



Authentic in Lao language only

Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

National Assembly

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ENTERPRISE LAW

PART I

GENERAL PROVISIONS

Article 1. Purpose

The Enterprise Law stipulates principles, rules and measures for establishing, operating and managing an enterprise in the Lao People's Democratic Republic, with a view to promoting production, business and services of all economic sectors, aimed at expansion of productive forces and improvement of productive relations, to strengthen the development and growth of the national economy, and to improve the standard of living of all ethnic groups.

Article 2. Interpretation of terms

Defined terms used in the law shall be interpreted as follows:

- Enterprise means a business organization of a person or juristic person that has its own name, assets, management system and office, and that is registered in compliance with this Law. Enterprise is also called a "Business unit";

- Business means an activity operating in one or all stages of an investment process starting from the stage of production to the provision of services, aiming to gain profits and utilize the benefits for the public interest;

- Negative List is the list of business activities with high sensitivity, mainly for national security, public order, traditions and environment that are required to have inspection by relevant sectoral agencies prior to the registration of an enterprise;

- Individual enterprise is a form of enterprise created by one person. Individual enterprise conducts business in the interests of an owner. The owner is solely and unlimitedly responsible for the enterprise's liabilities;

- Partnership is a form of enterprise created on the basis of a contract of at least two or more investors for mobilization of capital, with a view to jointly conducting business and sharing the profits;

- Ordinary partnership is a type of partnership conducting business jointly by its partners based on trust between themselves and all partners are unlimitedly responsible for the enterprise's liabilities;

- Limited partnership is a type of partnership in which some of its partners are unlimitedly responsible for the enterprise's liability, called "general partners", and others whose liability is limited, are called "limited partners";

- Company is a form of enterprise created by dividing capital into shares of equal value. The shareholders are responsible for the company's liabilities up to the value of the unpaid portion of their shares;

- Limited company is a type of company having as shareholders at least two persons but not exceeding thirty persons except in the case described in paragraph one, Article 85, of this Law and a limited company with one shareholder, the so called "sole limited company" ;

- Public company is a type of company having as founding shareholders at least nine persons, with free transferability of shares and entitlement to openly sell the shares; openly sell the shares means offering to the public to sell the shares of the public company in the stock market or outside the stock market in accordance with to the relevant law or regulation;

- State company is established by the State, and its management is based on the principles of the company vehicle [that is used]. A State company is entitled to sell shares up to fifty percent of its shares (or less than 50%) as stipulated in this Law;

- Mixed company is a company created jointly by State and other domestic or foreign party(ies) with fifty percent of shares from each side;
- Share is the partnership's or company's capital divided into portions of non-equal or equal value depending on the type of partnership or company as specified in this Law;
- Common share is a type of share that the owner of the share cannot redeem;
- Preferred share is a type of share that the owner of the share can redeem and has rights and duties different from common shares;
- Share certificate is a legal document showing the portion of partner's or shareholder's right and ownership in a partnership or company;
- Debenture is an unsecured debt security such that the debenture holders have legal rights as guaranty to get paid back their money with interest as agreed;
- Dividend is an amount of money distributed to partners or shareholders deriving from the partnership's or company's net profit after deducting invested /initial capital, costs and debts;
- Quorum means the minimum number of meeting attendees that legally allows the meeting to open;
- Trade secret means important information concerning the methodology of an enterprise's production, business or services that, if it is disclosed, causes serious damage to the enterprise's stability and financial status;
- Liquidator is a person who has been appointed by the court or a dissolved or bankrupt enterprise to carry out rights and the duties regarding asset mobilization, in order to liquidate the assets to the enterprise's creditors and to the owners, partners or shareholders for the remaining portion of assets.

Article 3. Right to establish an enterprise

Lao citizens, permanent residents, persons without nationality residing in the Lao People's Democratic Republic and expatriates are all entitled to conduct or engage in business operations in accordance with the laws of the Lao PDR.

Article 4. Equality of doing business

All economic sectors, whether foreign or domestic, are inter-related and compete on an equal footing before the law in conducting business, with a view to increasing productive forces and expanding production, businesses and services.

Article 5. Enterprise obligations

Enterprises have the obligation to conduct business in compliance with their purposes and the enterprise's accounting rules, perform their obligations toward the State, protect the legitimate rights and interests of workers, preserve the environment and respect the relevant laws or regulations of the Lao PDR.

Article 6. Measures, rights and interests of enterprises protected by the State

The State encourages persons and organizations, whether foreign or domestic, to establish enterprises or engage in operating businesses in all business sectors that are not prohibited, by facilitating measures for them through tax incentives, regulations, information support and other services. This policy aims at promotion of all enterprises to make their contributions to develop the socio-economy.

The legitimate rights and interests of enterprises such as their capital and property are protected by law.

Article 7. International cooperation

In business operations, the State encourages enterprises to cooperate with foreign countries in order to attract capital, science, and technology; exchange information and experience of advanced business management; expand markets and integrate within the region and the world.

Article 8. Application of the law

This law applies to domestic and foreign enterprises, State and mixed enterprises establishing and operating businesses in the Lao PDR.

Cooperatives and petty traders are not covered by this Law and they will be separately provided for.

PART II ENTERPRISE

SECTION 1 TYPE, FORM AND KIND OF ENTERPRISE

Article 9. Type of enterprise

In the Lao PDR, there are four types of enterprise, namely, private enterprise, State enterprise, mixed enterprise and cooperative enterprise.

Private enterprises may establish and operate their businesses by applying the forms and the kinds of enterprise as identified in the Article 10 and Article 11 of this Law.

Setting up and operating business by a State enterprises and or a mixed enterprise shall only be based on a [particular] company vehicle. State enterprises are called “State companies” and mixed enterprises are called “mixed companies.”

Article 10. Forms of enterprise

Form of enterprise is the business organization that is the basis of establishing and operating all types of enterprise.

There are three forms of enterprise as shown below:

1. Individual enterprise;
2. Partnership;
3. Company.

Article 11. Kinds of partnership and company

There are four kinds of partnership and company as shown below:

1. Two kinds of partnership:
 - Ordinary partnership;
 - Limited partnership;
2. Two kinds of company:
 - Limited company, including sole limited company;
 - Public company.

SECTION 2

ENTERPRISE REGISTRATION

Article 12. Enterprise registration

Enterprise registration is the State's approval that a person or juristic person, whether foreign or domestic, has properly given notice of registration of the establishment of his/her

enterprise in the Lao PDR.

A regulation on enterprise registration shall be separately stipulated.

Enterprise registration is done once for the whole business duration of an enterprise.

Article 13. Notification of enterprise registration

A person having the intention to conduct business in Lao PDR shall give notice by submitting an application for enterprise registration to the concerned government agencies as stipulated in this Law.

Article 14. Steps and time for consideration of enterprise registration

After receiving the application for enterprise registration, the agency for the commercial sector shall verify whether the business activity that the applicant intends to carry on is in the Negative List or not. If it is not included in the Negative List, the registrar of the agency for the commercial sector shall consider the application within no more than ten working days from the date the application is received.

In case the business activity is included in the Negative List, the agency for the commercial sector shall immediately submit the application to the relevant sectoral agency. The relevant sectoral agency shall consider and give an answer to the agency for the commercial sector within no more than ten working days, except if the business activity requires technical verification for more time than that. After receiving the answer, the agency for the commercial sector shall consider the application within no more than three working days.

Rejection of issuance of an enterprise registration certificate shall be made in writing with a clear and reasonable explanation of the rejection to the applicant.

The Negative List and time spent for technical verification beyond what is stipulated in paragraph 2 of this Article shall be approved by the government.

Article 15. Invalid enterprise registration

Invalid enterprise registration means an enterprise has registered but with error occurring partly or totally in respect to the enterprise's form, type or truth which requires alteration. The alteration can be made by their correction. In case the error can not be corrected, the enterprise concerned shall be dissolved following the procedures specified in this Law.

Enterprise registration made to a person prohibited by law or in violation of this Law is invalid.

Invalidity of enterprise registration or dissolution of the enterprise does not exonerate the enterprise from its liabilities.

Article 16. Effect of registration of an enterprise

Registration of an enterprise leads to the following effects:

1. A juristic person of a partnership or a company comes into existence separate from its investors, having rights, duties and liabilities within the scope of its objectives and bylaws;
2. The enterprise is entitled to do all business as identified in the enterprise registration certificate without proceeding for any further permission or verification by the relevant sectoral agencies except for business activities stipulated in the Negative List as mentioned in paragraph 2 Article 14 of this Law;
3. Matters registered are disclosed and available for all interested persons as determined in paragraph 1 Article 19 of this Law;
4. The enterprise name is registered [as a name] and for tax revenue collection.

Article 17. Effect of failure to conduct business

An enterprise, within ninety days from the date of the registration of the enterprise, shall start to conduct business. In case the enterprise fails to conduct business within the period mentioned or has conducted business, but continuously and unreasonably stops operating

and paying tax for twelve months, the registrar concerned shall notify the enterprise in question to come for explanation. Failing to come within ten working days from the date the notification is received or unreasonable explanations will lead the enterprise concerned to be considered as having stopped operation and to be dissolved following the procedures as stipulated in this Law.

Article 18. Alteration of registered matters of an enterprise

Alteration of registered matters of an enterprise such as its objective or capital after registration shall be reported to the registrar concerned within one month from the date the altered matters are agreed on, except for the alteration of matters relating to business in the Negative List which shall be made in compliance with paragraph 2 Article 14 of this Law.

The enterprise that has registered matters in error or reported the alterations later than stipulated in the paragraph 1 of this Article, whether or not intentionally, can not set up the untruth of such matters against, or cannot be exonerated from, liability to an innocent outside person.

Article 19. Disclosure of registered matters

Any person or organization is entitled to see or copy the registration documents of enterprises filed with the registrar. These registration documents include all documents that the enterprises submit for their registration as stipulated in this Law. The person requesting copying must pay fees based on the relevant regulation.

Other documents, in addition to the documents mentioned in paragraph 1 of this Article, can be disclosed only with the permission of the relevant enterprises unless otherwise provided by law.

Article 20. Registered capital

An individual enterprise's registered capital is the capital reported by the owner to the registrar for its registration.

The registered capital of a partnership or company is the total share value as stipulated in subparagraph 4 Article 33 and subparagraph 4 Article 81 of this Law. This registered capital in other words is called the "stated capital" of the partnership or company.

The relevant sectoral agency is entitled to impose a minimum registered capital as a criterion for registration of an enterprise for some critical business activities, but this can be done only with the government's approval.

The registered capital must be accurate. In case of violation, the violator shall be liable before the law for the false statement.

SECTION 3

ENTERPRISE NAME

Article 21. Selection of enterprise name

The name of an enterprise may use the name or family name of one or several joint investors or use any other name as agreed. The person who is the first subscriber for the name of an enterprise is entitled to use that name with first priority. The name of an enterprise set up under a specific form or type of enterprise shall always include the name of such form or type.

The priority over a name subscribed will be ineffective if the subscribing enterprise has not been registered.

The enterprise, after registration, shall post a sign indicating its name.

Article 22. Prohibited enterprise names

Enterprise names that are prohibited and can not be registered are:

1. An ambiguous, same or similar name to other names of enterprises in the same province or to the well-known name of another enterprise;

2. A name being contrary to the fine national and cultural morals and the public order;

3. A name being identical with a name of a country, international organization, national typical culture or historical site;

4. A name that is the same or similar to the name of enterprise's form or kind.

Article 23. Authorizing other persons to use an enterprise name or enterprise registration

Authorizing another person to use an enterprise name or enterprise registration shall be based on a written contract and be in accordance with the Contract Law of the Lao PDR.

In case the authorization of use of the enterprise name or enterprise registration has been made without a written contract, but if there is evidence to believe that the enterprise concerned knows about it without taking any action to object, or supports the person that used it, [the use of the name] shall be deemed to have valid authorization.

Article 24. Liability for authorizing another to use an enterprise name or enterprise registration

A person allowing another person to use his/her enterprise name or enterprise registration shall be liable to third persons as agreed in the contract or as stipulated in the law.

A person assigning a person lacking capacity to use his/her enterprise name or enterprise registration shall be liable for the assignee's action.

A person shall jointly be responsible for the action of the persons or juristic persons prohibited by law, if he/she authorizes them to use his/her enterprise name or enterprise registration.

It is prohibited for a State company to allow another person to use its enterprise name or enterprise registration. In case of violation, the violators shall be liable to outside parties by themselves.

Article 25. Transfer of enterprise name and its prohibitions

An enterprise name may be transferred in cases:

1. Where it is transferred together with all an enterprise's businesses, including its rights and obligations;
2. Where the enterprise is dissolved in the proper manner.

The transferee, after proper transference as mentioned in subparagraph 1 above, shall notify the transferred enterprise's debtors and creditors within sixty days and the registrar concerned within five working days from the date the transfer is made.

Improper transfer of the enterprise name in any manner, including market monopolization by transfer of an enterprise name, is prohibited.

The transfer of a trade name shall not be done in favor of joint monopoly over the market. In case of violation, both transferor and transferee shall be liable before the relevant law of the Lao PDR.

The transfer of a State company's name to another enterprise in a different sector is prohibited.

Article 26. Cessation of an enterprise name

An enterprise name shall cease together with the enterprise's dissolution. The owner of the enterprise name, after cessation of the name, shall remove any sign containing such name within seven days from the date its cessation is reported.

The business operation of a person or juristic person using a ceased name or an enterprise registration of a dissolved enterprise shall be deemed as business operation without enterprise registration.

PART III INDIVIDUAL ENTERPRISE

Article 27. Notification for enterprise registration

A person wanting to establish an individual enterprise shall give notice by submitting an application with the main contents below:

1. Enterprise name and scope of business;
2. Name, address and nationality of the owner and manager;
3. Enterprise's location;
4. Registered capital.

Article 28. The owner's rights and duties

The rights and duties of the owner are to:

1. Manage the enterprise's business or assign another person to manage the enterprise on his/her behalf;
2. Solely decide on the use of the realized profit and on other issues of the enterprise;
3. Comply with the accounting rules as said in the Law on Enterprise Accounting;
4. Comply with obligations toward the State;
5. Perform other rights and duties as specified in the laws.

Article 29. Manager

The manager of an individual enterprise may be the owner of the enterprise or may hire one or more persons from outside to manage. A hired manager is entitled to receive compensation as agreed with the owner of the enterprise.

An individual enterprise having several managers may authorize one of them to solely have the power to supervise and sign contracts with outsiders on behalf of the individual enterprise. Such a manager is called the “General Manager”. This provision is applied to the manager of a partnership and a sole limited company.

The manager shall act in the scope of rights and duties as said in the hire contract and under the supervision of the owner.

The manager may partly delegate his/her managing duties to another person for help.

Article 30. Contract to hire a manager

A contract to hire a manager shall be made in writing as stipulated in the Contract Law. The hire contract shall contain particulars relating to rights, duties, wage, and liabilities of the parties and the termination of the contract.

The relationship among the enterprise’s owner, the hired manager and outsiders shall be based on the relevant law.

Article 31. Dissolution and liquidation

An individual enterprise may dissolve in case of:

1. The owner of the enterprise’s decision to dissolve;
2. The court’s order to dissolve;
3. Bankruptcy;
4. The owner of the enterprise dies or becomes incapacitated without heir.

The owner of an individual enterprise, in the case of its dissolution, shall perform liquidation him/her-self or appoint an outsider to be the liquidator except for the appointment of a liquidator in the case of a dissolution resulting from the court’s order or the bankruptcy of the enterprise, when it shall be done by the court.

PART IV
PARTNERSHIP

SECTION 1
GENERAL PRINCIPLES OF THE PARTNERSHIP

Article 32. Partnership’s partner

The investor in a partnership is called a “partner”.

A partner of a partnership may be a person or a juristic person.

Article 33. Partnership’s contract of incorporation

A partnership’s contract of incorporation shall be made in writing and be consistent with the Contract Law of the Lao PDR.

A partnership’s contract of incorporation shall contain the main matters below:

1. Enterprise name;
2. Business’s objective;
3. Name, address of the principal business office and all branch offices, if any;
4. Stated capital or share values classified into cash, kind or labor;
5. Name, address and nationality of the partners;
6. Name and signature of the partners.

Stated capital as mentioned in subparagraph 4 of this Article is the partnership’s registered capital.

Article 34. Status of legal person of partnership

The status of the legal person of a partnership includes:

1. Name and nationality of the partnership;
2. The address of the principal business offices including all branch offices, if any;
3. Property and capital;

4. The partnership's bylaws;
5. Liability according to the type of partnership;
6. Legal capacity of the partnership in exercise of its rights and obligations, and in being a defendant or plaintiff in legal proceedings similarly to a natural person.

Article 35. Partnership's branch

Establishment of a branch, for a partnership registered in Lao PDR, does not have to have registration and the branch has no legal person status separate from the partnership.

A branch office is located in a specific place, which the partnership of such branch shall report to the registrar concerned.

A foreign partnership having the intention to establish its branch in the Lao PDR, shall report for enterprise registration as stipulated in this Law.

When establishing a Lao partnership's branch abroad, the law of the country concerned is applied.

When the branch of a legal person is sued, that legal person is a defendant. This provision shall be effective for a foreign legal person having a branch in the Lao PDR.

Article 36. A partnership's bylaws

The bylaws of a partnership shall contain the main particulars below:

1. The contents mentioned in subparagraph 1 to 5 Article 33 of this Law;
2. Name, address and nationality of the managing partner. In case all partners are not jointly managing the partnership, [the bylaws] may impose restrictions upon the powers of the managing partner;
3. Method of distribution of dividends and liability for losses;
4. Method and period for contribution of shares;
5. The management system;
6. Meetings and method of voting;
7. Methods for dispute settlement;

8. Dissolution and liquidation.

The contents mentioned in subparagraph 1 of this Article shall be included in the application for enterprise registration. Besides these, a partnership may include additional contents in the application.

The partnership's bylaws shall have the manager's signature.

Article 37. Alteration of the contract of incorporation and the bylaws

Alteration of the contract of incorporation and the bylaws of the partnership shall be unanimously agreed by all partners, unless otherwise agreed.

A meeting's resolution on the amendment and alteration of a contract of incorporation or the bylaws shall be registered with the registrar concerned within ten working days from the date of the resolution for the amendment and alteration is made.

SECTION 2

ORDINARY PARTNERSHIP

A. Enterprise registration and internal relations of the ordinary partnership

Article 38. Notification for enterprise registration

The application notifying enterprise registration of an ordinary partnership shall contain the main documents below:

1. Application for enterprise registration;
2. Contract of incorporation of the ordinary partnership with the names and signatures of all partners;
3. Name, address and nationality of the managing partner, if all partners agree to not jointly be the managers;
4. The bylaws of the ordinary partnership.

The application for enterprise registration shall have the manager's signature.

Article 39. Capital contributions

The ordinary partnership's capital is derived from the contributions of the partners. The contribution may be made in cash, kind or labor.

A capital contribution in kind or labor shall be evaluated in cash. It is prohibited to record the value of capital contributed in labor in the balance sheet of the ordinary partnership.

Methods and terms for payment of shares as said in paragraph 1 of this Article shall be decided by all partners. Prior to registration, the partners must fully contribute the shares as agreed.

In addition to the capital specified in paragraph 1 of this Article, the partners of the ordinary partnership may contribute their personal properties to any business operation of the ordinary partnership as agreed.

The utilization of the said capital in paragraph 4 of this Article, including the liabilities and the distribution of profits, shall be agreed upon by all partners.

Article 40. Shares

The ordinary partnership's shares are not necessarily equal in value or size.

Upon full payment of shares as specified in paragraph 3 of Article 39 of this Law, the ordinary partnership shall issue share certificates to all partners according to their contributions.

The share certificates of the ordinary partnership are not negotiable.

Article 41. Manager

All partners of the ordinary partnership are entitled to jointly be the manager, or to agree to appoint one or more partners to be the manager.

The manager is an agent of the ordinary partnership and other partners. The manager shall not have a salary or remuneration for his/her performance of the duties, unless otherwise agreed.

The manager of the ordinary partnership may be appointed from among outsiders.

The manager appointed from outside may have a salary or remuneration as agreed by the partners.

Article 42. Appointment or removal of the manager

Appointment or removal of the manager shall be made unanimously by all partners, unless otherwise agreed. One partner has one vote for the voting.

The partner who will be voted for or removed as manager has no right to vote.

Article 43. Rights and duties of the manager

The manager has the following rights and duties:

1. Fully perform duties in the interests of the partnership and in good faith;
2. Perform rights and duties as specified in the bylaws of the ordinary partnership;
3. Employ outsiders to help conduct any business of the ordinary partnership that is in his/her responsibility.

Management of the ordinary partnership, in case there are many partners as the managers, shall be based on a majority vote or as may be agreed otherwise and stipulated in the bylaws. Voting is one partner equals one vote.

In case there is only one manager, he/she is solely entitled to manage the ordinary partnership, unless restrictions are otherwise specified imposing upon his/her powers.

The restrictions mentioned in paragraph 3 of this Article shall not have effects on outsiders if such restrictions have not been specified in the enterprise registration.

Article 44. Rights and duties of partners

Partners have the following rights and duties:

1. Have information on the entire business situation of the ordinary partnership at any time;
2. Inspect or copy accounting and other documents of the ordinary partnership;
3. Receive dividends and be liable for losses as agreed;
4. Be unlimitedly responsible for the ordinary partnership's liabilities;

5. Enjoy the right of veto and objection, if such has agreed, but the detailed matters [it applies to] and the method of exercising it shall be imposed in the bylaws;

6. Receive the return of the capital portion contributed and the profit as agreed when the ordinary partnership is dissolved.

Article 45. Admission of new partners and transfers of shares

The ordinary partnership is not entitled to admit a new partner and each partner is unable to transfer his/her shares to another, unless otherwise agreed.

The admission [of a new partner] or a transfer of a share, if it is agreed, shall be made unanimously by all partners.

The admission of a new partner may be executed by transferring the shares to an outside person or by allowing an outside person to buy shares newly issued.

Upon admission of a new partner or a transfer of shares, the ordinary partnership shall notify the registrar concerned no later than five working days from the date of such admission or transfer.

The ordinary partnership, with only one partner left by the transference of shares or for other reasons, may cause its dissolution.

In case the ordinary partnership's enterprise name is composed of the names of partners, the ordinary partnership has the right to delete the name of the partner from the name of the partnership when such partner leaves the partnership.

Article 46. Prohibited conduct or business operation for partners

A partner's conduct or business operations that competes with their own ordinary partnership are prohibited.

The conduct or business operations deemed to compete with the ordinary partnership are as follows:

1. Conducting business that has similar objectives to the ordinary partnership on his/her own behalf;
2. Conducting business that has similar objectives to the ordinary partnership on behalf of another person such as being the manager or director of another enterprise;

3. Be the partner of another ordinary partnership or limited partnership that has unlimited liability;

For any breach of the restrictions mentioned in this article, the ordinary partnership is entitled to claim all profits resulting from such conduct or business operations of that partner or to take legal action to dissolve the ordinary partnership.

Article 47. Exception to the restrictions

The restrictions specified in Article 46 of this Law may be excepted if:

1. All partners have unanimously approved;
2. Objection was not made to the partner's conduct or business operations that have existed prior to his/her joining the partnership.

B. The external relationships of the ordinary partnership

Article 48. Liability for debt

Each partner shall be unlimitedly liable for the debt of the ordinary partnership. Creditors, after failure of the ordinary partnership to pay its debts, are entitled to make claim thereof from each partner.

All partners may agree on the portion of the liability of each partner for the debts or losses of the ordinary partnership but such agreement shall have no effect on outside persons.

A partner is liable for a debt of the ordinary partnership when:

1. The debt arises from the performance of duties by the manager or by other partners that fall within the scope of the bylaws of the ordinary partnership;
2. The debt results from the performance of any duties to achieve an objective of the ordinary partnership and such performance is adopted by all partners.

Article 49. Rights attaching to the interest

All partners are entitled to an interest of the ordinary partnership resulting from an external relationship of the partnership regardless of whether or not such interest is acquired in the name of the partnership.

Article 50. Liabilities of leaving and entering partners

A partner leaving an ordinary partnership shall be liable for the debts of the partnership incurred prior to such leaving.

The liabilities mentioned above will terminate within one year from the date the partner is approved to leave the partnership except when there is an agreement to have a longer period for such liability.

A new partner shall be liable for the whole of the debts of the ordinary partnership, unless otherwise agreed and such agreement has no effect on outside persons.

C. Merger of ordinary partnerships

Article 51. Merger of ordinary partnerships

An ordinary partnership may merge with one or more ordinary partnerships to become any one of the existing ordinary partnerships or to become a new ordinary partnership.

Ordinary partnerships may merge only in compliance with the following conditions:

1. Have a unanimous vote of the partners meeting of the merged ordinary partnerships, unless agreed otherwise. The merger resolution shall be registered with the registrar within ten working days from the date of having such resolution;
2. Have given notice through any appropriate means of mass media at least one time within ten working days from the date of having such resolution to the creditors to express their objections within sixty days from the date the objecting creditor has received the notification and the creditors have no objection or fail to reply within such period;
3. Have registered as a new enterprise.

Article 52. Objection to the merger and the effect of the merger

An ordinary partnership the merger of which has been objected to by any creditor is unable to proceed with the merger except after such [objecting] creditor's debt has been paid.

The merger of an ordinary partnership is not the dissolution of the enterprise, and it does not lead to the cessation of the previous rights and obligations of the merged enterprises.

D. Dissolution of an ordinary partnership

Article 53. Reason for dissolution

The ordinary partnership may be dissolved for any of three reasons, namely: by partners' agreement, by a court's decision and by law.

The dissolution of an ordinary partnership, for whatever reason, shall be registered for temporary dissolution with the registrar within ten working days from the date the reason for dissolution has arisen.

Article 54. Dissolution by partners' agreement

An ordinary partnership may be dissolved at any time by unanimous agreement of all partners.

Article 55. Dissolution by a court's decision

Any partner may request the court to consider dissolution of the ordinary partnership when it is seen that:

The business operations of the ordinary partnership are facing losses that [the ordinary partnership] is not in the position to overcome;

Force majeure is causing the ordinary partnership to not be able to continue operating its business;

He/she was deceived or forced to be a partner;

Any partner has breached or is intentionally breaching the contract of incorporation or the bylaws or any negligence is causing serious damage to the ordinary partnership.

The partner making the request to the court for dissolution shall not be the partner who is the cause of the specified problems above.

Partners may request the court to order the partner who is the cause of such problem to compensate for the damage or to cease from being a partner of the ordinary partnership instead of ordering its dissolution. In the former case, the ordinary partnership must distribute its assets to him/her at the market value at the time of such asset distribution by deduction of the value of the damage that he/she has caused, except if the partners have agreed otherwise.

Article 56. Dissolution by law

An ordinary partnership may be dissolved on any of the following grounds of law:

1. Dissolution under the provisions of the contract of incorporation or the bylaws of the ordinary partnership;
2. Only one partner remains in the ordinary partnership;
3. Death, bankruptcy or incapacity of any partner, unless agreed otherwise;
4. Dissolution as addressed in Section 2 and 3, Part II of this Law.

In case of the death of a partner, where the ordinary partnership does not dissolve, the heirs shall have full rights in the distributed profits or property of the deceased partner.

Article 57. Effects of temporary dissolution

Temporary dissolution of the ordinary partnership has the following effects:

1. Right to claim of partners in the ordinary partnership is temporarily terminated;
2. The liability of a partner for the unpaid portion of [his/her] share does not cease;
3. Temporary suspension of payments [by the ordinary partnership] and the undue debts of the ordinary partnership shall become due.
4. The ordinary partnership is not entitled to conduct business but its legal entity status remains in existence so as to finish pending tasks and undertake the liquidation, and give notice of its complete dissolution and permanent withdrawal of the enterprise registration.

E. Liquidation of an ordinary partnership

Article 58. Method of liquidation

The partners may agree to choose the method of distribution or liquidation as described in the bylaws of the ordinary partnership or as agreed by themselves except in the case where the ground of dissolution is the result of bankruptcy, the court's decision or the ordinary partnership has only one remaining partner.

Article 59. Appointing or removing the liquidator

The liquidation of the ordinary partnership may be executed by the manager or all partners jointly as the liquidator or by appointment of one partner or an outside person to conduct the liquidation. Such appointment shall have the unanimous vote of the partners.

In the case of no unanimous vote for appointing the liquidator as stipulated in first paragraph of this Article, the partners of the ordinary partnership may request the court to appoint such liquidator.

The liquidator as specified in this Article and Article 60 of this Law may be removed by the same process he/she has been appointed by.

Article 60. Appointment of the liquidator by the court

Appointment of the liquidator in the case of the dissolution of the ordinary partnership that is the result of bankruptcy, the court's decision on the ground of [only] one partner remaining shall only be made by the court.

[In the case of the] dissolution of the ordinary partnership on the ground of the death of a partner, the heirs of the deceased partner shall have the rights to be or jointly to be the liquidator. In case there are many heirs [they] shall have to appoint one person as their representative.

Article 61. Replacement appointment

After appointment, in case the liquidator is unable to perform his/her duties for any reason, namely: death of the liquidator or the liquidator becomes incapacitated, all partners shall jointly be the liquidator until a new liquidator has been appointed.

The ordinary partnership shall, within ten working days from the date of the appointment, removal or termination of the liquidator, give notice of such appointment, removal or termination of duty to the public as mentioned in this Article, Article 59 and Article 60 of this Law.

Article 62. Rights and duties of the liquidator

The liquidator's rights and duties, in case the ordinary partnership is dissolved, are the following:

1. Give written notice of the dissolution to the creditors of the ordinary partnership to claim their debts and declare it to the public through any appropriate means of mass media within ten working days from the date of having the ground for such dissolution;
2. Collect all assets and create an inventory of the property and a balance sheet;
3. Continue to wind up pending affairs;
4. Get payment for his/her performance of duties borne by the ordinary partnership as agreed;
5. Undertake necessary measures to protect property, claim to fully get back debts, and sell or transfer the property of the ordinary partnership;
6. Submit the balance sheet to an auditor to approve its authenticity;
7. Report on the properties collected and on the result of work to the creditors concerned, the partners or the court in case the liquidator has been appointed by the court;
8. Convene the creditors and partners meeting, at least one time within six months, to approve or make decisions on necessary issues;
9. Perform duties as assigned by the partners and the creditors meeting;
10. Quarterly submit the balance sheet to the registrar;
11. Make payment of debts to creditors and distribute the residual assets to the partners;
12. Perform mediation duties or take legal action in the court on behalf of the ordinary partnership;
13. Report to the partners or the court in case the liquidator has been appointed by the court, if he/she has found that the ordinary partnership's, including the partners', properties are insufficient to pay the debts. In case the ordinary partnership is unable to solve its insolvent situation, the liquidator may bring a bankruptcy action to the court.

After the court has made a decision for the bankruptcy of the enterprise as specified in subparagraph 13 as mentioned above, the bankruptcy proceeding shall be based on the Enterprise Bankruptcy Law. In this case, the rights and duties of the liquidator shall be terminated when all liquidation tasks have been transferred to the attachment committee.

Article 63. Performing duties of multi-liquidators

Performance of the duties of multiple liquidators shall be based on majority voting by counting one person as one vote, except where each liquidator has been assigned to perform a different duty, but each of the former shall notify the registrar within ten working days from the date having such appointment.

The restrictions for the liquidator have no effect on outside persons.

Article 64. Priority in the payment and distribution of debts

Payment and distribution of debts shall be executed according to the following priorities:

1. Employees' salaries;
2. Debts to the State that do not arise from a contract between the State and an individual as determined in paragraph 4 of the Security Law;
3. Secured debts;
4. Unsecured debts;
5. Debts of the ordinary partnership owed to partners as described in paragraphs 4 and 5, Article 39 of this Law;
6. Distribution of the profit or division of the losses among the partners;
7. Return of capital contributions to partners, of which the contribution in labor is not compensable, unless there is a contract between the partners at the time of such contribution that agrees to compensate it.

Article 65. Duty of the liquidator after liquidation

After completion of the liquidation process the liquidator shall:

1. Prepare the statement and summary on the distribution of property and on the payment of debts and submit them promptly to the creditors and partners meetings for adoption;
2. Notify the public on the distribution of property and payment of debts within ten working days from the date the distribution of properties and payment of debts is completed;
3. Hand over all liquidation documents to the ordinary partnership concerned and register the completion of the liquidation with the enterprise's registrar.

Article 66. Responsibility of the liquidator

The liquidator shall be responsible for his/her conduct as follows:

1. Any conduct causing damage to the ordinary partnership or to an outside person by intention or by gross-negligence during performance of duties assigned. Gross-negligence means negligence in refusing to act or in acting when he/she knows that it is a mistake or should know the damaging consequences of such action.

2. Conduct toward the principal and outside persons as described in the law concerned.

Article 67. Notification of the dissolution and permanent withdrawal of enterprise registration

The liquidator shall give notice of the permanent dissolution of the ordinary partnership to the registrar concerned within ten working days from the date of notifying the public as stipulated in subparagraph 2 Article 65 of this Law.

The registrar concerned shall erase the name of enterprise as specified in paragraph 1 above from the enterprise registration book and give notice of such nullification to the public within ten working days from the date of the nullification.

The legal entity of the ordinary partnership is terminated from the date the court makes a decision for the permanent dissolution of the enterprise.

The dissolution of the ordinary partnership resulting from bankruptcy or merger does not require registration for dissolution.

Article 68. Liabilities of the ordinary partnership's partners

All partners shall jointly be liable for the debt of the ordinary partnership remaining unpaid for three years from the date on which the court has made a decision for its permanent dissolution.

The court, in the case of paragraph 1 above, is entitled to appoint a liquidator for carrying out the liquidation process until the debts have been paid.

SECTION 3

LIMITED PARTNERSHIP

A. General principles and enterprise registration

Article 69. Liability of partners

A general partner is unlimitedly liable for the debts of the limited partnership.

A limited partner is liable for the debts of the limited partnership not exceeding his/her unpaid portion of the shares.

In the establishment period during which the limited partnership has not been registered, all partners of the limited partnership are unlimitedly liable for the debts of the partnership.

Article 70. Notification for enterprise registration

Applications giving notice of the enterprise registration of a limited partnership shall comply with the Article 38 of this Law.

B. Relation of limited partner to limited partnership and outside persons

Article 71. Capital contribution

A limited partner may contribute capital to the limited partnership in cash or in kind; but labor contribution is not allowed. A limited partnership's shares are not necessarily of equal value.

The method and time of capital contribution shall be based on all partners' decisions in the limited partnership.

Article 72. Transfer of shares

A limited partner may transfer his/her shares without the consent of other partners. The transfer of such shares may be effective with respect to outside persons if notice of it is given to the registrar and registered.

A limited partner may solve any problem facing him/her subject to the provisions below:

1. Death of partner, the heirs of the deceased partner are entitled to replace him/her, unless otherwise agreed;

2. Bankruptcy of a partner, the share of the bankrupt partner must be sold and handed over to the liquidation committee

as determined in the Law on Enterprise Bankruptcy. Selling of the bankrupt partner's share leads to removal of such partner from being a partner of the limited partnership; however, the limited partnership remains in existence to continue business operations;

3. Incapacity of a partner, the guardian of such partner shall take care to manage his/her interests, except as he/she has previously agreed otherwise.

Article 73. Liabilities of a limited partner interfering in the limited partnership management

A limited partner is not entitled to be the manager or general partner except he/she has been appointed by the general partner.

In case the limited partner acts as the manager without having been appointed there may be consequences as in each case below:

1. Be unlimitedly liable for damage to the enterprise and outside persons caused by his/her action;

2. In case such action has been supported or ratified or assigned by the limited partnership or the former knows but does object in order to stop the action, the limited partnership shall jointly be liable for damages to an outside person.

A limited partner interfering in the limited partnership management as mentioned in the subparagraphs above shall only be unlimitedly liable to outside persons, but his/her limited liability to the limited partnership remains unchanged.

Article 74. Effect of permission to use the name

The enterprise name of the limited partnership may be comprised of the names or family names of the general partners.

A limited partner who allows the limited partnership to use his/her name whether expressly or impliedly shall be unlimitedly liable for the debts of the limited partnership to outside persons, but his/her limited liability to the limited partnership remains unchanged.

Article 75. Dividend or Interest

The limited partner is entitled to receive dividends or interest in the portions or amounts as agreed, according to the profits made by the limited partnership, except when the limited partnership suffers losses or its capital is reduced by cumulative losses.

Distribution of dividends or interest shall be made at the end of the year as fixed in the Enterprise Accounting Law.

Dividends or interest that has been validly paid by the limited partnership can not be called for return.

Article 76. Rights and duties of limited partners

The limited partner has the following rights and duties:

1. Instruct, give advice and enquire of the manager regarding the limited partnership's business activities;

2. Be, if he/she is appointed, a liquidator of the limited partnership;

3. Appoint or dismiss the manager unless otherwise agreed;

4. Vote for the amendment of the bylaws and for dissolution of the limited partnership. The method of voting shall clearly specify in the limited partnership's bylaws;

5. Freely carry on any legitimate business, whether such business is similar or of the same nature as that of the limited partnership.

Enjoying the rights and implementing the duties as mentioned in subparagraph 1 to 5 of this Article are not considered as interference with the management of the limited partnership as stipulated in the Article 73 of this Law.

Article 77. Application of the provisions of the ordinary partnership

In addition to the provisions as determined in this Section 3 Part IV, provisions such as enterprise registration, internal and external relation of the enterprise, merger, dissolution and liquidation of enterprise shall apply based Section 2 Part IV of this Law.

**PART V
COMPANIES**

**SECTION 1
GENERAL PRINCIPLES OF COMPANIES**

Article 78. Shareholders of a company

A contributor of a company's capital is called a "shareholder".

The shareholders are responsible for the company's liabilities not exceeding the value of the unpaid portion of their shares.

A company may have may one or more shareholders.

A shareholder or promoter of a company may be a natural person or a juristic person.

Article 79. Status of legal person and branch of company

The company's legal entity status and branch is the same as legal entity and branch of the partnership as described in Article 34 and Article 35 of this Law.

Article 80. Group company

A company purchasing another company's shares sufficient to control the management power of that company is called a "group company".

A company that has its management power controlled by another company is called an "affiliate company".

The level of controlled management power that is prohibited shall be based on the relevant law or regulation.

Article 81. Company's contract of incorporation

A company's contract of incorporation shall be made in writing and comply with the Contract law of the Lao PDR.

A company's contract of incorporation shall have the main contents as below:

1. Enterprise name;
2. Business objectives;

3. Name and address of headquarters and branch, if any;
4. Stated capital classified into value, amount of shares, kind, cash, common shares or preferred shares;
5. Name, address and nationality of the company's promoters, including the amount of shares subscribed by each;
6. A statement of the director's right to be unlimitedly liable for the debts of the company. The unlimited liability of the director as specified in this subparagraph shall terminate at the expiration of one year after the date on which he ceased to hold office;
7. Names and signatures of promoters.

The stated capital as mentioned in subparagraph 4 of this Article is the company's registered capital.

A company having one shareholder does not need to have a company contract of incorporation.

Article 82. Company's bylaws

The bylaws of company shall have the main contents as below:

1. The items described in subparagraph 1 to 6 Article 81 of this Law;
2. Method of profit or dividend distribution;
3. Method and term for share contribution;
4. Management;
5. Meetings and resolutions;
6. Dispute settlement;
7. Dissolution and liquidation.

The contents mentioned in subparagraph 1 of this Article shall be included in the application for enterprise registration. Besides these, the company may include additional contents in the application.

The company's bylaws shall have the director's signature.

Article 83. Alteration of the contract of incorporation and the bylaws

Alteration of the contract of incorporation and the bylaws of the company shall be made by special vote of a shareholder meeting as stipulated in Article 144 of this Law.

A shareholder meeting's resolution on amendment and alteration of company's contract of incorporation or the bylaws shall be registered with the registrar concerned within ten working days from the date the shareholder meeting's resolution is made.

SECTION 2 LIMITED COMPANY

A. General principles and establishment

Article 84. Limited company's holding of shares

A limited company may be a shareholder of other companies or a partner of partnerships, but [such shareholding] shall not be [based on] the treasury stock of the other company itself.

Article 85. Having shareholders less or more than the number fixed

A limited company having as shareholders more than thirty persons may continue to maintain its limited company's status, but this can be done by only special voting as described in Article 144 of this Law.

In case the limited company does not require maintaining the limited company's status or does not have sufficient votes for maintaining it as mentioned in paragraph 1 of this Article, [the limited company] shall alter the contents of its enterprise registration as consistent with the establishment procedure and principles of a public company or dissolve.

A limited company with only one remaining shareholder shall change its name to be a "sole limited company" and carry on as specified in J, Section 2 Part V of this Law or dissolve.

Article 86. Establishment of a limited company

Establishment of a limited company shall follow the steps and conditions below:

1. There must be at least two promoters who shall jointly make and sign a contract of incorporation and give notice of it to the registrar where the limited company's head office is to be located;

2. After notification of the contract of incorporation as said in subparagraph 1 of this Article, they shall arrange for subscription of all

shares. It is prohibited to arrange for people to subscribe the shares by openly selling the shares to the public. A person who subscribes a limited company's shares is called a "subscriber of the shares";

3. Hold a statutory meeting;

4. The promoter hands over all business to the company's director appointed in the statutory meeting;

5. The company's director calls on the promoters and subscribers for full payment of the shares as stipulated in paragraph 1 Article 96 of this Law;

6. After the subscription for payment has been fully made as mentioned in subparagraph 5 of this Article, the director must register the company within thirty days from the date of having such full payment.

Article 87. Promoters of a limited company

A promoter is a person who initiates establishment of any limited company; he/she is not an agent of the limited company and must hold at least one share.

The main duty of a promoter is to arrange all business for establishing a limited company until the statutory meeting is held.

Article 88. Promoter's liability to subscribers

The promoters must be liable to the subscribers for any conduct as follows:

1. Business operation in his/her own interests;

2. Concealment of income or expenses relating to the limited company's establishment;

3. An expense or contract that does not fall in the scope of the limited company's objectives for its establishment;

4. Overvaluation of his/her own assets;

5. Other responsibilities as described in this Law.

The promoters shall compensate and solve problems concerning damage arising from the conduct mentioned above.

Article 89. Promoter's liability to outside persons

The promoters shall be jointly and unlimitedly liable for contracts with outside persons that he/she/they have made during the establishment of the limited company or expenses related to the limited company's creation, if such contracts or expenses are not be ratified or are ratified by the statutory meeting but the limited company fails to get enterprise registration.

Article 90. Rights and duties of the statutory meeting of limited company

The statutory meeting has the following rights and duties:

1. Ratify the bylaws of the limited company;
2. Ratify the limited company's contract of incorporation and other contracts related to the establishment of the limited company that the promoters have signed with outside persons including for the promoter's expenses for the creation of the limited company;
3. Agree on the common shares and preferred shares, if any;
4. Elect the first directors of the limited company.

The promoters must, ten working days before the day for opening the statutory meeting of the limited company, send all subscribers a report on the establishment along with a list of share subscribers, their addresses and the number of shares that have been subscribed by each.

Article 91. Resolution of the statutory meeting

The resolution of the statutory meeting is effective only when there are votes cast of more than half of the promoters and subscribers that shall represent not less than half of the total number of shares. The resolution shall be voted as one share equals one vote.

A promoter or subscriber is not entitled to vote for a matter in which he/she has a special interest in a resolution except for the voting to elect the directors of the limited company.

The statutory meeting shall decide on the matters of which a promoter or subscriber has a special interest or related direct interest.

Article 92. Notification of enterprise registration

Application documents giving notice of the registration of the limited company consist of:

1. Application and contract of incorporation of the limited company;
2. Report of the statutory meeting of the limited company;
3. Bylaws.

The application for registration shall be signed by the director.

Article 93. Responsibility of a director for the default of registration

The registrar must reject registration [of a limited company] if the period as specified in subparagraph 6 Article 86 of this Law has expired, except if the default of registration results from a ground that is not the fault of the director or if the shareholders have voted to continue the registration by a number of votes more than four-fifths (4/5) of the contributed shares.

In case the limited company has not been registered, the director shall return all shares to the subscribers within three months from the date the registrar has rejected registration thereof.

After three months, if the director who fails to fully return the shares to subscribers shall be liable to return the remainder of shares along with interest based on the banking rate for credit at the time of such share return, except for any director who can prove that he/she has not defaulted in the registration and share return thereof.

B. Shares and share certificates of a limited company

Article 94. Shares

A share of a limited company shall not be less than two thousand kip.

Each share of a limited company may be owned by one or more shareholders by assigning one person to exercise the right as shareholder of the limited company but all are jointly liable to the limited company for the unpaid portion of the share.

Shares of a limited company may be contributed in cash or in kind. The share contributed in kind shall be evaluated in cash by two thirds of the votes of the promoters and subscribers in the statutory meeting unless otherwise provided. Share contributions other than in kind and cash shall be agreed on in the statutory meeting of the limited company.

A limited company may have two types of shares, namely common shares and preferred shares.

Article 95. Share value and share issue for less or more than the value

A limited company's share value shall be stated in the contract of incorporation. The share value as such is called the "stated value".

A limited company is not entitled to issue shares for less than the value specified in paragraph 1 above except in a case when the limited company reduces its capital as determined in Article 112 of this Law. The restriction as said in this paragraph is not applied to a shareholder's purchase and sale prices for a share.

Increase of a limited company's share value can be done only by complying with Article 110 of this Law.

Article 96. Contribution of shares prior to enterprise registration

Contribution of shares prior to enterprise registration means the shares are required to be contributed after the statutory meeting of the limited company as described in subparagraph 5 Article 86 of this Law. With respect to contribution of shares in this case, a subscriber shall fully contribute his/her shares if they are in kind and at least seventy percent of the value of shares subscribed if they are in cash.

After registration of the enterprise, the director of the limited company may call for payment at any time for the remaining shares unless otherwise provided in the bylaws of the limited company.

Article 97. Contribution of shares after enterprise registration

Calling for payment of shares as stipulated in paragraph 2 Article 96 of this Law, the director of the limited company shall call each shareholder to pay according to the portion of shares he/she holds by

giving written notice on the period and the amount of money required to be paid by the shareholder within thirty days.

Payment of shares as said above or payment of shares in other cases such as an increase of capital as stipulated in Article 110 of this Law, shall be made in cash and it is not permitted to offset debt with the limited company, unless such payment has been approved by special vote of the shareholders meeting.

Article 98. Effect of default in payment

The shareholder failing to pay the shares upon their becoming due for the first call as notified by the director of the limited company shall pay interest for the unpaid portion based on the banking rate for credit at the time of payment, calculated from the date the notification is received and such shareholder shall have voting rights in the shareholders meeting corresponding to the amount of his/her paid shares.

If a shareholder fails to pay both the shares and the interest thereon upon becoming due for the second call, the director is entitled to sell such shares according to the priorities determined in subparagraphs 1 to 4 Article 111 of this Law, with a view to paying up both the shares and the interest to the limited company. Any excess amount from paying up as such shall be returned to the shareholder concerned.

In case the amount of share selling as mentioned in paragraph 2 of this Article is not sufficient, the director is entitled to call for full payment or otherwise the limited company may refuse to register share transfers or suspend the voting rights of the shareholder concerned in the shareholders meeting.

Article 99. Rights and duties of common shareholders

The owner of a common share is called a “common shareholder”. The common shareholders have the following rights and duties:

1. Present opinions on the business of the limited company;
2. Participate in the activities of the limited company;
3. Pay the shares when due;
4. Fully protect his/her interests;
5. Receive information and inspect documents as specified in the bylaws of the limited company;

6. Bring law suits against directors, officers and employees of the limited company who cause damage to his/her interest;
7. Be liable for the value of [his/her] shares remaining unpaid;
8. Have a preemptive right over outside persons when shareholders of the limited company transfer or sell shares;
9. Elect or dismiss the director of the limited company;
10. Receive the residual assets, in the case of the dissolution of the limited company, distributed after liquidation;
11. Receive dividends in proportion to shares they contributed;
12. Exercise other rights and duties prescribed by law.

The distribution of dividends and assets as described in subparagraphs 10 and 11 of this Article can be made only after the preferred shareholders and creditors of the limited company have been paid.

Article 100. Rights and duties of preferred shareholders

The owner of a preferred share is called “preferred shareholder.” The preferred shareholders have the following rights and duties:

1. Rights and duties as prescribed in subparagraphs 1 to 6 of Article 99 of this Law;
2. A preemptive right to receive the residual assets and dividends over a common shareholder. The dividends received may be in fixed amount or in percentage of the shares as agreed by shareholders;
3. Other preferred rights. Alteration or modification of such preferred rights shall be stipulated in the bylaws of the limited company;
4. Be able to withdraw their shares provided that the limited company is in a profitable state or the preferred shareholders may seek a person to buy their shares after the limited company refuses to buy such shares, unless otherwise agreed.

In case the limited company agrees to buy the shares as prescribed in subparagraph 4 of this Article, the price of the purchase shall be the price stated [in the share certificate] or the price as agreed [by shareholders].

Preferred shareholders are not entitled to elect directors of the limited company.

Article 101. Issuing the share certificates of a limited company

The director, within thirty days from the date of registration of the limited company, shall issue share certificates to shareholders. Each share certificate shall be signed by the director and shall bear the limited company's seal.

A share certificate shall have value at least equal to the value of one share.

There are two types of share certificate for the limited company, namely, registered share certificates and bearer share certificates.

Article 102. Registered share certificates

A registered share certificate shall have the following main contents:

1. Reference number of the share certificate;
2. Name of the limited company;
3. Name of the shareholder;
4. Amount of the shareholding of the shareholder;
5. Value of a share;
6. Unpaid value of the share and the term for payment, if this can be identified;
7. Director's signature and seal.

A registered share certificate may be issued for of unpaid shares. A registered share certificate may be converted to a bearer share certificate provided that the shareholder has fully paid his/her shares and has registered for cancellation of such share certificate.

In case it is stipulated in the bylaws of the limited company that a director must hold a certain number of shares of the limited company, the director has the obligation to hold only registered share certificates.

Article 103. Bearer share certificate

A bearer share certificate is a negotiable instrument may be issued only by complying with the following requirements:

1. Be a fully paid share certificate;

2. There is a statement appearing in the bylaws that the limited company is entitled to issue such type of share certificate.

The contents of a bearer share certificate are similar to the contents of a registered share certificate, except for the contents relating to the name of the shareholder and the unpaid value of the share.

A bearer share certificate may be converted to a registered share certificate by cancellation of such share certificate and issuance of a registered share certificates to replace it.

Article 104. Transfer of shares

Transferring a bearer share of a limited company can be made by handing over such share certificate to another.

Transfer of a registered share [certificate] can be made only when:

1. It complies with the provisions on the restrictions for transfer of shares as provided in the bylaws of the limited company;

2. It is not in contradiction with the restrictions prohibiting share transfer by law;

3. It is based on the transfer of shares by law;

4. It has been made in a writing that shall contain the reference numbers of the share certificates transferred, the names and signatures of the transferor and transferee followed by the names and signatures of transferor's and transferee's witnesses, with at least one person for each side;

5. It has been registered for transfer. In case there is an intention to transfer a share to an outsider, such share shall firstly be offered for sale to the limited company's shareholders, and secondly, registered for transfer with identification of the transferee's name and address in the registration for the transfer.

The director of the limited company may reject registration for transfer of a registered share if such share has not been fully paid.

In case the limited company has registered the transfer of shares as described in paragraph 3 above, the transferor remains liable to the creditor for the unpaid portion of share he/she has transferred.

Article 105. Transfer of shares by law

Transfer of shares by law is the transfer of shares resulting from transfer as mentioned in paragraph 2 Article 98 and paragraph 3 Article 108 of this Law or transfer resulting from the death, bankruptcy, or other circumstances of a shareholder.

A person who has received a transfer of shares by law shall present full and valid evidence relating to the acquisition of the shares transferred together with the share certificates to the limited company concerned for issuance of new share certificates and registration of the new shareholder of the limited company.

Article 106. Restrictions on transfer of shares by law

Transfer of shares by law has the following restrictions:

1. Restrictions as prescribed in paragraph 3 Article 98 of this Law;
2. Restrictions on transfer of share by other laws such as: restriction on shareholding by foreigners, permanent residents or persons without nationality in particular types of business, if any;
3. Transfer of shares during attachment of the limited company's assets;
4. Transfer of shares during the period the register book of shareholders is closed, if this has been agreed by shareholders or specified in the bylaws of the limited company.

Article 107. Register book of shareholders

The register book of shareholders consists of the main contents below:

1. Name, address and nationality of the shareholder;
2. Number of shares, value of shares, reference numbers of share certificates classified into the types of registered shares and bearer shares;
3. Value remaining unpaid for the type of registered shares;
4. Date, month, year registered as a shareholder of the limited company;

5. Date, month, year of cancellation from being a shareholder of the limited company.

The register book of shareholders shall be kept in the office of the limited company for the availability of shareholders to inspect at an agreed time.

The director of the limited company shall, no later than the date of 25 December of every year, send a copy of the register book of shareholders for each alteration or at least once every year, if there is no alteration, to the registrar concerned.

Article 108. Voidness of the transfer of a registered share

The transfer of a registered share may be void if such transfer violates the requirements prescribed in paragraph 2 Article 104 of this Law.

The transferee, in the case of voidness of shares transferred, does not become a shareholder of the limited company the share of which has been transferred until [the case] is solved correctly. The share transferor in this case remains the owner of the shares transferred.

A transferee who has possessed a share in good faith for more than two years without any complaint or objection, is entitled to be the lawful owner of such share.

Article 109. The responsibilities of transferor and transferee of a share

The transferor of share shall be liable to creditors for the amount remaining unpaid in these cases:

1. As described in paragraph 4 Article 104 of this Law;
2. The share transferred has been called for payment;
3. The transferee of shares cannot pay for the amount of unpaid shares.

The responsibility of the transferor of shares is the responsibility to the creditor and such responsibility shall terminate after one year from the date of registration of the transfer of shares. The transferee obtains all rights, duties and obligations attaching to the share transferred.

C. Increase or reduction of capital of a limited company

Article 110. Increase of capital

A limited company may increase its registered capital by issuing new shares or increasing the value of each share.

Increases of registered capital shall be approved by special vote of the shareholders meeting as specified in Article 144 of this Law.

Article 111. Offering additional shares for sale

Offering additional shares for sale shall comply with the order of priority below:

1. Offer to shareholders of the limited company according to the proportion of shares they hold by giving them written notice that specifies the date for reply. A shareholder who is in default of reply or replies later than the specified date shall be deemed as having waived his/her rights;

2. Offer to the shareholders of the limited company who are interested in buying the shares offered after the specified date has lapsed or shareholders rejecting to buy the shares in their portion;

3. The director is entitled to buy the shares remaining from the sale as mentioned in subparagraph 2 of this Article;

4. Offer to outside persons. Methods and procedures for transfer of shares shall be stipulated in the bylaws of the limited company.

The measures prescribed in Article 98 of this Law shall be applied to the subscriber who fails to pay for additional shares by the date specified.

Article 112. Reductions of capital

Reductions of the registered capital of the limited company can be done by reducing the value of each share or the number of shares. Reductions of the registered capital shall comply with the following requirements:

1. The value of a share shall not be reduced to less than one thousand kip;

2. The capital remaining after reduction shall not be less than half of the registered capital and the minimum capital fixed for the relevant sector as provided in Article 20 of this Law ;

3. Reductions of registered capital can be made only by special resolution as said in the Article 144 of this Law;

4. The creditor of the limited company has no objection to the reduction of such capital.

Article 113. Notification to creditors

Notification to the creditors for expressing objection shall be carried out as follows:

1. Give written notice to all creditors of the limited company by specifying the purpose of the capital reduction, the value of shares or the number of shares reduced. The reply period for objections shall not be less than two months from the date the notification is received. A creditor who fails to reply within the mentioned period shall be deemed to have no objection;

2. Advertise through any mass media at least ten times by giving notice of the period for reply and the contents as stipulated in subparagraph 1 of this Article.

Article 114. Objection and responsibility for notification

The objection of any creditor may cause the limited company not to be able to reduce its capital, except [after] such creditor's debts have been paid.

If any creditor has not received the notification for reduction of capital by the fault of the limited company, the limited company shall pay the debt to that creditor within no more than one year from the date of the shareholders meeting that has adopted the resolution for reduction of capital.

In case it is the fault of the creditor it shall be deemed that the creditor has no objection.

Article 115. Registration of increase or reduction of capital

A limited company having an increase or reduction of capital as specified in this Part C shall register for such with the registrar concerned as follows:

1. The registration for an increase of capital shall be made within ten working days from the date determined for payment of the

additional shares subscribed;

2. The registration for a reduction of capital shall be made within ten working days from the date of having no objection or from the date of having paid the debts for the creditor who has objected to the capital reduction.

The limited company, after registration of the increase or reduction of capital, shall notify the public through the mass media at least one time within ten working days from the date of such registration.

The application for registration of capital alteration shall consist of a list of the names of shareholders whose share values or number of shares have increased or decreased, nationality, address, numbers of the share certificates and the number of shares held.

D. Director and board of directors of a limited company

Article 116. Director

A director is an agent of the limited company. The relationship between the director, the limited company and outside persons shall be based on the law concerned.

A director of the limited company has no salary but receives an annual honorarium and remuneration for each meeting at the rate or in the amount agreed upon by the shareholders meeting, except for a director appointed from outside persons or as otherwise agreed.

All activities of the director shall be within the scope of the powers and duties as described in the bylaws of the limited company and shall be under the supervision of the shareholders meeting.

A limited company may have several directors depending on the need of the limited company.

If a limited company has several directors but assigns one of them to solely have power to engage in making contracts in the name of the limited company, such a director is called the “Executive Director.”

In case the president of the board of directors is simultaneously appointed to be the Executive Director, such person will be called the “President Director.”

Article 117. Qualifications of a director

A director of the limited company shall have the following qualifications:

1. Not be a juristic person;
2. Be a person with full capacity;
3. Not be a bankrupt person who has not passed the restricted period for conducting business as posed by the court's order;
4. Has never been in prison for a crime relating to fraud or embezzlement.

Article 118. Appointment or removal of a director

A director is appointed according to the cases below:

1. The first director is appointed by the statutory meeting of the limited company;
2. A subsequent director is appointed by the shareholders meeting;
3. The post of a director vacant between two shareholders meetings shall be filled by the meeting of the board of directors. The appointment of the mentioned director, in the case the limited company has no board of directors, shall be stipulated in the bylaws.

A director of a limited company is dismissed by the shareholders meeting regardless of how the director has been appointed.

The dismissal of a director may be executed at any time if there is sufficient ground for such action, including mistrust.

A shareholder or the board of directors of a limited company is not entitled to bring a law suit to the court for the appointment or removal of a director, except when the appointment or removal violates the procedure as determined in this Law or the bylaws of the limited company.

Article 119. Method of voting for appointment or removal of a director

Voting for the selection or removal of a director may be executed by two methods, namely, cumulative voting and straight voting.

Cumulative voting means the permission for each shareholder to

multiply the number of shares he/she holds by the number of candidates to be elected then casting his/her votes for a candidate or several candidates that he/she elects to be a director. The counting of votes shall regard one share as one vote. The candidate for whom the most votes are cast shall be elected as a director.

The dismissal of a director elected by cumulative voting can be done only when there is a number of objecting votes equal to the number of votes cast for the selection of such director.

Straight voting is voting for election of only one director by casting votes of one share equal to one vote.

The elected candidate as mentioned in paragraph 4 of this Article is a person who has votes cast for him/her by more than half of [the votes of] shareholders and representatives of the shareholders attending the meeting. The dismissal of the director in this case shall proceed by the same method as when he/she was elected.

Article 120. Number and term of office of directors

The number of directors of the limited company may be one or several persons as stipulated in the bylaws or as agreed in the shareholders meeting.

A director of a limited company has a two year term and can be reappointed.

The term of a director appointed in accordance with subparagraph 3 Article 118 of this Law shall be equal to the remaining term of the director replaced by the appointment thereof.

Article 121. Liabilities of a director

The director shall be liable for following conduct:

1. Violating the scope of business purpose as prescribed in the bylaws or contract of incorporation of the limited company;
2. Violating the bylaws of the limited company;
3. Acting beyond the scope of power and duties assigned;
4. Non-performance of the rights and duties assigned;

Any director may be released from liability if it is proved that he/she has not been involved in the violation thereof or has objected to the resolution on such misconduct stated in the record of the meeting.

A shareholder must return money in the proportion that director has paid in violation of the bylaws of the limited company.

The civil liabilities of the director to outside persons shall correspond with the laws.

Article 122. Liability for misconduct of directors

The limited company shall be liable for the misconduct of a director when any misconduct has been adopted by the shareholders meeting as prescribed in subparagraphs 1 to 4 Article 121 of this Law.

[In case of] a violation of the scope of power and duties assigned to the directors, officers or employees that is not a violation of the scope of business purpose of the limited company, the latter shall be liable to outside persons. The internal liabilities among the limited company and directors, officers or employees of the limited company shall be executed in accordance with the laws concerned.

Article 123. Measures against a director's misconduct

The limited company shall take measures against a director who commits misconduct as specified in Article 121 of this Law. The detailed measures against the director shall be stipulated in the bylaws of the limited company.

In the case the limited company has not taken any measures as described in paragraph 1 of this Article, one or more shareholders, whose shares account for four percent of the total contributed shares of the limited company may notify in writing the limited company to fine or suspend [the director involved in] such conduct.

[In case of] failure to act or improper action by the limited company against the violating director, the mentioned shareholder is entitled to, on behalf of the limited company, bring a law suit for the court's decision to fine or suspend such misconduct of the director concerned.

Article 124. Performance of a director's duties in the name of limited company

The performance of the duties of a director is classified into two types, namely, the performance of the duties as an agent of the limited company and the performance of specific duties (performing duties as an individual).

The performance of duties as an agent of the limited company shall comply with the laws concerned. This provision shall similarly apply to the officers or employees of the limited company.

Performance of the specific duties of the directors includes:

1. Managing the business of the limited company to properly operate as specified in the contract of incorporation, the bylaws and the resolutions of the shareholders meeting;

2. Call for payment of shares in the amount and period of time as specified;

3. Managing and using the capital of the limited company in compliance with its purposes;

4. Setting up the accounting books, maintaining and keeping all of the limited company's documents;

5. Cooperating with the auditor in explaining the authenticity and the source of data and information appearing in the balance sheet before submission to the shareholders meeting for approval;

6. Circulating copies of the balance sheet to shareholders and keeping some copies for shareholders with bearer shares to inspect when requested;

7. Distributing dividends in a proper manner;

8. Administering and using the officers or employees of the limited company;

9. Informing the limited company of his/her interests, whether direct or indirect, relating to any contracts, or increase or reduction of shares held by him/her in the limited company or in its affiliate company that have occurred within the accounting year.

Article 125. Restrictions on a director

It is prohibited for the director to conduct a business that has the following competing character with the limited company:

1. Operate the same or a similar business as the limited company, whether such operation is for his/her own interest or for the interest of another person, unless otherwise agreed by the shareholders meeting;

2. Be a partner of an ordinary partnership or a general partner of a limited partnership that conducts the same or similar business with

his/her limited company, unless otherwise agreed by the shareholders meeting;

3. Conduct any business with his/her own limited company whether such operation is for his/her own interest or for the interest of another person, unless otherwise agreed;

4. Borrow the limited company's money by himself/herself, or by his/her family's member or close relatives, except as otherwise stipulated in the bylaws of the limited company. These restrictions apply to the officers and employees of the limited company.

In the case of violation of the restrictions mentioned in this Article, the measures stipulated in the Article 123 shall be applied.

Article 126. Liability to outside persons in appointment of a director

A director who has been appointed in contradiction to the bylaws of the limited company or to his/her qualifications or other reasons can not be set up as grounds for exoneration from the responsibility toward an outside person.

Article 127. Termination of directors

A director of a limited company may be terminated on any of the following grounds:

1. The term of office ends;
2. A shareholders meeting votes to remove [him/her];
3. There is a decision of the court as specified in paragraph 4 Article 118 of this Law;
4. The director dies, becomes bankrupt or incapacitated, resigns or lacks qualifications as described in Article 117 of this Law.

After termination and the appointment of a new director has been done, the limited company shall notify the registrar concerned to register such alteration within ten working days from the date the new appointment is made.

A new alteration shall become effective for outside persons only when such alteration has registered as described in paragraph 2 of this Article.

Resignation of a director shall be effective from the date the director's notice for resignation is received by the limited company.

The board of directors shall, in the case all of its members are terminated from office, continue to carry out the necessary tasks until the new board of directors has replaced it except as otherwise ordered by the court as prescribed in subparagraph 3 of this Article.

Article 128. Registration book for directors

A registration book for directors is composed of:

1. Name, nationality, date month year of birth and address of directors;
2. Types of share, values, reference numbers of share certificates and numbers of shares held by each director;
3. Date, month and year of being elected to be directors.

The registration book of directors and report on the shareholders meeting must be kept in the headquarters of the limited company to be made available for shareholders to see or inspect.

Article 129. Board of directors

A limited company having two directors may set up a "board of directors" unless otherwise agreed. A limited company with assets more than five billion kip shall have a board of directors and an auditor.

The board of directors conducts its activities based on the principles and means as prescribed in the bylaws of the limited company. In case the bylaws of the limited company have not stipulated the matters thereof, the board of directors shall conduct its activities as said in Articles 131 to 134 of this Law.

The board of directors carries on its activities by dividing its tasks among each of the directors.

The board of directors shall have a president and may [choose] not [to] have a vice president.

Article 130. Rights and duties of the board of directors

The rights and duties of the board of directors are the following:

1. Be the focal point [of the limited company] and regulate the activities of the directors;

2. Fill any director vacancy between two ordinary shareholders meetings;
3. Make the plan of the limited company's business activities and submit it to the shareholders meeting for approval;
4. Perform other rights and duties as stipulated in the bylaws of the limited company.

Article 131. Quorum of the board of directors

A quorum of the board of directors is subject to the decision of the board of directors itself but shall not be less than half of the total number of directors. In case there are only two directors, the quorum shall be two persons.

[If there is a] vacancy in office of any director but the number of directors necessary to form a quorum is sufficient, the board of directors may continue to conduct its activities until a new director has been appointed for replacement.

In case the number of non-vacant directors is lesser than the number necessary to form a quorum as determined in paragraph 1 of this Article, the board of directors can not continue to conduct any activities except an activity for the purpose of increasing [its membership] to the full number of directors.

Article 132. President and vice president of the board of directors

The president and vice president are elected from the directors.

The president of the board of directors leads the board of directors meeting, shareholders meeting and performs other rights and duties as determined in the bylaws of the limited company.

The vice president of the board of directors performs duties to assist the president as assigned.

The president who can not attend the board of directors' meeting or the meeting of shareholders shall empower any vice president to chair the meeting thereof. In case there is no or there is a vice president but he/she can not attend such meetings, [he/she] shall select any director to

be the chairperson for that meeting.

The chairperson of the shareholders meeting for a limited company that has no board of directors shall be any director elected to chair the meeting thereof.

Article 133. Convening the board of directors meeting

Any director is entitled to convene a meeting of the board of directors.

A director shall attend the meeting by himself/herself. It is prohibited to allow another person to attend the meeting, except such person as has been unanimously agreed by the other directors. A proxy or representative may raise opinions but he/she is not entitled to vote.

If it is necessary, the board of directors may hold a meeting, the so called “informal meeting” through any means of media.

Article 134. Resolutions and the record of the board of directors meeting

A resolution of the board of directors meeting will be effective only when there are more than half of the votes of the directors attending the meeting. A director shall have one vote.

The president of the board of directors, as a director, votes the same way as other directors do. If the result for such voting is equal, the president has the right to make one more vote for the decision.

A director who has a special interest or related direct interest in the resolution to be voted shall not be allowed to vote.

The voting for resolutions of informal meetings shall be stipulated in the bylaws of the limited company by describing in detail the voting methods while using any means of media.

Each board of directors meeting shall have a record or report on the meeting. The record of the board of directors meeting shall be kept in the headquarters of the limited company to be available for the shareholders to see or inspect, except documents or information that are considered as trade secrets or the competitive strategy of the limited company.

Article 135. Officers and employees of limited company

The limited company's officers consist of a manager, secretary, accountant and other officers.

The limited company's officers are appointed or removed by the board of directors or the director if the limited company has no the board of directors. Employees of the limited company are hired or fired by the manager.

The limited company's officers receive salaries. The employees receive wages as their return. The officers' rates of salary and employees' wage shall be approved by the shareholders meeting of the limited company.

The limited company's officers and employees shall perform their rights and duties as authorized.

The relations between directors and officers and between the director and employees of the limited company shall be based on the laws concerned.

Hiring and assigning duties must be made in writing by specifying in detail the rights and duties assigned with the signature of the assignor.

The director, in the case of a limited company that has no the manager appointed, shall perform the manager's rights and duties, thereof.

E. The shareholders meeting of the limited company

Article 136. Shareholders meetings

The shareholders meeting is the supreme organ of the limited company. There are two types of shareholders meeting, namely, the ordinary meeting and the extraordinary meeting.

The ordinary meeting shall be held at least once a year. The time period to hold such meeting shall be fixed in the bylaws of the limited company.

An extraordinary meeting may be held at any time whenever necessary such as vacation of [the post of] any auditor.

An extraordinary meeting may convened in the following cases:

1. When more than half of the directors have agreed to hold a shareholders meeting;

2. When a shareholder requests the court and the latter orders [the limited company] to hold the meeting;

3. When shareholders who hold shares equal to at least twenty percent of total contributed shares request holding of a meeting.

For convening a meeting as said in subparagraph 3 of this Article, the shareholders mentioned above shall subscribe their names to a letter and then submit it to the board of directors or the director by specifying the purpose of the request to hold the meeting. After receiving the letter, within thirty days from the date the letter requesting to hold the meeting is received, the board of directors or the director must hold the extraordinary meeting.

Article 137. Notice to shareholders before holding the meeting

At least five working days before holding the ordinary or extraordinary meeting, the board of directors or the director shall send a notice to all shareholders regarding the date, opening and closing time, and venue of the meeting together with all necessary documents relating to the meeting.

The board of directors or the director, in the case the shareholders meeting is postponed, shall proceed to hold the next meeting the same way as addressed in paragraph 1 of this Article.

Giving notice to the shareholders may be made by directly sending a notice or through the appropriate means of mass media.

Article 138. Quorum

The limited company shall determine the quorum of the and the rules for conducting the meeting in its bylaws. In case there is no such provision stipulated, the quorum shall be at least two shareholders attending the meeting with more than half of shares contributed.

The limited company's bylaws may define a quorum as otherwise agreed but it shall not be less than the quorum mentioned in paragraph 1 of this Article.

Void shares resulting from transfer, even if their shareholder attends the meeting, can not be counted to be included in the quorum of the shareholders meeting.

Article 139. Agenda of the meeting

The chairperson of the meeting shall keep and follow the order of the meeting's agenda as agreed. Alteration of the order of the meeting's agenda may be done only when there are votes of more than half of the shareholders attending the meeting.

The shareholders meeting may put an additional matter on the agenda if it is proposed by shareholders with a number of shares more than one third of paid shares.

In the case there is a matter that needs more time for consideration, the meeting may agree to postpone the matter to consider it at another time by holding an additional meeting without carrying out the summoning procedures for such meeting as said in Article 137 of this Law.

Article 140. Venue and rules of a meeting

The shareholders meeting shall be held at the headquarters of the limited company, except in the case of necessity or it is otherwise agreed.

After two hours from the appointed time for the meeting, if a quorum is not present, the chairperson of the meeting is entitled to order suspension of the meeting thereof.

A new meeting shall be set within ten working days from the date of suspension of the [prior] meeting and this time the meeting may be conducted regardless of whether or not a quorum is present.

Article 141. Restriction on voting

Any shareholder's voting rights may be restricted in the following cases:

1. A case as described in the bylaws of the limited company;
2. The shareholder has not fully paid the shares, unless otherwise agreed;
3. Be a shareholder of a bearer share except where before the holding of the meeting he/she has displayed such share to the board of directors or the director ;
4. Be a shareholder who has a special interest or related direct interest in the matter to be voted on for adoption.

Determination of the shareholder as said in subparagraph 4 of this Article shall be decided by the shareholders meeting.

Article 142. Assigning a proxy to attend a meeting

A shareholder may assign any proxy to attend the meeting on his/her behalf but such assignment shall be made in writing and handed over, before the holding of the meeting, to the board of directors or the director, which shall have the following main contents:

1. Name of the proxy and of the shareholder assigning [him//her];

2. Number of shares of the shareholder assigned;

3. The meeting's venue, time and the terms of the assignment. In the case of authorizing the proxy to vote on his/her behalf, such a statement shall be shown.

The proxy has equal votes to the votes of the assigning shareholder, except as provided otherwise in the assignment.

Article 143. Resolutions of the shareholders meeting

The resolutions of the shareholders meeting are classified in two types, namely, general resolutions and special resolutions.

General resolutions shall become effective only when the counted votes for are more than half of the votes attending the meeting with the counting of one share equal to one vote.

Article 144. Special resolutions of the shareholders meeting

To hold a meeting for a special resolution, [the limited company] shall give prior notice to shareholders as stipulated in Article 137 of this Law with specification of the matters for such voting.

The shareholders meeting for the special resolution may be held one or more times. The special resolution may become effective only when there are votes of shareholders and proxies of at least two-thirds of those in attendance at the meeting [such attendance] being the shares of at least eighty percent of total contributed shares.

The matters requiring special resolutions are the following:

1. Voting on the matters specified in this Law;
2. Alteration of the bylaws or the contract of incorporation of the limited company;

3. Increase or reduction of capital;
4. Merger or dissolution of the limited company;
5. Sale or transfer of all the business or a substantial part of the limited company to another person;
6. Purchase or acquisition of the business of another enterprise;
7. Vote for maintaining the status of a limited company when the numbers of its shareholders exceeds thirty persons.

The special resolution shall, within ten working days from the date of the resolution, be registered with the registrar concerned.

Article 145. Method of adopting a resolution

Voting for special resolutions or general resolutions of the shareholders meeting may be conducted by poll or in an open manner depending on the decision of each meeting.

Article 146. Protection of minority shareholder rights and interests

A resolution of the shareholders meeting shall be effective when there are votes as mentioned in Article 143 and 144 of this Law, but thereafter if it appears that the resolution that was been objected to by minority shareholders causes serious damage to the limited company, the latter shall compensate the minority shareholders for such damage as agreed.

Article 147. Nullification of the resolution

A resolution of the shareholders meeting may only be nullified by the court decision. The court may come to the decision to nullify such resolution when there are the cases below:

1. Violation of the bylaws or the contract of incorporation of the limited company;
2. Violation of the rules for voting;
3. Breaching the rules on notification before holding the meeting as prescribed in Article 137 of this Law.

Article 148. Persons having the right to request nullification of the meeting's resolution

The persons who are entitled to request the court to nullify a resolution of the shareholders meeting are the shareholders and the board of directors.

In case of the death or lack of capacity of any shareholder, his/her heir or guardian has the same right to request the court to nullify a resolution of the shareholders meeting.

The request for nullification of the meeting's resolution shall be made within sixty days from the date the shareholders meeting has voted for such resolution.

Article 149. Rights and duties of the ordinary meeting

The main rights and duties of an ordinary meeting are as follows:

1. Adopt the bylaws and contract of incorporation of the limited company;
2. Elect the director or agree to set up a board of directors;
3. Elect the auditors;
4. Decide the annual honorarium and remuneration for meetings or the salary of the directors;
5. Decide the officers' salary, the wage of the auditor and employees of the limited company. The wage of an auditor who has appointed by the court as said in paragraph 3 Article 155 of this Law will be fixed by the court;
6. Approve the summary report on the business operations, statement of income and expenses and the business plan of the limited company;
7. Adopt the method of dividend distribution;
8. Exercise other rights and duties as it sees necessary.

An extraordinary meeting performs rights and duties in necessary matters occurring between two ordinary meetings.

F. Finances of a limited company

Article 150. Distribution of dividends

The distribution of dividends shall be made in percentage rate equal to the shares contributed, unless otherwise agreed. Before distribution of dividends, the approval of the shareholders meeting is required.

It is prohibited for the limited company to distribute dividends when there still are accumulated losses.

In the case of a violation as specified in paragraph 2 of this Article that causes disadvantages to a creditor of the limited company, a creditor may bring a law suit against shareholders to return the dividends distributed, but such action shall be undertaken within one year from the date the dividend has been distributed.

Article 151. Reserve funds

There are two types of reserve fund, namely, the compulsory reserve fund and other provisional reserve fund.

The compulsory reserve fund is a fund to prevent the risk of business and the limited company shall annually, after deducting losses, put ten percent of the net profit into such fund. When this reserve fund accumulates half of the registered capital, the limited company may suspend such deduction, unless otherwise provided by the bylaws of the limited company.

Other provisional reserve funds may be established as agreed in meeting of shareholders.

Article 152. Use of the reserve fund

The compulsory reserve fund of the limited company shall only be used to recover from the losses of the limited company, unless otherwise provided by law. Other provisional reserve funds of the limited company may be used for recovery from losses if the shareholder's meeting has approved it.

G. Audit of a limited company

Article 153. The audit

The audit is an examination of the accuracy of the information and method of recording of accounts as stipulated in the Enterprise Accounting law.

The shareholders' audit is carried out through auditors elected by them in the shareholders meeting.

The limited company may hire auditors from the date of its establishment, he/she may be hired permanently or periodically as agreed by shareholders in their meeting, except for a limited company with assets more than five billion kip.

Article 154. Qualifications of the auditors

The auditors shall have the following qualifications:

1. Not be a director, officer or employee of the limited company;
2. Have no special interests or related direct interests in the limited company. A shareholder shall not be deemed as such a person.

An auditor may be a shareholder or an outside person.

Article 155. Appointment or removal of the auditors

The auditors are appointed or removed by the shareholders meeting.

In the case of a vacancy for an auditor, regardless of its reason, the board of directors or the director shall convene an extraordinary meeting to elect a replacement auditor so as to have a full number of auditors.

At least three shareholders are, in the case of violation of the mentioned paragraph 2 of this Article, entitled to subscribe their names to a request to the court for appointing an auditor.

Article 156. Rights and duties of an auditor

An auditor has the following rights and duties:

1. Receive wages;

2. Inspect the limited company's accounts at any time as it is seen necessary;

3. Inquire of the director, officers or employees of the limited company for any matters relating to his/her target of accounting inspection;

4. Write the report on the income and expenses and send it with the balance sheet to the shareholders meeting and, based on the documents mentioned, reports and certifies the accuracy or error of the accounting system or data relating to the limited company's account.

Article 157. Annual report on business operations

The annual report on business operations of the limited company shall have the following main contents:

1. Total capital, registered capital and number of issued shares remaining unpaid;

2. Type of shares and number of issued shares having been paid;

3. Name, address and types of business of other companies or affiliate companies that the limited company holds the shares of including the types and number of shares held;

4. The information as specified in subparagraph 9 Article 124 of this Law;

5. Any remuneration that each director receives from the limited company in amount or value;

6. Other issues as provided under the bylaws of the limited company.

Article 158. Right of shareholders to inspect documents

The shareholders have the right to inspect or copy the enterprise registration documents of the limited company at any time during business hours, except for documents relating to trade secrets and competitive strategies.

Fees for copying shall be collected on a cost basis for the copy only.

Shareholders are entitled to request the director of the limited company to sign to certify the authenticity of the copy made for them.

H. Merger and dissolution of a limited company

Article 159. Merger of the limited company

A limited company may merge with other companies to become any of the existing companies or a new company.

A limited company may merge only when:

1. There is a special resolution as specified in Article 144 of this Law;

2. There has been notice to the creditors, through any means of mass media at least three times within ten working days from the date of having such resolution, to express their objections within sixty days from the date the creditor has received the notification. The creditors making no objection or failing to reply within such period shall be deemed as having no objection;

3. There has been registration as a new enterprise.

Objection and the effect of merger of the limited company shall be the same as stipulated in Article 52 of this Law.

Article 160. Reason for dissolution

A limited company may be dissolved for two reasons, namely: by law and by the court's decision.

The dissolution of the limited company shall be registered for temporary dissolution as stipulated in paragraph 2 Article 53 of this Law.

Article 161. Dissolution by law

The limited company may be dissolved on any ground of law as follows:

1. Dissolution as described in the bylaws of the limited company;

2. The shareholders meeting of the limited company has [approved] the resolution to dissolve as specified in Article 144 of this Law;

3. Bankruptcy;

4. Dissolution as prescribed in Section 2 and 3 Part II of this Law.

Article 162. Dissolution by the court's decision

Any director or shareholder may request the court to consider dissolution of the limited company on ground of any of the following:

1. Violation of the provisions or procedures of establishment as provided in this Law;
2. Breach of the contract of incorporation or the bylaws of the limited company;
3. The limited company faces continuous losses in its business operations and is not be able to overcome them;
4. Force majeure is causing the limited company to be not able to continue operating its business;
5. There remains only a single shareholder or there are more than thirty shareholders in the limited company, except for the case as stipulated in Article 85 of this Law.

Upon receipt of the request, the court may consider dissolution or make an order to the limited company concerned to solve the problem instead, if it is not serious or able to be solved.

Article 163. Effect of temporary dissolution

The dissolution of the limited company shall have the same effects as the dissolution of a partnership identified in Article 57 of this Law.

I. Liquidation of a limited company

Article 164. Method of liquidation

The shareholders may agree to choose the method of distribution or liquidation as described in the bylaws of the limited company or as agreed by themselves, except in the case where the ground of dissolution results from bankruptcy, the court's decision or the limited company has only one shareholder remaining or has as shareholders more than thirty persons.

Article 165. Appointing or removing the liquidator

Appointing or removing the liquidator shall be stipulated in the bylaws of the limited company. In case the bylaws have not stipulated

such provisions, the appointment or removal of the liquidator shall be made by the shareholders meeting with the votes of at least two-thirds of shareholders and proxies attending the meeting. The liquidator shall be a natural person and may be a person from inside or outside of the limited company.

In case the votes of the shareholders for appointing the liquidator are insufficient as stipulated in paragraph 1 of this Article, persons having special interest in the limited company may request the court to appoint such a liquidator.

The liquidator as specified in this Article and Article 166 of this Law may be removed by the same process he/she has been appointed by.

Article 166. Appointment of the liquidator by the court

Appointment of the liquidator in the case of the dissolution of the limited company that is the result of bankruptcy, the court's decision, having only one shareholder remaining or having as shareholders more than thirty persons shall only be made by the court.

Article 167. Replacement appointment

A replacement appointment of the liquidator, in case the appointed liquidator is unable to perform his/her duties for any reason, namely: the death of the liquidator or the liquidator becomes a person lacking [legal] capacity, shall be made in the way the appointed liquidator has been appointed.

The limited company shall have to notify the public, as mentioned in this Article, Article 165 and Article 166 of this Law, regarding the appointment, removal or termination of the duty of the liquidator within ten working days from the date of appointment, removal or termination thereof.

Article 168. Priority in the payment and distribution of debts

The payment and distribution of debts shall be executed by following the order of the priority as fixed in subparagraph 1 to 4 Article 64 of this Law.

The residual assets, after the creditors' debts have been fully paid as mentioned in paragraph 1 of this Article, shall distributed to all shareholders.

Article 169. Application of the provisions on liquidation of the ordinary partnership

In addition to the provisions as determined in this subsection I, Section 2 Part V, the liquidation of the limited company shall be executed in compliance with Article 62 on the rights and duties of the liquidator, Article 63 on performance of the duties of multi-liquidators, Article 65 on the duties of the liquidator after liquidation, Article 66 on the responsibility of the liquidator and Article 67 on notification of the dissolution and permanent withdrawal of the enterprise registration under this Law.

J. Sole limited company

Article 170. Establishment of a sole limited company

For establishment of a sole limited company, the following steps must be taken:

1. Fully contribute the shares in the name of sole limited company as stipulated in paragraph 1 Article 172 of this Law;
2. Draft the bylaws of the sole limited company;
3. Register of the enterprise.

Article 171. Notification of enterprise registration

Enterprise registration of a sole limited company shall require the following documents:

1. Application and assignment certificate for the appointment of the manager, if any;
2. The bylaws of the sole limited company;

All documents said above shall be signed by the shareholder and the manager, if the shareholder has appointed one thereof.

Article 172. Contribution and transfer of shares of a sole limited company

The shareholder of a sole limited company shall fully contribute his/her shares, whether in kind or in cash, before registration of the enterprise.

The shares of the sole limited company, after its enterprise registration, are not subject to withdrawal, but they are transferable and heritable.

A sole limited company, within thirty days from the date of enterprise registration, shall submit its share certificates to the registrar concerned for approval.

Share certificates of a sole limited company are not negotiable.

Article 173. Having more than one shareholder

A sole limited company having more than one shareholder, shall alter its name to the name of a limited company and shall carry out [procedures] in accord with A to I Section 2 Part V of this Law or otherwise dissolve.

Article 174. Shareholder's rights and duties

The shareholder of a sole limited company has the following rights and duties:

1. Adopt the bylaws of the sole limited company;
2. Employ the manager;
3. Hire the auditor, if it is seen as necessary;
4. Determine the salary of the manager, the wages of the auditor and other employees;
5. Approve the report on business operations, income and expenditure and the business plan of the sole limited company;
6. Decide on the use of the profit made;
7. Implement other rights and duties as determined in the bylaws of the sole limited company.

Article 175. Manager

The manager of a sole limited company may be the shareholder himself/herself or a hired person from outside. The hired manager is entitled to receive compensation as agreed. The shareholder may hire one or more managers.

The hired manager shall conduct all activities as stipulated in the bylaws of the sole limited company and be under supervision of the shareholder.

The hired manager may partly delegate his/her managing duties to another person for help.

Article 176. Contract to hire a manager

The contract to hire the manager of a sole limited company shall be made in writing as stipulated in the Contract Law. The hiring contract shall contain particulars relating to rights, duties, wages and the liabilities of the parties and termination of the contract.

The relationship among the manager, the sole limited company and outsiders shall be based on the relevant law.

Article 177. Restrictions on hiring managers

The hired manager is not entitled to conduct business competitive with the sole limited company as follows:

1. Conduct business that has the same or similar type of business as the sole limited company, whether on his/her own account or on the account of another person, unless otherwise agreed by the shareholder;
2. Be the partner with unlimited liability of a partnership conducting the same or similar type of business as the sole limited company, unless otherwise agreed by the shareholder.

Article 178. Application of the provisions of the limited company

In addition to the provisions as determined in subsection J, Section 2 of this Part, the limited company's provisions on increases or reduction of capital, finance, audit, merger, dissolution and liquidation shall be applied to a sole limited company.

SECTION 3 PUBLIC COMPANIES

A. General principles and establishment

Article 179. Public company's principle on the number of shareholders

A public company shall have as founding shareholders at least nine persons and an auditor from the date of its enterprise registration.

A public company with a number of shareholders less than nine persons shall be dissolved and carry out the liquidation prescribed in subsection I Section 2 Part V of this Law.

Article 180. Promoters of a public company

A promoter of a public company must be a person or juristic person as below:

1. Having full capacity to act;
2. Not be a bankrupt person who has not passed the restricted period to conduct business as imposed by the court's order;
3. Has never been in prison for a crime relating to fraud or embezzlement;
4. Jointly holding the shares of at least ten percent of the registered capital.

A Lao citizen, permanent resident, person without nationality residing in Lao PDR or expatriate (foreign investor) is entitled to be a promoter of a public company of [up to and including] one hundred percent of their number, except that in the case of necessity at least fifty percent of a public company's promoters shall be Lao citizens which will be stipulated in detail by the government.

Article 181. Holding of the statutory meeting of a public company

The statutory meeting of public company must open within ninety days after the contract of incorporation of the public company has been notified to the office of the registrar and the shares have been fully subscribed.

In case the statutory meeting of a public company is unable to be held as stipulated in paragraph 1 of this Article, the promoters shall notify the registrar concerned within ten working days from the date of the agreement to postpone the meeting.

The next meeting must be held within thirty days from the date notice to the registrar has been made. The contract of incorporation of the public company will be, if this [second] time a meeting can not be held, invalid and the public company's promoters must fully return shares paid to the subscribers.

The statutory meeting of a public company must be held in the district or province where its headquarters is located and the meeting shall be attended by the promoters and subscribers having shares of at least two thirds of total shares.

Article 182. Contract of incorporation of a public company

The contract of incorporation of a public company shall contain the particulars specified in Article 81 of this Law and shall have a statement showing the intention to openly sell the shares.

Open sale of the shares can be made only when the public company has been registered and [must be] carried out in compliance with the law relating to the sale of stock.

The law relating to the sale of stock will be separately enacted.

B. Shares and debentures of a public company

Article 183. Shares and share contributions

A share of a public company shall not be more than one hundred thousand kip.

Shareholders of a public company shall fully contribute their shares, whether in cash or in kind.

The shareholders, after the public company has registered, may not request the court to [permit] withdrawal their shares.

Article 184. Share certificates

Share certificates of a public company shall have their main contents as follows:

1. Reference number of the share certificate;
2. Name and number of the enterprise registration certificate of the public company;
3. Name and nationality of the shareholder;
4. Number of shares held by the shareholder;
5. Value of a share;
6. Issue date of the share certificate;
7. Name and signature of the director with the stamp of the public company.

Share certificates of a public company are negotiable.

Article 185. Transfer of shares

Shares of a public company can be transferred among insiders and outsiders. The transfer of a share certificate is completed after the transferor endorses the back of the share certificate by specifying the name of transferee along with the [transferor's own] name and signature and the transferor delivers such share certificate to the transferee.

The transfer of a share will be effective with respect to:

1. The public company when the public company receives the request for registration of the transfer;
2. Outsiders when the public company registers the transfer.

After receiving the request, if it is seen that the transfer of shares is proper in procedure, the public company must register the transfer within five working days from the date the request is received.

In case the transfer is improper, the public company must notify the requesting person to make a correction within five working days from the date the request is received.

The method and time of the request to issue a new share certificate for replacement of an old one shall be specified in the bylaws of the public company.

The promoters of a public company are prohibited to transfer shares as stipulated in subparagraph 4 Article 180 of this Law within two years from the date of the enterprise registration of the public company.

Article 186. Debentures

A public company may borrow money by issuing a debenture offered for sale to the public. Issuance of the debenture and its offer for sale shall comply with the steps and the rules stipulated in the law relating to the sale of stock.

Borrowing money by the public company by issuing debentures offered for sale to the public may be done only when there is a special resolution as specified in Article 144 of this Law.

C. Merger of a public company

Article 187. Merger of a public company

A public company may merge with another company to become any of the existing companies or a new company.

The merger of a public company, in addition to the provisions stipulated in this Part C, shall be executed in conformity with the merger procedure as stipulated in Article 159 of this Law.

Article 188. Shareholders' objection to merger

A public company that has been subject to an objection to the merger by a shareholder must buy the shares of such shareholder at the stock market price at the time purchased.

In case there is no comparable price appearing in the stock market, the purchase price of the mentioned shares shall be the price estimated by independent experts who are appointed by a special resolution of the shareholders meeting.

The public company is entitled to, notwithstanding that there is a shareholder who objects to the merger refusing to sell his/her shares at the price as stipulated in paragraph 2 of this Article, undertake the merger and the objecting shareholder shall automatically become a shareholder of the merged company.

Article 189. Merger period and registration of a merged public company

The merger of a public company shall be completed within one hundred and fifty days from the date the resolutions of all the merged public companies have been adopted and the new merged company shall be registered within ten working days from the date the merger is complete.

Article 190. Application of the provisions on limited companies

In addition to the provisions as stipulated in Section 3 Part V of this Law, the limited company provisions on notification of enterprise registration, the responsibilities of promoters, increases or reductions of capital, director and board of directors, shareholder meetings, finance, audit and liquidation shall be applied to the sole limited company.

PART VI
STATE COMPANIES

SECTION 1
GENERAL PRINCIPLES

Article 191. General principles of State companies

A State company is initially established with one hundred percent State capital and the State company may, after enterprise registration, sell some of its shares to other shareholders in a proportion as permitted by the government, but such proportion shall not exceed fifty percent of total shares.

A shareholder's liability for the debts [of the State company] is limited to the unpaid portion of [his/her] shares.

The State company may be a shareholder of other companies or a partner of [other] partnerships.

Although the State may be a shareholder of other companies or a partner of other partnerships, it is not allowed for the State to be an unlimited partner of a partnership.

A State company or the State buying the shares of another type of enterprise in a proportion of less than one hundred percent does not cause a change in the nature of such type of enterprise to become a State enterprise.

Article 192. Contract of incorporation of a State company

A State company is established based on a contract between the agency for the financial sector and the agency for the host sector, except where the establishment of a State company operating a business relates to the financial sector itself.

The contract of establishment of a State company shall have contents as stipulated in Article 81 of this Law.

Article 193. Establishment procedures

For the creation of a State company, the following steps must be undertaken:

1. The agency for the host sector coordinates with the agency for the financial sector to come to an agreement on the establishment of the State company and then drafts the creation contract describing the objectives of the creation, the type of business and the total capital by dividing it into shares of equal value, and fixing the proportion of the shares permitted to be transferred after enterprise registration as stipulated in paragraph 1 Article 191 of this Law;

2. Submit the application for permission to create the State company with an economic and technical feasibility study attached to the Prime Minister, if it is at central level or the Governor, if it is at the provincial level, for consideration;

3. After receiving the Prime Minister's or the Governor's permission, the agency for the host sector and the agency for the financial sector select the person to be appointed as director;

4. Hold the statutory meeting with the presence of representatives from the host sector, the agency for the financial sector and all directors appointed in order to officially announce the creation of the State company, and to delegate duties to the directors for further action;

5. Hold the first meeting of the board of directors, if any;

6. The director must, within thirty days from the date of having the full contribution of the shares as prescribed in Article 199 of this Law, register the State company with the registrar.

Article 194. Duties of the statutory meeting of a State company

The statutory meeting of a State company has following main duties:

1. Approve the bylaws of the State company;
2. Officially announce the creation of the State company;
3. Announce the names of the first appointed directors;
4. Announce the name of the auditor and fix his/her wages;
5. Officially delegate duties to the director or board of directors.

The statutory meeting may be chaired by the representative of the agency for the host sector or the agency for the financial sector.

Article 195. Bylaws of a State company

The bylaws of a State company shall contain the particulars as stipulated in Article 82 of this Law. In addition to that [requirement] they shall have the following contents:

1. A statement regarding the right and the proportion of shares allowed for sale after registration of the enterprise;
2. Method of dividend distribution to other [i.e., non-State] shareholders, if any;
3. Measures of the State to [handle] business operations of the State company when there are profits or losses.

The bylaws of the State company shall be signed by the Minister of Finance, if it is at the central level, or the Governor, if it is at the provincial level.

Alteration of the State company's bylaws may be done when there is a resolution as said in Article 210 of this Law.

Article 196. First meeting of board of directors

The first meeting of the board of directors shall be held within ten working days from the date the State company's statutory meeting is closed.

The duties of the first [meeting of the] board of the directors are the following:

1. Elect the president. A vice president may be elected, if it is seen as necessary.
2. Delegate duties among the directors.

A resolution of the first meeting of the board of directors shall be effective when there is the vote of more than half of the directors.

Article 197. Notification for enterprise registration

An application giving notice of the registration of the enterprise shall consist of:

1. An application signed by the director and an economic and technical feasibility study attached thereto;

2. Notification or a decision on the creation of the State company by the Prime Minister, if it is at the central level, or the governor, if it is at the provincial level;

3. Minute of the statutory meeting signed by the chairperson;

4. The bylaws of the State company signed by the Minister of Finance, if it is at the central level, and by the Governor, if it is at the provincial level;

Selling of the State company's shares as addressed in paragraph 1 Article 191 of this Law may be executed only when the State company has been registered and [must be] undertaken in compliance with the law relating to the sale of stock.

SECTION 2

SHARES AND DEBENTURES OF A STATE COMPANY

Article 198. Shares

Shares of the State company derive from the division of capital into portions of equal value. A share of the State company shall not be more than one hundred thousand kip.

The shares of a State company may be paid in cash or in kind. Shares contributed in kind shall be evaluated into money by a special committee set up for such purpose.

Article 199. Contribution of shares

Shares of the State company contributed in money or in kind shall be fully paid in the name of the State company within five working days prior to the date of its establishment, except when the agency for the financial sector and the agency for the host sector otherwise agree and such case shall be specified in the bylaws of the State company.

Article 200. Share certificates

The share certificates of a State company shall have the following contents:

1. Reference number of the share certificate;
2. Name and number of the enterprise registration certificate of the State company;

3. Names of the shareholding sectoral agencies;
4. Number of shares;
5. Value of a share;
6. Date of issuance of the share certificate;
7. Name and signature of the director with the State company's seal.

Share certificates of a State company are negotiable only [up to] the proportion falling within the scope of paragraph 1 Article 191 of this Law.

The director must, within thirty days from the date the State company has been registered, issue share certificates to the agency for the host sector and agency for the financial sector to keep as evidence of shareholding.

The contents of the share certificates of other shareholders depends on the type of share that he/she holds as stipulated in Article 184 of this Law. Other shareholders are the shareholders other than the representatives of the State.

A share certificate of a State company shall have value equal to at least one share.

Article 201. Transfer of shares

The shares that the government has permitted to be sold to other shareholders may be transferred to any person without permission of the government.

Transferring the shares of more than the proportion as determined in paragraph 1 Article 191 of this Law is invalid. The transferor shall be responsible for such violation before the law.

Article 202. Debentures

A State company may borrow money by issuing debentures offered for sale to the public. The issuance of debentures and their offer for sale may be executed when:

1. It is permitted by the government;
2. It has properly been carried out consistent with the steps and the rules of the law relating to the sale of stock.

SECTION 3

DIRECTOR AND BOARD

OF DIRECTORS OF A STATE COMPANY

Article 203. Director

The director of a State company may be a government official or outside person, unless otherwise provided for some specific State company.

The director is an agent of the State company in managing the capital and assets provided by the State so as to effectively conduct business and also act as representative of the State company in maintaining business contact with outside persons.

The director of a State company receives a base salary equal to the government staff's base salary and bonus as specified in subparagraph 1 Article 215 of this Law. This provision shall also be applied to the officers of the State company.

Article 204. Qualification of a director

In addition to the qualifications stipulated in Article 117 of this Law, the director of a State company shall have the following additional qualifications:

1. Not be a person with a corrupt or opportunistic background;
2. Be an active person in performing duties;
3. Be a person, himself /herself or his/her child, wife or husband, who has no special interest or related direct interest in the State company;
4. He/she shall, before performing duties as the director, make a statement declaring his/her assets;
5. Be a skilled and experienced person in business management.

Article 205. Appointment or removal of a director

The director is appointed depending on two cases below:

1. Based on the agency for the host sector's consent, the first director is appointed by the Minister of Finance, if it is at the central level, or the Governor, if it is at the provincial level;
2. A subsequent director, based on the resolution of the

shareholders meeting, is appointed by the Minister of Finance, if it is at the central level, or the Governor, if it is at the provincial level.

Based on the resolution of the shareholders meeting, the director appointed as in the two cases mentioned above shall be removed by the Minister of Finance, if it is at the central level, or the Governor, if it is at the provincial level.

Article 206. Termination of a director

The director of a State company may be terminated on the following grounds:

1. The grounds as stipulated in subparagraphs 1 to 4 Article 127 of this Law;
2. The Minister of Finance, if it is at the central level, or the governor, if it is at the provincial level issues the decision for removal.

Resignation of the director shall be effective from the date of approval of the Minister of Finance, if it is at the central level, or the governor, if it is at the provincial level and notice of the resignation shall be given to the registrar concerned.

Article 207. Board of directors

A State company with a number of directors more than three persons shall establish a board of directors. In the case of necessity, a State company having two directors may also set up a board of directors.

The rights and duties of the board of directors as mentioned in Article 130 of this Law shall also apply to the board of directors of a State company.

SECTION 4

SHAREHOLDERS MEETING OF A STATE COMPANY

Article 208. Proxy of the State's shareholder

The shareholder of a State company is represented by the shareholding proxy of the agency for the host sector and the agency for the financial sector, unless otherwise agreed by the government.

The relevant sectoral agencies as mentioned in paragraph 1 above shall have as their shareholding proxies at least two persons who are appointed, based on the proposal of the agency for the host sector, by

the Minister of Finance, if it is at the central level or the Governor, if it is at the provincial level. In the case of change, a shareholding proxy shall be appointed as a replacement no later than thirty days from the date such change has occurred.

The shareholding proxy of a relevant sectoral agency as mentioned above is a person who exercises the rights and performs the duties of the State as the shareholder in each State company.

The shareholding proxy of the State has no salary or wages but receives the annual honorarium and remuneration for each meeting as stated in the regulation concerned.

Article 209. Quorum and rules of the shareholders meeting

The shareholders meeting of a State company shall be attended by all the State's shareholding proxies appointed or their representatives.

A shareholding proxy of the State who is not able to attend the shareholders meeting by himself/herself must be replaced by his/her representative by submitting the letter of such assignment to the chairperson of the meeting.

The chairperson shall notify, in case any State shareholding proxy unreasonably misses a meeting three times, the Minister of Finance or the governor for consideration.

In case the State company sells shares as specified in paragraph 1 Article 191 of this Law, the shareholders meeting apart from the quorum as mentioned above shall be attended by other shareholders of at least eighty percent of the shares [of such other shareholders].

Article 210. Resolutions of the shareholders meeting

The resolutions of the shareholders meeting are divided into two cases below:

1. The resolution of the shareholders meeting shall, in case the State is the only shareholder of the State company, be effective when there are votes of more than half of the number of the State's shareholding proxies, unless otherwise provided by the bylaws of the State company. Vote counting is one shareholding proxy equals one vote;

2. The resolution of the shareholders meeting shall, in case the State company sells shares as specified in paragraph 1 Article 191 of this Law, be effective when there are votes of more than half of the total number of shares. Vote counting is one share equals one vote. The State's

shareholding proxies, after a decision is made by the number of votes as mentioned in subparagraph 1 of this Article, shall assign a shareholding proxy to vote on their behalf.

The shareholders meeting of a State company may consider and make decisions on all matters relating to the business of the State company, except the matters identified in Article 211 of this Law.

Article 211. Matters to be proposed for approval

The government makes the decision for a State company, at central level and the Governor makes decision for the State company, at provincial level, on matters relating to increases or reductions of capital, dissolution, merger of a State company with a State company or a State company with other types of enterprise to become a State company and purchasing or transferring business of other types of enterprise to be under the ownership of a State company.

The matters needing only to be proposed for approval by the government are as follows:

1. The sale of shares as stipulated in paragraph 1 Article 191 of this Law;
2. The sale or transfer of a State company's business that leads to a change of ownership to be another type of enterprise;
3. Merger of a State company with another type of enterprise to become the latter.

When the government or the governor makes any decision on the matter mentioned in this Article, he/she/it shall also give detailed advice on the implementation of such decision.

Article 212. Rights and duties of other shareholders

The rights and duties of other shareholders are the following:

1. Attend the shareholders meeting, suggest and vote;
2. Check and copy documents related to the enterprise registration or information as stipulated in the bylaws of the State company;
3. Receive dividends based on the method fixed in the bylaws of the State company;
4. Bring a law suit to the court when there is the violation of his/her interests.

SECTION 5

FINANCE AND RESPONSIBILITY OF A STATE COMPANY

Article 213. Distribution of dividends

Distribution of dividends by a State company shall be based on the proportion of shares held by each shareholder. The remainder from the distribution to other shareholders is owned by the State and shall be transferred to the budget of the State as stipulated in the regulation concerned.

It is prohibited to distribute dividends when the State company has continuous losses in past years.

Article 214. Reserve fund

There are two types of the reserve fund, namely, the compulsory reserve fund and other provisional reserve funds.

The compulsory reserve fund is a fund to prevent the risk of business, which the State company shall annually, after deducting [its] losses, take ten percent of the net profit to [contribute to] such fund. When this reserve fund accumulates half of the registered capital, the State company may suspend such deduction, unless otherwise provided by the bylaws of the State company.

Other provisional reserve funds may be established as agreed in the meeting of shareholders. The regulation of the State on the fund for social welfare shall also be applied to a State company. The latter therefore is not allowed to establish such fund by itself.

The use of the State company's funds shall comply with the provision of Article 152 of this Law.

Article 215. Responsibility

The State company shall be treated by the State depending on each case below:

1. The State shall, in the case the State company profitably operates business, stimulate the State company by deducting money of not more than ten percent of its net profit to use for increasing salaries or may give another appropriate bonus for each year;

2. The State shall, in the case the State company operates business at a loss resulting from external factors that are uncontrollable or difficult to control, have an appropriate measure to help the State

company so that it can be able to continue conducting business;

3. The director shall be, in the case the State company operates its business at a loss resulting from the director's lack of ability to manage the business, liable for not more than ten percent of the total losses. The director must be removed if the State company continuously operates business at a loss for two years;

4. The State may, in the case the losses are caused by the fault of directors, officers or employees of the State company, force the concerned person to be responsible for the damages by himself/herself and bring a law suit against him/her.

The details of encouragement bonus and responsibility for losses shall be fixed in a regulation issued separately.

SECTION 6

AUDIT AND AD HOC INSPECTION OF STATE COMPANIES

Article 216. Audits

A State company shall have an auditor from the date of its enterprise registration. A small size State company which is unable to permanently hire an auditor shall, before submission of the balance sheet and annual business report to the shareholders meeting for approval at least once a year, hire an auditor to inspect and certify the authenticity of the accounting documents.

The State company shall strictly execute the audit principles as stipulated in subsection G, Section 2 Part V of this Law.

Article 217. Ad hoc inspections

An ad hoc inspection may be based on the resolution of the shareholders meeting or the proposal of the agency for the host sector, and carried out by decision of the Minister of Finance, if it is at the central level or the governor, if it is at the provincial level. The resolution of the shareholders meeting shall comply with the provision of Article 210 of this Law.

Upon receiving such resolution or proposal, the Minister of Finance, if it is at the central level or the governor, if it is at the provincial level must nominate the inspector or inspection committee within thirty days to carry out the inspection in the State company concerned.

Article 218. Rights and duties of the inspector

The inspector has the following rights and duties:

1. Request the State company to supply documents for inspection;
2. Make inquires of the relevant director, officers or employees of the State company;
3. Draft a report on the result of the inspection and submit it to the shareholders who requested such an inspection and to the Minister of Finance or the governor.

Article 219. Ad hoc expenses

The State company shall be, if the result of the inspection proves that it is at fault as alleged, responsible for the cost of the inspection. The responsibility of the person concerned inside the State company shall be based on the relevant law.

The State shall be, if the result of the inspection proves that the State company is not at fault as alleged, responsible for the cost of the inspection.

SECTION 7

PRIVATIZATION, MERGER, DISSOLUTION

AND LIQUIDATION OF STATE COMPANIES

Article 220. Transformation to be another type of enterprise

The State company may, if it is intentional or necessary, transform to be another type of enterprise as specified in subparagraphs 2 and 3 Article 211 of this Law.

Merger or transfer as stipulated in paragraph 1 of this Article shall lead to a change of the name of the State company to another name as jointly agreed with the other shareholders and in this case, the State becomes a shareholder of the new company established, except for the case that the State totally transfers its shares.

The State company that has been transformed to be another type of enterprise shall be set up, registered and operated on the basis of the principles of the other type of enterprise.

The agency for the financial sector as the State's shareholder of that kind of company shall follow the principles of such company. Selling or transferring the State's shares can be done only upon the approval of the government.

The financial sector is authorized to exercise, on behalf of the State, the rights and duties of a shareholder in another type of enterprise and protect the ownership of the State.

Article 221. Merger of State companies

A merger of a State company shall be carried out as follows:

1. Merger of a State company with a State company or merger of a State company with another type of enterprise to become a State company as stipulated in paragraph 1 Article 211 of this Law shall be based on the merger principles of the limited company and on the establishment procedures of the State company;

2. Merger of a State company with another type of enterprise to become the latter as specified in subparagraph 3 paragraph 2 Article 211 of this Law shall comply with the merger principles and establishment procedures of such type of enterprise.

Article 222. Dissolution and liquidation

A State company may dissolve in the following cases:

1. The government orders the dissolution, if it is at the central level, or the Governor orders the dissolution, if it is at the provincial level;

2. Bankruptcy;

3. Business operations of the State company are continuously in losses and can not be solved.

Liquidation of the State company shall strictly be based on the provisions as said in subsection I, Section 2 Part V of this Law.

Article 223. Application of provisions to the company

In addition to the provisions as stipulated in Part VI of this Law, the limited company's and public company's provisions shall be applied to a State company, if the State company has been established under such kind of [company provision].

PART VII

MIXED COMPANIES

Article 224. Mixed companies

A mixed company is established and managed under the company forms as specified in this Law.

A mixed company consists of the State's shareholder and the shareholders of another type of enterprise, whether domestic or foreign, in which each side holds shares of fifty percent.

Article 225. Shareholders meeting

A resolution of the shareholders meeting shall be effective when there is a unanimous vote, unless otherwise provided by the bylaws of mixed company.

The vote counting is one share equals one vote.

PART VIII

MANAGEMENT AND INSPECTION OF ENTERPRISES

Article 226. Management agencies

The government centralizes the management of the enterprise's establishment and operation by authorizing the agency for the trade sector, in coordination with relevant sectoral agencies, to be a focal point, except for the registration and management of enterprises as specified in the laws on Domestic and Foreign Investment Promotion.

The agency for the trade sector consists of:

1. Ministry of Commerce;
2. Trade Divisions of Province;
3. Trade Office of Districts or Municipalities.

Article 227. Rights and duties of the Ministry of Commerce

Rights and duties of the Ministry of Commerce are the following:

1. Study and formulate policy on the development and promotion of enterprises;

2. Study and draft laws or regulations to elaborate the policy on the development and promotion of enterprises;

3. Disseminate the policy on development and promotion of enterprises, and supervise, encourage and monitor the implementation of such policy in the country;

4. Manage and deliver service for registration of enterprises as stipulated in the law;

5. Upgrade and train trade related technical staff;

6. Coordinate with relevant sectoral agencies and local authorities to systematize the process of inspecting and monitoring business units' implementation of the laws and regulations on enterprises in the country;

7. Issue and revise enterprise registration or delete an enterprise name from the list of enterprise registration as said in the law;

8. Perform duties related to foreign trade relation and market access;

9. Exercise other rights and duties as stipulated in the laws.

Article 228. Rights and duties of trade division of provinces

The trade division of a province has the following rights and duties:

1. Disseminate the policy on development and promotion of enterprises, and supervise, encourage and monitor the implementation of such policy in the province;

2. Coordinate with relevant sectoral agencies or agencies to systematize the process of inspecting and monitoring business units' implementation of the laws or regulations on enterprises in the province, and report the result of such implementation to superior organizations;

3. Issue and revise enterprise registration or delete an enterprise name from the list of registered enterprises as said in the law;

4. Perform duties relating to foreign trade relations, according to the consent of the Ministry of Commerce, especially with bordering countries;

5. Exercise other rights and duties as stipulated in the laws.

Article 229. Rights and duties of the trade office of districts or municipalities

Rights and duties of the Trade Offices of Districts or Municipalities are the following:

1. Implement the policy and the laws or regulations on enterprises in its bailiwick;
2. Issue and revise the enterprise registration or delete the enterprise name from the list of registered enterprises as said in the law;
3. Coordinate with relevant agencies to systematize the process of inspecting and monitoring business units' implementation of the laws or regulations on enterprises in the district or municipality, and report the result of such implementation to superior organizations;
4. Exercise other rights and duties as stipulated in the laws.

Article 230. Rights and duties of relevant sectors

The sectoral agencies relating to an enterprise, based on their roles, rights and duties, shall have to coordinate with the agency for the trade sector.

The relevant sectoral agencies shall, after registration of an enterprise, be the major agencies in managing the enterprise conducting business under the scope of their rights and duties.

Article 231. Chamber of Commerce and Industry

The Chamber of Commerce and Industry is a social organization of businesspersons; an interface between State agencies and business units and a representative of employers, business associations and all types of enterprise establishing and operating businesses in Lao PDR.

The Chamber of Commerce and Industry has the role to raise suggestions to the government regarding businesses; bring round, educate, organize and mobilize businesspersons, in order to encourage the development of economy, trade, finance and services and protect legitimate rights and interests of enterprises so as to expedite them to lawfully conduct business as stipulated in the laws.

PART IX

AWARDS AND SANCTIONS

Article 232. Awards

Any person or organization with outstanding performance according to this Law shall receive the appropriate awards and other benefits.

Article 233. Sanctions

Any person or organization that violates this Law shall be sanctioned depending on the serious or non-serious category of the offence.

Article 234. Holding back the registration of enterprise

The registrar or other persons concerned who impede the procedure for enterprise registration in any way such as unreasonably requesting the applicant to supply additional documents, losing documents and prolonging the procedure of registration shall be disciplined by, namely, educating, changing the job, removal from the position or sacking.

The provision as mentioned in paragraph 1 above shall be applied to verification and consideration of businesses included in the Negative List of the concerned line ministry.

Article 235. Order to re-register

Any person who orders the re-registration of an enterprise shall be disciplined by, namely, changing the job, removal from the position or sacking.

The provision as mentioned in paragraph 1 above shall be applied to all types of re-licensing regarding the businesses included in the Negative List of the concerned line ministry, unless otherwise permitted by the government.

Article 236. Business operation without enterprise registration

Any person who operates a business without registration of the enterprise shall be fined from 1.000.000 kip to 10.000.000 kip per each time.

The legitimate interests of the creditor of the person conducting business without registration of the enterprise shall be protected, if he/she has engaged in the business with such person in good faith.

Article 237. Operating business outside of the purposes

A person or juristic person conducting business outside of the purposes of his/her enterprise shall be educated or fined from 1.000.000 kip to 5.000.000 kip per each time.

Article 238. Invalid enterprise registration

The registration certificate of invalid enterprise registration as stipulated in Article 15 of this Law shall be revoked.

The registrar who invalidly issues a registration certificate to a person or juristic person as stipulated in paragraph 1 above shall be disciplined by, namely, changing the job, removal from the position or sacking.

Article 239. Disclosing and rejecting to disclose the information

The registrar or other persons who disclose information without permission of the enterprise concerned as determined in paragraph 2 Article 19 of this Law, shall be deemed to have disclosed administrative secrets and be punished as stipulated in the Penal Law and sacked.

The registrar who does not allow the public to see or copy, or rejects to disclose the information as stipulated in paragraph 1 Article 19 of this Law shall be disciplined by, namely, educating, changing the job, removal from the position or sacking.

Article 240. Failing to post a sign or using an incorrect enterprise name

Failing to post a sign or using an enterprise name that is inconsistent with the form or kind of his/her enterprise shall be, after seven days from when notification has been made, educated or fined 200.000 kip per each time.

Article 241. Using a prohibited enterprise name

A person who uses a prohibited enterprise name as mentioned in Article 22 of this Law shall be educated or fined 300.000 kip and cease the use of such name.

Article 242. Failing to remove the sign after dissolution

Failing to remove the sign after the enterprise has been dissolved as specified in paragraph 1 Article 26 of this Law shall be punished or fined 500.000 kip and such sign shall be removed.

Article 243. Other violations

Any person or organization violating this Law that causes damage to another person shall be responsible for compensation for such damage.

In case the violation is a criminal offense; the violator shall be punished as specified in the Penal law.

**PART X
FINAL PROVISIONS**

Article 244. Implementation

The government of Lao PDR is responsible for the implementation of this Law.

Article 245. Effectiveness

The present law enters into force after one hundred and twenty days from the date the President of State of the Lao People's Democratic Republic issues the Presidential Decree for its promulgation. Other provisions in contradiction of this Law shall be abolished.

This Enterprise Law supersedes the Business Law, No. 005/ NA, date 18 June 1994.

Other provisions in contradiction of this Law shall be abolished.

President of the National Assembly

Saman VIGNAKETH

(Unofficial Translation)