

**MEMORANDUM OF ASSOCIATION
OF
JALBIDHYUT LAGANI TATHA BIKASH COMPANY LIMITED**

1. Name of the Company:

The name of the Company shall be the JALBIDHYUT LAGANI TATHA BIKASH COMPANY LIMITED (hereinafter referred to as the "Company").

2. Address of Registered Office of the Company:

The Registered Office of the Company shall be situated within the Kathmandu Valley.

3. Nature of business or transaction to be carried on by the Company: The Company shall carry out transaction of such nature as to mobilize capital of long-term nature to supply the capital required for the development of the hydro-power sector of Nepal and make investment of the financial resources to be so available in shares and disburse loans for those hydro-power projects that are feasible economically and technically.

4. Objectives of the Company:

(1) The objectives of the Company shall be as follows:

- (a) To make share and loan investment in projects that generate, transmit and distribute hydro-power.
- (b) To make investment through banks and financial institutions for projects that generate, transmit and distribute hydro-power.
- (c) To obtain loans and grants from foreign institutions for the purpose of making financial investment in projects that generate, transmit and distribute hydro-power.
- (d) To mobilize capital of long-term nature by issuing financial equipment such as bonds, debentures as well as bills and certificate of deposits.
- (e) To make investment in bills such as bonds, debentures to be issued by hydro-power projects.

(2) Where a license or permission has to be obtained from the concerned body pursuant to the prevailing law to implement the objectives as referred to in clause (1), the Company shall implement the same only after obtaining such a license or permission.

(3) Within fifteen days after the license or permission has been obtained in respect of the objectives referred to in clause (1), a copy of such license or permission shall be submitted to the Company Registrar's Office (hereinafter referred to as the "Office").

5. Acts to be done to attain the objectives of the Company:

The Company may carry out the following acts in order to attain the objectives referred to in Article 4:

- (a) To purchase and rent or lease and use any such land, building, motor vehicle and equipment as may be required for the Company
- (b) To recruit such employees as may be required for the Company, determine the terms and conditions of their service.

- (c) To open and operate an account by the name of the Company.
- (d) To borrow loans from any bank or financial institution, with or without security, in such sums as may be required for the Company.
- (e) To purchase and sell shares, debentures, bonds and bills by the name of the Company.
- (f) To analyze detailed project study reports to be submitted to the Company for investment of financial instrument for the generation, transmission and distribution of hydropower that is economically and technically feasible and make investment in such projects on the basis of appropriateness.
- (g) In the course of bringing about such financial resource as required for the Company, to issue bonds, debentures and bills by the name of the Company by fulfilling the requirements specified by the prevailing law.
- (h) In the course of bringing about such financial resource as required for the Company, to make borrowings, obtain loans and grants in foreign currencies from non-resident Nepalese, foreign financial institutions and foreign institutions, by fulfilling the requirements specified by the prevailing law.
- (i) To make investment as a promoter shareholder in joint venture with any native or foreign corporate bodies.
- (j) By obtaining approval from the Nepal Rastra Bank, to mobilize long-term deposits/capital by issuing certificates of deposits of at least ten million Nepalese rupees from the citizens of Nepal and non-resident Nepalese and of fifty million Nepalese rupees or more from native or foreign corporate bodies, with a term of at least five years or more than five years.
- (k) By obtaining approval from the Nepal Rastra Bank, to disburse loans directly or indirectly through any bank or financial institution in hydropower projects.
- (l) To disburse as loans any amounts obtained from the Government of Nepal or other native or foreign bodies for the promotion of hydropower projects.
- (m) The Company may, if it feels so necessary, hand over the responsibility of any or all of its important function of management for a certain period of time for the benefit of the Company.
- (n) The Company may get any act done by appointing individual or group consultant to complete any of its functions.
- (o) To do any such act as may be necessary to attain the objectives of the Company, by making amendment to the Memorandum of Association, subject to the laws in force.

5. Structure of the capital of the Company:

The structure of the capital of the Company shall be as follows:

- (a) The authorized capital of the Company shall be Rs. 50,000,000,000.00 (50,000 million rupees). This capital shall be divided into 50,000,000.00 (fifty million) ordinary shares of Rs. 1000.00 (one thousand rupees) each.

- (b) The presently issued share capital of the Company shall be Rs. 10,000,000,000.00 (10,000 million rupees). This capital shall be divided into 100,000,000.00 (100 million) ordinary shares of Rs. 1000.00 (one thousand rupees) each.
- (c) The capital which the promoters of the Company have undertaken to pay up presently shall be Rs. 8,000,000,000.00 (eight thousand million rupees).
- (d) The promoter shareholders have been grouped into group "a", and the share ownership of this group shall be 80 percent. This group has been divided into the following two sub-groups:

Sub-group a-1

SN	Name of promoter	Number of shares undertaken to be subscribed
1.	Government of Nepal, Ministry of Finance	2,000,000
2.	Government of Nepal, Ministry of Energy	1,000,000
3.	Government of Nepal, Ministry of Law and Justice	1,000,000
4.	Government of Nepal, Office of Financial Comptroller General	1,000,000
Sub-group a-2		
5.	Employee Provident Fund	1,000,000
6.	National Insurance Corporation	1,000,000
7.	Citizen Investment Fund	1,000,000

- (e) The shareholders who subscribe the shares to be sold to the general public have been categorized in group "b". The share ownership of this group shall be twenty per cent of the issued capital of the Company.
- (f) A person, institution or body that subscribes the share of a group, sub-group shall be grouped in that group or sub-group.
- (g) Other matters relating to the transfer of shares shall be as specified by the prevailing law.

7. Types of shares of the Company:

All the shares of the Company shall be ordinary shares only. So, for the time being, no provision has been made preference shares. If it is necessary to issue preference shares, such shares may be issued by meeting the requirements of the prevailing law, and making necessary amendment to the Memorandum of Association and the Articles of Association.

8. Provisions on restriction, if any, on the purchase or transfer of shares:

- (a) No shares of the Company may be sold, disposed of or pledged until five years after the date of commencement of the business of the Company.

Provided that this provision shall not bar the adding of a new promoter by altering the existing share structure, fulfilling the requirements of law.

- (b) No shares under the ownership of the Government of Nepal may be sold, disposed of and transferred without approval of the Government of Nepal, Council of Ministers.
- (c) Other matters relating to the transfer of shares shall be as specified by the prevailing law.

9. Payment of share amount:

- (1) The Company may, as required, make a call on amounts for shares in full or part, by making a decision by a meeting of the Board of Directors.
- (2) The amounts in respect of which the Company has made a call have to be paid by the shareholder in the specified time.
- (3) The matters such as making calls on shares, providing additional time limit for the payment of the calls within the specified period of time and providing time limit by the Company shall be as specified in the Articles of Association.

10. Liability to be limited:

The liability of the shareholders of the Company in respect of the transactions of the Company shall be limited to the face value of the shares that they have subscribed or undertaken to subscribe.

Provided that this provision shall not apply to the liability of the Company under an agreement on personal guarantee made by a shareholder or director, in that capacity, with a third party.

11. Other necessary matters:

- (1) The Company itself has to bear the expenditures incurred in the course of its incorporation.
- (2) A promoter or other person shall deposit the amount of shares in the bank account of the Company.
- (3) The Company has not obtained any property in any manner from a promoter or other person at the time of commencement of its business.
- (4) A promoter or other person shall not obtain any special facility or right from the Company.
- (5) The Company shall not do any acts restricted by the prevailing law.
- (6) Notwithstanding anything contained elsewhere in this Memorandum of Association, the Company shall make investment, as a promoter shareholder, or disburse loans, directly or indirectly, only in medium and large hydro-power projects with a capacity of more than 25 megawatt.

12. Other additional provision as per the nature of the Company:

- (1) The capital structure of the Company established with a special object is higher than other corporate bodies and there is no possibility of establishing another bank with huge capital immediately. The Company has, therefore, been incorporated with ownership of the Government of Nepal and its bodies.
- (2) The Company shall issue certificate of deposits that can be purchased by the citizens of Nepal, non-resident Nepalese, native and foreign bodies for making investment only in hydropower projects and disburse loans for hydro-power projects; and it shall obtain prior approval of the Nepal Rastra Bank prior to commencing this act. Provided that it shall not be mandatory to obtain prior approval of the Nepal Rastra Bank before the incorporation of the Company on commencing those acts other than those requiring the approval of the Nepal Rastra Bank, as mentioned in Article 5 of the Memorandum of Association.
- (3) As the Company has been incorporated for the attainment of a special objective, it shall be operated with high efficiency. For this purpose, a high integrity system shall be followed in its operation. No unnatural and illegal pressure of any kind, whether director or indirect, shall be tolerable in its operation.
- (4) For the purpose of attaining the objective as set forth in clause (3), policy standards on the operation of the Company have been set, and these standards shall be an integral part of the Memorandum of Association. These standards are included in the Schedule.
- (5) The chief executive shall be mainly responsible for the operation of the day-to-day transactions of the Company. While selecting and appointing the chief executive and the employee who is immediately below him or her, one should be an experienced and renowned expert in the fields of at least banking/finance/economic sector and one should be an experienced and renowned expert in the field of hydropower. Their special qualification shall be as specified by the Articles of Association and the Personnel Bye-laws or agreement.

13. Provision on coming into force of amendment, if any, to the Memorandum of Association:

If the Company has to make any amendment to this Memorandum of Association, it shall adopt a special resolution at the General Meeting to that effect, and the Memorandum of Association shall be deemed to have been amended only after such resolution has been recorded by the Office.

14. Memorandum of Association to be ineffective to the extent of inconsistency:

If any Article of this Memorandum of Association is inconsistent with the Companies Act, 2063 (2006) and other prevailing law, such Article shall *ipso facto* be void to the extent of such inconsistency.

15. Number of shares which the promoters have undertaken to subscribe for the time being, and declaration by them:

We, the promoters of the Jalbidhyut Lagani Tatha Bikash Company Limited, have agreed to incorporate and operate the Company in accordance with the prevailing law. We have signed this Memorandum of Association, covenanting and declaring that our respective name, address and signature mentioned in and affixed to this Memorandum of

Association and all other details including those on the shares which we have undertaken to subscribe and on the witnesses mentioned herein are true and correct; that we agree to bear all the liabilities that may arise after the registration of this Company based on the contents mentioned herein; and that we agree to bear the punishment to be imposed pursuant to the prevailing law if the declaration made by us under this Article is held to be false.

Done on Sunday, the 26th day of the month of Ashad of the year 2068 (July 10, 2011).