

Annexure II:

Memorandum for Public issue of Commercial Papers worth Nu.870 million

The following constitutes full and true disclosure of all material facts relating to the commercial papers offered by this offer memorandum, as required by the Companies Act of Bhutan 2016:

1. General Information:

Name of the Company : Druk Holding and Investments Limited
Registered Office : 18 Thori Lam, P.O Box number 1127, Motithang, Thimphu, Bhutan

Subsidiary Company:

1. Druk Green Power Corporation Limited
2. Bhutan Power Corporation Limited
3. Bhutan Telecom Limited
4. Druk Air Corporation Limited
5. State Mining Corporation Limited
6. Construction Development Corporation Limited
7. Wood Craft Center Limited
8. Thimphu Tech Park Limited
9. Natural Resources Development Corporation Limited
10. Dungsam Cement Corporation Limited
11. State Trading Corporation Limited
12. Dungsam Polymers Limited
13. Bank of Bhutan Limited

Auditors : ASA & Associates LLP

Bankers : Bank of Bhutan Limited and Bhutan National Bank Limited

Registration/License : U20071116THI0198/1023423

2. Objective of the issue: To meet short term fund requirement

3. Particulars of offer:

| Issue Price per CP | Number of CPs Offered | Subscription Date | Allotment Date | Nature of Script |
|--------------------------|-------------------------|-----------------------------|-----------------------------|---|
| Face Value Nu.100,000 | No of CP(s) 8,700.00 | 18 th March 2017 | 25 th March 2017 | CPs fully secured by time deposits/ receivables |

4. Term of the Commercial Paper & Rate of Interest

| Term | Interest Rate | Payment of Coupon Amount |
|---------|---------------|--------------------------|
| 30 days | 2.5% p.a. | Nu. 1,787,671.23 |



5. **Maturity Period:** The maturity period of the CP will be for 30 days from the date of allotment as specified above. In event of premature redemption of the CP, the issuer will redeem only the principal amount and the interest accrued till the date of premature redemption subject to payment of 3% penalty.
6. **Method of distribution:** Lump sum settlement through RSEBL facility.
7. **Use of Fund:** The issue of commercial paper shall be primarily to meet the short-term fund requirement.
8. **Payment of Interest/coupon:**
 - The CP shall be listed with the Stock Exchange for secondary transactions.
 - The interest/coupon amount shall be paid to the investors by A/c payee cheque.
 - The Central Depository of RSEB shall be the custodian for the debt instrument and facilitate the interest of coupon payments.
9. **Risk factors:**
(The investors should make their own assumption/analysis on the general market risks before deciding to invest in the scripts. However, following risks are directly related in the Investment Business:(highlight all risk related to the Business)
 - **Operational Risk:** Operational Risk is not envisaged given that CP is fully secured with term deposits and receivables, which are very liquid assets.
 - **Market/Economy Risk:** Market or Economy risk would put the clients' business to risk, which may result in loan delinquency.)

10. Present Capital Structure of the Company:

(Authorized Capital Nu. 500,000.00 million)
 (Issued and paid up Capital Nu. 45,087.59 million.)

11. Financial Highlights of the issuer for last three years (audited figure):

(Figures in Nu. Million)

| <u>Sources of Fund</u> | 2014 | 2015 | 2016 |
|--|---------------|---------------|---------------|
| Authorized Capital (Shares of Nu.100/- each) | 500,000 | 500,000 | 500,000 |
| Issued & Paid up Capital | 44,334 | 45,068 | 45,088 |
| Reserves & Surplus | 4,067 | 4,699 | 5,999 |
| Deposits/Funds/Borrowings | 350 | 0 | 0 |
| Other Liabilities | 2,320 | 2,660 | 1,707 |
| Total | 51,071 | 52,427 | 52,794 |
| <u>Application of Fund</u> | | | |
| Cash & Deposits | 5 | 368 | 1,002 |
| Loans & Advances (Net of Provisions) | 4,125 | 4,328 | 3,951 |
| Fixed assets (Net Block) | 35 | 38 | 63 |
| Other Assets | 46,906 | 47,693 | 47,778 |
| Total | 51,071 | 52,427 | 52,794 |



| | | | |
|-------------------|-------|-------|-------|
| Profit before tax | 5,553 | 6,179 | 7,263 |
| Profit after tax | 3,887 | 4,323 | 5,083 |
| Dividend | 3,770 | 3,690 | 3,782 |

12. Particulars of Present Board of Directors and CEO:

| NAME | DESIGNATION |
|--------------------------|-----------------------------------|
| Dasho Sangay Khandu | Chairman |
| Dasho Karma Y. Raydi | Chief Executive Officer/ Director |
| Dasho. Nim Dorji | Director |
| Mr. Tenzin Dhendup | Director |
| Mr. Ugyen Rinzin | Director |
| Dasho. Pema Chewang | Director |
| Mr. Karma Tsetop Rinchen | Director |

13. Other Information: At present, the Company has no outstanding statutory dues.

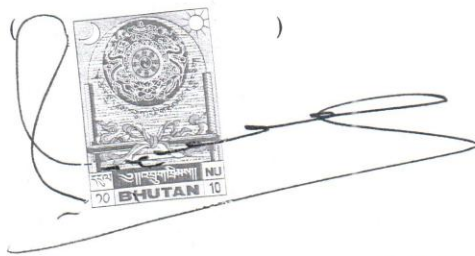
14. Declaration: We hereby declare that the relevant provisions of the Companies Act 2016 and these guidelines issued by the Regulatory Authority have been complied with and no statements made in the offer memorandum are contrary to the provisions of Companies Act, 2016.

Place: Thimphu

Date: 15th March 2017

Signature of Chairman/Director

Seal & Signature of the Chief Executive Officer




Chief Executive Officer
Druk Holding & Investments Ltd.

