of an international franchise, there is a risk of loss of brand reputation and loss of customer trust due to loss of service standards. In order to prevent reputational risks, the Company regularly conducts QSC service standard training for store employees who interact directly with customers, and operates a customer service center to openly receive and settle customer complaints and suggestions.

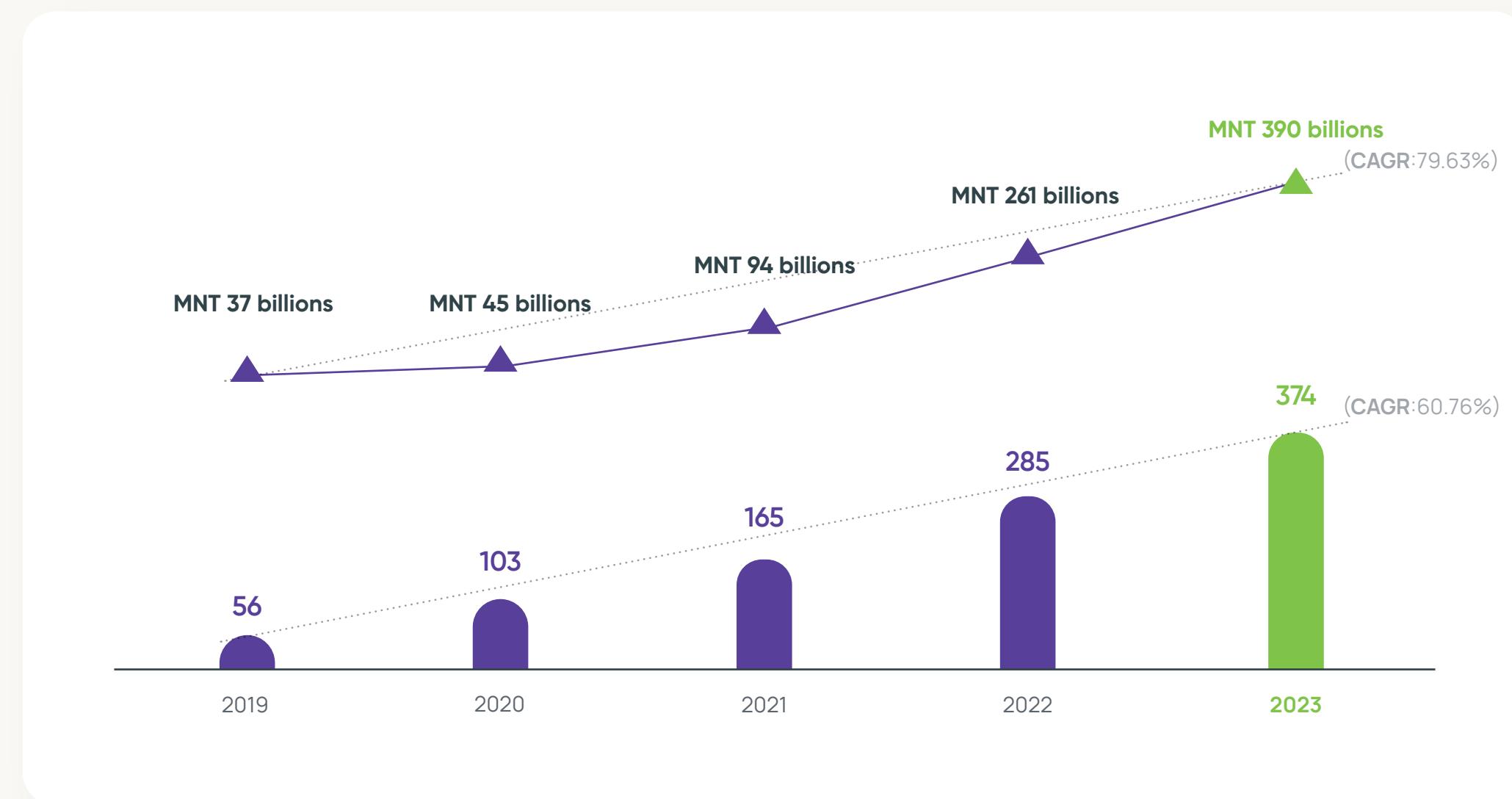
## The risk of shortage of skilled human resources

Increased competition in the retail sector creates the risk of a skilled labor shortage. We reduce this risk by improving the company's branding, creating a candidate pool with people who match our values, constantly increasing the pool, and developing a workforce training program that meets the needs of the business.

## Competitive risk

With the increase in competition in the retail market and the increase in the number of grocery stores and convenience stores in nearby locations, there is a risk of a decrease in unit and average sales and the number of consumers is divided. The company implements a market dominance strategy, quickly locates in high-traffic locations, expands convenience stores at an optimal distance from each other (150-200 meters), creates a competitive advantage and reduces this risk.

# Main operational performance (CAGR)



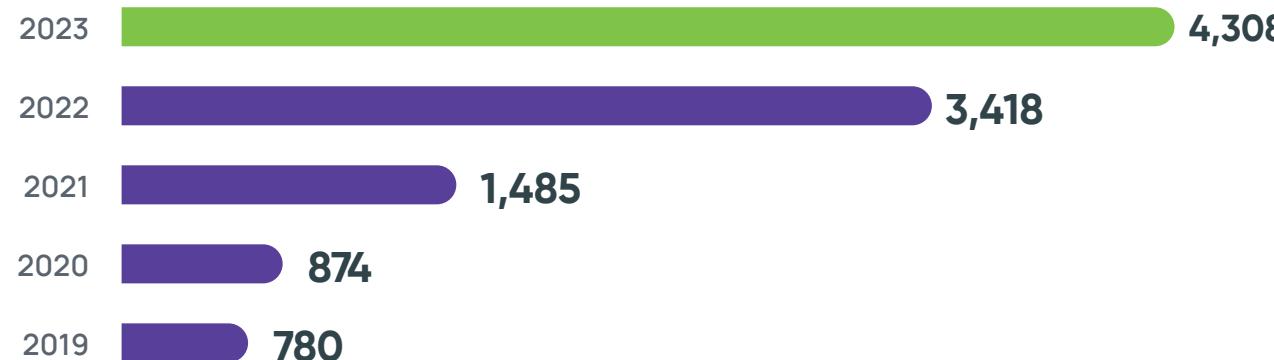
Net Revenue  
(CAGR:79.63%)



Store number  
(CAGR:60.76%)

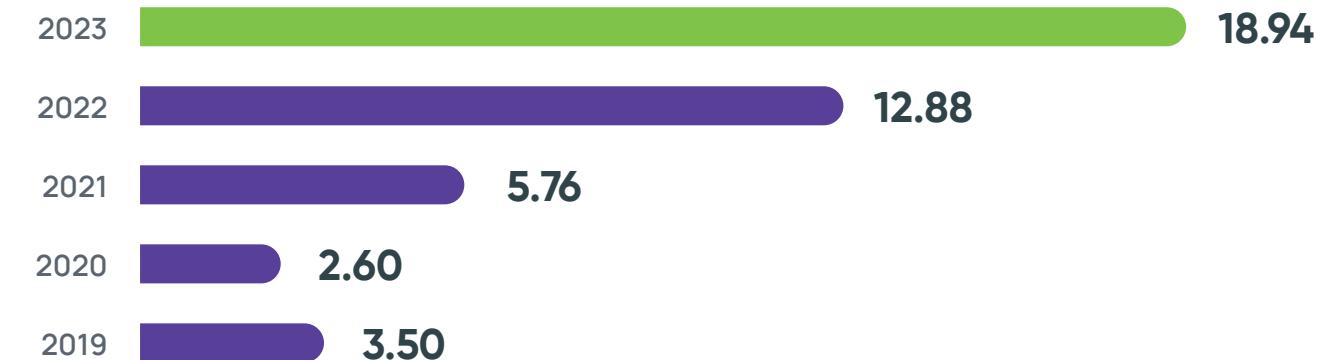
## Operational performance (CAGR)

### Number of Employees



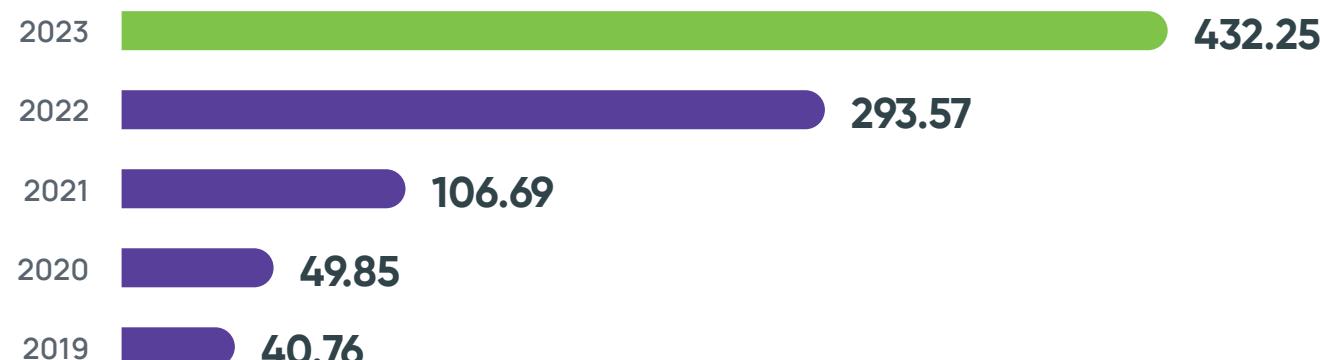
(CAGR:53.30%)

### Taxes paid (billions MNT)



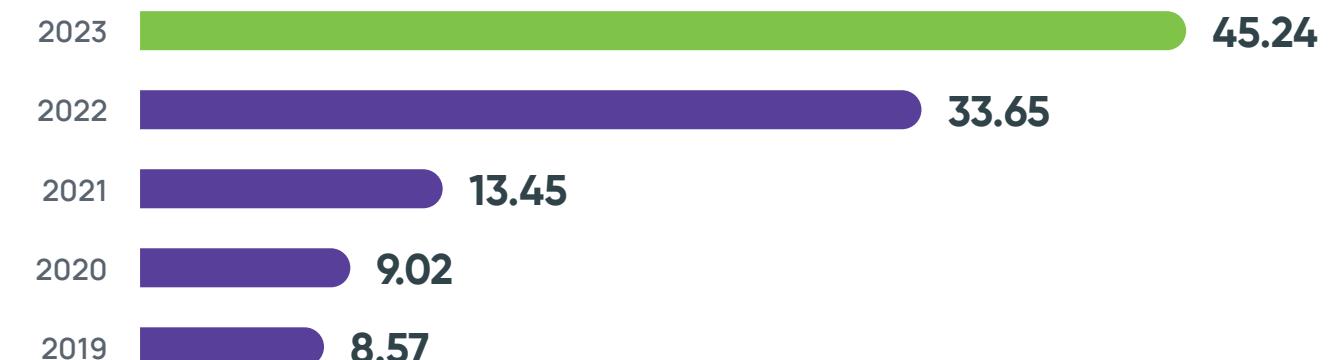
(CAGR:52.52%)

### Gross revenue (billions MNT)



(CAGR:80.46%)

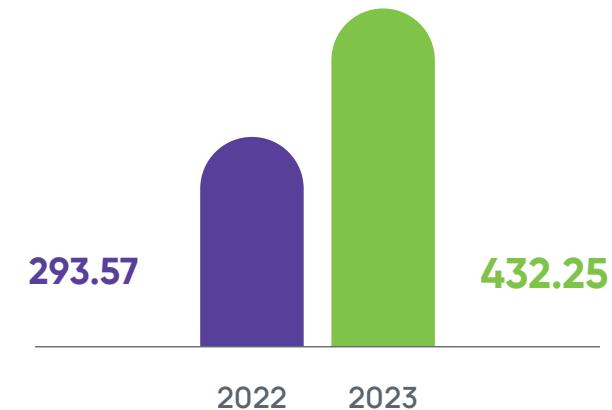
### Repeat costumers (millions)



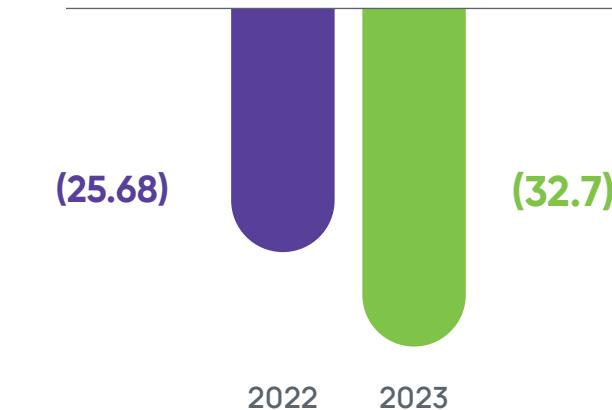
(CAGR:51.58%)

## Financial performance

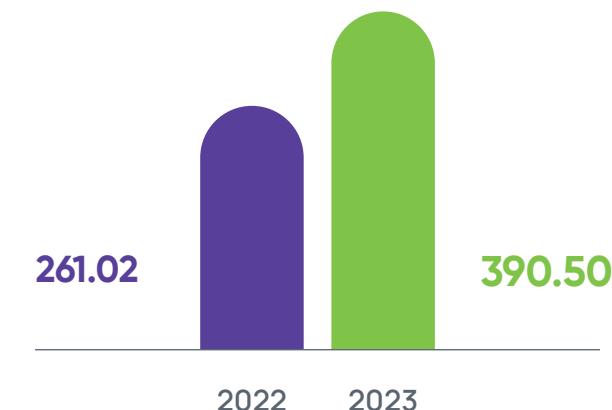
**Gross revenue (billions MNT)**



**Post-tax profit (billions MNT)**



**Net revenue (billions MNT)**



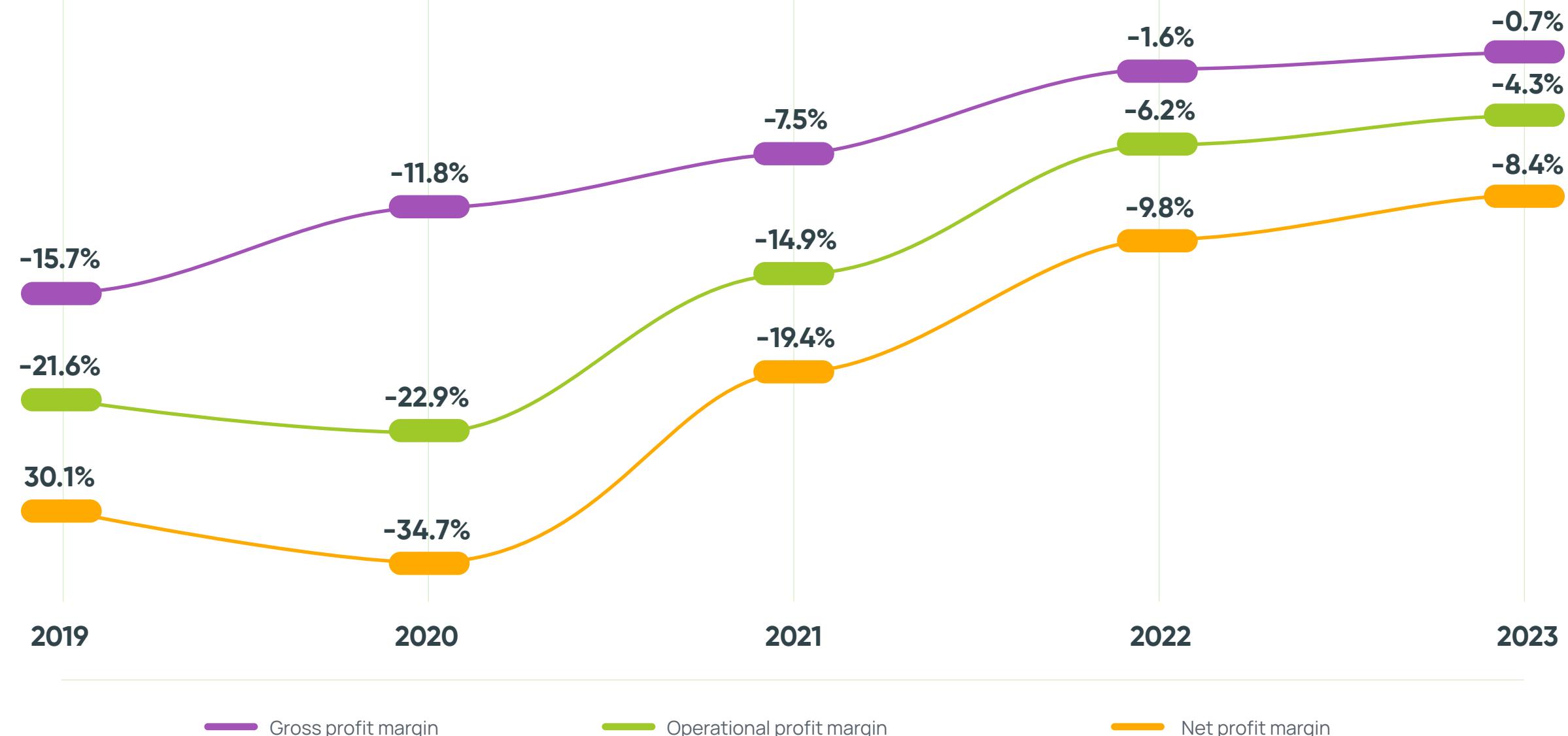
**Operational cash-flow (billions MNT)**



# Statement of Income (condensed), annually (millions MNT)

	2019	2020	2021	2022	2023	CAGR
Revenue	37,468	45,348	94,038	261,019	390,497	79.7%
Costs	(43,356)	(50,707)	(101,051)	(265,272)	(393,363)	73.6%
<b>Gross profit (loss)</b>	<b>(5,888)</b>	<b>(5,359)</b>	<b>(7,013)</b>	<b>(4,253)</b>	<b>(2,866)</b>	<b>16.5%</b>
Gross profit (loss) margin	(15.7)%	(11.8)%	(7.5)%	(1.6)%	(0.7)%	54.1%
Operational expenses	(2,202)	(5,019)	(9,669)	(11,919)	(14,096)	59.1%
<b>Operational profit (loss)</b>	<b>(8,090)</b>	<b>(10,378)</b>	<b>(16,682)</b>	<b>(16,172)</b>	<b>(16,962)</b>	<b>20.3%</b>
Operational profit (loss) margin	(21.6)%	(22.9)%	(17.7)%	(6.2)%	(4.3)%	34.7%
Financial income	7	159	1,430	1,228	1,137	257.0%
Financial cost	(3,191)	(5,705)	(5,700)	(11,148)	(17,506)	53.0%
<b>Pre-tax profit</b>	<b>(11,274)</b>	<b>(15,924)</b>	<b>(20,952)</b>	<b>(26,092)</b>	<b>(33,332)</b>	<b>31.1%</b>
Taxes paid	(1)	196	11	407	626	N/A
<b>Net profit (loss)</b>	<b>(11,275)</b>	<b>(15,728)</b>	<b>(20,941)</b>	<b>(25,684)</b>	<b>(32,706)</b>	<b>30.5%</b>
Net profit (loss) margin	(30.1)%	(34.7)%	(22.3)%	(9.8)%	(8.4)%	27.3%

## Comparable operational profitability analysis, %



It's encouraging to see an upward trend in the company's profit margin ratios over the last five years, especially considering the significant improvement from a total profit margin of -16% in 2019 to -0.7% in 2023, as it is approaching nearer to the breakeven point.

# Same (Comparable) Store Sales Performance

Given the rapid growth in the number of stores, it's not suitable to gauge the company's efficiency solely based on the increase in total sales revenue. Instead, operating results are assessed by measuring the performance improvement of the same stores that were operational in the previous reporting period.

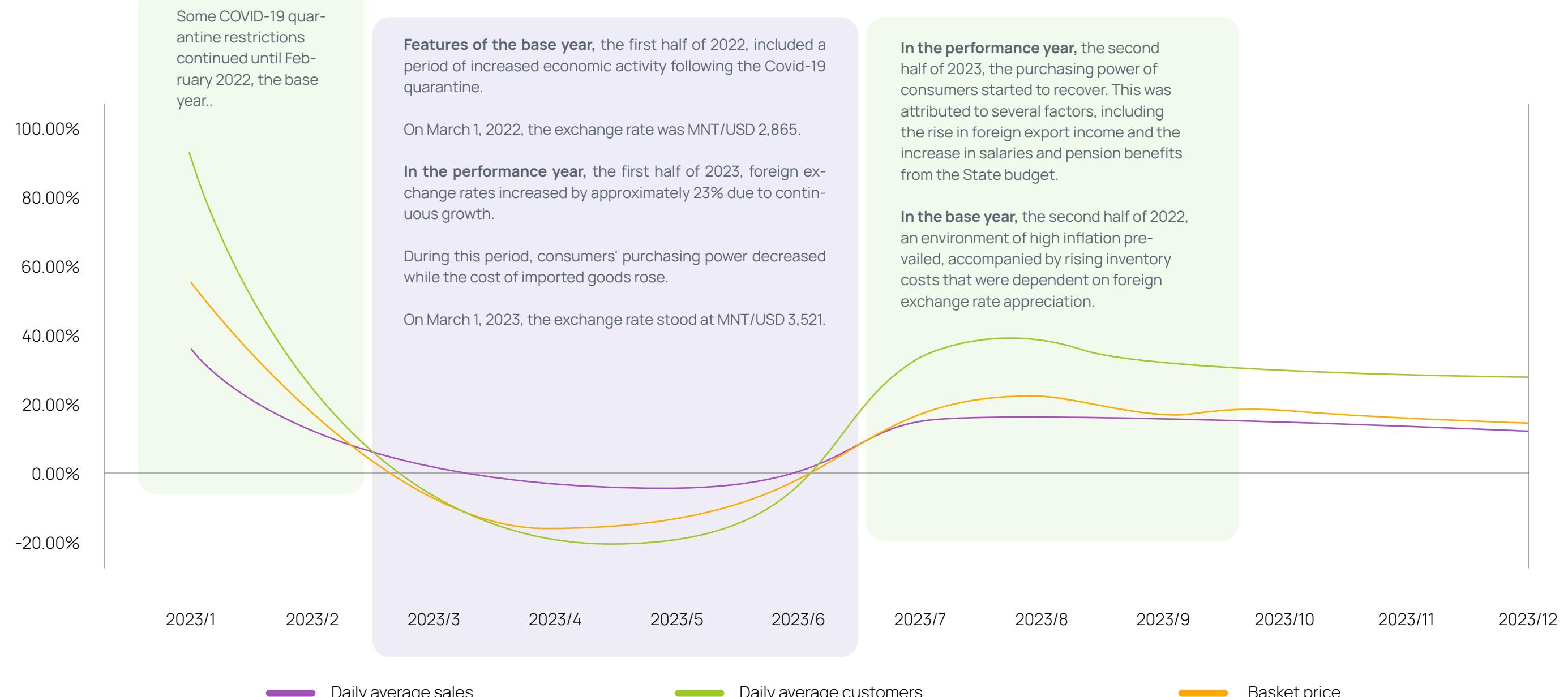
**In this report, we compare the sales of comparable stores, totaling 164 stores that were open at the end of 2021 and remained fully operational throughout both 2022 and 2023**

The indicators for sales income and profitability have shown improvement compared to previous years. Despite achieving targets for total assets, the number of stores, and sales income, the company fell short of its profit plan for operating profitably in 2023. This shortfall was primarily due to the company's cost of sales exceeding the plan by 7.7%, resulting in an after-tax loss increase of approximately 7 billion to 32.7 billion ₮.

In 2023, the net loss rate was 8.4%, marking an improvement of 1.2 percentage points from the previous year. After experiencing a net loss of around 12% in the second half of 2022 and the first half of 2023, this figure sharply improved to 5.9% in the second half of 2023.



# Same (Comparable) Store Sales Performance



Same store sales performance (YoY %)

Performance year – 2023 versus Base year – 2022

# The Statement of Income (condensed), semi-annual (millions MNT)

	2022 H1	2022H2	2023 H1	2023H2	2023H2/2023H1
Gross revenue (inc. VAT)	125,826	167,747	185,741	246,510	+33%
Net Revenue	111,166	149,822	167,247	223,350	+34%
Gross profit (loss)	564	(4,816)	(5,768)	2,902	n/a
Gross profit (loss) margin	0.5%	(3.2)%	(3.5)%	1.3%	+4.8%
Operational profit (loss)	(4,006)	(12,165)	(13,166)	(3,796)	+71%
Operational profit (loss) margin	(3.6)%	(8.1)%	(7.9)%	(1.7)%	+6.2%
Post-tax profit (loss)	(7,926)	(17,758)	(19,373)	(13,333)	+31%
Net profit (loss) margin	(7.1)%	(11.9)%	(11.6)%	(5.9)%	+5.7%

# Contributions towards the 17 UN Sustainable Development Goals

As part of its corporate social responsibility efforts, Premium Nexus JSC is committed to making tangible positive contributions to the environment, society, and economy, while upholding the trust of its shareholders and striving to be a leader in the industry. In alignment with these objectives, the company contributes to 15 of the 17 UN Sustainable Development Goals as follows (quantitative data as of February 2023):

 <p><b>NO POVERTY</b></p>	<p>Since its inception, Premium Nexus JSC has been committed to creating jobs accessible to every citizen, offering flexible hours, and thereby providing opportunities for additional income to all. Having a source of income for every member of the household is a crucial factor in poverty reduction.</p> <ul style="list-style-type: none"> <li>Over last 5 years, around 18,000 people were provided with jobs.</li> <li>The company has created a total of 21,597,923 full-time jobs.</li> <li>62% of all employees hold part-time positions</li> </ul>
 <p><b>ZERO HUNGER</b></p>	<p>Approximately 150,000 customers visit the 374 branches of the CU network every day, purchasing an average of 73,000 units of food processed under full food safety control. Consequently, 38 percent of the total food sold in the network is produced by CU food factories, while 62 percent is supplied by domestic food production enterprises, thus supporting small and medium-sized food producers.</p>
 <p><b>GOOD HEALTH ADD WELL-BEING</b></p>	<p>In addition to serving the general population with products that meet food safety standards, in 2023, the waiting room of the 3rd State Hospital for Neurology and Cardiac Surgery, which is regularly visited by people with severe or mild neurological and cardiovascular diagnoses requiring emergency surgery nationwide, was renovated and furnished in collaboration with the hospital. This initiative aimed to provide a comfortable and supportive environment for patients and their families during their challenging times at the hospital.</p>
 <p><b>QUALITY EDUCATION</b></p>	<p>Premium Nexus JSC is committed to providing opportunities for female employees to learn and develop their skills in management and leadership. As part of this commitment, 74.36 percent of the beneficiaries of leadership training are female employees. Additionally, in order to work together to improve food safety conditions and promote public health, Premium Nexus JSC initiated the "Let's Grow Together" program, collaborating with food product suppliers who contribute to ensuring food safety. They provided guidance and assistance through training sessions tailored to implementing the HACCP standards for 6 companies operating in Ulaanbaatar and Darkhan.</p>

# Contributions towards the 17 UN Sustainable Development Goals



## GENDER EQUALITY

70% of all employees are women, while 30% are men. Examining the gender ratio at the management level, female employees make up 52% at the primary and middle management level, while male employees account for 33% at the executive management level. In 2023, two female members will be added to the Board of Directors, resulting in a male-to-female ratio of 7:2 among board members. Additionally, the salary ratio between male and female employees is 1:1 at all levels.



## CLEAN WATER AND SANITATION

CU 365 branches have implemented hygienic sanitary services and implemented measures to reduce water consumption by 50% through the installation of water-saving sensor sinks and toilets. By adopting water-saving technologies in our operations, we successfully decreased water consumption per 1 million barrels of sales from 5m<sup>3</sup> to 2m<sup>3</sup>.



## AFFORDABLE AND CLEAN ENERGY

In 2023, energy consumption per 1 million sales was reduced by 2.36% compared to the previous year. Additionally, in the food production section, a 10m<sup>3</sup> gas fuel storage tank and a 500L middle tank were put into operation. The fully automatic gas facility system implemented in the plant contributed to reducing electricity consumption and lowering carbon dioxide emissions.



## DECENT WORK AND ECONOMIC GROWTH

More than 50% of the company's workforce consists of students and young people working part-time or full-time, with the majority aged 18-34. The company has implemented many measures to ensure employee safety. These include installing cameras in all stores, developing emergency fire extinguishing plans for branch stores, and taking fire protection measures. A security team arrives within 10 minutes after the guard signs a contract with a security company and presses the call button. Employees of the CU food factory, two distribution centers, and employees who regularly go out of the office every week are covered by accident insurance. HSE regularly organizes training and sports competitions and provides personal protective equipment.

# Contributions towards the 17 UN Sustainable Development Goals



## INDUSTRY, INNOVATION AND INFRASTRUCTURE

The CU app provides many interesting opportunities, such as collecting bonus points for purchasing everyday products from the store, discounts and rewards for users, encouraging loyal use, and offering even more discounts and rewards through communication exclusively via the mobile app. This advanced solution saves customers time and simplifies selection, and it currently has 800,538 users.



## REDUCED INEQUALITIES

Creating equal opportunities for disabled people to participate in social relations and providing reliable jobs is important for increasing their self-confidence and life activity. In 2023, employees with disabilities accounted for 4% of the total workforce.



## SUSTAINABLE CITIES AND COMMUNITIES

CU chain stores contribute significantly to crime prevention by providing customers with a comfortable, safe, well-lit, guarded, and fully monitored environment both inside and outside the stores, conveniently located close to their homes. In cooperation with the Family Violence and Crimes Against Children Department of the Metropolitan Police Department, the "CU HELP YOU" program was initiated. This program aims to prevent young children from getting lost, ensure their safety if they do get lost, and protect them from potential crimes. The program will continue to protect children from accidents and ensure that lost children are safely handed over to their parents or guardians.



## RESPONSIBLE CONSUMPTION AND PRODUCTION

CU always strives to serve its customers with hygienic, new accessories and boxed products. To prevent environmental harm from waste, we use biodegradable plastic lids and 540,000 Sh cups with Rainforest Alliance certification for our best-selling coffee.

# Contributions towards the 17 UN Sustainable Development Goals



## CLIMATE ACTION

As part of efforts to reduce greenhouse gas emissions, we planted trees and ornamental flowers and used 540,000 eco-friendly absorbent coffee cups during the reporting period. These cups reduced greenhouse gas emissions by 10,800 kgCO<sub>2</sub>e compared to other commonly used coffee cups. Considering the total greenhouse gas intensity, 2.19 kgCO<sub>2</sub>e is emitted for serving one customer, and 20.98 kgCO<sub>2</sub>e for every 1,000,000 MNT in sales.



## LIFE ON LAND

Premium Nexus JSC supported the "Enhancement and Flowering of Greenery" initiative organized by the City Governor's Office by planting 75 flowering trees and ornamental flowers in 43 branches of chain stores that previously lacked greenery.



## PARTNERSHIPS FOR THE GOALS

We have signed a memorandum of understanding for sustainable development with the Capital Governor's Office, Capital Police Department, Darkhan Mountain Province, Darkhan Sum Governor's Office, and HSPIM-Health Social Policy Institute, and are actively working to ensure its implementation.



Premium Nexus JSC

# Premium Corporation – Introduction



Premium Corporation (Premium) is a specialized investment company that oversees a portfolio of market-leading businesses in high-growth sectors. Leveraging our extensive experience, we are dedicated to enhancing the value of each company in our portfolio.



Our investment strategy emphasizes vertical and horizontal integration, fostering collaboration, and maintaining a highly aligned portfolio to drive value creation. We prioritize rapid growth across our investments by expanding operational scale and leveraging an international business model, alongside advanced technology implementation, which are key factors in our success.



Premium Corporation's management team has successfully managed international-level investment projects across manufacturing, consumer goods, construction, renewable energy, and telecommunications, with combined assets under management exceeding \$2 billion.



In 2011, Premium made its initial foray into the concrete industry by investing in Premium Concrete LLC. Within a mere five years, Premium emerged as a market leader, delivering notable projects such as the Shangri-La Complex, New International Chinggis Khaan airport, and foreign-invested energy projects. Our track record includes the successful completion of approximately 1000 projects, with the prestigious selection as the supplier for the Oyu Tolgoi project in 2017. Furthermore, Premium was honored as the Best Contracting Company of the Oyu Tolgoi Project in 2020. Notably, our subcontractor was recognized for Safe Work by Rio Tinto Company's CEO, distinguishing us among 37,000 subcontractors from 120 countries.

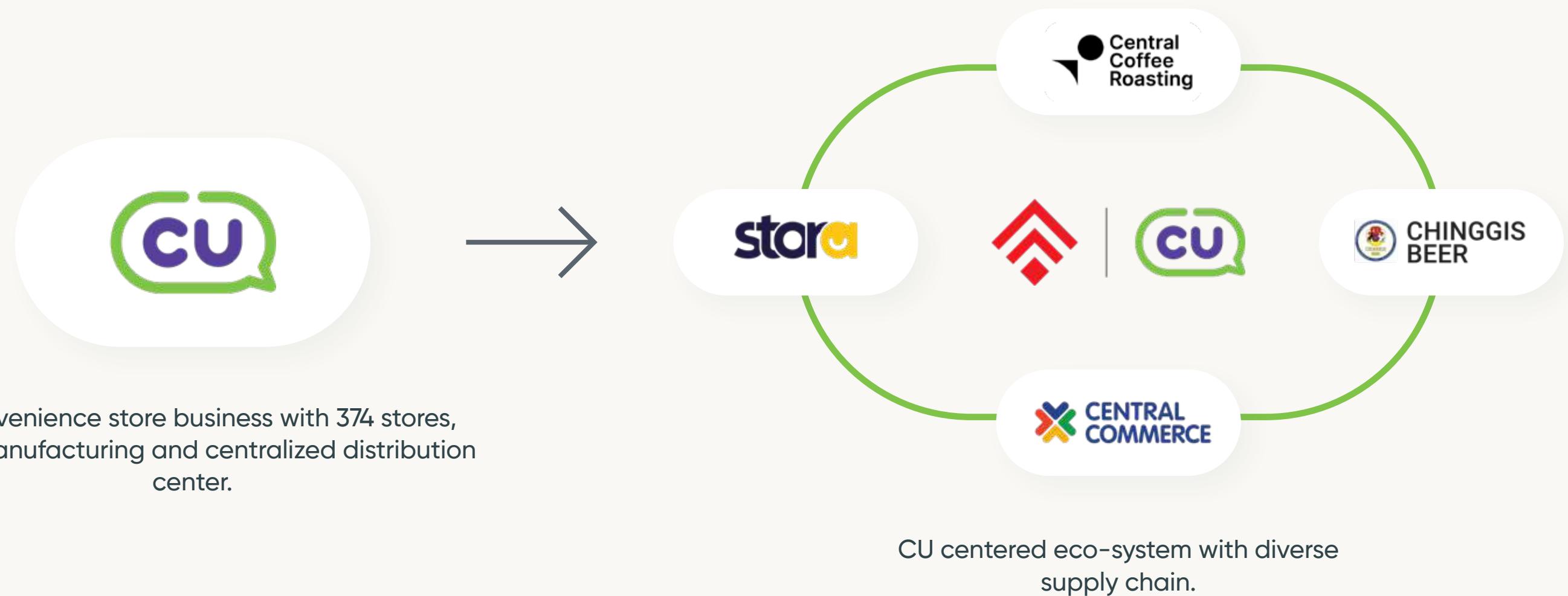


Additionally, Premium boasts a rich history of fruitful joint ventures with both domestic and international partners. As one of the rare domestic reference companies attracting equity investment from an international closed-end investment fund (PE fund), we have delivered superior IRR to investors within a short timeframe. By investing in businesses with interconnected synergies and a positive impact on all stakeholders, we aim to achieve even greater heights. This initiative underscores the core value of Premium, with each step taken integral to making a significant contribution to Mongolia's social and economic development.

# Development stage and premium nexus

In 2015, Premium Corporation launched Mongolia's first convenience store, Central Express, with full ownership. In 2017, Central Express CVS Co., Ltd. was established, and in August 2018, Central Express CVS LLC attracted strategic investment from BG Retail Co., Ltd., the founder of the CU brand, which leads the South Korean market with about 18,000 stores, acquiring a 10% stake and introducing the CU brand to Mongolia.

In 2021, Central Express CVS LLC successfully completed an IPO on the Mongolian Stock Exchange, becoming a joint-stock company. By the end of 2023, the Shareholders' Meeting approved a decision to advance to the next development stage, renaming the company to Premium Nexus LLC. This transformation began with the merger of Chingis Shar Airag LLC, Central Commerce LLC, Central Coffee Roasting LLC, and Stora Central LLC, all vertical integration investments facilitated through the issuance of new shares.



# Premium Nexus ecosystem and its advantages

## 1 Increased Sales and Profitability

By collaborating with CU chain stores, suppliers can enhance their sales forecasting and demand prediction capabilities. This partnership allows for more accurate demand forecasting, leading to a reduction in surplus inventory and wasteful expenses. Consequently, both suppliers and CU chain stores can experience increased sales and profitability through this optimized supply chain management.

## 2 Efficiency of Logistics and Integrated Distribution

Logistics costs in Mongolia account for about 30% of the total product cost, significantly higher than the global average. Premium Nexus aims to tackle these inefficiencies by improving logistics infrastructure. By enhancing the efficiency of logistics and distribution networks, Premium Nexus can reduce these high costs, making the supply chain more cost-effective and competitive.

## 3 Investors' interest alignment

Bringing together businesses that rely on CU chain stores and related enterprises can create a synergistic environment that generates substantial value. This collaboration enables investors to capitalize on the combined opportunities, driving collective growth and profitability across the involved businesses.

## 4 Broader impact of Environment, Society, and Governance standards

Suppliers associated with CU chain stores, particularly small and medium-sized manufacturers, can benefit from adopting international standards of Good Manufacturing Practices (GMP) as implemented by Premium Nexus. This integration helps suppliers enhance their operational standards, contributing to broader environmental, social, and governance (ESG) goals.

## 5 Customer Satisfaction

CU chain stores' collaboration with manufacturers in product development ensures that the products meet customer needs precisely. This customer-centric approach enhances customer satisfaction and loyalty, as the products offered are tailored to their preferences and demands.

## 6 Employee Growth Opportunities and Satisfaction

Employees working within this ecosystem have the advantage of being part of a large, dynamic investment company in Mongolia. They have opportunities for professional growth within the group, learning from Premium Nexus's extensive experience. This environment fosters employee development and job satisfaction, contributing to a motivated and skilled workforce.

# Premium Nexus JSC – Management chart



**SHAREHOLDERS**

**The Board Members**

**A. Gankhuyag**

CEO

**G. Chinzorig**

Deputy CEO

**G. Bat-Erdene**

CFO

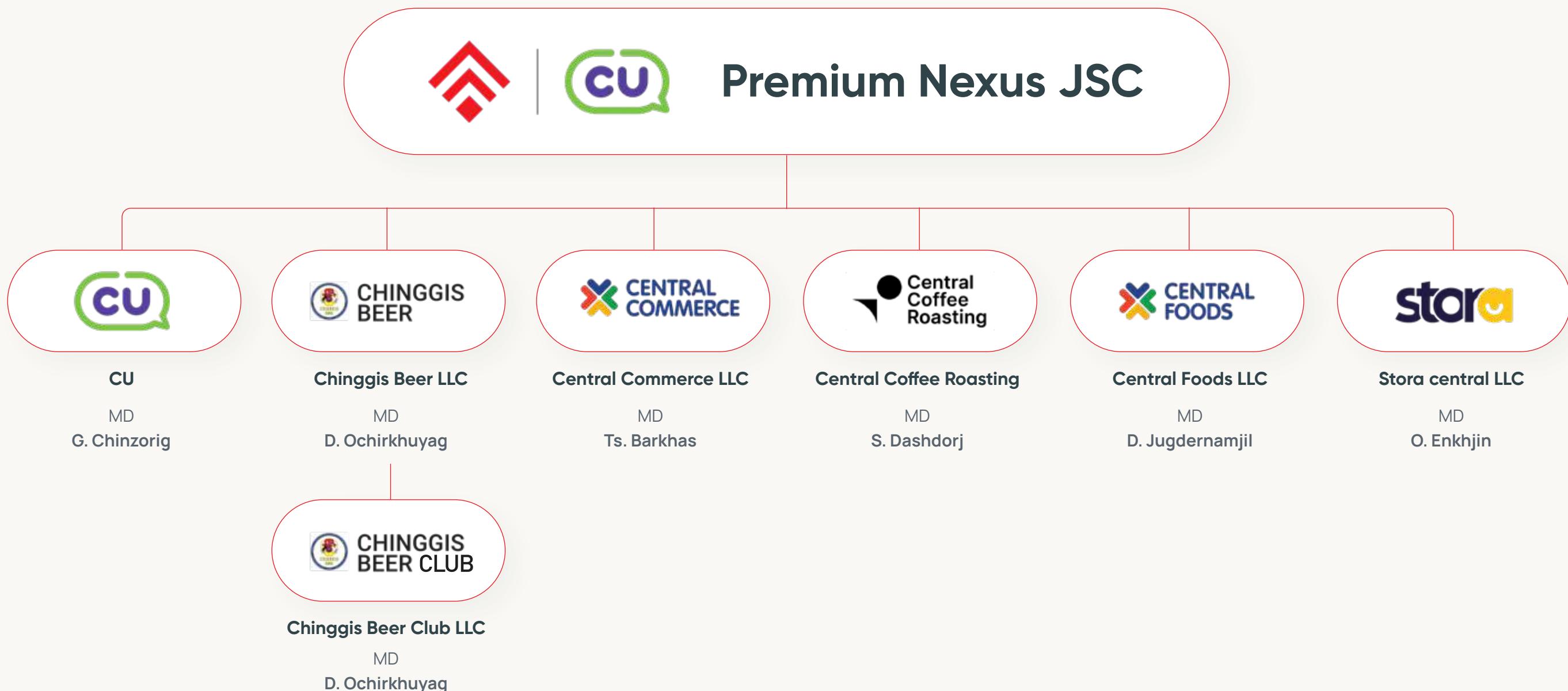
**N. Enkhbold**

EVP Portfolio

**S. Dashdorj**

MD Commerce

# Premium Nexus JSC Business Structure



# Central foods LLC

## Food manufacturing that meets international standards

In November 2020, Central foods LLC launched a state-of-the-art food factory adhering to international standards. The factory's adherence to health and safety standards was officially recognized on February 2, 2023, by Moncertf LLC, a Mongolian accreditation body. Further, international validation was achieved on April 20, 2023, through certification by G-cert organizations.



**9001:2016**

International Quality  
management

(MNS ISO 9001:2016)



**22000:2018**

Food safety  
management

(MNS ISO 22000:2018)



**14001:2015**

Environmental  
management

(MNS ISO 14001:2015)

The CU food factory produces over 40,000 pieces of food daily, encompassing more than 20 different types, without using food extenders or stabilizers. It also provides opportunities for small and medium-sized businesses to develop products using the factory's infrastructure and workforce, and to sell them at CU convenience stores. One of the advantages of the factory's construction is that both the production area and the cooling room are built with special EPS and polyurethane panels featuring rounded corners, creating conditions that prevent bacteria from multiplying.

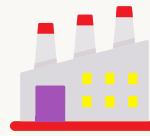


# Central Foods LLC - 2023 highlights



**11,282,410**  
**Ready products**

We produced 11,282,410 finished products in 2023.



**96M<sup>2</sup>**  
**Factory expansion**

Construction work related to the expansion of the capacity of the packaging section of the factory was carried out.



**288,900**  
**Training hours**

40,548 new labour hours were created compared to the previous year.



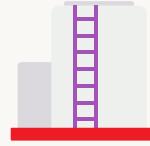
**x3 faster**  
**3300 onigiri per hour**

Onigiri is now equipped with an automatic machine that simplifies the process of printing, forming, wrapping, and labeling.



**+1,500**  
**Steamed bun production per hour**

An automatic dumpling machine that reduces manual labor that requires a lot of human action.



**500L**  
**Fuel storage**

A 10m<sup>3</sup> gas fuel storage tank, a 500L intermediate tank, and a fully automatic gas facility system have been put into operation.



**9**  
**Student scholarships**

9 students of the College of Food Technology were awarded company scholarships



**70%**  
**Local workers**

Approximately 70% of the factory workers are local residents, contributing to the factory's workforce and supporting the local community.



**48**  
**Nalaikh district**

In cooperation with Nalaikh district, a total of 48 employees were selected from the local area and provided with jobs, of which 3 employees were people with disabilities.

## Chinggis Beer LLC

Founded in 1997, Chinggis Beer LLC has established itself as a leading national enterprise in Mongolia's beer industry. The company is renowned for introducing the "Chinggis Beer" brand, which has gained significant recognition. By collaborating with reliable European suppliers of high-quality raw materials, Chinggis Beer produces pilsner beer characterized by a bitter, filtered, clear, and refreshing taste, maintaining high quality standards.



In addition to beer production, Chinggis Beer Club LLC, a subsidiary of Chinggis Beer, operates in the catering services sector in Ulaanbaatar, offering a diverse range of culinary experiences alongside their beer products.

Recognizing the cultural significance and growing popularity of beer among modern youth, Premium Nexus JSC identified Chinggis Beer as a strategic investment opportunity. The valuation of Chinggis Brewery LLC was determined to be MNT 23,900,000,000. Premium Nexus acquired a 90% ownership stake for MNT 21,510,000,304 through the issuance of company shares.

Currently, Chinggis Beer LLC has the capacity to produce and supply 1 million liters of beer annually. The company aims to enhance its production capabilities, improve taste and quality, and offer a variety of packaging options to meet diverse consumer preferences.



## Central Commerce LLC

In May 2023, Central Commerce LLC was purchased from Premium Group Premium Nexus LLC for its net assets of 51 million MNT and an additional investment of MNT 2 billion. It is a world-renowned FMCG (Fast -Moving Consumer Goods) decided to develop an import, marketing and distribution company that will deliver products to all sales channels. In July 2023, Asahi Beer became an official partner by signing a contract with Asahi Beer Asia Limited, and since September, Asahi Super Dry beer, Japan's number 1 beer, has been delivered to consumers in 4 types of packaging. In the future, we are working to expand cooperation and import other world-famous beer and beverage products.

Premium Nexus LLC purchased Central Commerce LLC in shares for 100 percent of the book value of the company's equity or MNT 2,035,969,520.



# Central Coffee Roasting LLC

Founded in 2023, Central Coffee Roasting LLC specializes in roasting and packaging coffee beans, which are then sold in SU chain stores. They also supply packaged products ready for direct consumer use. The company sources green coffee beans from the Louis Dreyfus Company, a leader in raw material trading. The coffee is roasted using equipment from Probat, a renowned producer of coffee roasting machines, ensuring high-quality delivery to consumers. A professional team, trained in Germany, oversees the roasting technology.

Coffee is a highly popular product in CU chain stores due to its quick availability and affordability. Recognizing the strategic value, Premium Nexus LLC acquired Central Coffee Roasting LLC for 1,867,432,736 MNT, equivalent to 100 percent of the book value of the company's equity.

Looking ahead, Central Coffee Roasting LLC plans to expand its supply within the CU chain by incorporating vending machines in stores. Additionally, the company aims to broaden its distribution channels to include coffee shops, offices, and other retail outlets.



## Stora Central LLC

Stora Central LLC offers customers a wide range of products through its online shopping platform. The company utilizes Amazon's inventory management system, a global leader in online shopping, to deliver goods ordered from foreign countries to SU chain stores. As of October 2023, Stora Central LLC has 80,760 registered users.



Recognizing the strategic potential of Stora Central LLC, Premium Nexus JSC acquired a 66 percent stake in the company for 1,134,242,512 MNT.

In the future, Stora Central LLC plans to integrate its services with Taobao, China's largest online inventory trading platform. This integration will allow users to choose from two major platforms—Amazon and Taobao—thereby expanding the range of products available to customers.



# Governance

## Shareholders

In May 2022, Premium Nexus JSC was reclassified in the 2nd category stock of the Mongolian Stock Exchange (MSE). By the end of 2023, it was ranked 28th in this category and was included in the TOP 20 index of the MSE for two consecutive years.

Currently, 71.8 percent of the company's shares are owned by three individuals and one legal entity, while the remaining 28.2 percent is owned by the general public.

Category	2022	2023
Total Shares	817,768,643	817,768,643
Total shareholders	10,108	9,615
Annual General Meeting attendance	84.38	84.94

## Share performance

As of December 31, 2023, the market value of the company stood at MNT 121.4 billion, placing it at the 13th position in the MSE's market value ranking. This value represents approximately 1.11% of the total market value. Moreover, the MSE:CUMN stock held the 11th rank in terms of trading volume on the Mongolian Stock Exchange (MSE) for the year 2023 and secured the 4th position in terms of trading value. In 2023, it accounted for 2.69% of the total share trading value.



# Board composition

The board consists of 9 members, with 3 out of 9 being independent members. Furthermore, there are 4 committees operating under the board's guidance to oversee the company's operations.

As part of its commitment to sustainable development goals and human rights principles, the board has actively worked to enhance the representation of women at decision-making levels within the company. As of 2023, 48% of the company's middle to upper management positions are occupied by women, demonstrating a commitment to gender diversity in leadership roles. Additionally, 76% of the company's suppliers are women, further reflecting its dedication to promoting gender equality throughout its business operations.

Nº	Name	Gender	Position
1	Gary Biondo	M	Chairman (independent)
2	A. Gankhuyag	M	Board member, CEO
3	G. Chinzorig	M	Board member, Deputy CEO
4	A. Ganbold	M	Board member
5	G. Bat-Erdene	M	Board member
6	B. Bat-Erdene	M	Board member
7	Z. Uyanga	F	Board member
8	V. Ganzorig	M	Independent board member
9	U. Erdenechimeg	F	Independent board member

Nº	Board committees	Name	Position
1	ESG committee	U. Erdenechimeg	Committee head, Independent board member
		Gary Biondo	Chairman (independent)
		Z. Uyanga	Board member
2	Promotion committee	V. Ganzorig	Committee head, Independent board member
		A. Gankhuyag	Board member
		Z. Uyanga	Board member
3	Compensation committee	Gary Biondo	Committee head, Chairman (independent)
		A. Ganbold	Board member
		Z. Uyanga	Board member
4	Audit committee	V. Ganzorig	Committee head, Independent board member
		Gary Biondo	Chairman (independent)
		G. Bat-Erdene	Board member

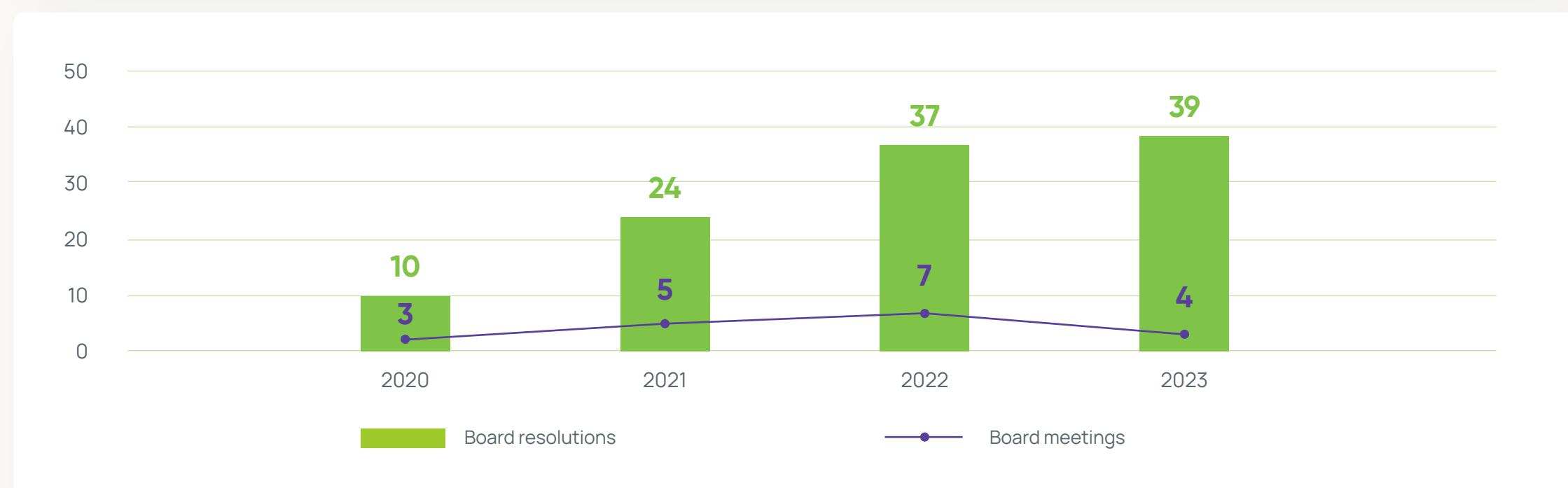
## Board activity

In 2023, both the board and its committees convened four times with a 100% attendance rate, demonstrating a concerted effort to address significant changes within the company. These meetings were instrumental in deliberating on various matters, such as restructuring initiatives, business expansion strategies, issuance of additional shares, collaboration with strategic investors, amendments to the company's name and regulations, and the handling of large-scale and conflict-of-interest transactions.

Throughout these sessions, a total of 39 resolutions by the board of directors and 36 recommendations from the board committees were thoroughly discussed and considered. These discussions encompassed the approval of policies, procedures, and strategic plans aimed at fostering sustainable business growth and enhancing shareholder value.

Board meetings

Board Activity	Units	2020	2021	2022	2023
Board resolutions	Numeric	10	24	37	39
Board recommendations	Numeric	-	-	32	36
Independent members' attendance	Percentage	-	100	100	100
Executives attendance	Percentage	100	100	100	100



# Company Governance Codex performance

As of the first half of 2023, the Financial Regulatory Commission rated the company's "Corporate Governance Codex" implementation at 93.1 percent, categorizing it as "GOOD." By the end of the year, this evaluation improved to 95 percent. The company has been actively working to further enhance its corporate governance by appointing board committees composed of independent members, strengthening the internal control system, and focusing on shareholder interests to increase value.

A program for implementing the "Corporate Governance Codex" has been approved, with ongoing efforts to ensure its effective implementation and improve reporting practices.

Company Governance Codex performance, 2022, 2023						
Nº	Category	Total assigned scores	Assigned scores 2022	Percentage value 2022	Assigned scores, 2023	Percentage value 2023
1	Board composition	12	12	100%	12	100%
2	Board committee and their directions	10	8	80%	9	90%
3	Information transparency, reporting	6	6	100%	6	100%
4	Audit and control	6	5	83%	5	83%
5	Risk management	8	8	100%	8	100%
6	Executive compensation	6	6	100%	6	100%
7	Rights of parties involved	8	8	100%	8	100%
8	Company culture	6	6	100%	6	100%
9	Shareholder rights	10	9	90%	9	90%
<b>Total score</b>		<b>72</b>	<b>68</b>	<b>94.8%</b>	<b>69</b>	<b>95%</b>

# Board performance valuation

The performance of the board of directors was evaluated based on 80 criteria, divided into 3 main groups and 15 sub-groups. The evaluation concluded that the board of directors engaged in sustainable and result-based activities, effectively protecting the interests of shareholders and stakeholders throughout the reporting period. This thorough assessment underscores the board's commitment to responsible and effective governance.

Board performance valuation			
Nº	Valuation category	Performance 2022 (%)	Performance 2023 (%)
1	Board composition	-	94%
2	Board rights and responsibilities fulfillment	-	81%
3	Board meetings, resolutions	-	95%
<b>Total score</b>		-	<b>90%</b>

# Financial statements

## Management's Responsibility Statement

The Group's management is responsible for the preparation of the financial statements.

The consolidated and separate financial statements of Central Express CVS JSC (the "Company") and its subsidiaries (together the "Group") have been prepared to comply with International Financial Reporting Standards. The Group's and the Company's management is responsible for ensuring that these financial statements present fairly the state of affairs of the Group and the Company as at 31 December 2023 and the financial performance and cash flows for the period then ended on that date.

The Group's and the Company's management has responsibility for ensuring that the Group keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and which enable it to ensure that the financial statements comply with the requirements set out in Notes 2 to 6 thereto.

The Group's and the Company's management also has a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Group's and the Company's management consider that, in preparing the financial statements including explanatory notes, it has used appropriate policies, consistently applied and supported by reasonable and prudent judgment and estimates, and that all applicable accounting standards have been followed.

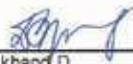
The consolidated and separate financial statements of the Group and the Company for the year ended 31 December 2023 were authorised for issuance by the Group's Board of Directors.

Ulaanbaatar,  
Mongolia.

Date: 04 April 2024



Chinzorig G.  
Deputy Chief Executive Officer  
XK

  
Budkhando D.  
Director of Finance Department  
Business Controller



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## Independent Auditors' Report

To: The Shareholder and Board of Directors of Central Express CVS Joint Stock Company

### Opinion

We have audited the accompanying consolidated and separate financial statements of Central Express CVS JSC (the "Company") and its subsidiary (together the "Group"), which comprise the statements of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial positions of the Group and the Company as at 31 December 2023, and of their financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Mongolia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



#### Key Audit Matters, Continued

##### *Revenue recognition*

Refer to Note 25 to the consolidated and separate financial statements and the accounting policies in Note 3.

Area of focus	How our audit addressed the area of focus
<p>Under International Standards on Auditing, we are required to consider that the fraud risk from revenue recognition as a significant risk. We have determined to apply to the occurrence of the revenue, specially relates to the existence of sub-franchise stores.</p> <p>Due to these factors, we have considered revenue recognition over sub-franchise stores to be a key audit matter relevant to our audit of the consolidated and separate financial statements.</p>	<p>Our audit procedures over revenue from sub-franchise stores included, among others:</p> <ul style="list-style-type: none"><li>- We have assessed selected controls management has in place over the sales and revenue recognition process over sub-franchise stores, focusing on controls over the existence and accuracy of revenue recognition.</li><li>- We have performed audit procedures over sales between the Group and Company's sales from sub-franchise stores by sending confirmation letters to the owners of sub-franchise stores.</li><li>- We have reconciled all sales during the year against the e-Barint system, which is owned and managed by the Mongolian Tax Authority.</li><li>- We have assessed whether revenue was recognised in the appropriate accounting period and in accordance with the terms of sales.</li><li>- We have conducted inquiries of management and those charged with governance, relating to instances of fraudulent revenue recognition and any relevant significant unusual transactions during the year.</li><li>- We have assessed the appropriateness of accounting policy for revenue recognition and comparing with the applicable accounting and reporting standards.</li></ul>



#### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated and separate financial statements and our auditors' report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

##### **Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

##### **Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.



#### Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements, Continued

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



#### Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements, Continued

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Cho Sang Yong, and the General Director of the audit firm is Soyolmaa Gungaanyambuu.



KPMG Audit LLC  
Ulaanbaatar, Mongolia  
04 April 2024

Signed by:

Soyolmaa Gungaanyambuu  
General Director

Approved by:

Cho Sang Yong  
Partner

This report is effective as at 04 April 2024, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated and separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any. Furthermore, this report is intended solely for the use of the shareholders of the Group. To the fullest extent permitted by law, we do not assume responsibility towards or accept liability to any other party in relation to the contents of this report.

**Central Express CVS JSC**  
**Consolidated and Separate Statements of Financial Position**

In thousands of MNT	Notes	Consolidated		Separate		
		31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, plant and equipment	9	84,451,983	67,338,093	59,941,243	48,693,267	
Right-of-use assets	10	50,532,242	46,960,531	50,532,242	46,960,531	
Investments in subsidiaries	11	-	-	7,724,396	7,725,396	
Intangible assets	12	5,744,456	5,854,517	4,553,093	4,421,733	
Finance lease receivables	13	8,238,816	3,455,416	8,238,816	3,455,416	
Prepayments	16	770,655	454,647	39,953	62,079	
Trade and other receivables	17	2,160,078	1,778,188	1,246,439	1,047,672	
Deferred tax assets	31	1,426,345	767,375	1,423,979	776,501	
<b>Total non-current assets</b>		<b>153,324,575</b>	<b>126,608,767</b>	<b>133,700,161</b>	<b>113,142,595</b>	
<b>Current assets</b>						
Loan issued	14, 34	2,000,000	-	2,000,000	-	
Inventories	15	28,250,029	31,838,373	26,423,114	28,617,577	
Prepayments	16	1,761,313	3,313,251	1,291,828	4,508,701	
Trade and other receivables	17, 34	3,675,977	4,489,855	21,739,978	11,087,757	
Cash and cash equivalents	18, 34	2,980,585	4,280,725	2,884,456	4,019,062	
Finance lease receivables	13, 34	1,502,377	517,704	1,502,377	517,704	
<b>Total current assets</b>		<b>40,170,281</b>	<b>44,439,908</b>	<b>55,841,753</b>	<b>48,750,801</b>	
<b>TOTAL ASSETS</b>		<b>193,494,856</b>	<b>171,048,675</b>	<b>189,541,914</b>	<b>161,893,396</b>	
<b>EQUITY</b>						
Share capital	19	81,776,864	81,776,864	81,776,864	81,776,864	
Share premium	19	13,820,503	13,820,503	13,820,503	13,820,503	
Other equity		318,731	318,731	-	-	
Accumulated deficit		(110,184,780)	(77,478,477)	(105,614,580)	(72,667,229)	
<b>TOTAL EQUITY</b>		<b>(14,268,682)</b>	<b>18,437,621</b>	<b>(10,017,213)</b>	<b>22,930,138</b>	
<b>LIABILITIES</b>						
<b>Non-current liabilities</b>						
Long-term lease liabilities	10	56,622,145	49,410,996	56,622,145	49,410,996	
Long-term borrowings	20, 34	33,882,015	27,932,886	32,947,160	23,178,869	
Other long-term liabilities		709,269	953,091	709,269	898,319	
Contract liabilities	24	117,781	264,848	117,781	264,848	
Deferred tax liabilities	31	259,446	287,593	-	-	
<b>Total non-current liabilities</b>		<b>91,590,656</b>	<b>78,849,414</b>	<b>90,396,355</b>	<b>73,753,032</b>	
<b>Current liabilities</b>						
Lease liabilities	10, 34	12,079,710	7,905,463	12,079,710	7,905,463	
Borrowings	20, 34	19,969,946	17,280,869	16,107,785	12,902,042	
Other taxes payable	22	1,669,598	867,480	1,598,726	759,789	
Trade and other payables	23, 34	81,166,900	47,085,498	78,139,473	43,039,913	
Contract liabilities	24	1,245,531	602,570	1,224,936	583,259	
Current income tax payable		41,197	19,760	12,142	19,760	
<b>Total current liabilities</b>		<b>116,172,882</b>	<b>73,761,640</b>	<b>109,162,772</b>	<b>65,210,226</b>	
<b>TOTAL LIABILITIES</b>		<b>207,763,538</b>	<b>152,611,054</b>	<b>199,559,127</b>	<b>138,963,258</b>	
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>193,494,856</b>	<b>171,048,675</b>	<b>189,541,914</b>	<b>161,893,396</b>	

The accompanying notes on pages 6 to 49 are an integral part of these consolidated and separate financial statements.

**Central Express CVS JSC**  
**Consolidated and Separate Statements of Profit or Loss and Other Comprehensive Income**

In thousands of MNT	Note	Consolidated		Separate	
		2023	2022	2023	2022
Revenue	25	390,496,597	261,018,893	391,659,417	261,722,623
Cost of sales	26	(393,362,620)	(265,272,083)	(397,214,209)	(265,213,381)
<b>Gross loss</b>		<b>(2,866,023)</b>	<b>(4,253,190)</b>	<b>(5,554,792)</b>	<b>(3,490,758)</b>
General, administrative and selling expenses	27	(17,130,606)	(12,187,007)	(15,129,351)	(11,301,899)
Impairment loss on financial assets		(37,447)	(94,177)	(37,447)	(94,177)
Other gains, net	28	3,054,660	324,869	2,550,889	329,438
Other income		17,070	37,786	-	815
<b>Operating loss</b>		<b>(16,962,346)</b>	<b>(16,171,719)</b>	<b>(18,170,701)</b>	<b>(14,556,581)</b>
Finance costs	29	(17,506,483)	(11,147,568)	(16,523,401)	(9,832,114)
Finance income	30	1,136,615	1,227,674	1,135,767	1,227,674
<b>Loss before income tax</b>		<b>(33,332,214)</b>	<b>(26,091,613)</b>	<b>(33,558,335)</b>	<b>(23,161,021)</b>
Income tax expense	31	625,911	407,229	610,984	364,790
<b>LOSS FOR THE YEAR</b>		<b>(32,706,303)</b>	<b>(25,684,384)</b>	<b>(32,947,351)</b>	<b>(22,796,231)</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive loss for the year</b>		<b>(32,706,303)</b>	<b>(25,684,384)</b>	<b>(32,947,351)</b>	<b>(22,796,231)</b>
Loss per ordinary share for loss from continuing operations attributable to the owners of the Group, basic and diluted (in MNT per share)	32	(40)	(31)	(40)	(28)

The accompanying notes on pages 6 to 49 are an integral part of these consolidated and separate financial statements.

**Central Express CVS JSC**  
**Consolidated and Separate Statements of Changes in Equity**

<i>In thousands of MNT</i>	<i>Notes</i>	<b>Share capital</b>	<b>Share premium</b>	<b>Other equity</b>	<b>Accumulated deficit</b>	<b>Total equity</b>
<b>Consolidated</b>						
<b>Balance at 1 January 2022</b>	19	<b>81,776,864</b>	<b>13,820,503</b>	<b>318,731</b>	<b>(51,794,093)</b>	<b>44,122,005</b>
Loss for the year	-	-	-	-	(25,684,384)	(25,684,384)
<b>Balance at 31 December 2022</b>	19	<b>81,776,864</b>	<b>13,820,503</b>	<b>318,731</b>	<b>(77,478,477)</b>	<b>18,437,621</b>
Loss for the year	-	-	-	-	(32,706,303)	(32,706,303)
<b>Balance at 31 December 2023</b>	19	<b>81,776,864</b>	<b>13,820,503</b>	<b>318,731</b>	<b>(110,184,780)</b>	<b>(14,268,682)</b>
 <b>Separate</b>						
<b>Balance at 1 January 2022</b>	19	<b>81,776,864</b>	<b>13,820,503</b>	<b>(49,870,998)</b>	<b>45,726,369</b>	
Loss for the year	-	-	-	(22,796,231)	(22,796,231)	
<b>Balance at 31 December 2022</b>	19	<b>81,776,864</b>	<b>13,820,503</b>	<b>(72,667,229)</b>	<b>22,930,138</b>	
Loss for the year	-	-	-	(32,947,351)	(32,947,351)	
<b>Balance at 31 December 2023</b>	19	<b>81,776,864</b>	<b>13,820,503</b>	<b>(105,614,580)</b>	<b>(10,017,213)</b>	

**Central Express CVS JSC**  
**Consolidated and Separate Statements of Cash Flows**

<i>In thousands of MNT</i>	<i>Note</i>	<b>Consolidated</b>	<b>Separate</b>		
		<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>					
Loss before income tax		(33,332,214)	(26,091,613)	(33,558,335)	(23,161,021)
Adjustments for:					
Depreciation	9	14,670,795	9,341,514	13,146,354	7,781,358
Gain /(Losses) on disposals of property, plant and equipment, net	28	27,867	(74,903)	160,324	21,235
Write off of property, plant and equipment	9	161,633	-	161,633	-
Amortisation of intangible assets	12	1,136,540	895,056	1,012,044	761,445
Impairment loss on financial assets	17	37,447	94,177	37,447	94,177
Depreciation of ROU assets	10	11,749,379	7,683,104	11,749,379	7,372,732
Foreign exchange differences	28	22,417	(223,570)	9,498	(90,177)
(Gain) /Losses on disposals of investments	28	(342,907)	11,452	(50,000)	11,452
Finance income	30	(1,136,615)	(1,227,674)	(1,135,767)	(1,227,674)
Finance costs	29	17,255,606	10,934,608	16,272,524	9,619,154
Gain on disposals of ROU assets	28	(1,722,713)	(390,497)	(1,722,713)	(116,196)
<b>Operating cash flows before working capital changes</b>					
		<b>8,527,235</b>	<b>951,654</b>	<b>6,082,388</b>	<b>1,066,485</b>
<b>Changes in working capital:</b>					
Inventories	15	3,588,344	(20,520,732)	2,194,463	(18,072,262)
Prepayments	16	1,551,938	(386,694)	3,216,873	(432,394)
Trade and other receivables	17	394,541	(2,867,479)	(10,888,435)	(9,087,345)
Other tax payables	22	802,118	392,853	838,937	342,489
Trade and other payables	23	3,195,250	22,694,407	4,281,099	21,011,214
Contract liabilities	24	495,894	(106,196)	494,610	(106,209)
<b>Operating cash flows after working capital changes</b>					
		<b>18,555,320</b>	<b>157,813</b>	<b>6,219,935</b>	<b>(5,278,022)</b>
Interest paid for borrowings	21	(6,805,263)	(2,545,882)	(5,714,976)	(1,197,832)
Income taxes paid		(39,769)	(149,666)	(44,112)	(146,310)
Interest paid for lease liabilities	21	(10,292,530)	(7,363,313)	(10,392,376)	(7,358,458)
Interest received		895,085	1,227,674	894,237	1,227,674
<b>Net cash used in operating activities</b>		<b>2,312,843</b>	<b>(8,673,374)</b>	<b>(9,037,291)</b>	<b>(12,752,948)</b>
<b>Cash flows from investing activities:</b>					
Purchase of property, plant and equipment	9	(34,958,873)	(30,125,660)	(24,887,506)	(26,428,016)
Proceeds from disposals of equipment	9	2,387,444	291,915	(87,891)	171,242
Purchase of intangible assets	12	(245,255)	(1,362,604)	(242,255)	(1,312,604)
Proceeds from disposals of intangible assets	12	119,925	11,951	-	-
Receipt from finance lease receivables	10	816,716	572,753	816,716	572,753
Investment in share capital of subsidiary		-	-	-	(1,000)
Proceeds from sale of subsidiary	28	342,907	-	51,000	-
Changes in loans receivable	14	(2,000,000)	2,016,877	(2,000,000)	2,016,877
Proceeds from sale of debt securities at FVTPL		-	14,849,899	-	14,849,899
<b>Net cash used in investing activities</b>		<b>(33,537,136)</b>	<b>(13,744,869)</b>	<b>(26,349,936)</b>	<b>(10,130,849)</b>

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**Central Express CVS JSC**  
**Consolidated and Separate Statements of Cash Flows**

In thousands of MNT	Notes	Consolidated		Separate	
		2023	2022	2023	2022
<b>Cash flows from financing activities</b>					
Proceeds from issuance of ordinary shares		30,000,000	-	30,000,000	-
Proceeds from borrowings	21	31,827,300	42,841,999	31,800,000	42,841,999
Repayments of borrowings	21	(23,105,377)	(15,142,000)	(18,749,608)	(15,142,000)
Payments of finance lease liabilities	21	(8,797,770)	(5,062,187)	(8,797,770)	(4,677,680)
<b>Net cash from financing activities</b>		<b>29,924,153</b>	<b>22,637,812</b>	<b>34,252,622</b>	<b>23,022,319</b>
Net (decrease)/increase in cash and cash equivalents		(1,300,140)	219,569	(1,134,606)	138,522
<b>Cash and cash equivalents at the beginning of year</b>	18	<b>4,280,725</b>	<b>4,061,156</b>	<b>4,019,062</b>	<b>3,880,540</b>
<b>Cash and cash equivalents at the end of the year</b>	18	<b>2,980,585</b>	<b>4,280,725</b>	<b>2,884,456</b>	<b>4,019,062</b>

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**THANK YOU**