

**Chairperson's Report
On behalf of the
Board of Directors for FY 2072/73 and 2073/74**

Dear Shareholders,

It gives me immense pleasure to welcome you, on behalf of the Board of Directors of CEDB Hydro Fund Ltd (CHF), at the Annual General Meeting for the fiscal years 2072/73 and 2073/74.

It is worth mentioning that issuing of Right shares has given impetus to the Company to tap into new opportunities in hydropower development. With the issuing of Right shares, CHF is now disposed to more resources and growth potential. CHF has become an ISO 9001 certified company in 2074 BS.

Prospectus has been submitted to Securities Board of Nepal for initial public offering (IPO) of shares of CHF. Sunrise Capital Ltd has been appointed as Issue Manager for the same.

Board and Management

There has been no change in the Board composition in FY 2072/73 and 2073/74. Mr. Anil Kumar Rungta is currently the Chairman of Board of Directors of the Company, Mr. Vijay Singh Baidya, Mr. Ramesh Prasad Nepal, Mr. Uttam Bhlon Lama and Ms. Barsha Shrestha are the current Directors to the Board of the Company.

Mr. Vinay Kumar Bhandari has been continuing as Chief Executive Officer.

Project Development

The fiscal year 2072/73 and 2073/74 have been successful years for CHF for project development and construction, details of which have been presented below.

The 183 KW Syange Mini Hydropower Project (Lamjung District) has successfully completed 16 years of its operations and is regularly paying dividend. Radhi Bidyut Company has successfully completed three years of operations, and has been able to distribute dividend to its shareholders every year. Initial Public Offering of the Radhi Bidyut Company has been completed and the company's shares are now traded at NEPSE.

The construction of 11 MW Tallo Khare Hydropower Project (Dolakha District), owned by Universal Power Company, is smoothly going on with about 40% works being completed as of Chaitra end 2074. Universal Power Company also plans to offer shares to general public through Initial Public Offering (IPO).

Anil K. Rungta

Ramesh Prasad Nepal

Vinay

Uttam

Barsha



Dordi Khola Jal Bidyut Company has awarded tunnel contract of Dordi 1 Hydro-electric Project (Lamjung District) and is planning to award other contracts gradually. Process is on to upgrade the capacity of the project to 12 MW from 10.3 MW.

Contracts for construction of headworks, waterway and powerhouse of 5 MW Rukum Gad Hydropower Project (Rukum District) owned by Rapti Hydro & General Construction Ltd are being worked out. Universal Power Company, Radhi Bidyut Company, Lamjung Electricity Development Company and Gandaki Energy Ltd, besides CEDB Hydro Fund Ltd, have also invested in Rapti Hydro & General Construction Ltd.

The 45 MW Kasuwa Khola Hydropower Project (Sankhuwasabha District), owned by Kasuwa Khola hydropower Ltd, is a 500 meter high head, run-off-river Project. Electricity Generation License of the Project has been obtained and it has signed Interconnection Agreement with NEA for power evacuation through proposed 220/132 kV Khandabari substation in Sankhuwasabha. Terms sheet for debt financing of the project has already been signed with Nabil Bank Ltd and Power Purchase Agreement is in process.

CHF through its subsidiary Lamjung Electricity Development Company Ltd owns 15% shares in Khudi Hydropower Ltd that currently owns and operates 4 MW Khudi Hydropower Project. Khudi Hydropower Ltd has started giving dividend from current fiscal year.

CHF has been providing project management services to its Subsidiaries and Associates on commercial terms.

Financial Performance

Company has netted a profit of 22.63 mill Rs in FY 2072/73 and 54.29 mill Rs in FY 2073/74.

P Mahaseth & Company was appointed as the Statutory Auditor to audit the books of accounts of CHF in FY 2073/74, and I would like to request the shareholders to endorse the same. The Auditor has issued its report on the financial situation of the Company.

Business Environment

Nepal Electricity Authority (NEA) has eased the procedure for Power Purchase Agreement (PPA). Ten new projects developed by the Independent Power Producers (IPP) with a combined capacity of 116.61 MW were commissioned in the FY 2073/74. This has increased the total number of IPP owned projects in operation to 60 with a combined installed capacity of 441.05 MW.

Government has already decided to conclude PPA with run-off-the river type hydropower projects under the Take or Pay modality until their combined installed

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capacity in the national grid reaches 17,000MW. NEA has also initiated process for the same.

Nepal has signed USD 500 Million Contract on September 14, 2017 with Millennium Challenge Corporation (MCC). This five-year contract will help strengthen Nepal's energy sector, improve regional energy connectivity with neighboring countries, and control transmission costs to encourage growth, private investment and job creation. Specifically, the project will expand and strengthen the high voltage electricity transmission network to support new investments in generation. The project includes the construction of approximately 300 km of high voltage power lines. It also envisages supporting addition of a second cross-border transmission line to facilitate electricity trade with India.

With the formation of stable federal government which can continue unchanged for the next five years, Independent Power Producers (IPPs) are expecting positive changes in the growth of hydropower business. All political parties in the government are having mandate for accelerated hydropower development in next 10 years.

The year ahead

We are confident to systematically take forward the projects in our hands towards completion. The Lower Khare Hydropower Project construction is on and construction of Dordi I Hydroelectric Project has started. The construction of Rukum Gad Hydropower Project will start in this FY. Preparatory works for Kasuwa Khola Hydropower Project will be undertaken.

Acknowledgement

We are grateful to the Government of Nepal, Nepal Electricity Authority, clients, contractors, vendors, suppliers, associate organizations, banks, auditors, other institutions and individuals who have contributed directly or indirectly towards the betterment of the company in the FY 2073/74.

We thank the members of the Board, Management Team and Staff for their dedication and continued contribution towards the progress of the company and the shareholders for their confidence in us.

Thanking you,
On behalf of the Board of Directors,
Anil Kumar Rungta
Chairperson

Anil K. Rungta

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