

LAO PEOPLE'S DEMOCRATIC REPUBLIC

PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

National Assembly

No. 03/NA

Business Law

Part I

General Provisions

Article 1

The business Law aims at promoting all economic sectors investing in business in all sectors in view of developing market economy along the market mechanism adjusted by the State.

Article 2

The right and interest of local and foreign business people investing in business in the sectors of production, transport, construction, commerce and services are protected by the laws of the Lao People's Democratic Republic.

Article 3

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

Article 4

Enterprises are business units established for the conduct of business. There are four types of enterprises in the Lao People's Democratic Republic: Private enterprises, state owned enterprises, collective enterprises and joint enterprises (State owned enterprises in joint venture with local or foreign parties, private enterprises in joint venture with local or foreign parties).

There are two forms of enterprises: sole-trader enterprises and companies.

Article 5

All types of operations conducted by enterprises in all economic sectors are inter-related and competing on an equal footing before the law.

Article 6

Capital, assets, including the legitimate rights and interest of enterprises are protected by law.

Article 7

All enterprises have the obligation to protect the rights and interest of workers, preserve the environment, perform their obligations towards the State, conduct their business in sectors and scope as authorized, implement the accounting regulations and payments according to the bank regulations.

Article 8

This Business law is applicable in the context of business with a registered capital from 1,000,000 kip and over.

Part II
Business Persons, Conditions For
Business Operations and Trade Certificates
Chapter 1
Business Persons

Article 9

Business persons are persons conducting business operations as their profession.

Article 10

Intermediaries are business persons, whether individuals or juristic entities, representing and liaising between business persons, or between business persons and customers.

Intermediaries include agents and brokers:

- Agents are individual or juristic entity in negotiating and signing business contracts;
- Brokers are individuals or juristic entities acting for the interest of other individuals against compensation or establishing contracts between business persons for the negotiation of contracts without being any party's agent.

Article 11

- Persons prohibited from conducting business as their profession include:
- Children under eighteen years of age;
- Incapacitated persons;
- Persons prohibited from conducting business by court decision;
- Civil servants, unless specifically authorized.

Chapter 2
Conditions for Business Operations

Article 12

Business inconsistent with the laws and regulations of the Lao People's Democratic Republic are prohibited.

Article 13

Certain important business sectors for national security, economy or society are subject to close control by the State, such as business pertaining to:

- Petroleum;
- Electric power;
- Water supply;
- Telecommunications;
- Wood and wood products;
- Mining and minerals;
- Food;
- Medicines;
- Chemical substances;
- Alcohol;
- Cigarettes.

In addition, the Government will periodically determine controlled business sectors.

Article 14

Business sectors reserved specifically for Lao citizens will be determined separately by the Government.

Chapter 3 Trade Certificates

Article 15

Trade certificates are exchangeable credit contract documents governing payments according to the regulations of financial institutions

Trade certificates exist in four categories: promissory notes, certificates of deposit, bills of collection and cheques.

Promissory notes are certificates of debt payment by an individual agreeing to pay a sum of money to other individuals at a certain date or placing goods as collateral.

Certificates of deposit are certificates of the deposit of a sum of money from the bank.

Bills of collection are bills for the collection of debts whereby the creditor requires the debtor to pay debts to a third person as mentioned in the bills of collection at a certain date.

Cheques are notes used by the bank account holder ordering the bank to pay a certain sum of money to either the holder or another person.

Part III
Organization of Business Operations

Chapter 1
Creation and Registration of Enterprises

Article 16

Persons having the intention to create an enterprise shall present an application for the creation and registration of such enterprise to the commercial sector. Application procedures for the creation and registration of enterprise will be separately determined by the relevant sectors.

At the receipt of an application, the commercial sector and other concerned sectors shall rapidly consider and give an answer within a period not exceeding 60 days from the day the application is received.

An enterprise will be considered as lawfully created only when properly registered.

Article 17

Enterprise registration shall take place as the sequential and systematic recording of enterprise registration numbers in the “Enterprise Registry” grouping all contracts, by laws and information of enterprises kept by creditors. After their registration, any change in relation to the enterprises, such as amendment of by-laws, dissolution or liquidation, the person responsible for the enterprise shall notify the concerned officials in order to record such changes in the Enterprise Registry.

Article 18

After the registration of enterprises, the registration of revenues shall be made with the Financial Department.

The revenue registration monitors the performance of annual obligations according to the financial laws and regulations.

Article 19

As their creation is approved, enterprises shall place a sign indicating their names according to the regulations. If such enterprise fail to conduct their business within one year from the day their creation is approved, the enterprise license will become no further valid.

Chapter 2
General Principles of Companies

Article 20

A company is a business unit created by at least two persons or juristic entities on the basis of a contract for the mobilization of properties, capital and labour in view of jointly conducting business operations and sharing the net profit.

A limited company may be created by one person or juristic entity.

Article 21

In the Lao People's Democratic Republic there are three forms of companies:

- Partnership company;
- Limited company;
- Public company.

Article 22

A company is created on the basis of a written contract between persons providing capital called the company contract which conditions and terms shall be consistent with the Contract Law and other laws of the Lao People's Democratic Republic, except for limited companies alone. Such contract is the basis of relationships between the providers of capital.

Persons or juristic entities entering a contract governing the provision of capital for the creation of a company may be the capital providers or shareholders.

Capital providers are investors in partnership companies and founders of limited companies or public companies.

Shareholders are other investors in limited companies and public companies, whether business persons or not.

Article 23

The companies' capital is derived from contributions of investors and shareholders. Companies' capital includes fixed assets and revolving fund.

Article 24

Limited companies, sole-trader limited companies and public companies shall establish reserve funds appropriated at five to ten percent from their net profit.

Reserve and provisional funds are provided in the companies' by-laws.

Article 25

Investors and shareholders have the following rights and obligation:

- Contribute to the operations of the company in accordance with the by-laws;
- Receive notifications on the company's operation;
- Participate in meetings and vote;
- Receive dividends;
- Contribute capital to the company and pay shares in due time;
- Be responsible for the company's liabilities according to the type of company.

Article 26

A company does not operate on behalf of its owner in the same manner as a sole-trader enterprise, but as a juristic entity. A company holds the status of juristic entity from the day it is registered.

The status of juristic entity of a company includes:

- The company's name which clearly specifies the type of company;
- Location of the company's headquarters;
- Company's properties;
- Legal capacity of the company in the exercise of its rights and obligations, and in being a defendant or plaintiff in legal proceedings similarly to normal persons.

Article 27

All companies shall have written bylaws with the following content:

- Name, surname, occupation, nationality and address of joint investors;
- Name, objectives, duration and location of headquarters of the company;
- Organization chart and management of the company;
- Distribution of dividends and responsibility for losses;
- Meetings and voting procedures;
- Dissolution and liquidation;
- Settlement of disputes.

Article 28

In the process of conducting a business, a company may bring modifications according to economic conditions, such as amendment of by laws, capital increase or reduction, merger or division, change into a new type of company or change of the company's objectives.

Any modification to a company shall be subject to the approval of the investors and shareholders general meeting.

Any modification to a company shall be notified to the concerned officials for entry in the Enterprise Registry, to the joint investors, shareholders and the public.

Modification to a company shall take place within one year from the occurrence of causes for such modification.

Article 29

The increase of a company's capital shall take place by using reserve funds to increase the existing shares' value, increasing the number of shares, or by including the company's creditors and shareholders. In the increase of shares, the company's joint investors and shareholders shall have priority before others.

Only public companies may mobilize funds from the public market and issue debentures.

The decrease of a company's capital may be conducted through the decrease of each share's value or of the number of shares.

Article 30

Merger of companies may be made through two methods:

- Two or more companies merge into a new company;
- Two or more companies merge as one of such companies.

Merge may take place between similar or differing types of companies.

The split of a company is its division into several companies of similar or differing types.

Article 31

A company may modify its type to another type of company. The modification of company type does not constitute the creation of a new juristic entity.

The modification of company type shall correspond to the regulations governing a newly created type of company, such as in relation namely with the capital, investors and shareholders.

The modification of company type shall not affect its existing debt. The modification of company type shall increase the investors' and shareholders' responsibility only when approved by the General Meeting of Investors and shareholders.

Article 32

The dissolution of a company is the absolute cessation of the company's operations. A company may dissolve at a determined date or before such date. The dissolution of a company shall be notified to the concerned officials, the joint investors, shareholders, creditors and the public.

Companies may be dissolved for the following reasons:

- Expiration of direction specified in the bylaws;
- Achievement of the company's objectives;
- Termination of the company by its investors and shareholders before its expiration;
- Failure to conduct operations according to the objectives;
- Incapacity to conduct operations namely because of losses;
- Abrogation of the company's contract;
- Dissolution by court decision;
- Bankruptcy.

In addition to the above reasons for dissolution, partnership companies have specific dissolution causes, such as bankruptcy or prohibition from business undertakings by court decision of an investor, incapacity or death, unless otherwise stated in the bylaws.

Chapter 3 Private Enterprises

Article 33

Private enterprises are business units created by individuals or juristic entities for the conduct of profit seeking operations.

Private enterprises may be created under the following two forms:

Sole trader enterprise and company.

I. Sole Trader Enterprise

Article 34

Sole trader enterprises are business units with a minimum registered capital of 1,000,000 kip, created by one person who has the sole responsibility for the company's total liabilities. Sole trader enterprises operate on behalf of their owners.

Article 35

The name of a sole trader enterprise may be the name of its owner or business sector or other. The enterprise's documents shall clearly specify "sole trader enterprise".

Article 36

The owner of a sole trader enterprise manages the enterprise's activities or may assign another person to manage the enterprise on behalf, but the enterprise's owner is responsible for such activities.

The enterprise's owner is the sole person to decide on the use of the made profit and on other issues.

Article 37

A sole trader enterprise may modify its objectives or business sector subject to the concerned officials' prior approval and the enterprise registration officials' notification. The owner of a sole trader enterprise may apply for its dissolution to the enterprise

registration officers, but shall notify the creditors and ensure payment of the company's total debts.

II. Partnership Company

Article 38

A partnership company is a company created namely on the basis of trust between joint investors.

Joint investors in partnership company are business persons and jointly responsible in an unlimited manner for the company's total liabilities.

Article 39

A company may use the name of one or several joint investors as the company's name or otherwise, but shall include "Partnership Company".

The company's capital is derived from contributions of joint investors. Such contributions may be in cash, kind, labour or intellectual property which shall be evaluated in money.

The contribution and payment of shares shall take place as determined by the company's manager.

A partnership company's shares are not transferable.

Article 40

All joint investors may be joint managers, unless otherwise determined by the company's bylaws.

In case the manager is not a joint investor, the manager's appointment shall be unanimously approved by all joint investors, unless otherwise provided by the bylaws.

Article 41

In the relationship with joint investors, the manager is entitled to conduct management activities for the company's interest, unless otherwise stated by the bylaws.

Activities of the manager in relation with outside persons pertaining to the company's objectives shall be the company's responsibility.

The manager is legally responsible before the company in case of personal faults in management causing losses to the company, such as: abuse of power, transgression of the company's bylaws.

The manager, who is a joint investor, may be dismissed only with the joint investors' unanimous approval, while the manager will not have the right to vote on the matter.

The manager who is not a joint investor shall be dismissed in accordance with the company's bylaws.

Article 42

A partnership company may have an auditor. The auditor has the duty to control the accounts and certify their accuracy and compliance with the principles and rules pertaining to accounting documents and to present a report thereon to the general meeting of joint investors.

Auditors are appointed by the general meeting of partners

Article 43

All partners have the following rights and obligation:

- Participate to the management of the company;
- Receive dividends;
- Receive notifications on the company's activities;
- Receive reports from the auditor;
- Receive documents fifteen days at the latest before the annual general meeting.
- Raise questions and present opinions in writing on the company's management to the manager;
- Participate in meetings and vote.

Partners are not entitled to conduct business in the same sector as their partnership companies, unless such business existed before and there have been no objections after the company's creation.

All partners are jointly and unlimitedly responsible for the company's liabilities. New partners are responsible for the company's prior liabilities and partners having withdrawn from the company are responsible for the liabilities the company has incurred before such withdrawal.

Article 44

The meetings of partners are held as required at least once a year. The manager convenes and notifies the agenda of meetings at least fifteen days before the meeting's opening.

The meetings of partners shall consider issues pertaining to the company's activities, namely the appointment or dismissal of the manager, term of office and salary of the manager, the company's financial regulations, the auditor's appointment, adoption of the annual financial statements, transfer of shares, the continuation or dissolution of the company and modification of by-laws.

Decisions on a partnership company's important issues shall be unanimously approved by the meeting of partners, unless otherwise stated by the bylaws.

- Issues requiring unanimous approval include:
- Dismissal of the manager who is a partner, and who is not entitled to vote on this matter;
- Consideration on the continuation or dissolution of the company in case the manager, who is a partner, is dismissed or in case a partner ceases to be a business person;
- The transfer of shares to others, rather than a partner;
- And modification of the company's bylaws.

III. Limited Companies

Article 45

A limited company is a type of company created by dividing the capital into shares of equal value with two or more founding shareholders. The shareholders of a limited company shall not exceed twenty persons who will be responsible for the company's liabilities not exceeding the value of the unpaid portion of their shares.

Article 46

The shares of a limited company may be paid in cash or in kind. Shares paid in kind shall be remitted on the company's creation and evaluated by the share contribution control committee or by the company's constitutional meeting. Fifty percent at least of the value of a share to be remitted in cash shall be paid on the company's creation. The remainder shall be paid within two years from the company's registration.

Article 47

The shares of a limited company may be transferred to persons within or outside the company. Transfer of shares to outside persons shall require the approval of the majority of the shareholders representing at least two thirds of the company's capital.

Share certificates of a limited company are not transferable.

Article 48

The name of a limited company may be related to its objectives or business sector, but shall include the word "Limited Company".

The company's minimum registered capital shall not be less than 5,000,000 kip, except if the government has provided for more in the case of certain businesses.

The company may use the capital derived from share contributions only when the company is registered.

Article 49

The management of a limited company is conducted by one or several managers.

The manager is appointed by the meetings of shareholders or according to the company's by-laws. The manager may be selected from the shareholders or outside persons.

The term of office of the manager is decided by the meeting of shareholders on the day of the company's creation or during the company's operation.

The manager's salary is determined by the bylaws of the meeting of shareholders.

Article 50

The manager is entitled to sign on behalf of the company. Any signature not related to the company objectives is considered as null and void as for the company. The manager is entitled to conduct business activities related to the company's objectives as provided in the bylaws, such as the right to obtain loans and extend credit.

In the relationship with the shareholders, the manager is entitled to conduct all management activities for the company's interest, unless otherwise stated by the bylaws.

The manager shall implement the decisions of the general meeting of shareholders.

The manager has the obligation to use his abilities to conduct the company's activities and is not entitled to conduct activities constituting a violation of the company's laws or bylaws.

Article 51

The manager is responsible before the company and outside persons as provided by law in case of violation of this law, of the company's bylaws or faults in the company's management causing loss to the company.

The manager shall be dismissed by decision of the general meeting of shareholders representing over half of the company total shares.

Article 52

A limited company with a minimum capital of 100,000,000 kip shall employ one auditor.

The auditor is appointed by the general meeting of shareholders and is selected from the list of accountants registered with the certified accountants' organization.

The auditor has a term of office of three years and may be re-appointed.

The auditor has the duty to:

- Verify accounts and certify the accounting documents' accuracy;
- Present a report to the annual general meeting and send a summary report to the shareholders fifteen days before the general meeting;
- The auditor is entitled to request relevant documents from all departments of the company.

The general meeting of shareholders shall determine the auditor's fee.

In the implementation of such duties, the auditor shall be responsible before the law and the ethical code of conduct provided by the certified accounting organization.

The auditor shall perform such duties independently, and may be dismissed only by court decision or by the certified accounting organization.

Article 53

The shareholders have the following rights and duties:

- Receive dividends in proportion with contributed shares;
- Receive notification of various issues pertaining to the company's activities;
- Receive documents fifteen days at the latest before the annual general meeting;
- Raise questions and present opinions in writing on the company's management to the manager;
- Attend the general meetings of shareholders and present a vote for each share;
- Shareholders representing half of the Company share capital are entitled to convene a meeting;
- Shareholders are not entitled to withdraw their shares, but only to transfer such shares;
- Shareholders shall pay their shares in due time;
- Shareholders' responsibility for the company's liabilities shall not exceed the unpaid portion of their shares.

Article 54

The general meeting of shareholders shall take place at least once a year. In addition, general meeting of shareholders may be held as required by the company's business.

The general meeting shall take place only when shareholders and proxies representing over half of the company's capital are present.

The manager shall convene and notify the agenda of general meeting fifteen days at the latest before their opening.

In addition, meetings may be convened by:

- Auditors;
- Shareholders representing at least half of the company's capital;
- Persons appointed by the court at the request of shareholders;
- The interim manager of the company as appointed by the court in case the company is facing difficulties;
- A liquidator.

The resolutions of general meetings of shareholders are effective when approved by over half the company's capital, except for the modification of the bylaws and approval of new shareholders which will require two thirds of the votes from the company's capital.

Article 55

The general meeting of shareholders has the duty to:

Appoint or dismiss the manager;

Appoint the auditor;

Approve the company's activities in the previous year and for the following year;

Approve the annual balance sheet;

Approve the distribution of dividends.

Article 56

The general meeting of shareholders may amend the company's bylaws, subject to the approval of shareholders representing at least two thirds⁰ of the company's capital.

Article 57

A one-person limited company is a business unit created by a single person and shall have a minimum registered capital of 5,000,000 kip. Such person will be responsible for the company's liabilities only to the extent of the company's registered capital.

The single shareholder of a one-person limited company may be a person or a juristic entity. The single shareholder of a one-person or limited company which is a person, is not entitled to create several one-person limited companies.

Article 58

The manager of a one-person limited company may be the shareholders or a third person. In case the shareholder is a juristic entity, the manager shall be a third person.

The manager, who is the shareholder, is entitled to conduct all activities of the companies and to decide on all matters of the company. As for the manager who is not the same person as the shareholder, before deciding on any important issue of the company, shall obtain prior approval from the shareholder, as provided in the company's bylaws.

Decision of the manager shall be recorded in the company's register according to the bylaws.

Article 59

The shareholder of a one-person limited company may empower a third person to conduct the company's activities in totality or in part.

In case the shareholder of a one-person limited company passes away, the company may be further conducted by one or several heirs, unless otherwise provided by the bylaws.

If there are more than one heir, the one-person limited company will become a general limited company; liquidation will take place only when there are no heirs.

In addition to the rules and principles contained in Article 57 and 58 of this law, the creation and activities of a one-person limited company shall comply with the rules and principles governing general limited companies.

IV. Public Company

Article 60

A public company is a type of company created with the distribution of shares of equal value between a minimum of seven founding shareholders who will be responsible for the company's liabilities to the extent of the unpaid portion of their shares.

The shareholders must be business persons.

Article 61

A public company's shares may be paid in cash or in kind.

Payment of shares in cash shall be made on the day of the company's creation and shall be at least equal to twenty five percent of the shares' value to be paid, while the remainder shall be paid within a period of three years from the day the company is registered as provided by the Executive Council.

Shares paid in cash shall be evaluated by the share contribution control committee or by the constitutional meeting of the company, and shall be paid to the company on the day the shares are subscribed.

The value of each share in such company shall not exceed 10,000 kip.

Article 62

A public company's shares may be transferred to persons within or outside the company. Where shares are transferred to persons outside the company, the Executive Council shall be notified within seven days from the transfer.

Shares of public companies are transferable.

Article 63

The name of a public company may be related to its business sector, its objectives and others, but shall include the words "public company".

The capital of a public company, in addition to the contribution of capital and shareholders, may also be publicly mobilized from outside and the sale of debentures. The company shall make use of such capital only when properly registered.

A public company's minimum registered capital shall be 50,000,000 kip, except if provided at a higher rate by the Government for certain businesses.

Article 64

The management of a public company is conducted by the Executive Council which includes from five to seventeen persons, among which one or two representing the workers.

A member of the Executive Council has a term of office of three years. A member is appointed and may be dismissed by the ordinary general meeting of the shareholders. A member of the Executive Council may be re-appointed.

Article 65

Members of the Board of Directors shall be shareholders, except for representatives of workers.

Members of the Executive Council represent the company and are entitled to conduct activities only on behalf of the Executive Council. If a member of the Executive Council is also a worker, such member shall receive benefits, such as insurance and others, similarly to other employees.

Fees to be paid to members for the meetings of the Executive Council shall be decided by the bylaws or by the general meeting of shareholders.

Article 66

The Executive Council has the following rights and duties:

- Decide on the company's general activities;
- Elect the president of the Executive Council;
- Elect the Director;
- Determine the fees of the president, member of the executive council and salary of the director;
- Close the company's annual accounts, and report on the company's management;
- Approval guarantees;
- Distribute documents of the company to shareholders;
- Convene an extraordinary general meeting and call other meetings of the company.

Article 67

The Executive Council may call a meeting at a time as required by the business. A meeting of the Executive Council may be convened only if at least half of the total members of the Executive Council are present.

The meeting of the Executive Council are convened by:

- The president of the Executive Council;
- At least one third of all the members of the Executive Council where the president has not convened the meeting.

The resolution of the meeting of the Executive Council shall be effective with the simple majority of the members and proxies present at the meeting. In case of tied votes, the president's vote will be decisive.

Article 68

Members of the Executive Council shall assume joint civil responsibilities for the company and outside persons in case of violations of laws and regulations, or the company's bylaws or fault in the company's management entailing loss. If such loss occurs from the fault of a member of the Executive Council, such member will be solely responsible for the loss. In addition, members of the Executive Council may be liable for criminal acts in case of criminal offences.

Article 69

The Executive Council elects one of its members as the president of the Executive Council. A juristic entity may not become the president of the Executive Council. The president has an equal term of office as other members of the Executive Council and may be re-elected unless otherwise provided in the company's bylaws.

The president of the Executive Council may be dismissed by the Executive Council.

In case of the president's absence, a member of the Executive Council shall act as approved by the Executive Council.

Article 70

The president of the Executive Council calls and chairs the meetings.

In addition, the detailed rights and duties of the president of the Executive Council are provided in the company's bylaws.

All activities conducted by the president with outside persons will fall under the company's responsibility, except if the company has proof that such outside persons had knowledge that the president's acts derogated from the company's objectives.

The President shall approve guarantees made on behalf of the company only when specifically authorized by the Executive Council.

As a member of the Executive Council, the President has similar responsibilities as other members of the Executive Council as provided in Article 68 of this law. In addition, The president shall also be responsible for his personal wrongful acts in the conduct of the company's activities.

Article 71

The Executive Council may elect a person as director at the President's proposal.

The Director may be selected among the members of the Executive Council or from outside. The President of the Executive Council may be appointed as Director on the Executive Council's proposal and will be called "President Director".

The Director may be selected among the members of the Executive Council. The Director's salary is determined by the Executive Council. The term of office and duties of a director who is not a member of the Executive Council is determined by the Executive Council. The Director is also a member of the Executive Council has a term of office of three years and may re-elected.

The Director is responsible for directing the general activities of the company, and to conduct business activities on behalf of the company within the company's objectives.

Article 72

The general meeting of shareholders is the supreme authority of the public company.

There are two kinds of general meetings:

- Ordinary general meeting;
- Extraordinary general meeting.

Article 73

The ordinary general meeting is a meeting of shareholders held at least once a year for the consideration of issues related to the company's activities.

The ordinary general meeting may be called by:

- The Executive Council;
- The Director;
- The auditor;
- The liquidator;
- Shareholders representing at least one third of the company's total shares;
- The persons appointed by the court at the shareholders' request.

The notice of meeting and agenda shall be sent to the shareholders at least fifteen days before the opening date.

An ordinary general meeting is convened only when shareholders and proxies representing at least half of the total shares are present. In case such a meeting may not be held, at the second call, the meeting may unfold without regard of the number of participants.

The resolution of the ordinary general meeting is approved at the majority of the total shares represented by the participating shareholders. The voting procedure is one share, one vote.

Article 74

The ordinary general meeting has the following rights and duties:

- Receive reports from the executive Council on the company's activities, declaration of profit and proposals for the distribution of dividends;
- Receive a report from the auditor;
- Ratify the company's past activities and future plans;
- Adopt the annual balance sheet;
- Approve the distribution of dividends;
- Elect or dismiss members of the executive Council;
- Appoint the auditor and determine the auditor's fees;
- Authorize the executive Council to undertake a specific activity on behalf of the ordinary general meeting.

Article 75

The extraordinary general meeting may be convened at any time to consider the amendment of the company's bylaws, such as: extension of term of office, increase or reduction of the company's capital.

The procedures for calling an extraordinary general meeting are the same as for calling an ordinary general meeting.

An extraordinary general meeting may be convened only when shareholders and proxies representing at least two thirds of the total shares are present upon the first notification, and at least half of all the shareholders upon second notification. In case the shareholders do not participate in numbers as mentioned above, the meeting shall be postponed to another date within two months at the latest, and upon such notification, the meeting shall unfold without regard of the number of participants.

The resolution of an extraordinary general meeting will be effective with two-thirds of the vote of the shares held by the shareholders participating in person or by proxies to the meeting.

Article 76

The shareholders of a public company have the same rights and duties as the shareholders of a limited company.

Chapter 4
State Owned Enterprises

Article 77

A State owned enterprise is a business unit created and invested by the State alone or in joint venture with other enterprises where the state has a minimum equity of fifty one percent.

A State owned enterprise or the State may acquire shares in two forms of companies only: limited and public company.

Article 78

The State may contribute equity as follows:

- Enterprises in which the State invests one hundred percent are state owned enterprises;
- Enterprises in which the State invests from fifty one percent but less than one hundred percent in joint venture with other types of enterprises are state joint enterprises.
- Joint ventures between the state and other sectors are ventures in which the state contributes less than fifty percent of the equity.

I. State owned enterprises

Article 79

A state owned enterprise is fully responsible for its liabilities.

In addition to the state's equity, a state owned enterprises may increase its capital through:

- Loans from local and foreign banks and other financial institutions according to the laws and regulations;
- Mobilized fund from the public, such as the sale of debentures subject to the Government's approval.

Article 80

The Minister of Finance, representing the government which is the owner of the state owned enterprise's capital:

- Proposes the creation or dissolution of state owned enterprises;
- Determines the goals and objectives of state owned enterprises;
- Appoints or dismisses the president, vice president, members of the Executive Council and invited participants to meetings;
- Proposes to transfer the business or sell the properties of state owned enterprises.

Article 81

The Ministry of Finance co-ordinates with the concerned sectors for the authorization of state owned enterprises' creation with the prime Minister's approval, and thereafter such state owned enterprises shall register with the Minister of Commerce and register their taxes with the Ministry of Finance.

State owned enterprise shall be established on the basis of conditions, criterion of capital and others as provided in this law and regulations outlined by the concerned sectors.

Article 82

State owned enterprises are managed by an executive Council with three to eleven members, among which:

- A president appointed by the Minister of Finance with the approval of the concerned ministry;
- A vice president appointed by the Ministry of Finance on the Proposal of the members which include a representative of the company's employees-workers, while the remaining members shall be personalities with business experience as appointed by the Ministry of Finance.

The Executive Council and its members have a term of office of three years. Members of the Executive Council may be re-appointed.

Article 83

The Executive Council has the following rights and duties:

- Adoption of business strategy;
- Assessment of results from the enterprise's business activities;
- Proposals for the appointment or dismissal of the Director;
- Determination of salaries and allowances for the Director and deputy director on the basis of the regulations outlined by the Ministry of Finance;
- Determination of the capital's structure;
- Determination of the ratio between loans and capital;
- Determination of the enterprise's targeted productivity;
- Sale of debentures to employees and workers within the enterprise or to the general public;
- Adoption of the accounting chief's appointment on the proposal of the enterprise's director;
- Proposals on the appointment of the auditor;
- Proposals for the modification capital and bylaws of the state owned enterprise.

Article 84

The Executive Council convenes an ordinary meeting every 3 months, while extraordinary meeting may be convened at any time as required by the business directly by the president of the executive council or at the proposal of half of the total members of the executive council.

The executive council acts as supervisor but does not directly participate in the management of the director's daily activities, unless a member of the executive council is appointed as Director.

Article 85

The director of a state owned enterprise is appointed or dismissed by the Minister of Finance on the proposal of the executive council.

The deputy director is appointed by the executive council of the state owned enterprise on the director's proposal.

Article 86

The director has the following rights and duties:

- Responsibility before the Executive Council and for the enterprise's management according to the strategic goals and plans adopted by the executive council;
- The right to decide over matters of the state owned enterprise within the scope determined by the Executive Council;
- Periodically submit plans, inventories on activities and other specific reports by the Executive Council before meetings.

Article 87

The total capital and reserve funds, together with the profit of the state owned enterprise from its creation as contained in the inventories constitute the State's equity in the state owned enterprise.

The use of the state owned enterprise is decided by the executive council on the basis of the outlined rules and principles, while the remainder is owned solely by the State. The state owned enterprise's annual profit after the payment of various taxes according to the regulations shall be allocated following priority goals, such as:

- To the reserve fund according to the bylaws;
- Payment of local and foreign loan principal;
- To the production extension fund;
- To other reserve funds, except the welfare and benefit fund;
- To the State.

II. Joint State Owned Enterprise

Article 88

A joint state owned enterprise is a business entity created on the basis of a joint venture between another type of enterprise with the State and in which the State's equity represents a minimum of fifty one percent of the total capital but less than one hundred percent.

The shareholders of a joint state enterprise are responsible for the company's liabilities only within the extent of the unpaid portion of the shares they hold.

Shares of joint state enterprise may be paid in cash or in kind according to the regulations of government public companies.

Article 89

A joint state enterprise manages and operates according to the regulations governing public companies, except in certain cases as follows:

- The transfer of the State's shares is decided by the Government, while the transfer of the private sector's shares shall comply to the regulations governing public companies;
- Shares of joint state enterprises are transferable;
- The Executive Council of a joint state enterprise includes a proportional number of members with the enterprise's capital, among which there is one

president appointed by the Minister of Finance with the approval of the concerned ministry; one vice president representing the private sector as approved by the Minister of Finance on the concerned private entity's proposal; the representative of employees-workers appointed by the Minister of Finance;

- The resolution of the Executive Council meeting shall be effective with the majority of votes from shareholders participating to the meeting. In case of tied votes, the president's vote will be decisive;
- The Director is appointed or dismissed by the executive council on the proposal of the general meeting of shareholders;
- The deputy director is appointed or dismissed by the general meeting of shareholders on the director's proposal.

Article 90

A joint venture between the State and other types of enterprises is where the State holds less than fifty percent of the equity. The State shall enter into joint ventures with limited and public companies only. The organization, management and activities shall comply with the bylaws of limited or public companies in which the State has entered.

Chapter 5 Collective Enterprise

Article 91

A collective enterprise is a business entity created by a collective of a minimum of two families for the purpose of conducting profit-seeking activities. A collective enterprise conducts its business according to the form of a business co-operative.

Article 92

A business co-operative is a collective organization created on the basis of the will of farmers, handicrafts and small traders to join their funds and labor for the conduct of production, trade and services in view of gaining profit.

Article 93

The capital of business co-operatives is not determined and may be changed any time. In case a business co-operative has less than twenty member families, the management, administration and resolutions shall comply with the regulations on limited companies. However, if there are more than twenty member families, the management and resolutions shall comply with the regulations on public companies.

Chapter 6 Joint Enterprise

Article 94

A joint enterprise is a joint venture between a state owned enterprise with a local or foreign enterprise. The organization, administration and management of joint enterprises shall comply with article 88, 89 and 90 of this law.

Part IV Final Provisions

Article 95

The content of formerly issued laws, decrees, decisions and instructions conflicting with this law are abrogated.

Article 96

The Government of the Lao People's Democratic Republic shall issue provisions for the implementation of this law.

Article 97

This law is effective 30 days from its promulgation by the President of the Lao People's Democratic Republic.

Vientiane, 18/7/1994

President of the National Assembly
Saman Vignaket