

2023 Annual REPORT



MENJONG SORIG[®]
PHARMACEUTICALS CORPORATION LTD

a **dhi** Company

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REVIEW



MR. TSHERING TENZIN

Chief Executive Officer

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Three years have passed since Menjong Sorig Pharmaceuticals Corporation Limited (MSPCL) was transferred to Druk Holding & Investments (DHI) and six years since its separation from the Ministry of Health. During this period, Menjong Sorig has consistently demonstrated positive financial performance. In 2023, the company achieved a significant milestone by exceeding Nu 100 million in revenue, representing a 30% increase from the previous year. This success can be attributed not only to the sales of traditional medicines but also to a significant rise in the sales of health supplements.

The management implemented various strategic initiatives that contributed to the high performance of the company. For instance, the management removed the 5% discount on Traditional Medicines offered to buyer in July 2023 owing to the increase in the raw materials. Additionally, the launch of three new health supplement products - *Cordyceps Happiness Tea*, *Menjong Air Spell*, and *Black Turmeric capsules* - proved to be successful. Customers positively responded to improvements in packaging for turmeric and soap-nut soaps. Another strategic move was the construction of a new showroom to relocate the sales counter to a more advantageous location. The inclusion of Tsheringma Sang manufactured by Himalayan Incense (...) into our sales counter not only generated revenue for MSPCL but also benefited the manufacturer.

After an Organizational Development (OD) Exercise conducted by DHI, MSPCL streamlined its structure by consolidating three departments into two divisions. In compliance with DHI guidelines, two General Managers were appointed for two divisions on three-year contracts.

Serious attention was given to inventory management, with DHI conducting an Inventory Management Study, and subsequently implementing recommendations outlined in the report. This helped MSPCL determine its inventory requirements more effectively.

Despite facing challenges with implementing an ERP system since its launch in October 2022 due to staff turnover, both MSPCL and TTPL have agreed to reintroduce the system in January 2024. The Delegation of Power (DoP) and Sales and Credit Policy were also revised to suit the current situation.

In the Compact Target assessment, MSPCL achieved a score of 95.41%, resulting in a PBVA payout of 31.67%. Menjong Sorig was the only company to score above 95% in the Annual Compact performance evaluation.

Furthermore, Menjong Sorig maintained a clean record in Royal Audit Authority (RAA) and Statutory Audit reports for 2023. In the same year, the company received ISO 9001-2015 Certification for Quality Management System.

To expand its market presence, Menjong Sorig signed multiple contracts and Memorandums of Understanding (MoUs) with interested parties.

This would not have been possible without the support from Board of MSPCL, DHI and of all the dedicated and hardworking employees.



(Tshering Tenzin)
CHIEF EXECUTIVE OFFICER

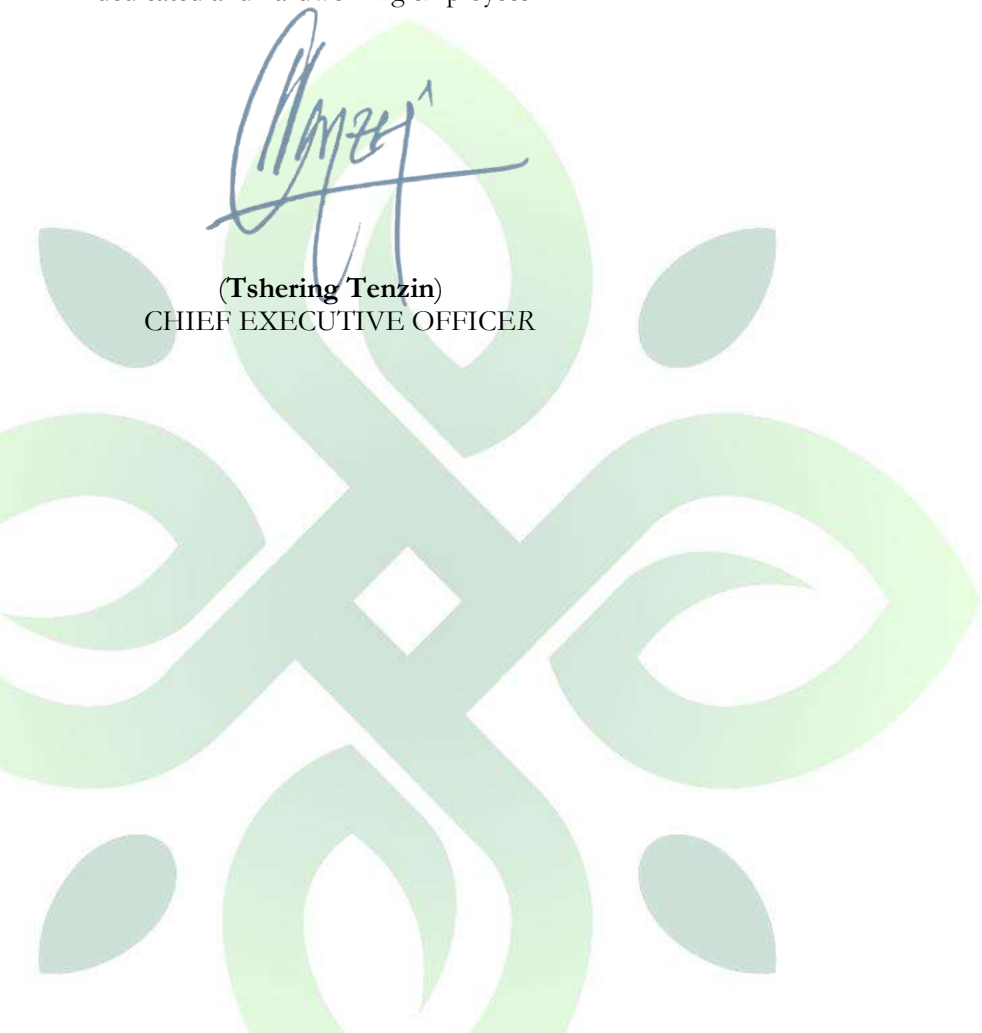


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1. COMPANY PROFILE

Menjong Sorig Pharmaceuticals Corporation Limited established in 1967 as a cottage production unit under the Ministry of Social Services, then the Ministry of Health. In 1982, traditional medicine manufacturing was industrialized with the support of WHO. Menjong Sorig Pharmaceuticals Corporation Limited was incorporated in 2017, first as a State-Owned Enterprise (SoE) and then, on April 9, 2021, as a 100% shareholder by Druk Holding & Investments (DHI)-Owned Companies (DoCs) under the Kingdom of Bhutan's Companies Act 2016.

Menjong Sorig Pharmaceuticals Corporation Limited is Bhutan's sole manufacturer of Sowa Rigpa-based Traditional Medicines, with the primary objective of producing and supplying Traditional Medicines to the Department of Medical Products (DoMP) under the autonomous body National Medical Services, formerly known as the Department of Medical Supplies and Health Infrastructure (DoMSHI) under the Ministry of Health. The company additionally sells various health-promoting supplements and wellness items to the general market. The quality of medicines is ensured through strict monitoring and evaluation via laboratory analysis, whereas the quality of raw materials is monitored from inspection, sorting, post-harvest care, and transportation to the production site.

Menjong Sorig Pharmaceuticals Corporation Limited is a DHI corporation overseen by a Board of Directors with DHI as a shareholder. MSPCL is led by a vibrant CEO and consists of two divisions: Production, and Corporate Service. Quality Control and Research is an independent unit of the company that functions as a division to ensure the independence of quality without prejudice towards the Production division or the consumers.

Furthermore, the Drungtsho, who possesses substantial Sowa Rigpa knowledge and experience, and the Company Secretary assist management in carrying out its core responsibilities.



Highlights of the Year



MSPCL strive to realize the corporation's vision and mission by inculcating the following core values:



Vision

- Be a premier research and manufacturing centre for safe and quality traditional medicines and natural healthcare products.



Mission

- Manufacturing high-quality traditional medicines and natural healthcare products;
- To create a leading research and innovation hub in the field of traditional medicines and natural healthcare products;
- Adhere to quality management system and regulatory requirements;
- Implementing sustainable sourcing of raw materials;
- Enhancing community livelihood and customers' satisfaction.

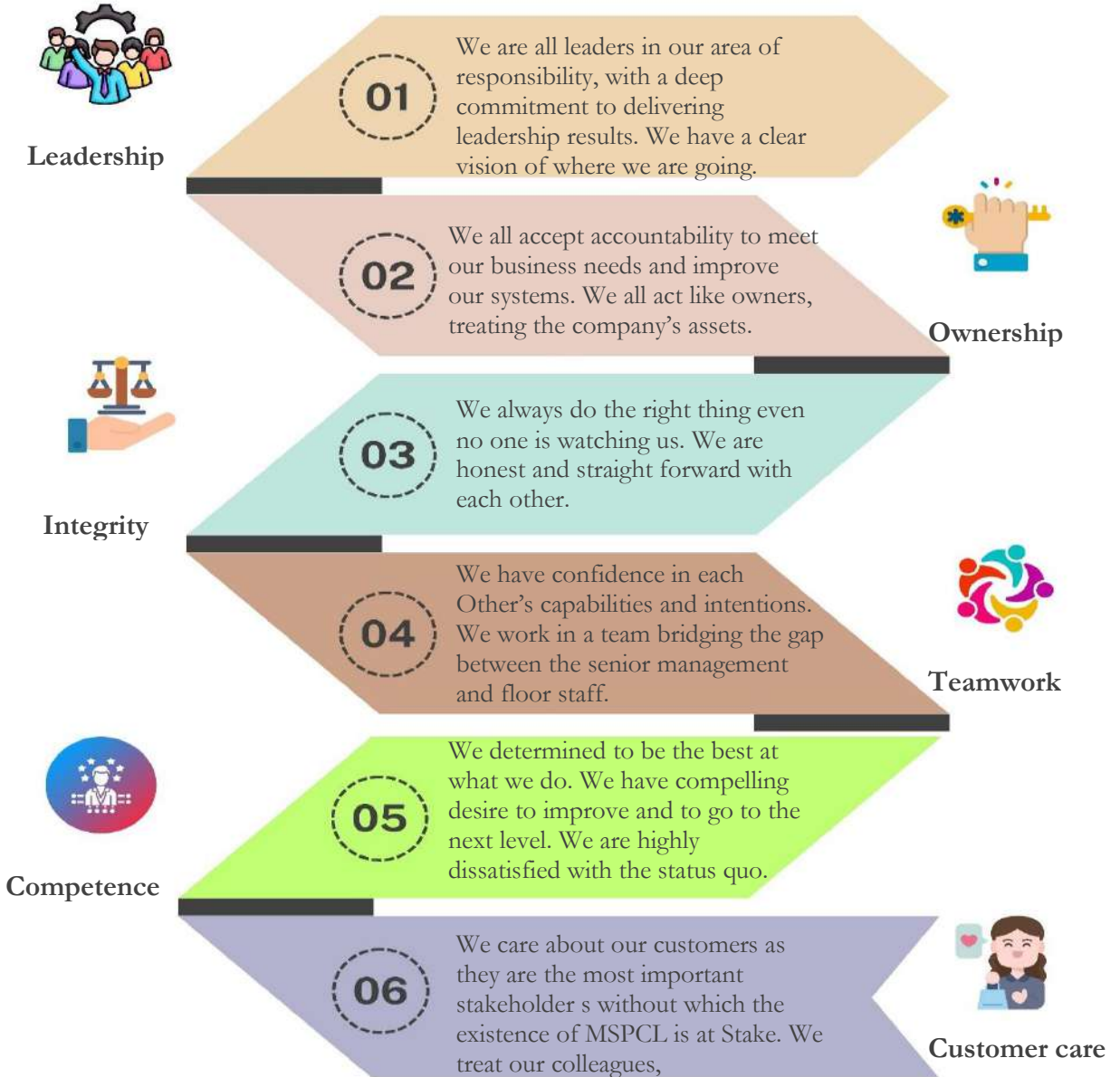


Core values

- Leadership
- Integrity
- Team Work
- Customer care
- Ownership
- Integrity
- Competency

CORE VALUE FRAMEWORK

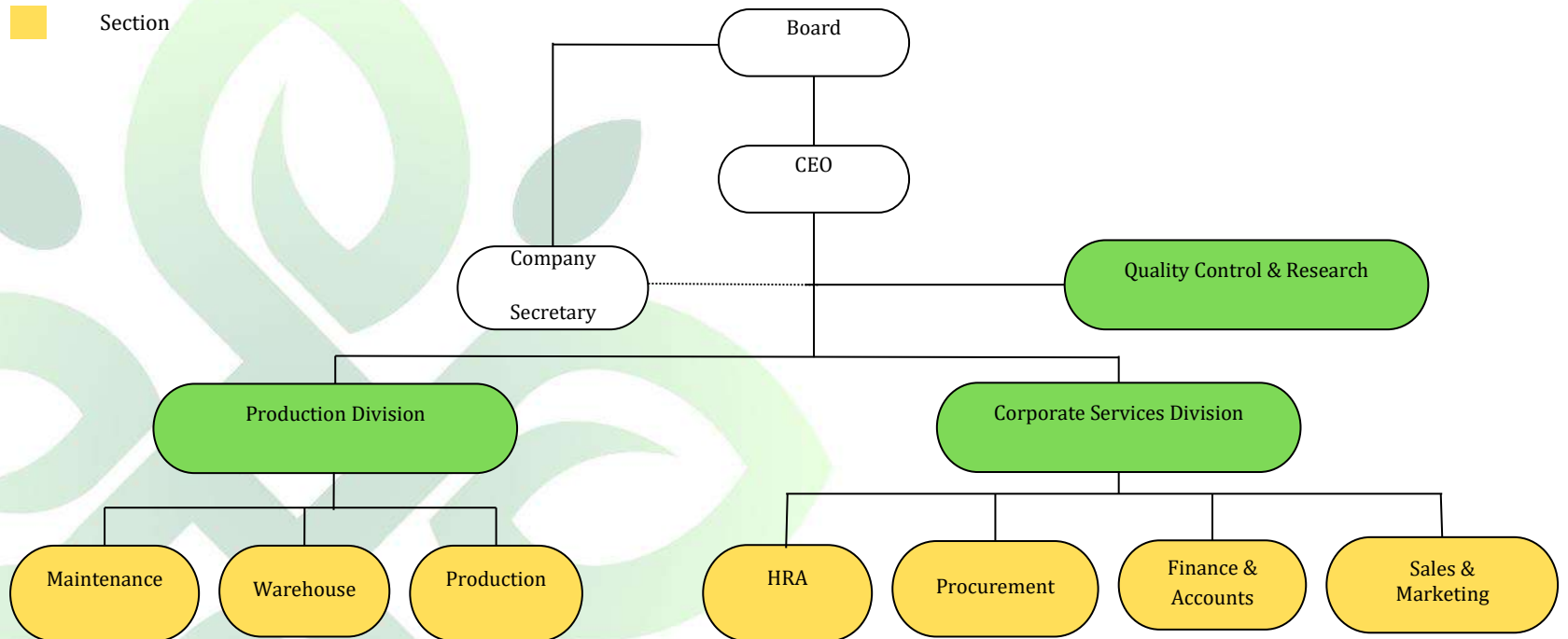
We place a higher value on Human assets than on Fixed or Tangible Assets.



2. ORGANIZATIONAL STRUCTURE

LEGEND

- Division
- Section



3. BOARD OF DIRECTORS



Dasho Thinley Namgyel is the current Chairman of MSPCL. He is the Secretary of Ministry of Agriculture & Livestock since 2021. He was also the Secretary of Gross National Happiness Commission in 2016. He also serves as a member of the Boards in Royal Monetary Authority, Druk Holding & Investments, State mining Corporation Limited, and Bhutan Health Trust Fund. He did his master's degree in Business Administration from University of Canberra, Australia.



Dasho Pemba Wangchuk is the non-executive director of MSPCL Board. He is currently the Acting Secretary of Ministry of Health. He was serving as the Director General of Department of Traditional Medicine and officiating as the Secretary in the current post. He served as the DG of RSTA, Dasho Dzongda (Governor) of 3 districts of Chukha, Tsirang and Haa and Joint Secretary of MoH- PPD. He did his Master in Health Management, Planning and Policy from University of Leeds, United Kingdom.



Dasho Karma Thinley is the Independent non-executive director of MSPCL Board. He was appointed as Zimpon Wogm in the office of Gyalpoi Zimpon in 2007. He is currently the Project Director of the Royal Academy Construction Project, Pangbisa, Paro. He did his Masters in Forestry from the Australian National University.



Mr. Passang Wangchen Norbu is the Independent non-executive director of MSPCL Board. He is the Advisor to Department of Forest and Park Services, Ministry of Agriculture and Livestock erstwhile Ministry of Agriculture and Forest. He did his Master of Sciences in Forest Survey from International Institute for Aerospace Survey and Earth Sciences from Netherlands. He was also the Board Director when MSPCL was corporatized as a State-owned enterprise.



Mr. Kinga Jamphel is the non-Executive director of MSPCL Board. Currently, he is the Director of Department of Medical Services, Ministry of Health. Previously, he was the Registrar of Bhutan Medical and Health Council. He did his Master in Business Administration from University of South Australia and Laurea in Pharmacy (Pharm. D) from Bologna University (Italy).

Mr. Ngawang Norbu is the non-executive director of MSPCL Board. He is currently the Associate Director of Innotech Department, Druk Holding & Investments. He did his master in Engineering (Electrical and Informaton Engineering) from King Mungkut's University of Technology North Bangkok, Thailand.



Mr. Tshering Tenzin is the CEO of Menjong Sorig Pharmaceutical Corporation Limited. Prior to that, he was CEO of Dungsam Polymers Limited. He began as a project manager at Bhutan Power Corporation Limited, then became General Manager of Business Development at DHI Infra Limited, and finally General Manager of CPBD at Construction Development Corporation Limited. He earned a Master's in Business Management from the Asian Institute of Management in Manila, Philippines. He did B.Tech (Electrical) from REC Hamirpur in Himachal Pradesh, India, as well as an Indian School Education from Sherubtse College in Kanglung. In 2021, he finished the senior executive development program (SEDP 2)-RIGSS.

4. EXECUTIVE MANAGEMENT TEAM



Mr. Tshering Tenzin
Chief Executive Officer



Mr. Sherab Tenzin
Specialist, Quality Control & Research



Mr. Tashi
General Manager, Production



Ms. Tenzin Wangmo
General Manager, Corporate Services Division



Mr. Nidup Dorji
Sr. Manager, Finance



Ms. Dechen Zangmo
Company Secretary / Sr. Legal Officer

5. DIRECTORS' REPORT

Dear Shareholder,

On behalf of the Board and the Management of Menjong Sorig Pharmaceuticals Corporation Limited (MSPCL), it is my pleasure to report the Directors' Report for the year 2023. As the Company approaches its seventh year of operation as a corporation, I am pleased to report that the Company has made a tremendous improvement with a revenue growth rate of over 42.55% (Nu. 77.68 in 2022 to Nu. 110.737 million in 2023).

MSPCL has undergone substantial improvement since its transfer to DHI, and it has been able to embark on a green zone like other DHI-owned companies (DOC). The core mandate of the Company is to manufacture Traditional Medicines (TMs) which is based on *Sowa Rigpa* literature and supplied to the Ministry of Health (MoH). Besides, the company also manufactures commercial products such as health supplements and wellness products for markets that extend beyond the borders. Furthermore, the company conducts research and development (R&D) on new products and to improve the quality of existing products. The company continues to diversify its products in response to market demand. In the year 2023, the Company introduced two new products viz. Cordyceps Happiness Tea and Menjong Air spell. The company manufactures over 100 traditional medicines and over 25 commercial products under four distinct brands: Tsheringma®, Menzang®, Drezang®, and Zephel®.

1. Operational Highlights

A total of 13.48 MT of Traditional Medicines were supplied to the Department of Medical Products (DMP), National Medical Services, achieving almost 100% of the target. In terms of health supplement, Nu. 20.19 million worth of products were sold against the target of Nu. 18.90 million in 2023. One of the reasons for achieving the colorful result is through aggressive marketing both within and outside Bhutan.

Production of Traditional Medicine

SN	Particulars	2023 (MT)	2022 (MT)	Variance (%)
1.	Traditional Medicine	13.48 (in metric ton)	9.078 (in metric ton)	48.50%

Health Supplements

SN	Particulars	2023 (Nos.)	2022 (Nos.)	Variance (%)
1.	Tsheringma Teas	15,772	12,438	26.804%
2	Shilajit (Drakzhun)	1,406	368	282.065%
3	Turmeric Capsule	7,040	4,571	54.014%
4	CordyPLUS	188	280	-32.857%
5	CordyActive	334	378	-11.640%
6	Five Nectar herbal bath	1,208	453	166.667%
7	Incense Sticks	7,641	5,601	36.422%

2. Financial Highlights

• Revenue

The company's net sales revenue for the year was Nu. 107.867 million, with Nu. 87.752 million coming from the supply of TMs and Nu. 20.189 million from the sale of health supplements. This resulted in a 42.63% increase in sales revenue compared to Nu. 75.673 million in 2022. The rise in revenue from TMs was due to DMP's high demand for the first tranche (July-December 2023). The sales revenue from health supplements were from the most sought-after products such as Tsheringma teas, Turmeric Capsules, Shilajit, CordyActive, and from our new Cordycep Happiness Tea. From the other sources of income, a total of Nu. 2.869 million was generated. The total income for the year 2023 was Nu. 110.737 million, representing a 42.55% increase in overall revenue.

In a million Nu.

Particulars	2023	2022	Variation
Traditional Medicines	87.752	62.332	40.78%
Health Supplements	20.189	13.341	51.34%

Particulars	2023	2022	Variation
Other Income	2.869	2.461	16.62%
TOTAL	110.737	77.684	42.55%

- **Expenditure**

The total expenditure for the year has increased by 12.84% to Nu. 82.972 million, up from Nu. 73.529 million in 2022. The increase was primarily due to the following two particulars:

1. The manufacturing expenses have increased by 23.18% to Nu. 4.584 million from Nu. 3.721 million as a result of increase in raw material and packaging materials consumption; and
2. The Employee Benefit expenses have increased by 22.37% to Nu. 36.136 million from Nu. 29.530 million as a result of salary revision beginning October 2023.

- **Profit After Tax (PAT)**

With the rise in overall sales revenue, the company was able to generate EBITA (Earnings Before Interest, Taxes and Amortization) of Nu 36.118 million. As a result, the profit after tax (PAT) is Nu. 16.289 million. The PAT for the year has increased by 92.55% from Nu. 8.459 million in 2022.

In Million Nu.

Particulars	2023	2022	Variance
Total Income	110.737	77.684	42.55%
Total Expenditure	74.619	64.364	15.93%
EBIT	36.118	13.319	171.18%
Depreciation & Amortization	8.353	9.165	-8.86%
Profit Before Tax (PBT)	27.765	4.155	568.23%
Current year tax	-9.415	-	
Deferred Tax	-2.060	4.310	-52.20%

Particulars	2023	2022	Variance
Profit After Tax (PAT)	16.289	8.459	92.55%

3. Audit Highlights

- **Royal Audit Authority**

The Royal Audit Authority (RAA) audited the books of accounts of MSPCL for the period 2022 and RAA did not find any major observations.

- **Statutory Audit**

As appointed by RAA, M/s Dilli Yok & Associates (Chartered Accountants), Thimphu, Bhutan, audited the Company's books of accounts for the financial year 2023. The management is pleased to inform that there is no qualified report for the year 2023. Moreover, there is no current and prior year audit follow up observation to report. One observation pointed out on ERPNext system is to be pursued through Management Appraisal Report (MAR) at the next Audit meeting in 2024.

4. Dividends

The Company will not be in a position to pay out dividends to the Shareholder since the company has not fully offset the accumulated losses of Nu. 2.15 million. Further, the company is planning to invest in a number of developmental activities such as establishing Herbal Garden in Lingzhi, and Post-Harvest Care Center in Langthel. Moreover, the company would like to invest around Nu. 2.5 million in retrofitting the air handling unit at the production facility so that some aspects of good manufacturing practice requirements are met. The company also intends to invest around Nu. 3 million for establishing a microbiology lab required for regular quality control of medicinal products for microbial contamination assessment.

5. Corporate Governance

The Company adheres to the Corporate Governance Code and Ownership Policy developed and implemented by its shareholder, Druk Holding & Investments Limited (DHI), the Companies Act of 2016, and other general statutory requirements.

DHI selects and appoints all Board of Directors members, who are then ratified at a general meeting. The DHI develops and administers an orientation program for new Board members to prepare them for the Board's duties and accountability. MSPCL's Board of Directors, which included the CEO, met six times in 2023, excluding Mid-Term Review (MTR), Compact

Negotiation, and Annual General Meeting (AGM). In 2023, the Board Audit Committee (BAC) met four times, the Board of Human Resources (HR) met four times, and the Board Tender Committee (BTC) met once. The quorum requirements were upheld in accordance with the statute.

6. **Environment and Medicinal Resources**

MSPCL follows national environmental legislation, including the Access and Benefit Sharing (ABS) policy. The environment clearance certificate is also renewed on a timely basis. The organization has a quality policy in place to guide the production and provide the best for the customer's health. We purchase raw materials from a variety of communities and individual farmers around Bhutan in order to increase rural income while preserving the country's cultural and traditional medicine traditions. Almost 85% of our raw material needs are met within the country.

7. **Customer Service**

According to the Customer Satisfaction Survey Report, the 2023 Customer Satisfaction Index (CSI) is 3.99, which is one of the highest among the DHI companies. The Board, management, and employees of the company strive to provide the greatest possible public service while also achieving and upholding the very significant and noble mandates and obligations entrusted to the company with the highest level of quality. We care about the health of not only our people, but also those beyond our borders.

8. **Challenges**

● **TMs Dependent on Government Budget**

Supplying TMs to the Ministry of Health is one of the most difficult challenges as there is no certainty on the demand, and raw material stockpiling is perilous. Because of the erratic demand and seasonality of raw materials, there is always a mismatch between demand and supply.

● **Sourcing of Raw Materials**

Sourcing raw materials has been a significant limitation because production is dependent on the availability of wildcrafted medicinal plants, herbs, and animal byproducts, which are difficult to get from the open market and, in most cases, seasonal. Aside from that, many high-altitude medicinal plants that were once abundant are becoming scarce or extinct, possibly as a result of climate change or over-extraction. Furthermore, highland communities have moved their focus

to high-value herbs such as cordyceps, which generate substantially higher income than herbs collection for MSPCL. Because they are scarce, highlanders are less likely to collect them. However, in the coming year, we intend to build a strong community group in Lingzhi in collaboration with Forest and Park Services.

- **Absence of GMP Certificate**

Despite improvements, the facility, which is located in the former Pharmaceutical and Research Unit (PRU) buildings, does not comply with the Drug Regulatory Authority's (DRA) assessment of good manufacturing practices (GMP). As a result, a GMP certification was not granted. The company was unable to draw in export customers and export goods through the appropriate channels due to lack of a GMP certificate. A new GMP facility is planned and a Detailed Project Report will be developed very soon.

9. Way Forward

Looking ahead to 2024, MSPCL envisions an expanded role in the Gelephu Mindfulness City (GMC). Plans are underway for the establishment of a Sowa Rigpa wellness center in Gelephu, with Menjong Sorig playing a key role. Additionally, a Sowa Rigpa based hospital may be developed, with Menjong Sorig serving as the primary supplier of medicines for the facility.

To further our market reach into international territories, MSPCL acknowledges the significance of establishing a GMP-compliant facility and acquiring essential export certifications. Maintaining consistent product quality to align with global standards and securing a dependable supply are top priorities. Ongoing negotiations are in progress with GrowHub Innovations Company, headquartered in Singapore, as they possess the technology and supply chain capabilities to fulfill our needs.

We are currently engaged in a project with PhytoXtract, a Swiss company, to explore Cannabis oil production. Our goal is to leverage the medicinal herb resources found in our pristine environment. The medicinal properties of the cannabis extract have been scientifically validated, and Menjong Sorig aims to capitalize on this opportunity by developing cannabis products with significant medicinal benefits.

10. Acknowledgement

In establishing the company's strategic direction, the Board would like to express its gratitude to the Government and the Shareholder for their guidance, and gracious support. The management deserves praise and gratitude as well for their excellent work in spite of issues and challenges.

Tashi Delek!

For and on behalf of the Board and the management.



CHAIRMAN
(Board of Directors)

6. CORPORATE GOVERNANCE REPORT

MSPCL's Board of Directors has been entrusted with supervising the company's overall operations, strategic direction, and operational effectiveness. It is given the necessary powers, authority, and obligations to achieve that goal. MSPCL's Chief Executive Officer oversees the organization's management, and functional heads serve as its members, handling the Company's day-to-day operations.

Menjong Sorig Pharmaceuticals Corporation Limited primarily adheres to the terms of the Corporate Governance Code and the Ownership Policy developed and implemented by its shareholder (Druk Holding & Investments Limited), the Bhutan Companies Act, and other regulatory requirements.

6.1. Board Composition

The DHI identifies and appoints all of the MSPCL Board members. All appointees are presented to MSPCL's Annual General Meetings for endorsement. The MSPCL Board of Directors consisted of seven members, including the Chairman and CEO. The size, composition, and number of independent Directors are defined under the Board Charter (CG Code Sections 2.2 and 2.3). Neither of the Directors served on the boards of more than three other DHI-owned companies. Except when the CEO's terms and conditions were being evaluated, the CEO attended all board meetings.

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The CEO addressed the Board about the company's operations, management, and performance. Other members of the management team attended when needed to provide the board with appropriate information. The Company Secretary assisted the Board. The essential disclosures concerning each Board Director are listed below:

Name	Profile	Category	Role	Appointment
Mr. Thinley Namgyel	Secretary, Ministry of Agriculture and Livestock	Independent Non-Executive	Chairman	9 th April 2021
Mr. Pemba Wangchuk	Secretary, Ministry of Health	Non-Independent Non-Executive	Board Member	9 th April 2021
Mr. Karma Thinley	Zimpen Wogma, Office of Gyalpoi Zimpoen	Independent Non-Executive	Board Member	9 th April 2021
Mr. Kinga Jamphel	Director, Department of Health Services	Non-Independent Non-Executive	Board Member	15 th April 2022
Mr. Pasang Wangchen Norbu	Advisor to Department of Forest and Park Services, Ministry of Energy and Natural Resources	Independent Non-Executive	Board Member	7 th June 2021
Mr. Tshering Tenzin	Chief Executive Officer, MSPCL	Executive	Board Member	1 st January 2023

6.2. Board Meetings

In 2023, six board meetings were held, with quorum requirements met and meetings apart by no more than three months, as required by the Companies Act of 2016 and the DHI CG Code. Board meetings for 2023 were conducted on the following dates:

#	Board Meeting Number	Date
1	40 th Board Meeting	3 rd January 2023
2	41 st Board Meeting	10 th March 2023
3	42 nd Board Meeting	12 th May 2023
4	43 rd Board Meeting	14 th July 2023
5	44 th Board Meeting	13 th October 2023

6	45 th Board Meeting	24 th November 2023
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6.3. Board Meeting Attendance

Meeting Date	3 rd January 2023	10 th March 2023	12 th May 2023	14 th July 2023	13 th October 2023	24 th November 2023	Total
Meeting Number	40	41	42	43	44	45	
Name of Directors							
Mr. Thinley Namgyel	✓	✓	✓	✓	✓	✓	6
Mr. Karma Thinley	✓	✓	✗	✓	✓	✗	4
Mr. Pemba Wangchuk	✗	✓	✗	✓	✗	✓	3
Mr. Kinga Jamphel	✓	✓	✓	✗	✓	✗	4
Mr. Pasang Wangchen Norbu	✗	✓	✓	✓	✓	✓	5
Mr. Ngawang Norbu	✓	✓	✓	✓	✓	✓	6
Mr. Tshering Tenzin	✓	✓	✓	✓	✓	✓	6

All Board Meetings in 2022 were held at the Company's conference hall in Kawangjanga, Thimphu, with the addition of virtual meeting platforms due to their busy calendars. The agenda and supporting documentation for Board Meetings are generally sent to Board Members at least five working days before the meeting. However, reaching this deadline can be problematic in certain cases, such as when the Board meeting is called on short notice and/or papers take a long time to finalize for a variety of reasons.

6.4. Board Committees

The Board may, from time to time, form Board Committees to assist it in carrying out its duties. To aid or enable the Board to make suitable decisions, the Board designated specific functions to the three subcommittees.

1. Board Audit Committee (BAC):

The Board Audit Committee was formed to monitor the internal control system and audit operations. In 2023, the committee held four meetings as follows:

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Meeting Date:	7 th March 2023	1 st May 2023	11 th October 2023	21 st November 2023	Total
Meeting Number	16 th BAC	17 th BAC	18 th BAC	19 th BAC	
Members:					
Mr. Karma Thinley	✓	✗	✗	✓	2
Mr. Kinga Jamphel	✓	✓	✓	✓	4
Mr. Ngawang Norbu	✓	✓	✓	✓	4

2. Board Human Resource Committee (BHRC):

The Board HR Committee was established to make assessments on HR-related problems that are outside the authority of management. In 2023, the committee held four meetings on the following dates:

Meeting Date:	29 th March 2023	30 th June 2023	20 th November 2023	8 th December 2023	Total
Meeting Number:	4 th BHRC	5 th BHRC	6 th BHRC	7 th BHRC	
Members:					
Dasho Pemba Wangchuk	✓	✓	✓	✓	4
Mr. Pasang Wangchen Norbu	✗	✓	✓	✓	4
Mr. Ngawang Norbu	✓	✗	✓	✓	3
Mr. Tshering Tenzin	✓	✓	✓	✓	4

3. Board Tender Committee:

The Board Tender Committee was constituted to make decisions and sanction works/procurements that are beyond management's control. In 2023, the committee met just once, as follows:

Meeting Date:	16 th June 2023	Total
Meeting Number:	1 st BTC	
Members:		
Mr. Pasang Wangchen Norbu	✓	1
Mr. Kinga Jamphel	✓	1
Mr. Ngawang Norbu	✓	1
Mr. Tshering Tenzin	✓	1

6.5. Annual General Meeting

The 6th AGM was held on March 25, 2024, at the DHI Board Room, with attendance from shareholders, board directors, and important members of the management team. The following business was transacted during the sixth AGM:

1. Ratification of the minutes of the 5th Annual General Meeting
2. Action Taken Report (ATR)
3. Consideration of audited accounts for the financial year ended 31st December 2023, auditors' report and directors' report
4. Declaration of dividend, if any
5. Consideration of appointment/retirement of Board Directors
6. Appointment of, and fixing the remuneration of statutory auditors
7. Declaration of remuneration paid to the Directors and the CEO for the year 2023 only
8. Consideration of the Annual Compact Evaluation Report and declaration of Performance Based Variable Allowance (PBVA) based on the outcome of the Annual Compact 2023.

6.6. Board Directors' Remuneration

Each Board member received fees and reimbursement for reasonable costs associated with their attendance at Board meetings and Board committee meetings. Details of financial remunerations paid to Directors, including CEO and Company Secretary, are provided below:

	As At	As At
	31 st December, 2023	31 st December, 2022
	Amount in Nu.	Amount in Nu.
Chief Executive Officer		
Salary	1,741,389.00	1,141,687.00
Contribution to Provident Fund	234,780.00	111,375.00
Board Meeting Sitting Fees	76,000.00	60,000.00
Leave Travel Concession	15,000.00	15,000.00
Leave Encashment Benefits	85,617.00	145,750.00
Performance Based Variable	0.00	193,875.00

	As At	As At
	31 st December, 2023	31 st December, 2022
	Amount in Nu.	Amount in Nu.
Allowance (PBVA)		
Total	2,152,786.00	1,667,687.00
Non-Executive Directors	466,000.00	520,000.00

6.7. RISK MANAGEMENT:

According to the Company's Risk Management Policy, the risk register is developed at the beginning of each year by identifying potential risks and accurately program for mitigation measures. The DHI risk management system classifies the company's risks into five primary categories: market risk, technical risk, supply chain risk, regulatory compliance risk, and intellectual property infringement risk. All Board Members, Management, and Employees of the Company are individually responsible for protecting the Company from any risk that could threaten the Company's performance or reputation. The risk registry is maintained with the Board's permission at the beginning of each year. It identifies all potential dangers, as well as mitigation plans/measures to reduce or minimize their future effects. The register's implementation efficiency is reviewed and updated quarterly and management decides on additional steps if necessary.

Because raw materials are collected from both high and low altitudes, there is a risk of herb plant extinction, which can lead to unavailability/timely sourcing of raw materials, product quality failure, a lack of drying capacity, frequent machine breakdown, and policy/international convention restrictions on certain RM (Export of goods), among other things. Additional mitigations are implemented as necessary to address new risks.

6.8. CORPORATE SOCIAL RESPONSIBILITY (CSR)

Some of the CSR activities supported by MSPCL in 2023 are as follows:

a. CSR-Legal Compliance

A contract for Access and Benefit Sharing (ABS) was renewed between MSPCL and two farmer Groups, viz. Namther Menrig Tshogpa (Langthel, Trongsa) and Tserem Yuegyeal Ngomen Tshogpa (Lingshi, Thimphu) initiated by National Biodiversity Center (NBC). In line with ABS agreement, the Company shares 7% of sales of the two products viz. Rhododendron hand-sanitizer and soapnut soaps, to each Tshogpa of which 2% of the

monetary benefits goes to the Bhutan Access and Benefit Sharing Fund (BABS). MSPCL also provides the following as additional benefits in kind:

- i. Sustainable harvesting training;
- ii. Tools for harvesting and post-harvest care; and
- iii. Farmer educational/exposure tour.

b. CSR-Charitable Contributions

- i. During the Fab Lab International Conference 2023 hosted by Fab Foundation (USA) in collaboration with Center for Bits and Atoms (MIT), the Fab City Foundation and a local partnering Fab lab, the company contributed 640 tea boxes amounting Nu 192,000 to be distributed as gifts.
- ii. The company contributed Nu. 30,000.00 for World Environment Day to help raise awareness of the impact of plastic pollution and promote sustainable practices to Kuensel Corporation Limited.
- iii. The company also donated Nu. 10,000.00 to Samdrupcholing Foundation, Tashi Yangtse Dzongkhag, for procuring *Choe-Cha* and *DepRis* for the Lhakhang.

6.9. BOARD AND CEO EVALUATION

DHI conducts an annual online questionnaire-based assessment in which the Chairman and CEO provide input on the performance of individual board directors at DHI-owned companies. The Board Directors' dedication and preparedness for the meeting, professional and ethical attributes, teamwork, and contribution to the meeting are among the important concerns considered.

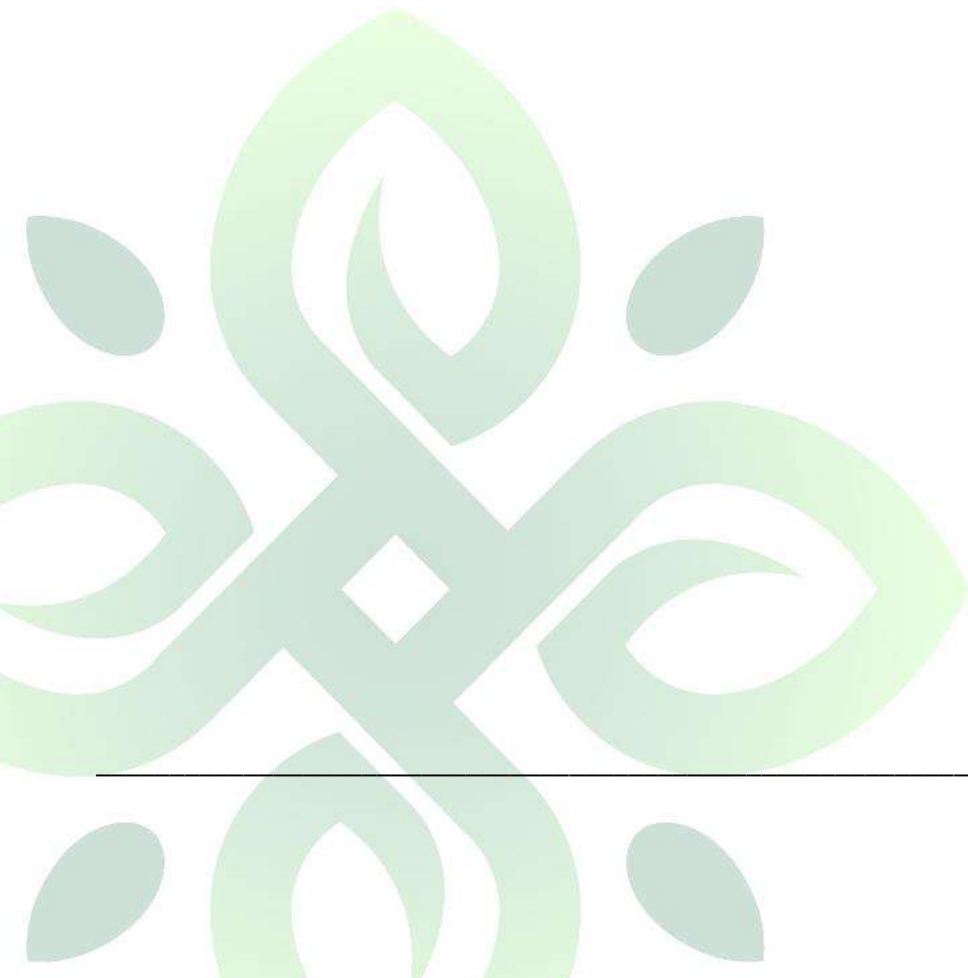
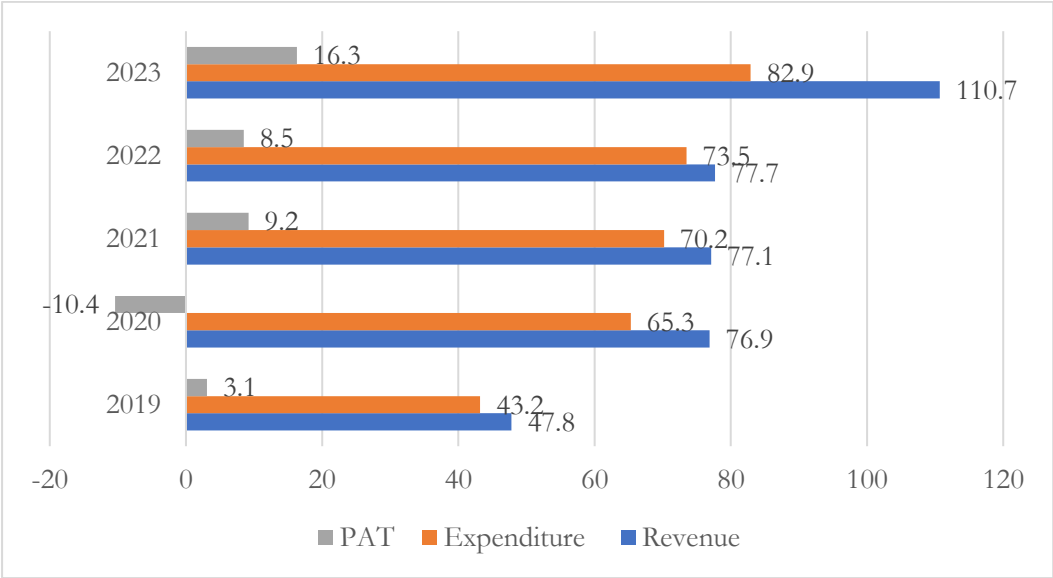
The annual performance review of DHI-owned CEOs is divided into two parts:

- A leadership assessment based on a questionnaire that accounts for 20% of the entire evaluation; and
- A yearly compact performance accounting for 80% of the weight.

All Directors take the DHI leadership evaluation, which is conducted online. The combined score is used to pay out the CEO's performance-based incentives and is also taken into account when the CEO's contracts are renewed. However, as per the notification received from DHI on 29th March 2024, henceforth (including financial year 2023), the declaration of PBVP for the CEOs shall be based on compact achievement only of the company approved in the annual general meeting.

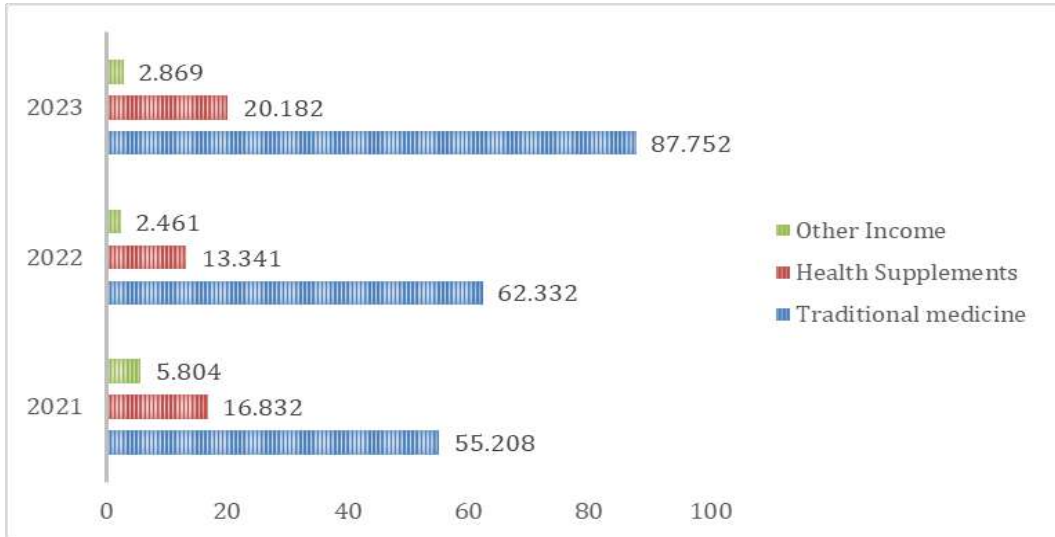
7. CORPORATE FINANCIAL Highlights

I. Overall Revenue, Expenditure, and Profit After Tax (PAT)

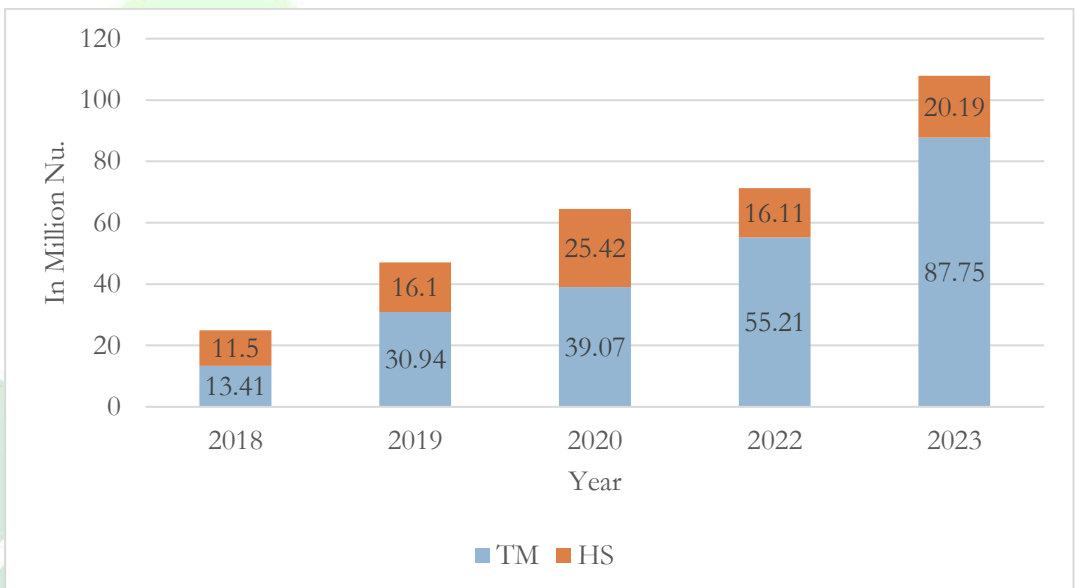


II. Comprehensive Revenue Generator

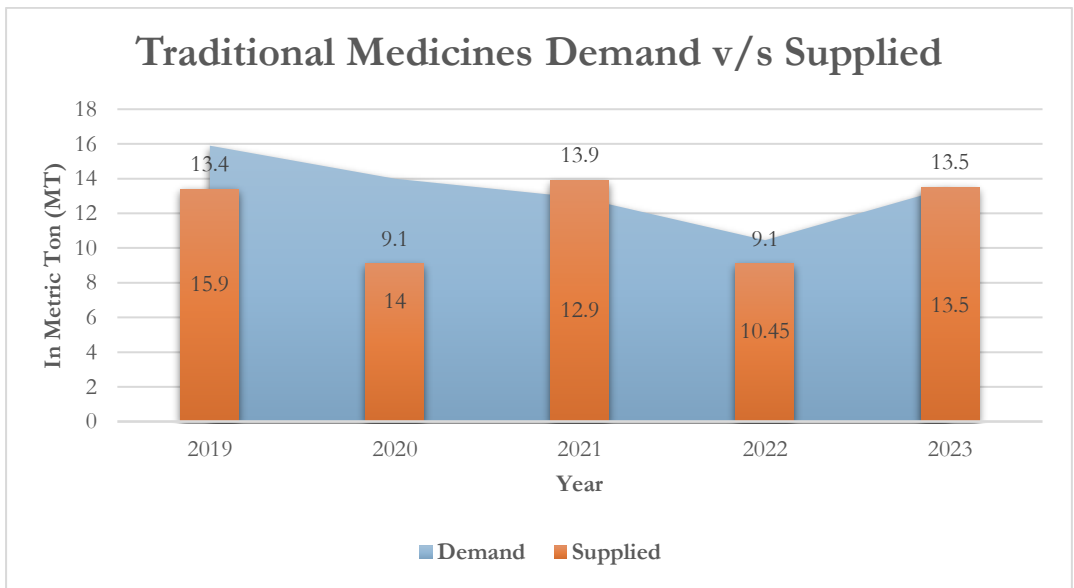
a. Revenue Source



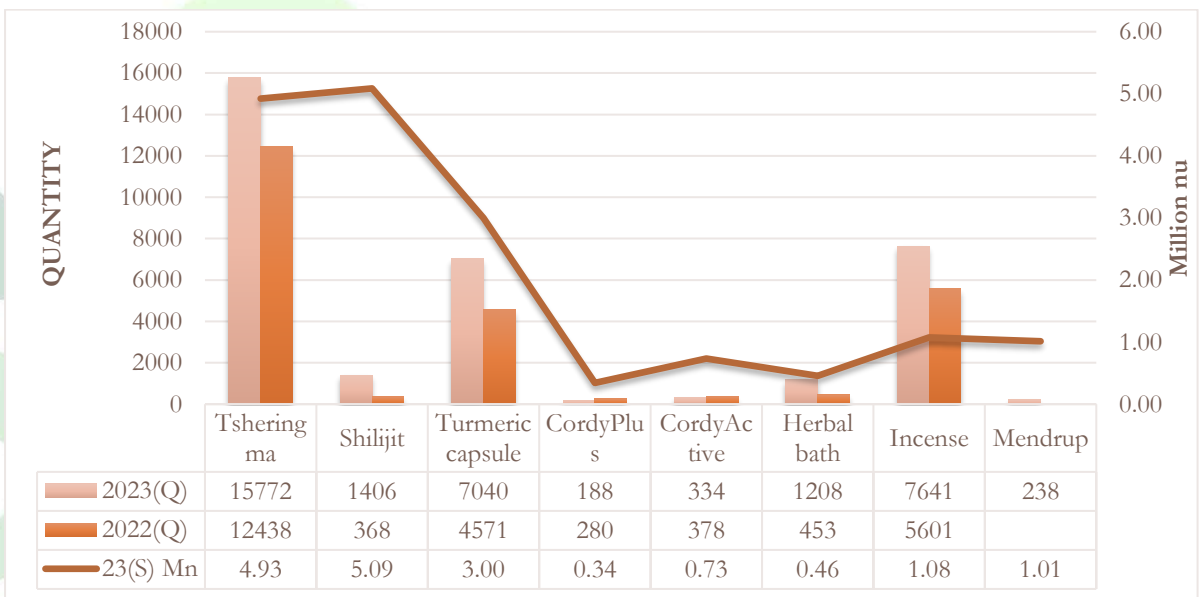
b. Sales (Traditional Medicines v/s Health Supplement Products)



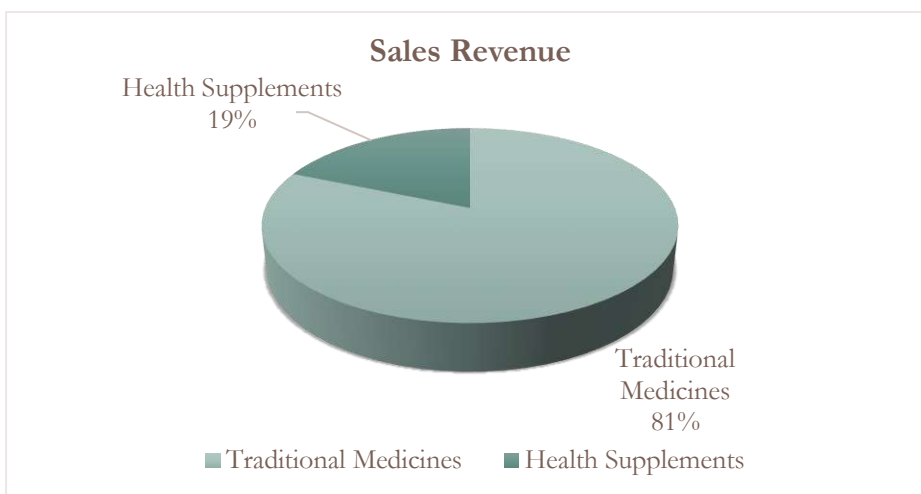
c. Traditional Medicines Supplied to DoMP



d. Health Supplement Products



e. Annual Turnover



Revenue generated from top 19 Health Supplements products

Items	YEAR- 2023		Items	YEAR- 2022	
	Qty	Amount		Qty	Amount
Safflower & Cinnamon Tea	5,881	1,764,300.00	Safflower & Cinnamon Tea	5,697	1,709,100.00
Gooseberry Tea	4,530	1,359,000.00	Gooseberry Tea	3,465	1,039,500.00
Turmeric & Cinnamon Tea	4,450	1,335,000.00	Turmeric & Cinnamon Tea	3,276	982,800.00
Cordyceps Happiness Tea	911	1,051,790.00	Cordyceps Happiness Tea	-	-
CordyPlus	188	658,000.00	CordyPlus	280	980,000.00
CordyActive	334	1,175,680.00	CordyActive	378	1,330,560.00
Shilajit (dragzhun)	1,406	3,233,800.00	Shilajit (dragzhun)	368	846,400.00
Yungwa-Tumeric Capsules	5,100	2,550,000.00	Yungwa-Tumeric Capsules	2,799	1,399,500.00
Turmeric Capsules (Black)	1,418	680,640.00	Turmeric Capsules (Black)	295	73,750.00

Annual Report 2023

Items	YEAR- 2023		Items	YEAR- 2022	
	Qty	Amount		Qty	Amount
Protecting Incense	2,747	412,050.00	Protecting Incense	1,451	217,650.00
Calming Incense	2,129	510,960.00	Calming Incense	2,171	521,040.00
Purifying Incense	1,698	492,420.00	Purifying Incense	1,979	573,910.00
Zambala Incense	1,067	282,755.00	Zambala Incense	-	-
Men drup	120	510,000.00	Men drup	219	930,750.00
Zang dru	87	246,645.00	Zang dru	168	476,280.00
Dre sum	50	76,000.00	Dre sum	107	162,640.00
Rinchen-na- 5	96	140,160.00	Rinchen-na- 5	178	259,880.00
Tsa-num	3,030	689,700.00	Tsa-num	1,727	345,400.00
Five Nectar	1,208	537,560.00	Rinchen-na- 5	453	201,585.00

**DILLI
YOK
&
ASSOCIATES
(CHARTERED
ACCOUNTANT)**

Third Floor, JoJo's Building.
Thimphu, Bhutan
Email: cabhutan@yahoo.com
Contact No: 17258738/17420185

**AUDIT REPORT ON
THE FINANCIAL
STATEMENTS OF
MENJONG SORIG
PHARMACEUTICALS
CORPORATION
LIMITED**

PERIOD: JANUARY 1, 2023 to
DECEMBER 31, 2023

APRIL 2024



TITLE SHEET

Title	:	Audit Report on the financial statements of Menjong Sorig Pharmaceuticals Corporation Limited
AIN	:	
Head of the Agency	:	Tshering Tenzin CID No. 11606003429
Finance Personnel	:	Nidup Dorji CID No: 11104003536
Period Audited	:	Jan. 1, 2023 – Dec. 31, 2023
Composition of Audit Team	:	<u>Team Leader:</u> CA Dilli Ram Bista CID No. 11810002939 Yok Bahadur Karki, CID No. 10302003793 <u>Team Members:</u> 1. Passang Tobgay CID No. 11505002480 2.Tshering Lham CID NO. 11201003104 3. Dema CID NO. 10101003442 4.Tshering Karjay CID NO. 11106004493 5.Sangay Dorji CID NO. 12006000257 6.Nima Dorji CID NO.11902000433
Supervising Officer	:	Yok Bahadur Karki, Managing Partner



Annual Report 2023

Title	:	Audit Report on the financial statements of Menjong Sorig Pharmaceuticals Corporation Limited
Engagement Letter	:	Appointment letter No: RAA(SA-45)/COAD/2023/825 Appointment letter dated 07-11-2023
Focal Person	:	CA Dilli Ram Bista Email: cabhutan@yahoo.com Phone: 17258738/17420185
Date of Exit Conference	:	01.03.2024



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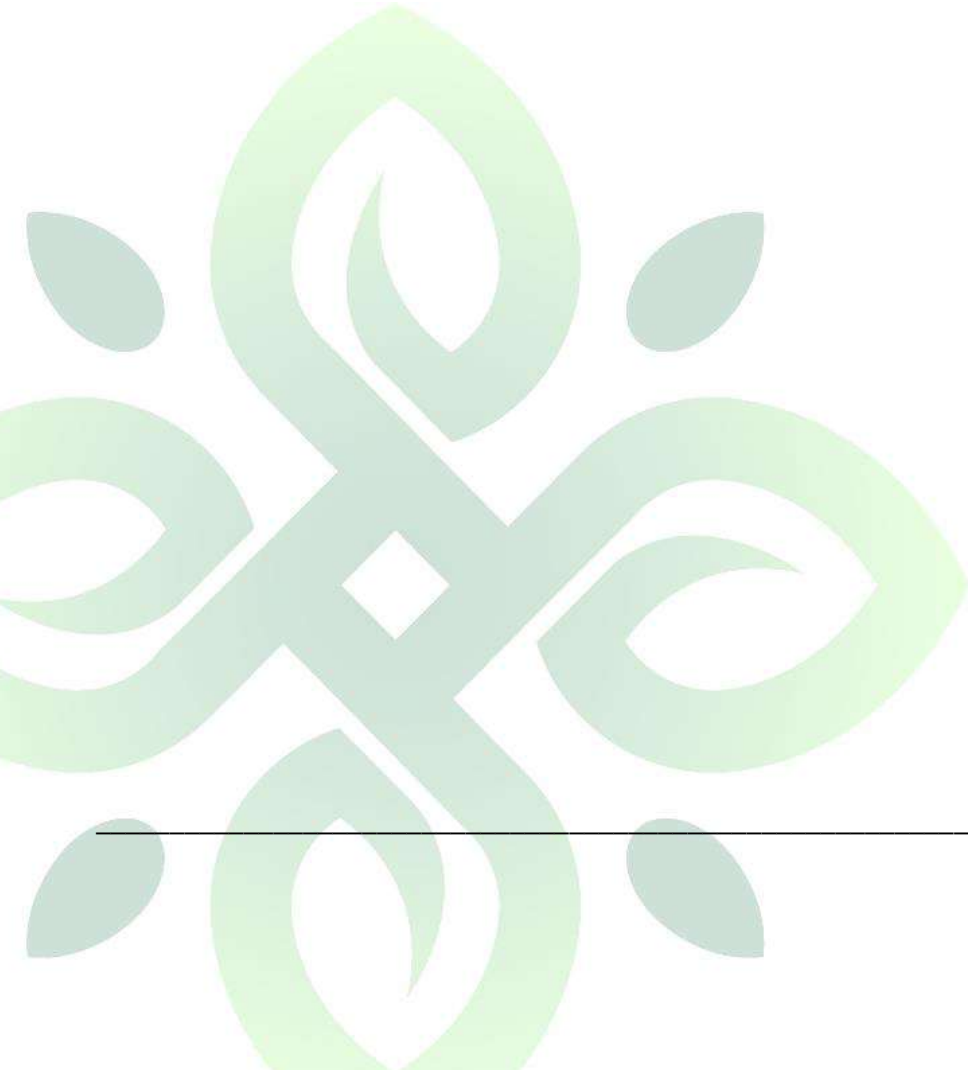
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INDEPENDENT AUDITOR'S REPORT



To,
The Chief Executive Officer,
Menjong Sorig Pharmaceuticals Corporation limited,
Thimphu, Bhutan.

Opinion

We have audited the financial statements of **Menjong Sorig Pharmaceuticals Corporation limited** (the Company), which comprise the Statement of Financial Position as at 31 December 2023 and the Statement of Comprehensive Income, Statement of Changes in Equity and statement of Cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023 and of its financial performance and its cash flows, for the year then ended in accordance with Bhutanese Accounting Standard (BAS).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bhutan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If,



Menjong sorig

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 Financial Statements

The management is responsible for the preparation and fair representation of the financial statements in accordance with the Bhutanese Accounting Standards (BAS) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 International Auditing Standards and the General Terms of Reference in Bhutan 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 financial statements.

As part of an audit in accordance with International Standards on Auditing and terms of reference for audit, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- i. Identify and assess the risks of material misstatement of the 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;

- ii. 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 Company's internal control;
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- iv. 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. *However, future events or conditions may cause the Company to cease to continue as a going concern.*
- v. Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 to 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's 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.



Report on other Legal and Regulatory Requirements

As required by Section 266 of the Act (the Minimum Audit Examination and Reporting Requirements), we enclose in the Annexure 'A' a statement on the matters specified therein to the extent applicable.

As required by section 265 of the Act, we report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion proper books of account as required by law have been kept by the Company in so far as it appears from our examination of those books.
- c) The Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, and the Statement of Changes in Equity dealt with by this report are in agreement with the books of account.
- d) In our opinion, the Company has complied with other legal and regulatory requirements.

Dilli Yok & Associates

Chartered Accountant

Firm License No: CRC2526

CA Dilli Ram Bista

Membership No.542831



REPORT ON MINIMUM AUDIT EXAMINATION
REQUIREMENTS



Annexure “A”

**MINIMUM AUDIT EXAMINATION AND REPORTING
REQUIREMENTS**

(To the Extent Applicable)

All audits have been carried out applying the International Standards on Auditing (ISA) as adopted and issued by the Accounting and Auditing Standards Board of Bhutan (AASBB).

General:

- a) The Company has adhered to the Corporate Governance Guidelines and Regulations as applicable to them.
- b) Generally, the governing board/authority pursued a prudent and sound financial management practice in managing the affairs of the company.
- c) The financial statements are prepared applying the Bhutanese Accounting Standards issued by the Accounting and Auditing Standards Board of Bhutan (AASBB).
- d) Proper books of accounts have been maintained and financial statements are in agreement with the underlying accounting records.
- e) Adequate records as specified under Section 228 of the Companies Act of Bhutan 2016 have been maintained.
- f) Mandatory obligations social or otherwise, if any, entrusted are being fulfilled.
- g) The amount of tax is computed correctly and reflected in the financial statements.

In the case of a Manufacturing company:

- 1. The Company has generally maintained computerized records showing full particulars of its Property, Plant & Equipment (PPE) including quantitative details and situation of PPE. The company had also maintained the fixed assets registered. On our verification, proper location and



Menjong sorig

identification mark has been mentioned on each item of Property, Plant & Equipment. No material discrepancies were noticed on physical verification.

2. As examined by us, none of the assets were re-valued during the year hence this clause is not applicable.
3. As informed to us by the management and on our verification, physical verifications were conducted at least twice a year in respect of finished goods and raw materials.
4. As per our observations, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
5. On the basis of our verification, we found that the Stock Registers of Finished Goods and Raw Materials were regularly updated and no such material discrepancies were noticed on physical verification of stocks as compared to the book records.
6. In our observations, the Company has a reasonable system of recording receipts, issues and consumption of materials and stocks and allocating materials consumed to the respective jobs, commensurate with its size and nature of its business.
7. As per the explanations made by the management, quantitative reconciliation for the closing stock is carried out at least at the end of accounting year.
8. In our observations, company do have the system of determining the obsolete, damaged, slow moving and surplus finished goods/inventories and if the values are significant, then adequate provisions are made in the financial statements.
9. In our observations, there was no such obsolete and surplus inventories during the audited period except some of the finished goods from the past years were expired as per the date on the product but as per the explanation made by the management, the goods are being kept for further test and reused if their quality of the goods are meeting their requirements as per their testing. For this the company had not made any of the provisions in past years. Some of the good which are expired are given below:



Sl. No.	Nature of goods	Name of the product	Units
1	Finished Products	Shugdru Dhinpa	280
2	Finished Products	Sked Smen Dang Byjor Gupa	58
3	Finished Products	Dringdhey Chugang gaypa	59
4	Raw Materials	Drang Tsi (Honey)	168

Now after testing the good, it did not fit the requirements and it's shown as write-off in the financial statements. (Refer the notes to account No. 22)

10. According to the information and explanations given to us, the Company has a system of obtaining approval of the Board/ appropriate authority for writing off amounts due to material loss/ discrepancies in physical/book balances of Inventories if any.
11. As per the examination and information provided by the management, the valuations of inventories, including the finished goods, raw materials, and work in progress are appropriate in accordance with generally accounting principal. The method adopted in the previous year was followed during the year.
12. In our examination, the company has not availed the Loan, hence prejudice in interest and other terms and conditions of the loan etc. are not applicable.
13. In our verification, the companies have not given the loan to any other party.
14. In our verification, the loans/advances granted to officers/staff are in keeping with the provisions of service rules and no excessive/frequent advances are granted and accumulation of large advances against particular individual is avoided. The company recovers the advances to staff with the same financial in which the advance is given.
15. As per the evidences provided by the management, the company has established adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the company as well as to ensure adherence to the rules/regulations and system and procedures.
16. Yes, there is a reasonable system of authorization at proper levels, and an adequate system of



internal control commensurate with the size of the company and nature of its business, on issue of stocks and allocation of employee to the jobs.

17. In our opinion and according to the information and explanations given to us, there is adequate system of competitive bidding, commensurate with the size of the Company and the nature of its business, for the purchase of goods and services including stores, plant and machinery, equipment and other assets.

18(a) In our opinion and according to the information and explanations given to us, we have not come across any cases of transactions of purchases and sales of goods and services made in pursuance of contracts or arrangements entered into with the directors or any other parties related to the directors or with companies or firms in which the directors are directly or indirectly interested.

18(b) this clause is not applicable in view of observation in clause (a) above.

19. According to the information and explanations given to us, no personal expenses have been debited to the Statement of Comprehensive Income.

20. As per our verification and explanation made by the management, we have observed that some of the goods which were expired in the previous years as per the date on the product but can be tested and reused if their quality of the goods is meeting their requirements as per their testing are written off during the audited period. The write off amounting Nu. 1,128,721.1 is made during the financial year. (Refer the notes to account No. 22).

21. As per the explanations made by the management, there is a reasonable system of ascertaining and identifying point of occurrence of breakage/damages raw materials, packaging materials and finished products i.e., while in transit, during processing, during loading/ unloading, in storage and during handling etc. so that responsibility could be fixed and compensation sought from those responsible.

22. The company is maintaining reasonable records for production of finished goods, by-products and they have maintained the adequate physical safeguards exist to prevent unauthorized or irregular movement of goods from the company.

23. As per information and explanations given to us and on our verification The Company is maintaining reasonable records for sales of scraps where ever applicable.

24. As per the evidence and explanations, The Company is regular in depositing rates and taxes, duties,



- royalties, provident funds, and other statutory dues with the appropriate authority. The provision for corporate tax is adequate and that necessary adjustments have been made to compute amount of tax as per the prevailing tax laws, rules and regulations of Bhutan.
25. As per the records made available to us, no undisputed amounts are payable in respect of rates, taxes, duties, royalties, provident funds and other statutory deductions, as per the last day of the financial year.
26. The Company has a reasonable system of allocating man-hours utilized to the respective jobs, commensurate with the size and nature of its business.
27. In our observations and explanations made by the management, there is a reasonable system of price fixation taking into account the cost of production and market conditions.
28. In our observation, the credit sales policy is reasonable and proper credit rating of customers are carried out.
29. As explanations made by the management, we have been given to understand that there is no such established commission agent of the Company and hereby the clause is not applicable.
30. The Company has a reasonable system for continuous follow up with Debtors and other parties for recovery of outstanding amounts including periodic determination of age-wise break up of outstanding dues. We have obtained the confirmation of debtors from the management except few debtors which are not able to trace by the management after their reasonable effort. (Refer MAR No. 1).
31. The management of liquid resources particularly cash/bank and short-term deposits etc. are adequate and that excessive amount are not lying idle in non-interest-bearing accounts.
32. The activities carried out by the company are lawful and intra-vires to the Articles of Incorporation of the company.
33. The investment decisions are made subject to prior approval of the Board and investment in new projects are made only after ascertaining the technical and economic feasibility of such new ventures.
34. The company has established budgetary control system.



35. As explained by the management, input-output relationship can be established, standard costing system is established and the variance analysis carried out on periodic intervals and corrective actions are taken if warranted.
36. In our verification, the details of remuneration, commission and other payments made in cash or in kind to the Board of Directors including the Chief Executive Officer or any of their relatives (including spouse(s) and child/children) by the company directly or indirectly are disclosed in the Financial Statements.
37. In our verification, the directives of the Boards have been complied with.
38. On the basis of information received from the Management, and on the basis of our verification of records and documents, price sensitive information, to the best of our knowledge, have not been transmitted by any officer of the Company, to any other person with the intent to benefit themselves.
39. In our verification, proper records are kept for inter unit transactions and it's been reconciled.
40. There are no machinery/equipment that have been acquired on lease or leased out to others.

Computerized Accounting Environment

1. The Company is using software Tally 9.0 ready-made package for general Financial Accounting and in the transit with implementation of ERP Next developed by TTPL.
2. Adequate safeguard measures and back up facilities exist.
3. Though the company had maintained the back up in their systems and Google drive, the company had not maintained other back up in different locations.
4. The operational controls are adequate and automatic to ensure correctness and validity of input data and output information.
5. In our opinion and according to the information and explanations given to us, the measures taken by the Company to prevent unauthorized access over the computer installations and files are adequate.



Other requirements:

1. Going concern problems

The Company's present operational and financial data indicates that the Company is financially healthy and we have no reason to believe that the Company is not a going concern entity. Accordingly, the financial statements have been prepared on the going concern assumption.

2. Ratio Analysis

Significant ratios indicating the financial health and performance of the Company are provided under Exhibit-III of this Report.

3. Compliance with the Companies Act of Bhutan 2016

As confirmed by the Management and as verified from accounts and information provided, we are of the opinion that the Company has complied with provisions of The Companies Act of Bhutan 2016.

4. Adherence to Laws, Rules and Regulations

The audit of the Company is governed by the Companies Act of Bhutan 2016 and the scope of audit is limited to examination and review of the financial statement as produced to us by the management.

In the course of Audit, we have considered the compliance of provisions of the said Companies Act, Income Tax Laws and its Articles of Incorporation and applicable Bhutanese Accounting Standards.

Dilli Yok & Associates
Chartered Accountant
Firm License No: CRC2526

CA Dilli Ram Bista
Membership No.542831

Place:
Date:

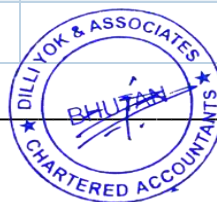


FINANCIAL STATEMENTS



MENJONG SORIG PHARMACEUTICALS CORPORATION LTD.**THIMPHU, BHUTAN****STATEMENT OF FINANCIAL POSITION**

PARTICULARS	Note	31-12-2023 (Nu.)	31-12-2022 (Nu.)
<u>A. ASSETS</u>			
I. Non-Current Assets			
Property, Plant & Equipment	1	47,963,398.36	53,681,517.93
Intangible Assets	2	1,775,020.06	80,857.49
Deferred Tax Asset	3	12,780,784.59	14,841,256.71
Total Non-Current Assets		62,519,203.01	68,603,632.13
II. Current Assets			
Inventories	4	47,958,479.33	42,495,552.60
Other Current-Assets	5	42,246,350.28	40,501,376.00
Trade Receivables	6	18,283,079.73	1,734,659.77
Cash & Cash Equivalents	7	35,297,245.62	24,851,662.31
Short Term Loans & Advance	8	4,916,889.44	4,894,246.66
Total Current Assets		148,702,044.41	114,477,497.34
TOTAL ASSETS (I + II)		211,221,247.42	183,081,129.47
<u>B. EQUITY AND LIABILITIES</u>			
I. Shareholder's Equity	9		
Shareholder's Equity		182,427,700.00	182,427,700.00
Retained Earnings/(Deficit)		(2,146,303.86)	(16,460,268.62)
Total Shareholders' Equity		180,281,396.14	165,967,431.38
II. Liabilities			



Non-Current Liabilities			
Deferred Income	10	2,088,678.46	2,321,922.54
Employee Related Expenses - Non-Current	11	8,756,374.75	8,005,710.00
Total Non-Current Liabilities		10,845,053.21	10,327,632.54
III. Current Liabilities			
Deferred Income	10	245,520.09	245,520.09
Trade & Other Payables	12	1,960,650.96	1,399,051.18
Other Current Liabilities	13	9,535,455.43	135,885.68
Employee Related Expenses - Current	14	8,353,171.60	5,005,608.60
Total Current Liabilities		20,094,798.08	6,786,065.55
TOTAL EQUITY & LIABILITIES (I + II + III)		211,221,247.42	183,081,129.47
Notes on Financial Statements forms integral part of Accounts	23		

This is the Statement of Financial Position referred in our report of even date.

Dilli Yok & Associates

Chartered Accountant

Firm License No: CRC2526

CA Dilli Ram Bista

Membership No.542831

Place: THIMPHU



Chairman

Chief Executive Officer

Director

MENJONG SORIG PHARMACEUTICALS CORPORATION LTD.			
THIMPHU, BHUTAN			
STATEMENT OF COMPREHENSIVE INCOME			
PARTICULARS	Note	31-12-2023 (Nu.)	31-12-2022 (Nu.)
<u>REVENUE</u>			
Net Sales	15	107,867,047.18	75,223,225.91
Other Income	16	2,869,901.42	2,460,988.89
Total Revenue		110,736,948.60	77,684,214.80
<u>EXPENDITURE</u>			
Changes in Finished Goods & Work-in-Progress	17	330,025.24	1,330,840.03
Raw Materials & Packaging Materials Consumed	18	24,424,048.22	21,414,293.36
Impairment Loss on Trade Receivables	6	355,670.18	203,663.93
Manufacturing Expenses	19	4,583,890.92	3,721,270.31
Employee Benefit Expenses	20	36,135,902.15	29,530,112.60
Finance Cost	21	114,919.48	207,660.78
Loss/(Gain) on foreign currency fluctuation (net)		(9,559.94)	(12,171.46)
Depreciation & Amortization Expenses	01&02	8,352,825.01	9,165,281.41
Other Expenses	22	8,683,932.41	7,968,627.79
Total Expenditure		82,971,653.65	73,529,578.74
Profit/(Loss) before Tax		27,765,294.95	4,154,636.06
<u>Tax Expense</u>			



Current Year Tax		(9,415,357.39)	-
Deferred Tax:		(2,060,472.12)	4,305,324.07
Net Profit/(Loss) for the Year		16,289,465.44	8,459,960.13
Other comprehensive income			
Actuarial gain/loss		(62,369.84)	(1,201,600.00)
Income tax relating to above item		18,710.95	360,480.00
Tax paid/Refund relating to earlier year		(1,931,841.80)	-
Other comprehensive income, net of tax		(1,975,500.69)	(841,120.00)
Total comprehensive income		14,313,964.76	7,618,840.13
Earnings per equity share			
Basic and diluted		8.93	4.64
Notes on Financial Statements forms integral part of Accounts	3.1		

This is the Statement of Comprehensive Income referred to in our report of even date.

Dilli Yok & Associates

Chartered Accountant

Firm License No: CRC2526



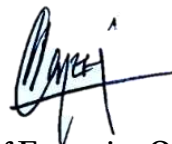
CA Dilli Ram Bista

Membership No.542831

Place: Thimphu




Chairman

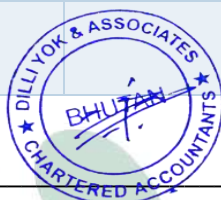


Chief Executive Officer



Director

MENJONG SORIG PHARMACEUTICALS CORPORATION LTD.			
THIMPHU, BHUTAN			
STATEMENT OF CHANGES IN EQUITY			
			Figures in Nu.
PARTICULARS	Share Capital	Retained Earnings	Total Equity
Balance as at January 1, 2022	182,427,700.00	(19,918,628.75)	162,509,071.25
Net Profit /Loss for the year			
Net Profit/(Loss) for the year		8,459,960.13	8,459,960.13
Other Comprehensive Income (net)		(841,120.00)	(841,120.00)
Income Tax on Other Comprehensive Income (OCI)		(360,480.00)	(360,480.00)
Less: Dividend paid to shareholder		(3,800,000.00)	(3,800,000.00)
Balance as at December 31, 2022	182,427,700.00	(16,460,268.62)	165,967,431.38
Balance as at January 1, 2023	182,427,700.00	(16,460,268.62)	165,967,431.38
Prior Year rounding off errors		-	-
Net Profit/(Loss) for the year	-	16,289,465.44	16,289,465.44
Other Comprehensive Income (net)		(62,369.84)	(62,369.84)
Income Tax on Other Comprehensive Income (OCI)		18,710.95	18,710.95
Prior Year Tax		(1,931,841.80)	(1,931,841.80)



Balance as at December 31, 2023	182,427,700.00	(2,146,303.86)	180,281,396.14
This is the Statement of Changes in Equity referred to in our report of even date.			

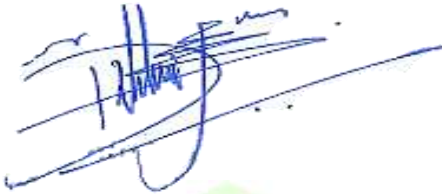
Dilli Yok & Associates



Chairman

Chartered Accountant

Firm License No: CRC 2526



CA Dilli Ram Bista

Membership No.542831

Place: THIMPHU



Chief Executive Officer



Director

MENJONG SORIG PHARMACEUTICALS CORPORATION LTD.				
THIMPHU, BHUTAN				
STATEMENT OF CASH FLOW				
	PARTICULARS		31-12-2023 (Nu)	31-12-2022 (Nu)
I.	CASH FLOW FROM OPERATING ACTIVITIES			
	Net profit before taxes and extraordinary item for the year		27,765,294.95	4,154,636.05
	Adj	Depreciation	8,352,825.01	9,165,281.41
		Provision for Gratuity	(3,347,563.00)	1,011,928.40
		Amortization of Deferred income	(233,244.08)	(233,244.08)
		Interest on Fixed Deposit	(1,356,074.96)	(1,189,164.31)
	Operating Profit before Working Capital Changes (A)		31,181,237.92	12,909,437.47
		(Increase)/Decrease in Inventories	(5,462,926.73)	(1,395,485.63)
		(Increase)/Decrease in Sundry Debtors	(16,548,419.96)	2,189,791.80
		(Increase)/Decrease in Other Current Assets	(4,508,452.78)	(1,279,466.26)
		Increase/(Decrease) in Current Liabilities	13,308,732.53	(440,652.08)
	Increase / (Decrease) in Working Capital (B)		(13,211,066.95)	(925,812.17)
	Less:	Tax paid (C)	(3,578,799.49)	-
	NET CASH FLOW FROM OPERATING ACTIVITIES (A+B+C)		14,391,371.48	11,983,625.30
II.	CASH FLOW FROM INVESTING ACTIVITIES			
		Purchase of Fixed Assets	(3,038,339.65)	(3,010,544.00)
		purchase of Intangible Assets	(2,000,000.00)	-
		Proceeds from sale of assets	1,481,450.80	-
		Fixed Deposit with T-Bank	(42,246,350.28)	(40,501,376.00)
		Maturity of Fixed Deposits	40,501,376.00	39,183,460.00

	Interest on Fixed Deposit	1,356,074.96	1,189,164.31
	NET CASH FLOW FROM INVESTING ACTIVITIES	(3,945,788.17)	(3,139,295.69)
III	CASH FLOW FROM FINANCING ACTIVITIES		
	Dividend paid to shareholder	-	(3,800,000.00)
	NET CASH FLOW FROM FINANCING ACTIVITIES	-	(3,800,000.00)
	NET INCREASE IN CASH AND CASH EQUIVALENTS (I+II+III)	10,445,583.31	5,044,329.61
	CASH & CASH EQUIVALENT AT THE BEGINNING OF THE YEAR	24,851,662.31	19,807,332.70
	CASH & CASH EQUIVALENT AT THE END OF THE YEAR	35,297,245.62	24,851,662.31
	BREAK-UP OF CASH AND CASH EQUIVALENT		
	Cash in hand	-	43,890.00
	CD Account with BOB Limited, Thimphu	35,297,245.62	24,807,772.31
	T O T A L:	35,297,245.62	24,851,662.31

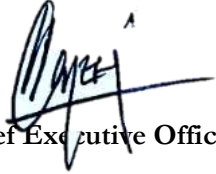
This is the Statement of Cash Flow referred to in our report of even date.

Dilli Yok & Associates
Chartered Accountant
Firm License No: CRC 2526


CA Dilli Ram Bista
Membership No.542831
Place: Thimphu




Chairman


Chief Executive Officer


Director

ACCOUNTING POLICIES AND NOTES TO ACCOUNTS



MENJONG SORIG PHARMACETUCALS CORPORATION LTD. THIMPHU, BHUTAN

Schedule forming part of the financial statements for the year ended 31st December, 2023.

Note No. – 23

NOTES ON FINANCIAL STATEMENTS

A. General Information of the Company

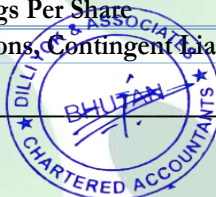
Menjong Sorig Pharmaceuticals Corporation Limited was founded on 01-Jul-2017 by the Royal Government of Bhutan. The Company has been incorporated and registered under the Companies Act of Kingdom of Bhutan, 2016 with limited liability. The Company was incorporated on October 5th 2017 vide Registration No. U20171003THI0610. The registered office of the Company is located at Thimphu, Bhutan. The company was then transferred to Druk Holding and Investments Limited as a fully owned company in the year 2021.

The company is manufacturer of the Traditional Medicines & Health Supplements. Health department of the Government is main customer of organization. This is not because it is a state-owned enterprise but because of the technical fact that it can handle the volume and intrinsic quality.

B. Transition of Bhutanese Accounting Standard (BAS)

Menjong Sorig Pharmaceuticals Corporation Limited was founded on 01-Jul-2017 by the Royal Government of Bhutan. The Company has been incorporated and registered under the Companies Act of Kingdom of Bhutan, 2016 with limited liability. The Company has opted and implemented full BAS as applicable to the company from the first year of its Incorporation.

Sl.No	Bhutanese Accounting Standard ('BAS')	
1	BAS 1	Presentation of Financial Statement
2	BAS 2	Inventories
3	BAS 7	Cash Flow Statements
4	BAS 8	Accounting Policies, Changes in Accounting Estimates & Errors
5	BAS 10	Events After Balance Sheet Date
6	BAS 12	Income Taxes
7	BAS 16	Property Plant & Equipment
8	BAS 18	Revenue
9	BAS 19	Employee Benefits
10	BAS 20	Accounting for Govt Grant & Discloser of Govt Assistance
11	BAS 21	The effect of changes in foreign Exchange rates
12	BAS 23	Borrowing Cost
13	BAS 24	Related Party Discloser
14	BAS 33	Earnings Per Share
15	BAS 37	Provisions, Contingent Liability & Contingent Assets



1. Property, Plant and Equipment:

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Financing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use. As per the provision of BAS - 16, the management has chosen Cost Model as an accounting policy and applied the policy to entire class of property, plant and equipment.

C. Significant Accounting Policies

2. Basis of Preparation:

The 'Accounting and Auditing Standards Board of Bhutan' (AASBB), has decided to adopt BFRS in phases with minor changes. The Company in compliance with the Companies Act of Bhutan, 2016 has adopted all the applicable Standards. The financial statements have been prepared in accordance with all applicable BFRS and other applicable law such as the Companies Act of Bhutan, 2016.

The Financial Statements present the Company's financial position as on 31st December, 2023 and 31st December, 2022 as well as its earnings (Loss), comprehensive income (Loss), Cash Flows and Changes in Equity for the year ended 31st December, 2023 and 31st December, 2022. The preparation of Financial Statements is in conformity with BFRS that requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statement are:

- Property, plant and equipment: Critical judgments are expected for period of use, condition of the assets, technological advances, regulation, and residual values.
- Actuarial valuation of employee benefits: expected uptake of the gratuities and the discount rate used in the valuation.
- The functional currency of preparation is the Bhutanese Ngultrum.

3. Basis of Measurement:

The Financial Statements have been prepared under the accrual, historical cost basis and going concern convention except for the defined benefit liability (actuarial valuation of gratuity in the financial position for which the measurement basis is detailed in their respective accounting policies).

4. Critical Accounting Judgments, Estimates and Assumptions:

The management made certain estimates and assumptions regarding the future estimates and judgments which are evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.



5. Impairment of Assets:

The carrying amounts of assets are reviewed at each Statement of Financial Position date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the assets.

The exercise on all the fixed assets has been carried out in the Year 2023 as to determine whether assets are impaired as per BAS 36 - Impairment of Assets.

6. Depreciation:

As of the reporting date, the depreciation on Property, Plant and Equipment (PPE) is provided on straight-line method based on the useful life (taking Residual value to be Nil). The management has assessed the useful life which represents the expected utility of the assets to the company based on the vendor's recommendation. Actual results, however, may vary due to technical or commercial obsolescence, particularly with respect to manufacturing equipment. However, the management will review the useful life, depreciation methods and residual values of depreciable assets at each reporting date as required by BAS - 16.

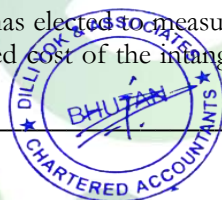
Nature of the Asset	Useful Life
Building	35 years
Plant and Machinery	12 years
Furniture and Fixtures	7 years
Office Equipment's, Intangible Assets	5-7 years
Vehicles	10 years
Tools and implements	5 years
Lab & Production Equipment's	8 Years

Gain and loss on disposal are determined by comparing the proceeds with the carrying amount and are recognized within 'Other Income' or 'Other Expenses' as the case may be, in the income statement.

7. Intangible Assets:

Acquired ERP Next software licenses are capitalized on the basis of the costs incurred to acquire and bring it to use the specific software. These costs are amortized over their estimated useful life of 5-7 years. Costs associated with maintaining computer software programs are recognized as an expense as incurred.

On transition to BFRS, the Company has elected to measure its intangible assets cost or amortized cost in accordance with BFRS as the deemed cost of the intangible assets.



8. Investment:

- a. The Current Investment are valued at lower of cost and fair market value.
- b. The long-term Investments in Government and/or other Cities including private placements are valued at cost as reduced by incentive or diminution in value of permanent nature.
- c. Provision is made where there is permanent fall in valuation of Long-Term Investment.

2. Financial Assets:

2.1 Initial Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

2.2 Classification and Subsequent Measurement

For the purpose of subsequent measurement, financial assets of the Company are classified into following categories:

- Financial Assets Measurement at Amortized Cost;
- Financial assets measured at fair value through other comprehensive income (FVTOCI); and
- Financial assets measured at fair value through profit and Loss (FVTPL)

The classification of financial assets depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Management determines the classification of its financial assets at initial recognition.

Financial Assets Measurement at Amortized Cost:

A financial asset is measured at amortized cost if both the following conditions are met:

- a. The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and
- b. Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the profit or loss. The losses arising from impairment are recognized in the profit or loss. This category



generally, applies to trade and other receivables, bank deposits, security deposits, investment in Government Securities, bonds, cash and cash equivalents and employee loans, etc.

Financial Instruments Measured at Fair Value through Other Comprehensive Income:

A financial instrument shall be measured at fair value through other Comprehensive Income if both of the following conditions are met.

- a. The objective or the business model is achieved by both collecting contractual cash flows and selling financial assets; and
- b. The asset's contractual cash flow represents SPPI.
- c.

Financial instruments included within FVTOCI category are measured initially as well as at each reporting period at fair value. Fair value movements are recognized in Other Comprehensive Income (OCI). Currently, the Company does not have any asset classified under this category.

Financial Instruments Measured at Fair Value through Profit & Loss:

Fair value through profit and loss is the residual category. Any financial instrument which does not meet the criteria for categorization as at amortized cost or fair value through Other Comprehensive Income is classified at FVTPL, Financial Instruments included within FVTPL category are measured initially as well as at each reporting period at fair value. Fair value movements are recorded in statement of profit and loss.

2.3 Trade and Other Receivables

Trade and Other Receivable are initially recognized at fair value of the amount to be received. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current asset. Receivable are reviewed regularly for impairment.

2.4 Impairment of Financial Assets

The Company assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortized cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables only, as per Notification of MEA on BASE phase-III, corporate is temporarily allowed to comply with "incurred loss model" instead of expected credit loss model. Accordingly, the allowance for doubtful debts was recognized.

2.5 Derecognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of a group of similar financial assets) is primarily derecognized only when:



- The rights to receive cash flows from the asset have been transferred or,
- The Company retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

When the Company has transferred an asset, it evaluates whether it has substantially transferred all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognized. When the Company has not transferred substantially all the risks and rewards of ownership of a financial asset, the financial asset is not de recognized.

When the Company has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognized if the entity has not retained control of the financial asset. When the entity retains control of the financial asset, the asset is continued to be recognized to the extent of continuing involvement in the asset.

3. Inventories and Parts and Supplier

Raw materials, work in process and finished goods are measured at the lower of cost or net realizable value. Cost is calculated on Weighted Average Method Basis and comprises expenditure incurred in the normal course of business in bringing such inventories to their present location and condition. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase. The cost of work in process and finished goods includes the cost of raw materials, direct labor and a systematic allocation of fixed and variable production overhead incurred in converting materials into finished goods. The allocation of fixed production overhead to the cost of conversion is based on the normal capacity of the manufacturing facilities.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated selling expenses. Parts and supplies are valued at the lower of cost or net realizable value, later being determined based on replacement cost. Obsolete, slow moving and defective items of inventories, parts and supplies are identified at the time of physical verification and where necessary, adjustment is made for the same.

4. Cash and Cash Equivalents

In the statement of Cash Flows, Cash and Cash Equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

5. Financial Liabilities:

5.1 Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, payables. All financial liabilities are recognized initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade & other payables and borrowings.



5.2 Subsequent Measurement

The measurement of Financial Liabilities depends on their classification, as described below:

Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

5.3 Gains or losses on liabilities held for trading are recognized in the profit or loss

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in BFRS - 9 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk is recognized in OCI. These gains/ losses are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss with equity. All other changes in fair value of such liability are recognized in the statement of profit or loss. The Company has not designated any financial liability as at fair value through profit and loss.

5.4 Borrowings

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity classifies the liability as current, if the lender does not agree not to demand payment as a consequence of the breach before reporting date.



5.5 Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

5.6 Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss. Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other gains/(losses).

6. Offsetting Financial Instruments

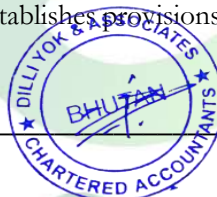
Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

7. Provisions and Contingent Liabilities

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. A contingent liability is only disclosed in the notes to the account if an outflow of resources embodying economic benefits is possible.

8. Current And Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement except to the extent that it relates to items recognized in Other Comprehensive Income. In this case, the tax is also recognized in Other Comprehensive Income. The current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date in Bhutan. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities



Deferred income tax is recognized, using the Balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statement. Deferred income tax is determined using tax rates (and law) that have been enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

9. Revenue Recognition:

Revenue is generally recognized when it is probable that the economic benefits will flow to the entity, when the amount of revenue can be measured reliably and the following conditions are met.

For Sale of Goods: When the product is dispatched to customers and subsequent endorsement of title to the property in the goods. Sales are accounted for net of discount and returns.

For Interest, Rental & Other Income is recognized on Accrual basis.

10. Land Lease

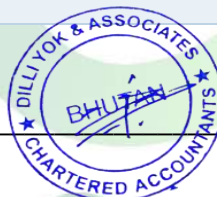
Management considers its lease of land to be operating lease. The payments made under operating lease are recognized in the income statement on a straight-line basis over the term of the lease.

11. Government Grants:

Grants from Government and Non-Government sources are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Grants related to non-current assets are treated as Deferred Income in the Statement of Financial Position and are recognized to the Statement of Comprehensive Income on a systematic basis over the useful life of the related assets.

The company received capital grant amounting Nu. 2,947,420.00 comprising three herb drying machine from KIPA, South Korea through the initiative of DoIP, MoEA, Bhutan. While two of the machines are commissioned and put to use, one machine is yet to be commissioned. The grant for the year is analyzed as below:

Particulars	Carrying Amount	Depreciation	Net Amount
Herbal Drying Machine	1,003,836.48	93,695.84	910,140.64
-do-	737,019.31	68,515.08	668,504.22
-do-	826,586.84	71,033.16	755,553.68
Total Net Assets	2,567,442.63	233,244.08	2,334,198.55
Grants Carrying Amount			2,334,198.55



12. Retirement Benefits:

BAS - 19 Employee Benefits and BAS - 26 Accounting and Reporting by Retirement Benefit Plans are applicable for Financial Statements covering periods beginning on or after 1st January 2016. However, the early application was permitted by the standard.

Under Defined Contribution Scheme

- i. Eligible employees receive the benefits from the provident fund, which is defined benefit plan. Both the employee and corporation make monthly contribution to National Pension and Provident Fund (NPPF) which is equal to a specified percentage of the covered employees' salary. The Provident Fund administered by NPPF, and such contributions are charged to Income Statement when paid to the NPPF.

Under Defined Benefit Scheme

- i) The Company operates a gratuity scheme for employees, whereby employees receive onemonth's final salary for each year of completed service. The employee must complete five (5) years of service before the gratuity is payable and the limitation of the scheme has been removed from October 2019. The cost of defined benefit scheme and the present value of the related obligations are determined using actuarial valuations. The determination of benefits expense and related obligations requires assumptions such as the expected return on assets available to fund, future obligations, the discount rate to measure obligations, expected mortality, the salary escalation rate and the expected experience of employee turnover. Actual results will differ from results which are estimated based on assumptions. All assets held to provide for the future liability are in the form of bank deposits, as required by the Income Tax Act. The assets are therefore subject to the financial risks associated with such deposits.
- ii) Employee benefits are also including Leave encashment, transfer grant, repatriation allowance and carriage charges which are actuarially determined and disclosed in Note No. (11) of Notes to Financial Statements (Under Defined Benefit Plan).
- iii) Gratuity is provided for all the employees on the basis of Actuarial Valuation carried out by Actuaries.
- iv) Leave Travel Concession is provided for all the employees on the basis of one month's basic pay or Nu. 15,000 whichever is lower and accounted for on accrual basis.
- v) The bonus maybe declared during the AGM as the Company had meet the set Compact Target for 2023.
- vi) Leave Encashment is provided for all the employees on the basis of actuarial valuation carried out by actuaries.
- vii) Transfer Grants are provided for the retiring employees and to the employees who are leaving the company. The payment is made as per the valuation carried out by actuaries.
- viii) Contribution to Provident Fund administered by National Pension and Provident Fund is charged to Statement of Comprehensive Income as and when they fall due.



13. Foreign Currency Transaction:

Transactions denominated in foreign currencies are translated into the functional currency of that entity using the exchange rates prevailing at the date of each transaction as per BAS

- 21. Foreign exchange gains or losses arising on the settlement of monetary items or on the translation of monetary items at rates different from those at which they were translated on initial recognition during the period are recognized as gain/loss on Foreign Exchange in the period in which they arise.

14. Earnings per share ('EPS'):

As per BAS - 33 Earnings per Share, Basic earnings per share are calculated by dividing the earnings by the weighted average number of common shares outstanding during the period, Diluted Earnings per Share is same as Earnings per Share for the Company, since there is no dilutive effect of Outstanding Stock Options.

15. Event After Balance Sheet:

Material event occurring after the Statement of Financial Position date are taken into cognizance.

16. Comparative Information

Wherever necessary, certain comparative information has been reclassified in order to provide more appropriate basis for comparison.



D. NOTES TO FINANCIAL STATEMENTS**1. Provision for Impairment Loss on Trade Receivables**

As per IFRS – 9, the Company is required to apply Expected Credit Loss Model for recognizing the allowance for doubtful debts. As per notification of MEA on Base Phase –III, Corporate are temporarily allowed to comply with “Expected Credit Loss Model” instead of Incurred Loss Model. Accordingly, the allowance for doubtful debts was recognized. The Expected Credit Loss in summarized as below:

Particular	31 st December, 2023	31 st December, 2022
Opening balance of loss provision	203,663.93	
ECL loss allowance	152,006.25	203,663.93
Write-off	-	-
Total ECL	355,670.18	203,663.93

2. Inter-corporate loan recognized as fair value

Under the provision GAAP, loans are recorded at their transaction value. Under IFRS, all financial liabilities are required to be recognized as fair value. Accordingly, the Company has fair valued the loan under IFRS at the date of initial recognition. Difference between the fair value and transaction value of the financial liability was adjusted with shareholder’s equity.

3. The Authorized Share Capital of the Company is Nu.182,427,700.00 (1,824,277.00 Equity Shares @ Nu.100 each). The Capital Structure is summarized as below:

Reconciliation of the number of shares outstanding:

Particulars	As at 31 st December 2023		As at 31 st December 2022	
	No. of Shares	Amount (Nu.)	No. of Shares	Amount (Nu.)
Ordinary Shares of Nu.100 each				
At beginning of the year	1,824,277	182,427,700.00	1,824,277	182,427,700.00
Allotted during the year	-	-	-	-
At closing of the year	1,824,277	182,427,700.00	1,824,277	182,427,700.00

4. All Statutory Record and Books of Accounts are maintained at Registered Office at Kawangjansa, Thimphu, Bhutan.
5. **Defined Contribution Plan** The admissibility of pension benefits to an employee shall be governed by the pension rules and regulations of the NPPF. On separation from his service, an employee shall be entitled to receive the full accumulation, including interest accrued of



provident fund which is created through a monthly deduction from his/her salary and an equal contribution (15% of the basic pay) by the employer. Since the PF is managed by the NPPF, payment shall be governed by the rules and regulations of the NPPF.

The amount expensed with respect to the provident fund matching contributions for the year ended 31st December 2023 and 2022 were Nu.2.58 million and Nu.2.48 million respectively.

6. Defined Benefit Plan

Valuation in respect of Gratuity as per BAS – 19 Employee Benefits for accounting and disclosure of employee benefits has been carried out by independent actuary, Consulting Infinity, Thimphu, Bhutan.

a. Reconciliation of Changes in Present Value of Defined Benefit Obligation on Carriage Charges

Particulars	31.12.2023	31.12.2022
DBO at the beginning of period	727,379.00	412,424.00
Add: Current service cost	233,566.00	142,100.00
Add: Past service cost	-	-
Add: Interest cost	50,428.00	27,194.00
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(110,000.00)	(145,000.00)
Actuarial (gain) or losses due to experience adjustment	(146,033).00	290,661.00
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	47,070.00	-
DBO at the end of period	802,410.00	727,379.00



b. Reconciliation of Changes in Present Value of Defined Benefit Obligation on Earned Leave

Particulars	31.12.2023	31.12.2022
DBO at the beginning of period	0.00	1,819,037.00
Add: Current service cost	0.00	159,731.00
Add: Past service cost	-	-
Add: Interest cost	0.00	135,920.00
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	0.00	(240,075.00)
Actuarial (gain) or losses due to experience adjustment	0.00	(964,805.00)
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions		
DBO at the end of period	0.00	909,808.00

c. Reconciliation of Changes in Present Value of Defined Benefit Obligation on Gratuity

Particulars	31.12.2023	31.12.2022
DBO at the beginning of period	6,418,900.00	4,503,876.00
Add: Current service cost	1,342,153.00	1,056,939.00
Add: Past service cost	-	-
Add: Interest cost	469,784.00	333,240.00
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(310,216.00)	(676,755.00)
Actuarial (gain) or losses due to experience adjustment	(1,215,564.00)	1,201,600.00
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	275,774.00	-
DBO at the end of period	6,980,831.00	6,418,900.00



d. Reconciliation of Changes in Present Value of Defined Benefit Obligation on Repatriation Allowance

Particulars	31.12.2023	31.12.2022
DBO at the beginning of period	428,736.00	163,566.00
Add: Current service cost	121,964.00	82,227.00
Add: Past service cost	-	-
Add: Interest cost	28,471.00	11,410.00
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(98,252.00)	(41,884.00)
Actuarial (gain) or losses due to experience adjustment	(45,462.00)	213,417.00
Actuarial (gain) or losses due to change in financial assumptions	17,907.00	-
Actuarial (gain) or losses due to change in demographic assumptions	-	-
DBO at the end of period	453,364.00	428,736.00

e. Reconciliation of Changes in Present Value of Defined Benefit Obligation on Transfer Grant

Particulars	31.12.2023	31.12.2022
DBO at the beginning of period	1,087,804.00	379,854.00
Add: Current service cost	363,034.00	199,743.00
Add: Past service cost	-	-
Add: Interest cost	79,135.00	24,188.00
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(65,330.00)	(154,997.00)
Actuarial (gain) or losses due to experience adjustment	(153,213.00)	639,016.00
Actuarial (gain) or losses due to change in financial assumptions	54,325.00	-
Actuarial (gain) or losses due to change in demographic assumptions	-	-
DBO at the end of period	1,365,755.00	1,087,804.00

7. During the year the Company has assessed the carrying amount of the assets vis-à-vis their recoverable value and no impairment is envisaged at the Statement of Financial Position date.

E. NOTES ON ACCOUNTS

1 The company has been formed after corporatization of erstwhile Menjong Sorig Pharmaceuticals unit under the department of Traditional Medicines w.e.f 01-Jul-2017. All assets & liabilities of erstwhile Menjong Sorig Pharmaceuticals became the Assets & Liabilities of the Company. However, building pertaining to Land is transferred in the name of Company but transfer of ownership of lands is still to be decided. As per Land Act 2007 definition of Land includes Building as well. Though the company has accounted the building in its books of Accounts but the ownership of



the building is still undecided.

2. Tax Expense:

The company has incurred loss, as a result there is no provision of Income Tax. The reconciliation between Profit/(loss) between SCI & as per Income Tax Act is provided below:

Particulars	As At 31.12.2023
Profit/ (Loss) before tax	27,765,294.95
Tax calculated at domestic tax rates	NIL
Income tax effect due to:	
<i>Other non-deductible expenses:</i>	
Corporate Social Responsibility	40,000.00
Write-off Expenses	1,128,721.70
Fines & Penalties	1,195,017.35
Provision for Leave Encashment	1,151,810.00
ECL Loss Allowance on Trade Receivables	355,670.18
Gratuity	1,811,937.00
Performance base Variable Allowance	2,935,104.90
Depreciation as per books	8,352,825.01
Depreciation as per Income Tax Act	(9,864,687.05)
Profit/ (Loss) as per Income Tax Act	34,871,694.03
Less: PVBA/Bonus expenses regulated (10%*ANP)	3,487,169.40
Net Profit/(Loss) as per Income Tax Act	31,384,524.63
Less: Carry forward of loss for the previous	0
Net Taxable income/(Loss)	31,384,524.63
Tax 30% on NTI	9,415,357.39

3. Deferred Income Tax Assets (Net)

The analysis of deferred income tax assets and liabilities and gross movement is as under:

Particulars	31/12/2023	31/12/2022
Opening Balance	14,841,256.71	10,535,932.64
Charged to Statement of Comprehensive Income (Refer Note 3.1.1)	(2,060,472.12)	4,305,324.07
Closing Balance	12,780,784.59	14,841,256.71



The movement in deferred income tax assets and liabilities during the year ended December 31, 2023 is as under:

Deferred Tax Asset	As at January 1, 2023	Adjustment to Statement of Comprehensive Income	As at December 31, 2023
Property, plant and equipment	14,713,554.79	(2,060,472.12)	12,653,082.67
Total	14,713,554.79	(2,060,472.12)	12,653,082.67

Deferred income tax asset	As at January 1, 2023	Adjustment to Statement of Comprehensive Income	As at December 31, 2023
Carry Forward of Loss	(17,045,028.86)	-	(17,045,028.86)
Total	(17,045,028.86)	-	(17,045,028.86)



NOTES TO ACCOUNTS



MENJONG SORIG PHARMACEUTICALS CORPORATION LTD. THIMPHU, BHUTAN

NOTES TO STATEMENT OF FINANCIAL POSITION NO. 1

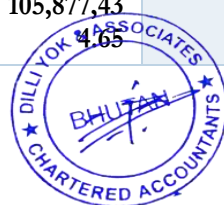
PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS

PROPERTY, PLANT & EQUIPMENT

DESCRIPTION	GROSS BLOCK			DEPRECIATION/AMORTIZATION				NET BLOCK		
	AS AT	ADD	SALE/ ADJ	AS AT	AS AT	FOR THE	S A L E / A D J	AS AT	AS AT	AS AT
	01-01-2023			31-12-2023	01-01-2023	YEAR		31-12-2023	31-12-2023	31-12-2022
Building & Civil Structures	34,262,031.97	-	-	34,262,031.97	8,640,808.13	1,631,490.81	-	10,272,298.94	23,989,733.03	25,621,223.84
Plant & Machinery	18,664,397.21	574,441.40	1,311,142.51	18,664,397.21	9,097,099.62	984,778.19	-	10,081,876.98	7,845,819.12	9,567,297.59
Furniture & Fixtures	2,230,186.53	12,339.00	700.69	2,230,186.53	1,072,185.98	287,106.68	-	1,359,292.65	882,532.19	1,158,000.55
Lab & Production Equipment	36,466,446.42	1,406,332.25	84,806.56	36,466,446.42	23,804,638.06	4,097,620.94	-	27,902,258.99	9,885,713.12	12,661,808.36
Tools & implements	682,626.97	-	3.00	682,626.97	659,770.04	6,090.00	-	665,860.04	16,763.93	22,856.93
Vehicles	5,704,250.18	-	-	5,704,250.18	2,541,088.56	541,903.77	-	3,082,992.33	2,621,257.85	3,163,161.62
Office	4,170,386.5	1,045,2	84,798.04	4,170,386.5	2,683,217	497,997.	-	3,181,214.67	1,949,600.	1,487,169.



Equipment	2	27.00		52	.49	18			81	03
TOTAL	102,180,325. 80	3,038,3 39.65	1,481,450. 80	102,180,325 .80	48,498,80 7.87	8,046,98 7.57	-	56,545,794.60	47,191,420 .05	53,681,517 .93
Capital Work in Progress				771,978.31					771,978.31	
NOTE NO. 2 - INTANGIBLE ASSETS - COMPUTER SOFTWARES										
Tally ERP 9	63,720.00	-	-	63,720.00	40,164.38	9,105.59	-	49,269.97	14,450.03	32,661.21
Rance lab Software	76,500.00	-	-	76,500.00	19,198.13	10,931.8 5	-	30,129.97	46,370.03	68,233.72
ERP Next	-	2,000,0 00.00	-	2,000,000. 00		285,800. 00		285,800.00	1,714,200. 00	
TOTAL	140,220.00	2,000,0 00.00	-	2,140,220. 00	59,362.51	305,837. 44	-	365,199.94	1,75,020.0 6	100,894.93
GRANT TOTAL	102,320,545. 80	5,03833 9.65		105,877,43 4.65					49,738,418 .42	53,762,375 .42



**MENJONG SORIG PHARMACEUTICALS CORPORATION LTD. THIMPHU,
BHUTAN**

NOTE NO. 3	As At 31-12-2023	As At 31-12-2022
<u>DEFERRED TAX ASSET</u>		
Opening Balance	14,841,256.71	10,535,932.64
Charged to Statement of Comprehensive Income	(2,060,472.12)	4,305,324.07
	12,780,784.59	14,841,256.71

NOTE NO. 4	AS at 31.12.2023	As at 31.12.2022
<u>INVENTORIES</u>		
Raw Materials	33,697,083.95	27,904,131.98
Work-In-Progress	4,004,470.00	1,658,844.39
Finished Goods	10,256,925.38	12,932,576.23
Total	47,958,479.33	42,495,552.60

NOTE NO. 5	AS at 31.12.2023	As at 31.12.2022
-		
<u>OTHER-CURRENT ASSETS</u>		
<u>Investment</u>		
FD with T-Bank (1 year maturity)	37,029,050.28	35,997,500.00
Fixed Deposit for Gratuity	5,217,300.00	4,503,876.00
Total	42,246,350.28	40,501,376.00



NOTE NO. 6	AS at 31.12.2023	As at 31.12.2022
<u>TRADE & OTHER RECEIVABLES</u>		
(Unsecured - Considered Good)		
Sundry Debtors	18,638,749.91	1,938,323.70
ECL Loss Allowance on Trade Receivables (P&L)	(355,670.18)	(203,663.93)
Net Receivables	18,283,079.73	1,734,659.77

NOTE NO. 7	AS at 31.12.2023	As at 31.12.2022
<u>CASH & CASH EQUIVALENTS</u>		
Cash in Hand	-	43,890.00
<u>Balances with Banks</u>		
In Current Accounts with BOB Ltd, Thimphu	35,297,245.62	24,807,772.31
Total	35,297,245.62	24,851,662.31

NOTE NO. 8	AS at 31.12.2023	As at 31.12.2022
<u>SHORT TERM LOANS & ADVANCES</u>		
<u>Unsecured - Considered Good;</u>		
Accrued Interest on Fixed Deposit	495,795.47	348,434.86
Advance to Suppliers	853,323.00	1,836,545.36
Advance to Staff	-	75,000.00
Security Deposits	25,536.00	25,536.00



Tax Deducted at Source:	1,895,277.28	2,608,730.44
Advance Tax	1,646,957.69	
Total	4,916,889.44	4,894,246.66

<u>NOTE NO. 9</u>	AS at 31.12.2023	As at 31.12.2022
-		
<u>SHARE CAPITAL</u>		
<u>Authorized</u>		
50,00,000 Equity Shares of Nu. 100 each	500,000,000.00	500,000,000.00
<u>Subscribed</u>		
1,824,277 Equity Shares of Nu. 100 each	182,427,700.00	182,427,700.00
<u>Issued & paid up</u>		
1,824,277 Equity Shares of Nu. 100 each	182,427,700.00	182,427,700.00
-		
<u>NOTE NO. 9.1</u>		
-		
<u>Reconciliation of Equity Outstanding</u>		
At the beginning of the year		
- No. of Shares	1,824,277.00	1,824,277.00
- Amount (in Nu.)	182,427,700.00	182,427,700.00
-		
At the end of the year		



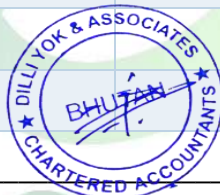
- No. of Shares	1,824,277.00	1,824,277.00
- Amount (in Nu.)	182,427,700.00	182,427,700.00

NOTE NO. 9.2

The company has only one class of equity shares having a par value of Nu. 100/- per share. Each shareholder is eligible for one vote per share and having equal rights in all respect.

NOTE NO. 10	AS at 31.12.2023	As at 31.12.2022
<u>DEFERRED INCOME</u>		
As at January 1		
Received/Addition	2,567,442.63	2,800,686.71
Less: Transferred to Other Income	(233,244.08)	(233,244.08)
As at December 31	2,334,198.55	2,567,442.63
Deferred Income analyzed as follows:		
Current Portion	245,520.09	245,520.09
Non-current portion	2,088,678.46	2,321,922.54
Total	2,334,198.55	2,567,442.63

NOTE NO. 11	AS at 31.12.2023	As at 31.12.2022
<u>EMPLOYEE RELATED EXPENSES – NON-CURRENT</u>		
Gratuity	6,172,237.00	5,967,472.00
Carriage Charges	795,480.00	643,729.00
Travelling Allowance	434,714.75	393,441.00



NOTE NO. 11	AS at 31.12.2023	As at 31.12.2022
Transfer Grant	1,353,943.00	1,001,068.00
Total	8,756,374.75	8,005,710.00

NOTE NO. 12	AS at 31.12.2023	As at 31.12.2022
<u>TRADE & OTHER PAYABLES</u>		
Audit Fees	50,000.00	50,000.00
Commission	7,064.30	8,769.50
Telephone & Internet Charge	-	1,764.40
Consultancy Fees payable	-	25,000.00
Electricity Charge	-	45,380.00
Travelling Expenses payable	87,000.00	-
Travelling Expenses payable	-	69,600.00
Overtime Allowance	3,685.00	10,930.00
Outstanding Utilities	3,202.00	6,595.00
Security Deposit	50,500.00	267,400.00
Retention Money	62,114.33	7,635.00
Thimphu Tech Park Limited	600,000.00	-
TDS Payable	-	15,624.47
Sundry Creditors	1,097,085.33	890,352.81
Total	1,960,650.96	1,399,051.18



NOTE NO. 13	AS at 31.12.2023	As at 31.12.2022
<u>OTHER CURRENT LIABILITIES</u>		
Advance from Customer	120,098.04	135,885.68
Provision for 30% CIT	9,415,357.39	-
Total	9,535,455.43	135,885.68

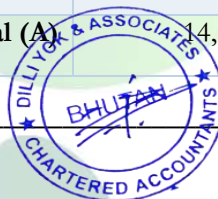
NOTE NO. 14	AS at 31.12.2023	As at 31.12.2022
<u>EMPLOYEE RELATED EXPENSES - CURRENT</u>		
PBVA	5,570,200.50	2,635,095.60
Gratuity	546,784.00	451,428.00
Provision for Carriage Charge	105,893.00	83,650.00
Provision for Transfer Grant	110,700.00	86,736.00
Provision for Travelling Allowance	46,204.00	35,295.00
Provision for Leave Encashment	1,151,810.00	909,808.00
Provision for Leave Travel	821,580.10	803,596.00
Total	8,353,171.60	5,005,608.60

NOTE NO. 15	AS at 31.12.2023	As at 31.12.2022
<u>SALE OF GOODS</u>		
Traditional Medicines	87,752,068.78	62,332,061.91
Health Supplements	20,189,928.40	13,341,634.00
	107,941,997.18	75,673,695.91
Less: Discount Allowed	(74,950.00)	(450,470.00)
Net Sales	107,867,047.18	75,223,225.91



NOTE NO. 16	AS at 31.12.2023	As at 31.12.2022
<u>OTHER INCOME</u>		
Amortization of Deferred income (note no. 10)	233,244.08	233,244.08
Freight Income	17,782.91	-
Gain on disposal of assets	21,646.63	-
Interest on Fixed Deposit	1,356,074.96	1,189,164.31
Liquidity Damages	26,618.54	153,410.95
Miscellaneous Income	171,144.53	519,125.32
Packaging income	149,048.48	
Pre-processing Charges	166,811.80	12,250.00
Rental Income	8,580.00	8,580.00
Sale of Raw Materials	228,449.49	345,214.23
Royalty income	485,000.00	
Testing charges	5,000.00	
Sale of tender document	500.00	
Total	2,869,901.42	2,460,988.89

NOTE NO. 17	AS at 31.12.2023	As at 31.12.2022
<u>INCREASE / (DECREASE) IN WORK-IN-PROGRESS & FINISHED GOODS</u>		
<u>Inventories (At Commencement)</u>		
Work - in - Progress	1,658,844.39	2,438,646.47
Finished Goods	12,932,576.23	13,483,614.17
Total (A)	14,591,420.61	15,922,260.64



<u>Inventories (At Close)</u>		
Work - in - Progress	4,004,470.00	1,658,844.39
Finished Goods	10,256,925.38	12,932,576.23
Total (B)	14,261,395.38	14,591,420.61
Grand Total (B - A)	(330,025.24)	(1,330,840.03)

<u>NOTE NO. 18</u>	AS at 31.12.2023	As at 31.12.2022
<u>RAW MATERIALS & PACKAGING MATERIALS CONSUMED</u>		
Opening Stock	27,904,131.98	25,177,806.33
Add: Purchases	30,217,000.19	24,140,619.01
Total	58,121,132.17	49,318,425.34
Less: Closing Stock	33,697,083.95	27,904,131.98
Total Material consumed	24,424,048.22	21,414,293.36

<u>NOTE NO. 19</u>	AS at 31.12.2023	As at 31.12.2022
<u>MANUFACTURING EXPENSES</u>		
Statutory Fees - Royalty, Customs Duty	341,880.71	213,953.31
Gen & Admin - Calibration Charges	60,600.00	-
Carriage Inward & Freight Charges	330,793.19	486,090.35
Gen & Admin - Consumable Goods	348,211.00	556,060.90
Gen & Admin - Electricity & Lightings	471,252.00	539,342.28



Gen & Admin - Others (Incense Stick Manufacturing Contract Charges)	548,380.00	120,568.00
Overtime Allowances	70,591.00	396,838.00
Gen & Admin - Laboratory Consumable	82,471.50	39,184.00
Repair & Maintenance Costs - Machinery	801,809.52	29,004.00
Repair & Maintenance Costs - Property	187,820.00	328,206.47
Travelling Expenses - In Country - Travel Allowance	882,466.00	839,873.00
Gen & Admin - Uniforms & Liveries	444,616.00	105,380.00
Wages	13,000.00	66,770.00
Total	4,583,890.92	3,721,270.31

NOTE NO. 20	AS at 31.12.2023	As at 31.12.2022
<u>EMPLOYEE BENEFIT EXPENSES</u>		
Contribution to Provident Fund	2,586,482.00	2,480,228.00
Gratuity	1,811,937.00	1,390,179.00
Leave Encashment	2,546,330.00	569,905.00
Leave Travel Concession (LTC)	797,610.00	786,691.00
Staff Welfare- Medical Expenses	17,600.00	13,200.00
Performance Based Allowances	2,935,104.90	2,087,862.60



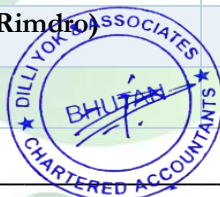
Salary	24,564,240.00	20,572,092.00
Carriage Charge (Personal Effect)	283,994.00	459,955.00
Transfer Grant	442,169.00	862,946.00
Transfer/Retirement Travelling Allowance	150,435.25	307,054.00
Total	36,135,902.15	29,530,112.60

<u>NOTE NO. 21</u>	AS at 31.12.2023	As at 31.12.2022
<u>FINANCE COST</u>		
Gen & Admin - Bank Charges	114,919.48	207,660.78
Total	114,919.48	207,660.78

<u>NOTE NO. 22</u>	AS at 31.12.2023	As at 31.12.2022
<u>OTHER EXPENSES</u>		
Gen & Admin - Advertisement	116,874.00	-
Audit Fee	50,000.00	50,000.00
Audit Expenses	5,049.00	2,200.50
Annual Maintenance Costs for Networks/Software	400,008.00	-
AMC- Lab Equipment	149,906.00	-
Gen & Admin - Bar Certificate charges	8,500.00	-
Board Expenses - Meeting Expenses	68,795.00	17,364.00
Board Expenses - Directors' Fees	466,000.00	520,000.00



Brand Management Fees	135,275.79	159,112.59
Selling & Distribution - Carriage Outward	226,683.77	-
Consultancy Charges -one time	157,300.00	50,000.00
Donations and Corporate Social Responsibility (CSR)	40,000.00	2,869,761.00
General Expenses	30,550.00	25,690.00
Gen & Admin - Penalties & Fines	1,195,017.35	93,810.00
Hospitality & Entertainment Expenses	14,907.00	52,587.00
Human Resource Development / Training Costs	220,304.56	150,681.05
Insurance Premium	3,850.00	3,720.00
Land & Building Tax	-	49,914.00
License & Environmental Renewal Fees	72,998.49	7,490.27
Meeting Expenses - Equipment Hire	7,000.00	-
Meeting Expenses - Meeting Refreshment Expenses	166,863.20	-
Liquidated Damage Charges	-	691,920.36
Loss on Disposal of PPE	1,376,578.19	8,956.32
Selling & Distribution - Marketing	273,431.00	757,684.00
Office Expenses	-	208,990.50
Motor Vehicle - Fuel	320,029.26	395,140.48
Motor Vehicle - Hire of vehicle	48,000.00	-
Gen & Admin - Postage and delivery charges	-	9,500.00
Printing & Stationery - Stationery cost	366,629.00	537,460.00
Printing & Stationery- Printer Cartridge	81,860.00	-
Motor Vehicle - Repair & Maintenance	143,689.00	111,639.00
Staff Welfare - Prayer/Ritual Expense (Rimdro)	172,339.00	
Outsourced Security Services	352,800.00	345,800.00



Staff Welfare - Company Annual Events (e.g., Foundation Day/Gifts & Awards to Staff)	14,630.00	-
Staff Welfare - Staff Farewell/gifts	5,000.00	-
Gen & Admin - Subscription Charges	227,100.00	-
Gen & Admin - Telecommunication Expenses (Telephone/Fax/Internet)	361,909.10	402,052.72
Travelling Expenses - In Country - Travel Allowance	209,875.00	412,074.00
Gen & Admin - Miscellaneous Expense (Office expenses and utilities)	65,459.00	35,080.00
Write off	1,128,721.70	-
Total	8,683,932.41	7,968,627.79



F. Additional information to the financial statements

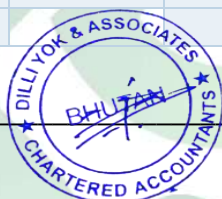
F.1. Quantitative analysis

a) Details of Sales

I T E M S	As At			As At		
	31st December, 2023			31st December, 2022		
	Unit	Qty.	Amount (Nu.)	Unit	Qty.	Amount (Nu.)
Tsheringma Tea	Box	15772	5,510,090.00	Box	12438	4,467,400.00
Capsule	Bottle	7040	5,064,320.00	Bottle	4571	4,025,415.00
Powders	Kg	1010	1,222,465.00	Kg	581	1,696,690.00
Pills	Kg/pcs.	0.00	0.00	Kg/pcs.	453	201,585.00
Incense Stick	Roll	7641	2,660,449.00	Roll	5601	1,312,600.00
Others		5751	4,393,468.97		2937	819,544.00
Ointment	Kg	4934	1,339,135.43		3647	818,400.00
Traditional Medicines			87,752,068.78			62,332,061.91
T o t a l:			107,941,997.18			75,673,695.91

b) Purchase of Raw and Packaging & Labelling Materials

Items	As At			As At		
	31st December, 2023			31st December, 2022		
	Unit	Qty.	Amount (Nu.)	Unit	Qty.	Amount (Nu.)
skya-sgog-Nye-Shag	kg	34.80	147,808.82	Kg	7.49	32,678.05
Ghi-vang	kg	0.923	9,414,600.00	kg	1.585	9,725,700.00
d.ngul-thal	Kg	0.088	11,088.00			0.00
dri-zang	-do-	20	857,000.00	-do-	20	962,790.00
Na'-kye	kg	15	130,200.00			0.00
drag-zhun-khandra	-do-	261.67	1,427,409.85	-do-	49	277,500.23
mu-tig	-do-	30	234,000.00	-do-	22	146,456.00
Mu-men	-do-	10	53,000.00			0.00
Dom-m.khris	-do-	1.373	686,500.00	-do-	1.192	596,000.00
d.byar-rtsva-dgun-'bu	-do-	2.985	2,137,575.00	-do-	0.7	310,000.00
Tsen-dhen-karpo	-do-	253.63	2,298,469.05			0.00
Other Raw Materials			9,183,556.17			9,791,610.14
Bottle	nos.		963,023.52	nos.		344,104.50



Items	As At 31 st December, 2023			As At 31 st December, 2022		
	Unit	Qty.	Amount (Nu.)	Unit	Qty.	Amount (Nu.)
Box	-do-		586,591.93	-do-		902,000.00
Label	-do-		0.00	-do-		304,930.30
Pet Jar	-do-		415,245.60	-do-		572,624.80
Other Packaging Materials			1,670,932.24			174,225.00
Total			30,217,000.19			24,140,619.02



c) Consumption of Raw and Packaging & Labelling Materials

Items	As At 31 st December, 2023			As At 31 st December, 2022		
	Unit	Qty.	Amount (Nu.)	Unit	Qty.	Amount (Nu.)
skya-sgog-Nye-Shag	kg	26.51	112,902.99	Kg	4.85	21,160.02
ja-nag-nak-tsi	-do-	0.15	1,348.50	-do-	0.1	899.00
ghi-vang	-do-	1.168	8,833,800.00	-do-	1.15	7,504,500.00
d.ngul-thal	-do-	0.53	66,780.00	-do-	0.3484	43,898.40
dri-zang	-do-	10.86	453,352.95	-do-	8.015	421,994.55
Na'-kye	-do-	35.5	202,434.40	-do-	-	0.00
drag-zhun-khandra	-do-	259	1,412,845.00	-do-	93.18	556,448.10
mu-tig	-do-	41.75	317,460.25	-do-	10.25	62,995.75
mu-men	-do-	0.15	795.00	-do-	1.17	8,631.09
zang-thel	-do-	0.15	618.30	-do-	0.1	412.20
g.ser-thal	-do-	0.009	36,372.70	-do-	-	0.00
dza'-ti num	-do-	5.8	14,355.00	-do-	0.3	742.50
go -synod-snum	-do-	10.29	40,594.05	-do-	-	0.00
dza'-ti num	-do-	5.8	14,355.00	-do-	0.0	0.00
dom-m.khris	-do-	0.558	279,000.00	-do-	0.536	268,000.00
d.byar-rtsva-dgun-'bu	-do-	3.00	2,131,425.00	-do-	0.7	306,000.00
tsen-dhen-karpo	-do-	136.73	1,318,848.22	-do-	84.72	766,716.00
dzi dring	-do-	0.0184	17,167.20	-do-	0.0047	4,385.10
Other Raw Materials	-do-		4,875,104.41	-do-		9,616,488.97
Bottle	nos.	42475	764,285.42	nos.	37296	718,742.21
Box	-do-	36851	585,444.61	-do-	13324	61,617.66
Label	-do-	0.00	0.00	-do-	55645	214,232.70
Pet Jar	-do-	20641	820,479.25	-do-	14612	602,134.45
"Other Packaging & Labelling			2,124,279.96			413,855.91
Total			24,424,048.21			24,140,619.01



d) Closing Stock of Raw and Packaging & Labelling Materials

Items	As At 31 st December, 2023			As At 31 st December, 2022		
	Unit	Qty.	Amount (Nu.)	Unit	Qty.	Amount (Nu.)
skya-sgog-Nye-Shag	kg	10.93	46,423.86	kg	2.64	11,518.03
ja-nag-nak-tsi	-do-	3.88	34,881.20	-do-	4.03	36,229.70
Ghi-vang	-do-	0.41	4,202,400.00	-do-	0.66	4,487,400.00
d.ngul-thal	-do-	1.20	151,149.60	-do-	1.64	206,841.60
dri-zang	-do-	23.19	876,582.00	-do-	14.05	674,695.45
na '-kye	-do-	61.95	96,780.00			
drag-zhun-khandra	-do-	2.67	120,150.00	-do-	-	-
mu-tig	-do-	0.00	0.00	-do-	11.75	83,460.25
mu-men	-do-	9.85	52,205.00	-do-	-	-
zang-thel	-do-	2.74	11,294.28	-do-	2.89	11,912.58
g.ser-thal	-do-	0.04	143,492.30	-do-	0.05	183,462.30
'go-synod-snum	-do-	52.09	205,495.05			
dza'-ti num	-do-	66.74	165,181.50	-do-	72.55	179,561.25
dom-m.khris	-do-	1.51	755,000.00	-do-	0.70	349,500.00
d.byar-rtsva-dgun- 'bu	-do-	0.03	22,350.00	-do-	0.05	16,200.00
tsen-dhen-karpo	-do-	116.90	979,620.83		-	-
dzi dring	-do-	0.02	20,339.40		0.04	33,774.60
Other Raw Materials			16,952,567.37			13,689,360.27
Bottle	nos.	91256	1,729,202.31	nos.	89303	1,526,837.02
Box	-do-	57325	876,591.47	-do-	67867	961,983.80
Label	-do-	0.00	0.00	-do-	64209	159,211.85
Pet Jar	-do-	19835	866,793.30	-do-	30452	1,288,627.80
"Other Packaging & Labelling			5,388,584.48			4,003,555.48
Total			33,697,083.95			27,904,131.98



e) Closing Stock of Finished Goods

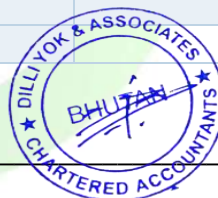
Items	As At 31 st December, 2023			As At 31 st December, 2022		
	Unit	Qty.	Amount (Nu.)	Unit	Qty.	Amount (Nu.)
Tsheringma Tea	Box	16584	937,440.00	Box	1539	541,700.00
Capsule	Bottle	7609	993,008.00	Bottle	753	1,555,680.00
Powders	Kg	1126	759,819.80	Kg	182	525,545.00
Pills	Kg/pcs.	-	0.00	Kg/pcs.	-	-
Incense Stick	Roll	8046	589,560.00	Roll	-	-
Others		6151	1,181,040.00		7051	714,055.00
Ointment	Kg	5121	334,280.00		1530	327,000.00
Traditional Medicines			5,461,777.58			9,268,596.23
Total			10,256,925.38			12,932,576.23

f) Closing Stock of Work-in-Progress

Items	As At 31 st December, 2023			As At 31 st December, 2022		
	Unit	Qty.	Amount (Nu.)	Unit	Qty.	Amount (Nu.)
Capsule	-do-	2583	991,872.00	-do-	100	181,861.67
Ointment	-do-	200	64,000.00	-do-	200	28,860.24
Pills	-do-	150	1,989,438.00	-do-	440	539,358.03
Incense sticks	-do-	3355	689,480.00		-	-
Tablet	-do-	50	191,800.00	-do-	330	908,764.45
Others	-do-	177	77,880.00		-	-
Total			4,004,470.00			1,658,844.39

F.2. Related Party Disclosures

Related Party	Type of Transactions	Amounts involved(Nu.)	Closing Balance (Nu.)
Bank of Bhutan Limited	Current account deposit	0.00	35,297,245.62
Koufuko International	Intergroup trade receivables	0.00	8,330.00



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Druk Holding & Investment Ltd.	Equity share held by DHI	0.00	182,427,700.00
Druk Holding & Investment Ltd.	Sales of Health Supplements	94,275.00	14,342.20
Druk Holding & Investment Ltd.	Intergroup Brand management fees	135,275.79	0.00
Thimphu Tech Park Ltd.	AMC – ERP Next	400,008.00	0.00
Thimphu Tech Park Ltd.	Intergroup payables	600,000.00	0.00
Bhutan Telecom Ltd.	Telephone and subscription charges	589,009.10	14,907.80
Bhutan Power Corp Ltd	Electricity charges paid	471,525.00	66,182.00
Bhutan Power Corp Ltd	Intergroup deposits	1,536.00	0.00
Bank of Bhutan Limited	Bank charges	5,014.78	0.00
Bhutan Green Power Corp Ltd.	Sales of Health Supplements	137,220.00	0.00
State mining Corporation Ltd.	Sales of Health Supplements	96,970.00	0.00
Total		2,530,833.67	217,828,707.62

F.3. Remuneration of Top Management including CEO:

	As At	As At
	31 st December, 2023	31 st December, 2022
	Amount in Nu.	Amount in Nu.
Salary	1,741,389.00	1,141,687.00
Contribution to Provident Fund	234,780.00	111,375.00
Board Meeting Sitting Fees	76,000.00	60,000.00
Leave Travel Concession	15,000.00	15,000.00
Leave Encashment Benefits	85,617.00	145,750.00
Bonus	0.00	0.00
Performance Based Variable Allowance (PBVA)	0.00	193,875.00
Total	2,152,786.00	1,667,687.00

F.4. Board's Sitting fees other than CEO



466,000

520,000

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RATIO ANALYSIS



MENJONG SORIG PHARMACEUTICALS CORPORATION LIMITED
THIMPHU: BHUTAN

Exhibit III Ratio Analysis

RATIOS		2023		2022	
LIQUIDITY RATIOS	Current Ratio:				
	Current Assets	148,702,044.41	7.40	114,477,497.34	16.87
	Current Liabilities	20,094,798.08		6,786,065.55	
	Quick Ratio:				
	Current assets- Inventories	100,743,565.07	5.01	71,981,944.74	10.61
	Current Liabilities	20,094,798.08		6,786,065.55	
TURNOVER RATIOS	Turnover				
	(Turnover of current minus pervious)/previous year				
	Inventory Turnover	107,867,047.18	2.25	75,223,225.91	1.77
	Sales/Avg Inventory	47,958,479.33		42,495,552.60	
PROFITABILITY RATIOS	Net Profit Before Tax*100	2,776,529,495.47	25.74 %	415,463,605.31	5.52%
	Sales	107,867,047.18		75,223,225.91	
	Return on Investment:				
	Net Profit Before Tax*100	2,776,529,495.47	13.15%	415,463,605.31	2.27%
	Total Assets	211,221,247.42		183,081,129.47	
	Return on Equity:				
	Net Profit After Tax*100	1,628,946,544.47	9.04%	845,996,012.31	5.10%
	Capital fund	180,281,396.14		165,967,431.38	



COMPLIANCE CALENDER



COMPLIANCE CHECKLIST

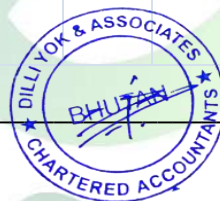
Check List for Compliance to Provision of the Companies Act of Bhutan, 2016

No.	Ss.	INCORPORATION OF A COMPANY & SECURITIES	YES	NO	NA	REMARKS
1	28	Changes to Articles/Approval		<input type="checkbox"/>		
2	47	Change of name/Approval		<input type="checkbox"/>		No change in the name of the company
3	123	Increase or consolidation of share capital		<input type="checkbox"/>		No increase in the share capital
4	124	Reduction of share capital		<input type="checkbox"/>		No share capital reduction
5	82	License Copy and Share Certificate filing	<input type="checkbox"/>			
6	107	Public offer of shares & Debentures-ROC Approval	<input type="checkbox"/>			No shares were issued during the auditing period
		MANAGEMENT & ADMINISTRATION				
7	217	Registered Office of Company (Postal Address & ContactNumber)	<input type="checkbox"/>			Menjong Sorig Pharmaceuticals Corporation Limited, Kawangjangsa, PO Box 547, Thimphu 11001, Bhutan, T(PABX)+9752325731/32168 7, T(CEO) +9752337593, F +9752321686, Email: info@mस्पcl.bt / www.mस्पcl.bt
8	221	Publication of name by Company (Letter Head, Seals and Sign Board)	<input type="checkbox"/>			



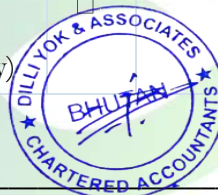
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9	241	Financial Year of Companies as of 31st Dec	<input type="checkbox"/>			Yes, the company is following the same financial year which ends on 31st Dec.
	242	Extension up to 15 months – ROC approval		<input type="checkbox"/>		
	243	Extension up to 18 months -Authority's approval		<input type="checkbox"/>		
10	245	Financial Statements to follow BAS	<input type="checkbox"/>			Yes, company is following the BAS while making the financial statements
11	267	Annual Return Submission On/before 31st May for listed; others 31st July	<input type="checkbox"/>			
12	177	Annual General Meeting (Minutes)	<input type="checkbox"/>			5 th AGM dated:13/03/2023
13	180	Extraordinary General Meeting (Minutes)		<input type="checkbox"/>		No extraordinary General Meeting was conducted.
14	185	Notice for calling general meeting	<input type="checkbox"/>			.
15	187	listed Co. - written as well as in media Public Co/Private Co. - Written Notice			<input type="checkbox"/>	
16	190	Chairman of meeting (CEO cannot chair)	<input type="checkbox"/>			
17	192	Representation of corporations at meetings (appointed by Board Directors)			<input type="checkbox"/>	No representation in the Board meeting conducted
18	193	Ordinary and special resolutions (Minutes)	<input type="checkbox"/>			
19	195	Minutes of Annual General Meeting and Board Meetings (Maintained ss.195-198)	<input type="checkbox"/>			Yes, every minute of the board and AGM is been maintained and is signed
20	199	Declaration and payment of dividend (199-209)			<input type="checkbox"/>	No dividend declared



21	232	Books of account to be kept by company (location & time)	<input type="checkbox"/>			Books of accounts are being kept at the registered office
22		Board's report (signed by Chairman)	<input type="checkbox"/>			Yes, it was signed by the chairman
23	252	Appointment and removal of Auditors Need to re-appoint annually (251-259)	<input type="checkbox"/>			The Appointment and Reappointment is done annually by RAA
24	260	Resignation of Auditors from office (Annual Resignation)		<input type="checkbox"/>		
25	266	Auditing standards (Audit using Auditing Standards issued by AASBB)	<input type="checkbox"/>			
26	133	Number of directors	<input type="checkbox"/>			Six (6) Directors excluding CEO.
27	134	One third of all Public Companies shall be independent				
28	138	(Minimum No. & Retirement on rotation)		<input type="checkbox"/>		Six (6) Directors. Retirement by rotation
29	139	Additional directors		<input type="checkbox"/>		No Additional Directors were appointed.
30	140	Consent to act as directors	<input type="checkbox"/>			

31	141	Certain persons not to be appointed as Directors	<input type="checkbox"/>			
32	142	Resignation by a director		<input type="checkbox"/>		
33	143	Removal of directors		<input type="checkbox"/>		
34	146	Board meetings (4 Meetings for Public Cos & 2 Meetings for Pvt)	<input type="checkbox"/>			The meeting was validly held
35	152	General powers of the board	<input type="checkbox"/>			
36	156	Restriction on powers of Board	<input type="checkbox"/>			
37	210	Appointment of Chief Executive Officer (Max 5 years terms & 2 consecutive terms only)	<input type="checkbox"/>			



38	213	Company Secretary required in all Public Companies	<input type="checkbox"/>		Company having paid up capital of over Nu.100 M shall appoint a company secretary
39	414	Appointment of selling or buying agents (govt. Approval obtained or not)		<input type="checkbox"/>	There is no Buying or Selling Agent
40	157	No loans to directors (only for Public Co.)	<input type="checkbox"/>		
41	53	Inter-corporate investments (investments to be disclosed) apply old rule			





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a **dhi** Company

We produce nature based health promoting nutraceuticals, essence and fragrance using modern science and technologies married with the ancient art of healing (Sowa Rigpa). Menjong Sorig is proud to support researches in Traditional Medicine system in Bhutan.

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