Law on Enterprise - Laos

June 2019

ASIA BRIEFING

DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia

This document is for research purposes only; it should not be used as an official document.
Source: Investment Promotion Department, http://www.investlaos.gov.la/

LAW ON ENTERPRISES

Part I
General Provisions

Article 1. Purposes

The Law on Enterprises determines the principles, procedures and measures for the incorporation, operation and management of enterprises in the Lao People's Democratic Republic with the aims of promoting production, business and services in all economic sectors to develop the workforce [engaged in] production and production relationships[1], and [or promoting] national socio-economic growth to contribute to national development and improvement of the livelihood of the multi-ethnic people.

Article 2. Definitions

Terms used in this Law on Enterprises shall have the meanings ascribed below:

- An enterprise [refers to] a business organisation of individuals or legal entities which shall have a name, capital, an administration and management, and an office, and which is registered as an enterprise under this law. An enterprise is also referred to as a “business unit”;
- A business [refers to] a business activity in any specific undertaking, either as part of or as the whole of the process from production to services, for the purpose of seeking profit and serving the society’s common interests;

[1] This is a literal translation of the Lao term, which has the connotation of opening up the possibilities for different relationships in the ownership of means of production.

- The list of controlled businesses[2] [refers to] the list of business types that are highly sensitive to national stability, social order, and fine national traditions and to the environment, which require the permission of, and inspection[3] by, the relevant authorities prior to the registration of the enterprise;
- A sole-trader enterprise[4] [refers to] a form of enterprise owned by an individual. A sole-trader enterprise operates under the name of its owner who holds unlimited liability for the debts of the enterprise;
- A partnership enterprise [refers to] a form of enterprise[5] established on the basis of a contract between at least two investors who contribute capital to joint business operations for the purpose of sharing profits;
- A general partnership enterprise [refers to] a form of partnership enterprise which is jointly operated by the partners primarily based on mutual trust and where all partners have joint and unlimited liability for the debts of the enterprise;
- A limited partnership enterprise [refers to] a form of partnership enterprise in which some[6] of the partners have unlimited liability for the debts of the enterprise and are referred to as "general partners", and the other partners have limited liability and are referred to as "limited partners";
- A company [refers to] a form of enterprise established through the division of its capital into shares, each share having equal value. A shareholder is only liable for the company's debts up to an amount not exceeding the unpaid portion of [such shareholder's] shares;
- A limited company [refers to] a form of company with at least two and no more than thirty shareholders, except in the cases described in paragraph one, Article 85 of this law, and a limited company with a single shareholder is called a "one-person limited company"[7];
- A public company [refers to] a form of company with at least nine shareholders who are the promoters, and the company's shares can be freely transferred and openly offered to the public;

---

[2] This term is sometimes also referred to as the "negative list".

[3] In the Lao language, the same word is used to represent all of the following related (but slightly different) concepts: "control", "inspection", "supervision", "audit" and "monitoring". The translators have chosen "inspection" (and its variants) as the most appropriate English equivalent but readers should note and bear in mind the other meanings that might have been intended.

[4] This term is sometimes also translated as "sole-proprietorship enterprise".

[5] In the old Business Law, this form of enterprise was called a partnership company. In this law, the term has been changed to "partnership enterprise".

[6] There must be more than one general partner in this type of enterprise.

[7] This term is sometimes also translated as "sole limited company".

- A public offering of shares [refers to] an offering of shares to the public in the stock exchange market or outside the stock exchange as described in laws and regulations;
- A State company[8] [refers to a company] established by the State and managed under rules applicable to companies and it shall not sell more than forty-nine percent of its shares[9];
- A joint company [refers to] a company jointly established between the State and another sector[10][,] whether domestic or foreign[,] in which each party holds fifty percent of the shares;
- Shares represent the capital of a partnership enterprise or company and may be divided into unequal or equal value depending on the form of partnership or company as stipulated in this law;
- An ordinary share [refers to] a type of share which the owner cannot redeem;
- A preferred share [refers to] a type of share which the owner may redeem, and which has specific rights and obligations that are different from ordinary shares;
- A share certificate [refers to] an important legal document of title representing the rights and the proportion of ownership of a partner in a partnership enterprise or a shareholder in a company;
- A debenture [refers to] a loan certificate issued by a company without collateral which gives the debenture holder legitimate rights that guarantee the repayment of principal and interest as agreed;
- A dividend [refers to] the money distributed to partners or shareholders from the net profit generated by a partnership enterprise or a company after deduction of the cost of capital, expenses and debts;
- A quorum [refers to] the minimum number of participants in a meeting required to convene a meeting;
- Commercial confidentiality [refers to] important information about the production process, business or services of an enterprise that may result in loss to the stability and financial status of that enterprise if they are disclosed;
- A liquidator [refers to] a person appointed by the court or an enterprise to perform rights and duties in the attachment of the assets of a dissolved or bankrupt enterprise in order to pay the creditors and distribute the remaining amount to the owners[11], partners or shareholders of the concerned enterprise.

---

[8] This entity is different from a State-owned enterprise in the old Business Law.

[9] The literal translation of this phrase is "may sell shares up to less than 50%".

[10] The literal translation on this phrase is "with a party from the non-governmental sector".

[11] This term is not limited to investors but rather could include, e.g., the owner of a sole-trader enterprise.

Article 3. Right to Establish Enterprise

Lao citizens, foreign residents, apatrids[12] residing in the Lao PDR and foreigners, including their organisations, are entitled to establish enterprises or participate in business transactions in accordance with the laws and regulations of the Lao PDR.

Article 4. Equality in Business Transactions

All economic sectors, domestic and foreign, are equal before the law in business activities, and may compete and cooperate in expanding production forces, [and in] extending their production, business and services.

Article 5. Obligations of Enterprises

Enterprises have the obligation to conduct their business operations in accordance with their business purposes, to keep accounting books, to perform fiscal obligations towards the government, to protect the workers' legitimate rights and interests, to preserve the environment, and to uphold other relevant laws and regulations of the Lao PDR.

Article 6. State Policy and Protection of Rights and Interests of Enterprises

The State encourages and promotes domestic and foreign persons and organisations to establish enterprises or to participate in business activities in all non-restricted sectors by issuing customs and tax policies, regulations, [and] measures, [and by] providing information, services and other facilities to enterprises to contribute to socio-economic development.

The legitimate rights and interests of enterprises, namely their capital and property, are protected by laws.

Article 7. International Cooperation

The State promotes international relations and cooperation in business activities by exchanging lessons and information, by mobilizing capital, sciences, technologies and experience in business management that is advanced[13], [and also promotes] the opening up of the market, [and] regional and global integration.

---

[12] Readers may wish to refer to the Law on Lao Nationality for the distinction between aliens, apatrids (i.e. persons unable to certify their nationality) and foreign individuals.

[13] In the original Lao text, it is unclear whether this adjective qualifies business management or all other nouns preceding it.

Article 8. Scope of Application

This law applies to private enterprises, both domestic and foreign, State enterprises[14] and joint enterprises established and operating in the Lao PDR.

Cooperative enterprises and small retail traders do not fall under the scope of application of this law and will be dealt with in detail separately.

Part II
Enterprises

Chapter 1
Types, Forms and Categories of Enterprises

Article 9. Types of Enterprises

There are four types of enterprises in the Lao PDR: private enterprises, State enterprises,[15] joint enterprises and collective enterprises.

A private enterprise may elect to use any form or category of enterprise stipulated in Article 10 and Article 11 of this law for the establishment and operation of its enterprise.

A State enterprise and a joint enterprise may be established and operated in the form of a company only. A State enterprise is referred to as a "State company" and a joint enterprise as a "joint company".

Article 10. Forms of Enterprises

The form of an enterprise [refers to] the business organisation that is the basis for the establishment and business operations of all types of enterprises.

Enterprises are classified in three forms:

1. Sole-trader entreprise;
2. Partnership enterprise;
3. Company.

[14] The Lao term here is a different word from "State company".

[15] In the original Lao text, the same words are used here for State-owned enterprises and mixed enterprises as were used in the Business Law. However, the translators have used different English words for these enterprises in this law because the nature of these entities is different.

Article 11. Categories of Partnership Enterprises and Companies

Partnership enterprises and companies are classified in the following four categories:

1. Partnership enterprises are classified in two categories:

   - General partnership enterprise;
   - Limited partnership enterprise.

2. Companies are classified in two categories:

   - Limited company, including one-person limited company;
   - Public company.

Chapter 2
Registration of Enterprises

Article 12. Registration of Enterprises

Enterprise registration [refers to] the acceptance of a notification for enterprise registration[16] as lawful recognition by the State of an individual or legal entity, either domestic or foreign, that is established and is operating a business in the Lao PDR.

The procedure for enterprise registration is separately regulated.

An enterprise is registered once throughout the period of operation of such enterprise.

Article 13. Filing of Notification for Enterprise Registration

Any person intending to conduct business in the Lao PDR shall file a notification for enterprise registration with the concerned State agencies as specified under this law.

---

[16] The term "notification for enterprise registration" (rather than "application for enterprise registration") is used in the Lao text and has the connotation that enterprise registration should generally be a matter of notifying the relevant authorities of, rather than seeking permission for, the establishment of a business unit.

Article 14. Procedures and Timeframe for Consideration of Enterprise Registration

Upon receipt of a notification for enterprise registration, the commercial sector[17] shall examine whether the type of business to be registered falls in the list of controlled or non-controlled businesses. If the proposed business is not in the controlled list, the enterprise registration authority of the commercial sector shall consider[18] issuing a certificate of enterprise registration no later than ten official working days from the date of receipt of the notice.

In the event that the type of business submitted for registration falls within the list of controlled businesses, the commercial sector shall immediately forward the application to the concerned authority[19]. Such authority shall consider and respond no later than ten working days, except in the case of certain businesses that require a longer technical review process. Thereafter, the commercial authority shall consider issuing an enterprise registration certificate no later than three working days.

In the event that the enterprise registration certificate is not issued, a written response with reasons shall be given to the applicant for enterprise registration.

The list of controlled businesses and the timeframe for the technical review process as stipulated in paragraph two of this article shall be approved by the government only.

Article 15. Invalid Registration of Enterprises

An invalid registration of an enterprise [refers to] the registration of an enterprise where part or the whole content of [such] registration does not conform to the form, category [or][20] reality, and that needs to be corrected. Such correction may be made by amendment.

In the event that the correction cannot be made, the enterprise shall be dissolved in accordance with the procedures set forth in this law.

---

[17] The term "sector" is used in many Lao laws to refer to the cluster of government ministries or agencies engaged in a particular activity.

[18] This term has the connotation of having the power to approve.

[19] This is a reference to the authority regulating the controlled industry.

[20] The Lao word "and" is sometimes used in a disjunctive sense, often when the authors wish to emphasize the importance f all items in the disjunctive list. Here the literal translation is "and", but it is clear that the disjunctive "or" meaning is intended.

The registration of an enterprise [granted] to a person restricted by law or the registration of an enterprise in contravention of any law or regulation shall be invalid.

The invalidity of any enterprise registration or the dissolution of the enterprise shall not terminate the liabilities of the enterprise.

Article 16. Effects of Enterprise Registration

The registration of an enterprise has the following effects:

1. Creates a legal entity of a partnership enterprise or a company that is separate from its shareholders, having rights, duties and responsibilities within the scope of its purposes and bylaws[21];
2. Enables the enterprise to carry out business activities within the business sectors indicated in its enterprise license without requiring further approval or review from the relevant authorities, except for certain types of businesses specified in the list of controlled businesses, as provided in Article 14 of this law;
3. The contents[22] that were filed with the notification for enterprise registration shall be disclosed, and any interested person may see such application as described in paragraph one, Article 19 of this law;
4. The enterprise's name and tax registration are registered.

Article 17. Effects of Failure to Conduct Business Operations

An enterprise shall commence its business operations within ninety days from the date of the enterprise registration. In the event that an enterprise fails to operate within that period or suspends its operation and fails to perform its fiscal obligations over twelve months continuously without reasons, the relevant enterprise registration officers shall notify such enterprise to clarify the reasons[.][23] If such enterprise fails to meet the registration officers within ten working days from the date the notice is received or at the meeting no sufficient reason is given, such enterprise shall be considered suspended and [shall be] dissolved in accordance with the procedures set forth in this law.

---

[21] This is a reference to the internal regulations of the company.

[22] This is a literal translation. The intention is to refer to "those matters that must be included". See Article 11 of the Contract Law for a similar use of "contents".

[23] For readability, the punctuation of this sentence has been modified.

Article 18. Modification of Contents in Enterprise Registration

Any modification of the contents in the enterprise registration after registration, such as the purpose or the registered capital, shall be notified to the relevant enterprise registration officers within one month after the decision on such modifications has been made, except for the modification of contents in the enterprise registration relating to the types of business falling within the list of controlled businesses, which shall comply with paragraph two of Article 14 of this law.

Any enterprise that provides invalid contents in its enterprise registration or gives notice of a modification later than the period specified in paragraph one of this article, whether intentionally or not, shall not be entitled to assert [such deficiencies] as an argument for the release from liability for its acts against third parties acting in good faith.

Article 19. Public Disclosure of Contents of Enterprise Registration

Individuals and legal entities may access or request a copy of filed registration documents from the enterprise registration officers. Such registration documents refer to documents filed by the enterprise for enterprise registration as required under this law. A person requesting a copy of such documents shall pay fees as stipulated.

Other than the documents described in paragraph one of this article, disclosure shall be permitted only with the prior consent of the concerned enterprise, unless otherwise provided by the laws.

Article 20. Registered Capital of Enterprises

The registered capital of a sole-trader enterprise is the capital declared by the owner to the enterprise registration officer in its enterprise registration.

The registered capital of a partnership or company is the value of all shares as defined in item 4 of Article 33 and item 4 of Article 81 of this law. Such registered capital is also referred to as the "stated capital" of the partnership or the company.

For certain types of businesses, as necessary, the relevant sector has the authority to set the minimum required registered capital for enterprise registration, provided that approval from the government has been obtained.

The declared registered capital must truly exist in the Lao PDR, as prescribed by the laws. In the event of a breach, the breaching party shall be responsible under the laws for the offence of making false statements to a government authority.

Chapter 3
Name of Enterprise

Article 21. Selection of Name of Enterprise

An enterprise may select the name or surname of one or several persons or may use other names as agreed. Any enterprise first subscribing for a name shall have priority over other enterprises. The name of an enterprise shall at all times indicate the form or category of such enterprise.

A subscribed name shall terminate if the subscribing enterprise is not accepted for enterprise registration.

Upon the registration of an enterprise, the business operator shall display a sign with its name.

Article 22. Forbidden Names

Forbidden names are:

1. Names causing confusion, [names that are] similar or identical to the names of other enterprises within the same province, [or] city[,] or names of other enterprises that are widely known;
2. Names that conflict with the fine national culture and traditions or with social order;
3. Names that contain the name of any country, [or] international organisation, or the name of any symbol of cultural identity or national sacred site;
4. Names that are identical or similar to a form or category of enterprise.

Article 23. Allowing other Persons to Use Name or License of Enterprise

Any authorisation to another person to use the name or enterprise license for business activities shall be made in writing and in accordance with the Contract Law of the Lao PDR.

In the event that there is no written authorisation for the use of a name or enterprise license but there is sufficient evidence indicating that the owner of the name or enterprise license knew but did not complain or object or supported such use, it shall be deemed as due authorisation.

Article 24. Liability for Allowing other Persons to use Name or License of Enterprise

Any person who authorises others to use its name or enterprise license shall be responsible to third parties in accordance with the agreed contract[24] or as provided by the laws.

Any person who authorises a person having no capacity[25] to use its name or enterprise license shall be liable for the act of such persons.

Any person who authorises an individual or legal entity that is subject to legal restrictions to use its name or enterprise license shall be jointly liable for the acts of that individual or legal entity. Any business operations carried out by the authorised persons shall be deemed to be business operations [conducted] without an enterprise registration.

A State company may not authorise any individual or legal entity to use its name or enterprise license. In the event of any violation, it shall be personally liable to the third party.

Article 25. Transfer and Restrictions on Transfer of Name

A name may be transferred only when:

1. It is transferred together with the transfer of the whole enterprise, including its rights and obligations;
2. It is the name of an enterprise that has been entirely and lawfully dissolved.

Upon the proper transfer of a name in accordance with item 1 above, the transferee shall notify the debtors and creditors of the enterprise within sixty days and notify the relevant enterprise registration officers within five working days from the date of the transfer.

Any improper transfer of a name in any form, including monopolizing the market through the transfer of any name, is forbidden. In the event of any violation, the transferor and transferee shall be liable for their acts in accordance with the relevant laws and regulations of the Lao PDR.

A State company is not permitted to transfer its name to any other type of enterprise.

---

[24] This appears to be a reference to the contract between the owner of the name or license and the permitted user of the name or license, as referred to in Article 23.

[25] This term refers to legal capacity and mental capacity.

Article 26. Cancellation of Name

A name shall be cancelled together with the dissolution of the enterprise. Upon termination of a name, the owner of the name shall remove the sign of its name within seven days from the date of the notice of termination.

Any individual or legal entity still using a cancelled name or enterprise license shall be deemed to be conducting business without a proper enterprise registration.

Part III
Sole-Trader Enterprises

Article 27. Filing of Notification for Enterprise Registration

Any person intending to register a sole-trader enterprise shall submit an application with the following details:

1. The name and kind of business;
2. The name, address and nationality of the enterprise owner and manager;
3. The location of the enterprise;
4. The registered capital.

Article 28. Rights and Duties of Owner

The owner of a sole-trader enterprise has the following rights and duties:

1. To administer and manage the enterprise himself[26] or to employ other persons to administer and manage the enterprise;
2. To decide by himself the use of profits or other matters relating to the enterprise;
3. To keep accounts as provided by the Law on Enterprise Accounting;
4. To perform obligations towards the State;
5. To perform other rights and duties as provided by the laws.

[26] Readers should note that the Lao language does not distinguish between genders in pronouns. In this translation, a reference to a gender is a reference to all genders, unless the context requires otherwise (as is the case in some Articles). The translators' decision to use the male gender pronoun as the default translation was made in the interests of simplicity and consistency.

Article 29. Manager

The manager of a sole-trader enterprise may be the owner himself or one or several third parties[27] employed as managers. An external employed manager is remunerated as agreed with the owner of the sole-trader enterprise.

A sole-trader enterprise with several managers may appoint one manager as the overall supervisor who shall solely have authority to enter into contracts on behalf of the sole-trader enterprise with third parties. Such manager is called the "general manager". This provision is also applicable to managers of partnership enterprises and one-person limited companies.

A manager performs all his tasks on the basis of the rights and duties described in the contract and under the supervision of the enterprise owner.

A manager may assign certain of his tasks to other assistants.

Article 30. Manager's Employment Contract

A manager's employment contract shall be made in writing as provided by the Contract Law. The contents of the employment contract shall describe the rights, duties, remuneration and responsibilities of the contracting parties and how the contract may be terminated.

Relations between the enterprise owner, manager(s), and third parties are governed by the relevant laws.

Article 31. Dissolution and Liquidation

A sole-trader enterprise is dissolved in the following cases:

1. The sole-trader enterprise owner decides to dissolve the enterprise;
2. Dissolution by court order;
3. Bankruptcy[28];
4. Death or lack of capacity[29] of an enterprise owner who has no heir.

In the event that the sole-trader enterprise is dissolved, its owner shall have the obligation to liquidate the enterprise by himself or to appoint third parties as liquidators, except when the dissolution is ordered by the court or the sole-trader enterprise is in bankruptcy, in which case only the court shall appoint the liquidator.

---

[27] The literal translation of this term is "persons outside of the company".

[28] This is a reference to final declaration of bankruptcy by the court.

[29] This term has the connotation of mental capacity.

Part IV
Partnership Enterprises

Chapter 1
General Principles Relating to Partnership Enterprises

Article 32. Partners of Partnership Enterprise

Investors in a partnership enterprise are called “partners”.

Partners in a partnership enterprise may be individuals or legal entities.

Article 33. Partnership Contract

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

A partnership contract shall describe the following primary contents:
1. The name of the enterprise;
2. The business purpose;
3. The names [and] locations of the headquarters and all branches, if any;
4. The stated capital or value of shares of the partnership enterprise divided into cash, kind or labour;
5. The names, addresses and nationalities of the partners of the partnership;
6. The names and signatures of all partners of the partnership.

The stated capital described in item 4 of this article is the registered capital of the partnership enterprise.

Article 34. The Status of Partnership Enterprise as Legal Entity

The indices of the status of a partnership enterprise as a legal entity comprise:

1. The name of the partnership;
2. The names [and] locations of its headquarters and all branches, if any;
3. The assets and capital;
4. The bylaws of the partnership enterprise;
5. Liability for debts according to the form of partnership enterprise;
6. The legal capacity to exercise rights and obligations, and to be a plaintiff or defendant [in legal proceedings] in the same manner as natural persons.

Article 35. Branches of Partnership Enterprises

A partnership enterprise registered in the Lao PDR is not required to further register its branches and such branches shall not have the status of a separate legal entity from the partnership enterprise.

Each branch office shall notify the enterprise registration officers at that location.

A branch of a foreign partnership enterprise operating in the Lao PDR is required to register the enterprise in accordance with this law.

The establishment of a branch of a Lao partnership enterprise in a foreign country shall be governed by the laws of that country.

In the event that the branch of a domestic or foreign legal entity is sued in the Lao PDR, such suit shall be deemed to be against that legal entity. This provision covers foreign legal entities that have branches in the Lao PDR.

Article 36. Bylaws of Partnership Enterprises

The bylaws of a partnership enterprise shall contain the following main items:

1. The matters specified in item 1 to item 5 of Article 33 of this law;
2. The names, addresses and nationalities of the managers of the partnership enterprise. In the event that other partners are not co-managers, restrictions on the use of power of the managers may be defined;
3. The method for the distribution of profits and responsibility for the partnership's losses;
4. The method and schedule of payment for shares;
5. Administration and management;
6. Meetings and rules for the adoption of resolutions;
7. Resolution of disputes;
8. Dissolution and liquidation.

The contents of item 1 of this article must be included in the notification of enterprise registration, but[30] the partnership enterprise may [decide to] include additional contents.

The bylaws of a partnership enterprise must be signed by its manager.

[30] The literal translation of this phrase is "except that the partnership enterprise shall decide to include additional contents". The idea here is that only item 1 is mandatory and must be included in the application; items 2 to 8 are optional.

Article 37. Modification of Establishment Contract[31] or Bylaws

Any modification to the contents of the establishment contract or bylaws of a partnership enterprise shall be made by unanimous consent of all partners, except as otherwise agreed.

Resolutions on the amendment or modification of such establishment contract or bylaws shall be notified to the relevant enterprise registration officers within ten working days from the date of the partners' meeting adopting such resolution on modification.

Chapter 2
General Partnership Enterprises

A. Enterprise Registration and Internal Relations of General Partnership Enterprises

Article 38. Filing of Notification for Registration of General Partnership Enterprises

The following documents are required for the filing of a notification for the registration of a general partnership enterprise:

1. The application form for notification of enterprise registration;
2. The general partnership contract containing the names and signatures of all partners;
3. The name, address and nationality of the manager when the partners decide not to act as co-managers;
4. The bylaws of the general partnership enterprise.

The application[32] for notification of enterprise registration shall be signed by the manager.

Article 39. Capital Contributions

The capital of a general partnership enterprise is contributed by the partners. Such capital contribution may be provided in cash, in kind or in labour.

[31] This contract appears to be the same as a partnership contract.

[32] The translators are aware that there are slightly different references in this Article, namely, to the previously mentioned process of "notification for registration" (see also footnote 16), to an application form, and to an application for giving notification of registration. It would appear that this article aims to spell out in greater detail the process commonly referred to generally as "notification for registration".

Capital contributed in kind or in labour shall be appraised in monetary terms. Capital provided in labour shall not be recorded in the balance sheet of the general partnership enterprise.

The methods and schedule of payment for shares specified in paragraph one of this article shall be agreed among the partners. Prior to the registration of the enterprise, the partners shall contribute their shares in full as agreed.

In addition to the capital described in paragraph one of this article, partners in a general partnership enterprise may finance any transaction carried out by the general partnership enterprise with their own funds.

The use of funds described in paragraph four of this article, including liabilities and the distribution of dividends, shall be agreed among the partners.

Article 40. Shares

Each share in a general partnership enterprise need not be of equal value.

Upon payment for their shares by partners as provided in paragraph three of Article 39 of this law, the general partnership enterprise shall issue share certificates to the partners based on the paid proportion of shares.

Share certificates of a general partnership enterprise are not negotiable.

Article 41. Manager

All partners in a general partnership enterprise may act as co-managers or appoint one or more partners to be managers.

The manager is the representative of the general partnership and of the other partners. The manager shall not receive a salary or bonuses for the performance of his duties, unless otherwise agreed.

The manager of a general partnership enterprise may be a third party. A third party appointed as manager shall be remunerated with a salary or bonuses as agreed by the partners.

Article 42. Appointment or Removal of Manager

The appointment or removal of the manager requires the unanimous vote of all partners, unless otherwise agreed. Each partner has one vote.

The partner to be appointed or removed as manager is not entitled to cast a vote.

Article 43. Rights and Duties of Manager

The manager has the following rights and duties:

1. To fully and faithfully perform his duties[33] for the best interests of the general partnership enterprise;
2. To exercise the rights and perform the duties described in the bylaws of the general partnership enterprise;
3. To recruit third parties to assist in any transaction of the general partnership enterprise for which he has responsibility.

In the event that several partners are joint co-managers, the administration and management of the general partnership enterprise shall be based on a majority vote or as it may otherwise be agreed as described in the bylaws. Each person shall have one vote.

In the event that there is a single manager, such manager shall have the sole authority to administer and manage the general partnership enterprise, unless restrictions are otherwise provided.

The restrictions referred to in paragraph three of this article shall have no effect upon third parties if such restrictions are not stipulated in the enterprise registration filing.

Article 44. Rights and Duties of Partners

Partners have the following rights and duties:

1. To inquire on the overall status of the general partnership enterprise at all times;
2. To examine or make copies of accounting records and other documents of the general partnership enterprise;
3. To receive dividends and be liable for losses as agreed;
4. To have unlimited liability for the general partnership's total debts;
5. To have the right to veto, oppose or complain if these [rights] have been agreed upon, but there shall be detailed provisions in the bylaws on the subject matter and applicable procedures for the use of such rights;
6. To receive a portion of contributed capital and profits as agreed when the general partnership enterprise is dissolved.

Article 45. Acceptance of New Partners and Transfer of Shares

A general partnership enterprise may not accept new partners and each partner may not transfer shares among themselves, unless otherwise agreed.

---

[33] The literal translation of this term is "to fully perform his duties and with loyalty".

In the event that the partners agree to accept a new partner or to allow the transfer of shares, unanimous consent is required from all partners.

The acceptance of new partners may be carried out by transferring shares to third parties or by allowing a third party to acquire a portion of newly issued shares.

Upon a decision to accept a new partner or to transfer shares to another [partner], [the partnership enterprise] shall notify the relevant enterprise registration officers within five working days from the date of the decision on such acceptance or transfer.

In the event that only one partner remains in the general partnership enterprise as a result of the transfer of shares or for any other reason, the general partnership enterprise shall be dissolved.

In the event that the name of the general partnership enterprise includes the names of partners, when one partner withdraws, the general partnership enterprise is entitled to delete such partner's name from its name.

Article 46. Prohibited Acts and Business Transactions of Partners

Partners are prohibited from carrying out any acts or business transactions that compete with their own general partnership enterprise.

An act or transaction which is considered as competing with the general partnership enterprise is:

1. [When a partner engages] on his own behalf in a business transaction that is similar to the purpose of the general partnership enterprise;
2. [When a partner engages] on behalf of another person, such as being a manager or director of another enterprise, in a business transaction that is similar to the purpose of the general partnership enterprise;
3. Being a partner in another general partnership enterprise or being a general partner[34] in a limited partnership enterprise.

[In the event of] any breach of the restrictions in this article, the general partnership enterprise has the right to claim the entire profits obtained from such acts or business transactions or to file a petition for dissolution of the general partnership enterprise.

Article 47. Exemptions from Restrictions

[A partner] may be exempted from the restrictions described in Article 46 of this law when:

[34] The literal translation of this term is "having unlimited liability".

1. [He has] obtained the unanimous consent of all other partners;
2. Such act or business transaction by the partner was carried out prior to [his] joining the partnership and the other partners did not object.

B. Relationship between General Partnership Enterprises and Third Parties

Article 48. Liability for Debts

Each partner shall have unlimited liability for the debts of the general partnership enterprise. A creditor may claim for payment of debt from each partner but only after it has made a claim against the general partnership enterprise which remains unsettled.

All partners may agree on the proportion of each partner's liability for the debts or losses of the general partnership enterprise, but such agreement shall have no effect on third parties.

Partners are liable for the debts of the partnership only when:

1. Such debts arise from the performance of duties of the manager or other partners in accordance with bylaws of the general partnership enterprise;
2. Such debts arise from the performance of any duty to achieve the purpose of the general partnership enterprise and such acts were approved by all partners.

Article 49. Rights to Benefits

All partners are entitled to receive the benefits obtained by the general partnership enterprise from transactions with third parties on behalf of the enterprise, whether or not such benefits are obtained in the name of the general partnership enterprise.

Article 50. Liability of Withdrawing Partners and New Partners

A partner withdrawing from a general partnership enterprise shall be liable for the debts of the general partnership arising prior to his withdrawal from the general partnership enterprise.

Such liability shall terminate within one year from the date of approval of such withdrawal, except when a longer period of liability has been agreed.

A new partner is liable for the entire debt of a general partnership enterprise, unless otherwise agreed, but such agreement shall have no effect on third parties.

C. Merger of General Partnership Enterprises

Article 51. Merger of General Partnership Enterprises

A general partnership enterprise may merge with one or several other general partnership enterprises into either the original partnership enterprise or into a new general partnership enterprise.

General partnership enterprises may merge only when the following conditions are met:

1. Unanimous consent was obtained in a meeting of all partners of the general partnership enterprises to be merged, unless otherwise agreed. The resolutions adopted by such meeting shall be registered with the enterprise registration officers within ten working days from the date of the resolution to merge;
2. The merger has been published through appropriate mass media at least once within ten working days from the date the resolution to merge is adopted to inform and allow creditors to oppose the merger within sixty days from the date the creditors receive the notification, and creditors fail to oppose or respond within the stipulated period of time;
3. The enterprise has been registered again.

Article 52. Objection to Merger and Effects of Merger

In the event that a creditor objects to the merger of a general partnership enterprise, [the general partnership enterprise] cannot merge, unless all debts have been paid to that creditor only.

A merger of general partnership enterprises does not result in the dissolution of the enterprises [or][35] the lapse of previous rights or responsibilities.

D. Dissolution of General Partnership Enterprises

Article 53. Grounds for Dissolution

A general partnership enterprise may be dissolved on three grounds: dissolution by agreement between the partners, dissolution by court order and dissolution by operation of law[36].

---

[35] See footnote 20.

[36] The literal translation of this term is “dissolution by legal effect”.

The enterprise registration officers shall be temporarily notified[37] of the dissolution of a general partnership enterprise on any grounds within ten working days from the date the grounds for dissolution occurred.

Article 54. Dissolution by Agreement between Partners

A general partnership enterprise may be dissolved by unanimous agreement of the partners.

Article 55. Dissolution by Court Order

Any partner of a general partnership enterprise may request the court to consider the dissolution of the general partnership enterprise when he finds that:

1. The general partnership enterprise has suffered losses and cannot solve [the problem];
2. An event of force majeure occurs making it impossible to continue the business of the general partnership enterprise;
3. Such partner has been misled or forced to become a partner;
4. A partner has committed an act or is acting with the intention to breach the partnership contract or the bylaws or is acting in gross negligence and causing severe damage to the general partnership enterprise.

The partner requesting the court to consider the dissolution shall not be the partner causing the aforementioned events.

Other partners may request the court to order the partner at fault to pay compensation or to withdraw from the partnership enterprise instead of ordering dissolution. In such event, the general partnership enterprise shall distribute the assets of the enterprise to such partner at the current value of such assets after deducting the damage caused by such partner, unless otherwise agreed by the partners.

Article 56. Dissolution by Operation of Law

A general partnership enterprise may be dissolved on any of the following legal grounds:

1. Dissolution in accordance with the contract or bylaws of the general partnership enterprise;
2. Only one partner remains in the general partnership enterprise;
3. A partner dies, becomes bankrupt or has no legal capacity, except as otherwise agreed;

[37] This is a literal translation. It appears to be a reference to temporary dissolution upon the occurrence of the events set out in Article 53 as opposed to permanent dissolution under Article 67.

4. Dissolution stipulated in Chapter 2 and Chapter 3 of Part II of this law.

In the event that a partner dies but the general partnership enterprise is not dissolved, the heir of the deceased partner is entitled to receive the full distribution of dividends or assets of the deceased partner.

Article 57. Effects of Temporary Dissolution

The temporary dissolution of a general partnership enterprise has the following effects:

1. The temporary suspension of a partner's right to claim benefits from the general partnership enterprise;
2. The liability of partners for payment of unpaid shares is not terminated;
3. The temporary suspension of payments, [but] receivables owed to the enterprise shall be paid;
4. The general partnership enterprise shall have no right to engage in business activities, but shall continue to exist as a legal entity for a period of time until its dissolution is registered and the enterprise registration license is permanently cancelled in order to complete pending matters and proceed with liquidation.

E. Liquidation of General Partnership Enterprises

Article 58. Methods for Liquidation

Partners may agree on the method for distribution of assets or liquidation as provided in the bylaws of the general partnership enterprise or as agreed between partners, except for a dissolution caused by bankruptcy, by court order, or when only one partner remains in the partnership.

Article 59. Appointment or Removal of Liquidator

Liquidation of a general partnership enterprise may be carried out by the manager or all partners as joint liquidators or by appointing a partner or a third party to act as the liquidator. Such appointment shall require unanimous approval from all partners.

In the event that the votes cast by partners for the selection of the liquidator are not sufficient as required in paragraph one of this article, the partners of the general partnership enterprise may request the court to appoint the liquidator.

The liquidator specified under this article and Article 60 of this law shall be removed in the same way he[38] was appointed.

Article 60. Appointment of Liquidator by Court

In the case of the dissolution of a general partnership enterprise caused by bankruptcy or by court order or when only a single partner remains in the partnership, only the court shall appoint the liquidator.

In the event that a general partnership enterprise is dissolved because of the death of a partner, the deceased partner's heir is entitled to act or participate as liquidator.

Where there are several heirs, one person shall be appointed as their representative.

Article 61. Appointment of Replacement for Liquidator who is Unable to Perform

In the event that, for any reason, a liquidator is unable to perform his duties following his appointment, such as death or lack of capacity, all partners shall act as joint liquidators until a new liquidator is appointed as a replacement.

The general partnership enterprise shall give public notice of the appointment, removal or termination of the liquidator's duties within ten working days from such appointment, removal or termination as provided in this article, Article 59 and Article 60 of this law.

Article 62. Rights and Duties of Liquidators

In the case of the liquidation of a general partnership enterprise, the liquidator has the following rights and duties:

1. To give written notice of the dissolution to creditors of the general partnership enterprise and announce through suitable mass media within ten working days from the date of the occurrence causing the dissolution[39] in order to inform the public and allow creditors to present documents relating to the debts of the general partnership enterprise;
2. To collect all assets, and to create a balance sheet;

[38] For readability, these provisions have been translated as if the liquidator is a natural person; however, in practice, liquidators can be legal entities or natural persons.

[39] The time limit qualifies both the written notice and the announcement.

3. To continue to complete pending business of the general partnership enterprise;
4. To receive remuneration for the performance of his duties from the general partnership enterprise as agreed;
5. To apply necessary measures to preserve assets, to claim for full repayment of debts, [and] to sell or transfer the assets of the general partnership enterprise;
6. To submit a report on the balance sheet to auditors to certify its accuracy;
7. To report on the collection of assets and various activities to the relevant creditors, partners or to the court if the liquidator is appointed by the court;
8. To call the meeting of creditors and partners to adopt or decide on such issues as necessary and to call a meeting at least once every six months;
9. To perform the tasks assigned by the meeting of the partners and creditors;
10. To present quarterly reports on the balance sheet to the enterprise registration officers;
11. To repay debts to creditors and distribute remaining assets to the partners;
12. To mediate issues or file claims in court in legal proceedings in the name of the general partnership enterprise;
13. To report to the partners or to the court, if the court has appointed the liquidator, if he finds that the assets of the general partnership enterprise, including those of its partners, are insufficient to pay the debts. In the event that the general partnership enterprise is unable to pay its excessive debts, the liquidator may file with the court for bankruptcy.

Upon the declaration of bankruptcy by the court following the process defined in the Law on the Bankruptcy of Enterprises, the rights and duties of the liquidator shall be terminated and his tasks shall be transferred to the asset supervision committee[40].

Article 63. Performance of Duties by Several Liquidators

The joint performance of duties by several liquidators shall be based on a majority vote where each person has one vote, except if a specific task is assigned to a different person, but such assignment shall be notified to the enterprise registration officers within ten working days from the date of appointment.

Restrictions on the use of power by the liquidators have no effect on third parties.

---

[40] Readers may wish to refer to Article 15 of the Law on Bankruptcy of Enterprises for more information on this committee.

Article 64. Priority in Payment of Debts and Distribution of Assets

The payment of debts and the distribution of assets shall be made in the following [order of] priority:

1. Salaries of the employees;
2. Debts owed to the State that do not arise from contracts between [the enterprise and] the State or persons described in Article 4 of the Law on Secured Transactions;
3. Secured debts;
4. Unsecured debts;
5. Debts of the general partnership enterprise owed to the partners as described in paragraphs four and five of Article 39 of this law;
6. Distribution of profits or losses among the partners;
7. Return of capital contributed by the partners. In this case, capital contributed in labour may not be reimbursed, unless the partners have agreed on the reimbursement at the time of capital contribution.

Article 65. Duties of Liquidators after Liquidation

Upon the completion of liquidation, the liquidator shall:

1. Immediately prepare a statement and report on the distribution of assets and repayment of debts for adoption by the meeting of creditors and partners;
2. Inform the public of the report on the distribution of assets and repayment of debts within ten working days from the date of completion of the distribution of assets and repayment of debts;
3. Hand over all documents relating to the liquidation of the concerned general partnership enterprise and register the completion of liquidation with the enterprise registration officer.

Article 66. Liability of Liquidators

Liquidators are liable for their following acts:

1. Intentional acts that cause damage to the general partnership enterprise or [damage caused] by severe gross negligence in the performance of their duties. Severe gross negligence [refers to] the failure to perform their tasks or performing [their tasks] in a wrongful manner which they know or ought to know would cause damage;
2. Acts against the assignors[41] and third parties as stipulated in relevant laws.

---

[41] This is a reference to persons appointing the liquidator.

Article 67. Notification of Dissolution and Cancellation of Enterprise License

Upon public notice of the distribution of assets and repayment of debts as described in item 2, Article 65 of this law, the liquidator shall register the permanent dissolution of the general partnership enterprise within ten working days with the relevant enterprise registration officer.

The relevant enterprise registration officer shall cancel the enterprise's name from the enterprise registry in accordance with paragraph one above and issue a public notice on such cancellation within ten working days from the date the name is cancelled.

A general partnership enterprise shall have no status as a legal entity from the date the court orders the permanent dissolution of the partnership enterprise.

The dissolution of a general partnership enterprise due to bankruptcy or merger of the partnership does not require notice of dissolution.

Article 68. Liability of Partners of General Partnership Enterprises

All partners shall be jointly liable for the debts of the general partnership enterprise remaining unpaid for a period of three years from the date the court ordered permanent dissolution.

In the case described in paragraph one above, the court shall appoint a liquidator to carry out liquidation procedures until the debts have been repaid in full.

Chapter 3
Limited Partnership Enterprises

A. General Principles and Enterprise Registration

Article 69. Liability of Partners

General partners in a limited partnership enterprise shall have unlimited liability for the debts of the limited partnership enterprise.

Partners with limited liability in a limited partnership enterprise shall be liable for the debts of the limited partnership enterprise up to an amount not exceeding the unpaid portion of their subscribed shares.

All partners of a limited partnership enterprise that has not completed registration shall have unlimited liability for the debts of the partnership occurring during the period of establishment.

Article 70. Filing of Notification for Enterprise Registration

The filing of a notification for the registration of a limited partnership enterprise shall be subject to Article 38 of this law.

B. Relationship between Limited Partners and Limited Partnership and [with] Third Parties

Article 71. Capital Contribution

Limited partners may contribute capital in cash or in kind, but shall not contribute in labour. Each share of a limited partnership enterprise not need be of equal value.

The methods and schedule for capital contributions shall be agreed among all partners in the limited partnership enterprise.

Article 72. Transfer of Shares

Limited partners may transfer their shares without requiring approval from the other partners. Such transfer of shares is effective against third parties only after prior notice [has been given] and an amendment to the enterprise registration has been made.

In the event that a limited partner faces any issue, the following solutions shall apply:

1. If a partner dies, his heirs may replace him as partner, unless otherwise agreed;
2. If a partner becomes bankrupt, only the share of the bankrupt partner shall be sold and given to the asset supervision committee for further proceedings in accordance with the Law on the Bankruptcy of Enterprises. The disposal of the share of the bankrupt partner terminates his status as a partner in the limited partnership enterprise, but the limited partnership enterprise may continue business activities;
3. If a partner lacks legal capacity, the guardian of that partner shall be assigned to oversee and administer his interests, except when the partner has otherwise agreed in advance.

Article 73. Liability of Limited Partners in Management of Limited Partnership Enterprises

Limited partners are not entitled to act as managers like the general partners, except if they are appointed by all the general partners.

In the event that a limited partner acts as manager without a proper appointment, it shall have the following effects:

1. [Such limited partner] shall have unlimited liability for the damage caused to the enterprise and to third parties;
2. In the event that the partners of the limited partnership enterprise supported, endorsed, assigned or knew of such acts but did not object, the limited partnership enterprise shall be jointly liable for any damage to third parties.

In the event that a limited partner is involved in a limited partnership enterprise in any way mentioned in the paragraph above, that partner shall have unlimited liability for debts to third parties only, but his limited liability towards the limited partnership enterprise remains unchanged.

Article 74. Effects of Authorising Others to Use Enterprise Name

The name of a limited partnership enterprise is obtained from the names or surnames of the general partners.

Any limited partner who authorises the limited partnership enterprise to use his name, whether directly or indirectly, shall be liable for the debts of the limited partnership enterprise to third parties in a manner similar to the general partners, but his limited liability towards the limited partnership enterprise remains unchanged.

Article 75. Distribution of Dividends or Interest

Limited partners are entitled to receive dividends or interest from the limited partnership's business activities that generate profit in the agreed proportion or amount, except when the limited partnership enterprise sustains losses or its capital is diminished because of the prior accumulation of losses.

The payment of dividends or interest shall take place at the end of each fiscal year in accordance with the Law on Enterprise Accounting of the Lao PDR.

Dividends or interest legitimately distributed by the limited partnership enterprise may not be reclaimed.

Article 76. Rights and Duties of Limited Partners

Limited partners have the following rights and duties:

1. To give opinions [and] recommendations to[,] and to make inquiries regarding the business operations of the limited partnership enterprise of[,] the manager;
2. To be liquidators of the limited partnership enterprise, if they are appointed;
3. To elect or remove the manager, unless otherwise agreed;
4. To vote on amendments to the bylaws and on the dissolution of the limited partnership enterprise. The methods of voting shall be described in detail in the bylaws of the limited partnership enterprise;
5. To conduct other lawful business activities, regardless of whether such business activities are similar or identical to the activities of the limited partnership enterprise in which they are partners.

The exercise of the rights and the performance of the duties of limited partners described in items 1 to 5 of this article shall not be deemed to be involvement in the management of limited partnership enterprise as mentioned in Article 73 of this law.

Article 77. Application of Provisions relating to General Partnership Enterprises

In addition to the provisions contained in Chapter 3, Part IV, the provisions of Chapter 2, Part IV of this law shall apply with respect to enterprise registration, the internal and external relationships of the enterprise, mergers, dissolution and the liquidation of the enterprise.

Part V
Companies

Chapter 1
General Principles Relating to Companies

Article 78. Shareholders of Companies

Persons who contribute capital to a company are called “shareholders”.

Shareholders are only liable for the company’s debts up to an amount not exceeding the unpaid portion of [their] shares.

A company may have one or more shareholders.

Shareholders or promoters of a company may be natural persons or legal entities.

Article 79. Status [of a Company] as Legal Entity and [Status of] Branches of Company

A company is a legal entity and its branches have the identical legal status as branches of partnership enterprises as stipulated in Article 34 and Article 35 of this law.

Article 80. Group Company

Any company acquiring a sufficient number of shares in another company in order to gain control over such company's administration is called a "group company".

A company controlled by another company as described in paragraph one above is referred to as a "subsidiary".

Restrictions on the scope of management control shall be in compliance with the relevant laws and regulations.

Article 81. Contract of Incorporation

A contract of incorporation shall be made in writing in accordance with the Contract Law of the Lao PDR.

A contract of incorporation shall contain the following items:

1. The name of the enterprise;
2. The business purpose;
3. The name [and] location of the headquarters and all branches, if any;
4. The stated capital broken down into the value and number of shares, the proportion contributed in kind, the proportion contributed in cash, and [the number of] common shares and preferred shares;
5. The names, addresses and nationalities of the promoters of the company, and the number of shares subscribed by each promoter;
6. Provisions referring to the directors' unlimited liability for the debts of the company.[42] The provisions on unlimited liability of the director in this paragraph shall terminate one year after the date [such] director is removed from the company;
7. The names and signatures of the promoters of the company.

---

[42] This has the connotation that the extent of the director's liability, if any, must be stipulated in the contract of incorporation.

The stated capital mentioned in item 4 of this article is the registered capital of the company.

A company with a single shareholder is not required to have a contract of incorporation.

Article 82. Bylaws of Companies

The bylaws of a company shall contain the following items:

1. The matters described in item 1 to item 6 of Article 81 of this law;
2. The method for the distribution of the company's profits or dividends;
3. The method and schedule of payment for shares;
4. Administration and management;
5. Meetings and methods for voting;
6. Methods for dispute resolution;
7. Dissolution and liquidation.

The contents of item 1 of this article must be included in the notification for enterprise registration, but the company may include additional information.

The bylaws of a company must be signed by the director[43].

Article 83. Modifications of Contract of Incorporation or Bylaws

Any amendment or modification to the contents of the contract of incorporation or the bylaws of a company shall be made by special resolution of the shareholders' meeting as described in Article 144 of this law.

Any resolution of the shareholders' meeting on the amendment or modification of the contract of incorporation or the bylaws of a company shall be notified to the relevant enterprise registration officers within ten working days from the date the shareholders' meeting adopts the resolution on modification.

Chapter 2
Limited Companies

A. General Principles and Incorporation

Article 84. Shareholding of Limited Companies

A limited company may hold shares of other companies or may be a partner in other partnership enterprises but shall not be a shareholder in its own limited company.

[43] In the original Lao text, it is unclear whether this term should be singular or plural. The translators have therefore simply used the singular form here.

Article 85. More or Fewer Shareholders than Number Stipulated

A limited company with more than thirty shareholders may continue to maintain its status as a limited company provided that a special resolution is required as specified in Article 144 of this law.

In the event that the limited company does not wish to maintain its status as a limited company or does not receive sufficient votes as specified in paragraph one of this article, the company shall amend the enterprise registration license in accordance with the procedures and principles governing the establishment of public companies or dissolve the company.

In the event that only a single shareholder remains in the limited company, the limited company shall change its name to "one-person limited company" and shall comply with the provisions under sub-section J, Chapter 2, Part V of this law, or dissolve the limited company.

Article 86. Incorporation of Limited Companies

A limited company shall be incorporated in accordance with following procedures and conditions:

1. At least two promoters submit the contract of incorporation as a notification to the enterprise registration officers where the company's headquarters are located;
2. Upon notification of the contract of incorporation of a limited company required under item 1 of this article, the company must find persons to subscribe for all the shares of the company. The share subscription shall not be carried out through a public offering. Persons subscribing for shares are referred to "share subscribers";
3. The meeting of incorporation is convened;
4. The promoters of the limited company assign all tasks to the director elected by the incorporation meeting;
5. The director calls for payment in full of shares from the promoters and subscribers of the limited company as defined in paragraph one of Article 96 of this law;
6. Upon full payment of shares as provided in item 5 of this article, the director shall register the enterprise within thirty days from the date of full payment of shares.

Article 87. Promoters of Limited Companies

The promoters of a limited company are persons who initiate the establishment of the limited company, but are not representatives of the limited company and are required to hold at least one share.

The main duties of the promoters of a limited company are to undertake all activities relating to the establishment of the limited company until the meeting of incorporation is convened.

Article 88. Liability of Promoters towards Share Subscribers

The promoters of a limited company shall be liable to share subscribers for the following acts:

1. Acting in [their own] personal interests;
2. Concealing revenues or expenses incurred in association with the establishment of the limited company;
3. Incurring expenses or making contracts outside the objective of establishing the limited company;
4. Evaluating their assets in excess of [their] actual value;
5. Other liabilities as provided in this law.

The promoters shall resolve [such acts] and compensate for any damages arising from such acts in accordance with the laws and regulations.

Article 89. Liability of Promoters towards Third Parties

The promoters of a limited company shall have joint unlimited liability for contracts signed with third parties relating to the establishment of a limited company or[44] for unapproved expenses for the establishment of a limited company or for expenses that have been approved but where the company does not get registered.

Article 90. Rights and Duties of Incorporation Meeting of Limited Companies

The incorporation meeting of a limited company has the following rights and duties:

1. To adopt the bylaws of the limited company;
2. To approve the contract of incorporation and other contracts relating to the establishment of the limited company entered into by promoters with third parties, including the expenses incurred by the promoters relating to the establishment of the limited company;
3. To decide on the common and preferred shares, if any;
4. To elect the initial board of the limited company.

[44] See footnote 20.

At least ten working days before the date the incorporation meeting is convened, the promoters shall send a report on the incorporation to the share subscribers together with the list of share subscribers, their addresses and the number of shares subscribed by each person.

Article 91. Resolutions of Incorporation Meeting of Limited Companies

Resolutions of the incorporation meeting shall be effective only when adopted by more than half of the promoters and share subscribers attending the meeting and by share subscribers representing more than half of the total shares subscribed. One share shall be equal to one vote.

The promoters or share subscribers shall not have the right to vote on matters in which they have any involvement that could benefit them[45], except for votes to elect the directors of the limited company.

The incorporation meeting of a limited company shall determine whether a promoter or share subscriber has an involvement that could benefit him or a direct benefit.

Article 92. Filing of Notification for Enterprise Registration

The following documents are required for the filing of a notification for enterprise registration of a limited company:

1. The application form for the notification of enterprise registration and the contract of incorporation of the limited company;
2. The minutes of the incorporation meeting of the limited company;
3. The bylaws of the limited company.

The notification for enterprise registration shall be signed by the director.

Article 93. Liability of Directors for Default in Enterprise Registration

The registration officers shall reject the registration of a limited enterprise if the time set forth in item 6 of Article 86 of this law has expired, except [when] the delay in registration arises by reason of necessity that is not the fault of the directors or the shareholders adopt a resolution to continue the enterprise registration by a vote of more than four-fifths of the fully paid shares.

In the event that the limited company is not registered, the directors shall return the total value of shares in full to the shareholders within three months from the date the enterprise registration officers reject the registration of the enterprise.

[45] In the original Lao text, there is one word for the whole idea of “involvement that could benefit them”.

In the event that the three months is exceeded and the directors involved do not return the total value of the shares in full to the subscribers, such directors shall be liable for the remaining amount together with interest at the bank rate for loans, except that a director may prove that he was not at fault in delaying the enterprise registration and is unable to return such shares in full.

B. Shares and Share Certificates of Limited Companies

Article 94. Shares

Each share of a limited company shall not be issued [with a face value of] less than two thousand Kip.

A share of a limited company may be held by one or several shareholders, and one person shall be assigned to have rights as a shareholder in the limited company, provided that these shareholders shall be jointly responsible for payment of unpaid shares to the limited company.

Shares of a limited company may be contributed in cash or in kind. The contribution in kind shall be appraised in monetary terms [which appraisal shall be] approved by at least two-thirds of the promoters and share subscribers attending the incorporation meeting, except as otherwise agreed. Shares contributed in other forms than in kind and in cash shall be determined in detail at the incorporation meeting.

There are two types of shares of a limited company: common shares and preferred shares.

Article 95. Value of Shares and Issuance of Shares below Par Value

The value of a share of a limited company shall be determined in the contract of incorporation. Such value of a share is referred as its “par value”.

A limited company shall not issue shares below par value as described in paragraph one above, except when the limited company reduces its capital as stipulated in Article 112 of this law. The restrictions under this paragraph shall not apply to price setting by the shareholders for the sale or purchase of shares.

A limited company may only increase the value of its shares by complying with Article 110 of this law.

Article 96. Payment of Shares before Enterprise Registration

Payment of shares before enterprise registration is the payment of shares following the incorporation meeting stipulated in item 5 of Article 86 of this law.

In such case of payment of shares, the subscribers shall pay in full if it is in kind and at least seventy percent of the value of subscribed shares if it is in cash.

The directors of the limited company may call for payment of the remaining amount at any time after registration of the enterprise, unless the company's bylaws stipulate otherwise.

Article 97. Payment of Shares after Enterprise Registration

In calling for the payment of shares as described in paragraph two, Article 96 of this law, the directors of a limited company shall call upon each shareholder to pay for shares in proportion to his shareholding by giving thirty days prior written notice to each shareholder indicating the date and amount of payment.

Payment of shares as mentioned above or payment of shares in other cases, such as an increase of capital under Article 110 of this law, shall be made in cash and it is prohibited to set off debts with the limited company, unless a special resolution of the shareholders' meeting is passed.

Article 98. Effects of Failure to Pay for Shares

Shareholders who fail to pay for shares at the first call by the directors of a limited company shall pay interest at the bank rate for loans on the portion remaining unpaid commencing from the date they receive notice, and are entitled to vote in the shareholders' meeting with only their fully paid shares.

In the event that a shareholder fails to pay both shares and interest at the second call, the directors are entitled to sell these shares by giving priority as specified in items 1 to 4 of Article 111 of this law to recover payment for the shares and interest for the limited company. Any remaining amount shall be returned to the concerned shareholder.

In the event that the amount from the sale of shares under paragraph two of this article is not sufficient, the directors have the right to claim for full payment; otherwise, the directors may refuse to register the transfer of shares or suspend the right to vote of the concerned shareholder at the shareholders' meeting.

Article 99. Rights and Duties of Common Shareholders

Owners of common shares are referred to as "common shareholders". Common shareholders have the following rights and duties:

1. To present opinions on the limited company's activities;
2. To participate in the limited company's activities;
3. To pay for shares on the due date;

4. To fully protect their interests;
5. To receive information and examine the records of the limited company as provided in the limited company's bylaws;
6. To file complaints against directors, officers or employees of the limited company causing prejudice to their interests;
7. To be liable for the unpaid portion of their shares;
8. To have pre-emptive rights with respect to the transfer or sale of shares by shareholders of the limited company to third parties;
9. To elect or remove directors of the limited company;
10. To receive part of the assets remaining from liquidation in event of dissolution;
11. To receive dividends in proportion to their shareholdings;
12. To exercise such other rights and perform such other duties as specified under laws and regulations.

The distribution of dividends and assets described in items 10 and 11 of this article may be carried out only after the distribution to the limited company's preferred shareholders and creditors.

Article 100. Rights and Duties of Preferred Shareholders

Owners of preferred shares are referred to as "preferred shareholders". Preferred shareholders have the following rights and duties:

1. The rights and duties as described in items one to six of Article 99 of this law;
2. To be entitled to the distribution of assets and dividends before the common shareholders. Dividends may be received at a fixed amount or as a percentage of shares as agreed by the shareholders;
3. To receive other special rights. Any modification or revision of these special rights shall be determined in the limited company's bylaws;
4. To redeem their shares when the limited company is profitable or to seek to sell their shares to new shareholders after the limited company has refused to buy such shares, except as otherwise agreed.

In the event that the limited company agrees to purchase the shares mentioned in item 1[46] of this article, the purchase price shall be at the set price or agreed price.

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

[46] In the original Lao text, the reference to “”item 1” may be an erroneous reference which should have been made to item 4.

Article 101. Issuance of Share Certificates of Limited Companies

Within thirty days from the date of registration of a limited company, the directors shall issue share certificates to the shareholders. Each share certificate shall bear the signature of the director with the stamp of the limited company.

Each share certificate shall have a value of at least one share or more.

There are two types of share certificates of limited companies: registered share certificates and bearer share certificates.[47]

Article 102 Registered Share Certificates

Registered share certificates shall contain the following main items:

1. The serial number of the share certificate;
2. The name of the limited company;
3. The name of the shareholder;
4. The number of shares held by the shareholder;
5. The value of each share;
6. The value of the unpaid portion and schedule of payment, if specified;
7. The signature of the director and stamp [of the limited company].

A registered share certificate may be for shares that have not been paid. Such registered share certificate may be converted into a bearer share certificate when the shareholder has paid for the shares in full and registered to cancel the previous [certificate].

In the event that the bylaws of the limited company require that the directors hold shares of the limited company, the directors shall only hold registered share certificates.

Article 103. Bearer Share Certificates

A bearer share certificate is a negotiable instrument and may only be issued if the following conditions are met:

1. The shares have been fully paid;
2. The right of the company to issue bearer share certificates shall be specified in the bylaws of the company.

A bearer share certificate has similar contents to a registered share certificate, except for the contents relating to the name of shareholders and the value of the unpaid shares.

---

[47] The literal translations of these terms are "name certificates" and "no-name certificates", respectively.

A bearer share certificate may be converted into a registered share certificate by cancelling such share certificate and issuing a registered share certificate in its place.

Article 104. Transfer of Shares

A bearer share certificate of a limited company may be transferred by handing over the share certificate to another.

Bearer shares may only be transferred when:

1. [The transfer] is consistent with the restrictions on share transfer provided in the bylaws of the limited company;
2. [The transfer] does not contravene any legal restrictions on share transfers;
3. They are acquired [pursuant to] a transfer of shares by operation of law;
4. [The transfer] is made in writing by indicating the names and signatures of the transferor and transferee, as well as the names and signatures of at least one witness for the transferor and one for the transferee, and the serial number of the transferred share certificate;
5. The transfer is registered. In the event of a transfer to a third party, a prior offering shall be made to the other shareholders of the company, and the transfer shall be registered with the name and address of the transferee in the share register.

The directors of a limited company may refuse to register a transfer of registered share certificates if the shares have not been fully paid.

In the event that a limited company has registered the transfer of shares as mentioned in paragraph three above, the transferor shall remain liable to creditors for his unpaid portion of the transferred shares.

Article 105 Share Transfer by Operation of Law

A share transfer by operation of law [refers to] the transfer of shares pursuant to the grounds set out in paragraph two of Article 98 and paragraph three of Article 108 of this law, or by the death, bankruptcy or other circumstances of the shareholder.

A person who receives shares transferred by operation of law shall present full and proper evidence on the acquisition of such transferred shares, including share certificates, to the relevant limited company in order to be issued a share certificate and to be registered as a new shareholder of the limited company.

Article 106. Restrictions on Share Transfers by Operation of Law

Restrictions on share transfers by operation of law include:

1. The restrictions described in paragraph three, Article 98 of this law;
2. Restrictions on share transfers under other laws, such as restrictions, if any, against shareholding by foreign persons, foreign residents or apatrids in any type of business;
3. The transfer of shares during the supervision of assets[48];
4. The transfer of shares when the shareholder register book is closed, if agreed or specified in the bylaws of the limited company.

Article 107. Shareholder Register Book

The shareholder register book shall contain the following main items:

1. The names, addresses and nationalities of the shareholders;
2. The number of shares, value of shares, and serial numbers of share certificates divided according to their types as registered share certificates and bearer share certificates;
3. The unpaid portion of shares in the case of registered share certificates;
4. The date of registration as shareholder of the limited company;
5. The date of deletion from the shareholder list of the limited company.

The shareholder register book shall be kept at the office of the limited company and made available for inspection by shareholders at agreed times.

The directors of the limited company shall send copies of the shareholder register book each time any changes are made or at least once a year if there is no change[,] to the relevant enterprise registration officers not later than 25 December of each year.

Article 108. Invalid Transfer of Registered Share Certificates

A transfer of registered share certificates shall be invalid if there is any breach of the requirements set forth in paragraph two, Article 104 of this law.

An invalid transfer of such shares results in the transferee not becoming a shareholder of the limited company until a proper solution is found. In such case, the transferor shall remain the owner of the transferred shares.

---

[48] This is a reference to supervision under Article 16 of the Law on the Bankruptcy of Enterprises.

A transferee who has possessed shares in good faith for more than two years, without any claim or protest, is entitled to be the lawful owner of such shares.

Article 109. Liability of Share Transferor and Transferee

The transferor is liable to creditors for the unpaid portion of the shares transferred, in the case:[49]

1. As provided in paragraph four, Article 104 of this law;
2. Payment is called on transferred shares;
3. The transferee is unable to pay the outstanding portion of the unpaid shares.

The transferor's liabilities are liabilities towards creditors[,] and they shall be terminated within one year from the date of registration of the share transfer. The limited company may not file a claim[50] against the transferor.

The transferee acquires all rights, duties and obligations attaching to the transferred shares.

C. Increase or Reduction of Capital of Limited Companies

Article 110. Increase of Capital

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

Increasing the registered capital shall be approved by [the adoption of] a special resolution of the shareholders' meeting as stipulated in Article 144 of this law.

---

[49] The translators left this term as is because it is unclear whether the term refers to cumulative events or a single triggering event.

[50] In Laos, there are several means by which citizens with grievances are able to seek redress either administratively or through the legal process. The reader may wish to refer to Article 2 of the Law on Handling Petitions for more information on these means. The word translated as a "claim" in this Enterprise Law corresponds to the second category of petitions referred to in Article 2 of the Law on Handling Petitions.

Article 111. Offering of Additional Shares

Additional shares shall be offered in the following order of priority:

1. [Shares are] offered to the limited company's shareholders in proportion to their shareholding by sending a written notice to each shareholder indicating the timeframe for response. Any failure to respond or delay in responding shall be considered as a forfeiture of [that shareholder's] rights;
2. The shares which were not acquired after the specified timeframe had expired or in respect of which the shareholders refused to acquire these shares in proportion to their shareholding are then offered to the other shareholders of the limited company who have an interest in acquiring them;
3. The directors have the right to purchase shares remaining after the offering under item 2 of this article;
4. [Any remaining shares] shall be offered to third parties. The methods and procedures for the transfer of shares shall comply with the bylaws of the limited company.

The measures defined in Article 98 of this law shall apply to subscribers who fail to pay for the additional shares when [payment is] due.

Article 112. Reduction of Capital

A limited company may reduce its registered capital by reducing the value of each share or reducing the number of the company's shares. The reduction of registered capital shall comply with the following requirements:

1. The value of shares remaining after the reduction shall not be less than two thousand Kip;
2. The capital remaining after the reduction shall not be less than one half of the registered capital and shall not be less than the capital set by the relevant authorities as described in paragraph three, Article 20 of this law;
3. The reduction of registered capital may be executed only when a special resolution is passed as provided in Article 144 of this law;
4. The creditors of the limited company have not opposed the reduction of such capital.

Article 113. Notice to Creditors

Notice shall be given to creditors of the limited company to allow them to oppose the reduction, as follows:

1. Written notice shall be sent to all the creditors of the limited company indicating the reasons for the capital reduction, [and] the value or number of shares to be reduced. The time period for objecting shall not be less than two months from the date such notice is received. Creditors who fail to respond within such timeframe shall be deemed not to object;
2. Public notice shall be given at least ten times by indicating the timeframe for response and other details as described in item 1 of this article.

Article 114. Objections and Responsibility[51] for Notice

An objection by a creditor prevents the limited company from reducing its capital, unless the debt due to that creditor has been fully repaid.

In the event that any creditor has not received such notice on the reduction of capital due to the fault of the limited company, the limited company shall pay the debt owed to such creditor not later than one year from the date of the shareholders' meeting adopting the resolution for the reduction of the capital of the limited company.

In the event that the creditor is at fault, such creditor shall be considered as having not objected.

Article 115 Registration of Capital Increase or Reduction

A limited company that has increased or reduced its capital, as provided in this sub-section C, shall register that change in capital with the relevant enterprise registration officers as follows:

1. The registration of a capital increase shall be made within ten working days from the date specified for the payment of subscribed shares;
2. The registration of a capital reduction shall be made within ten working days from the date of no objection or from the date debts are paid to the opposing creditors.

---

[51] This articles does not appear to address responsibilities or liabilities; however, the word "'responsibility" is used in the original Lao text.

Upon registering the capital increase or reduction, the limited company shall give public notice at least once within ten working days from the date the change in capital is registered.

The documents submitted [to register] the changed new [amount of registered] capital shall include the list of shareholders whose shares in the limited company have been increased or reduced, their nationalities and addresses, the serial number of share certificates and the number of shares held.

D. Directors and Board of Directors of Limited Companies

Article 116. Directors

A director is the representative of a limited company. The relationships among directors, the limited company and third parties shall be based on the relevant laws and regulations.

A director of a limited company receives no salary but receives an annual honorarium and remuneration for each meeting at the rate or in the amount determined by the shareholders' meeting, except for third party directors or as otherwise agreed.

Directors may or may not be shareholders, except as otherwise agreed.

All acts of directors must be within the scope of power and duties determined in the bylaws of the company and shall be under the supervision of the shareholders' meeting.

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

In the event that a limited company has several directors, one of whom is authorised to enter into contracts with third parties on behalf of the limited company, such director shall be called the "general director".

In the event that the chairman of the board of directors is elected as the general director, he shall be referred to as the "president of the board".

Article 117. Qualifications of Directors

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

1. Shall not be a legal entity;
2. Shall have legal capacity;
3. Shall not be a bankrupt person, who is still under the restricted period for conducting business;

4. Shall never have been convicted of embezzlement or misappropriation of assets.

Article 118. Appointment or Removal of Directors

Directors are appointed in the following manner:

1. The initial board of directors is appointed by the incorporation meeting of the limited company;
2. Subsequent boards of directors are appointed by the shareholders' meeting;
3. Any vacancy in between two ordinary shareholders' meetings shall be filled by an appointment made by a meeting of the board of directors.[52] In the event that the limited company does not have a board of directors, the bylaws shall provide for the appointment of such director.

A director of a limited company is removed by the shareholders' meeting, notwithstanding the manner in which such director was appointed.

The removal of a director may take place at any time when there are sufficient reasons to justify [such removal] or there is no confidence in such director.

The shareholders or the board of directors of a limited company shall not be entitled to request the court to appoint or remove directors, except when the appointment procedures stipulated in this law or in the bylaws of the limited company have been violated.

Article 119. Voting Procedures for Appointment or Removal of Directors

Voting for the appointment or removal of directors shall be carried out in two ways: by cumulative voting and by ordinary voting.

Cumulative voting is when each shareholder multiples his shares by the number of directors to be elected and votes for one or several candidates he chooses. In counting the votes, one share shall be equal to one vote. The candidate receiving the most votes is elected as a director.

[52] The term "meeting of the board of directors" is used interchangeably in two senses. First, to refer to the meetings held by the directors. Second, to refer the "body of directors" attending such meetings. The second meaning is intended here and in similar provisions dealing with shareholders' meetings.

The removal of directors elected by cumulative voting may only take place if the votes for his removal[53] are at least equal to the number of votes that elected that director.

Ordinary voting is the vote to elect one director where one share is equal to one vote.

The elected candidate under paragraph four of this article is the person who receives over half of the votes of shareholders and their proxies attending the meeting. The removal of such director shall be carried out in the same manner as his election.

Article 120. Number and Term of Office of Directors

A limited company may have one or several directors, provided that the number of directors is specified in the bylaws of the company or agreed by the shareholders' meeting.

Directors of a limited company have a term of office of two years and may be re-elected for another term.

The term of office of a new director appointed to replace [another director] as described in item 3 of Article 118 of this law is equal to the remaining term of the replaced director.

Article 121. Liability of Directors

A director shall be liable for the following acts:

1. Acting outside the scope of the limited company's business purpose specified in its bylaws or in the contract of incorporation;
2. Breaching the bylaws of the limited company;
3. Exercising rights and performing duties beyond the assigned scope of power;
4. Failing to exercise assigned rights or perform assigned duties.

A director may be released from liability only if such director is able to prove that his acts were not involved with the breach or that he opposed such acts which shall [be] reflected in the minutes of the meeting[54].

A shareholder shall reimburse the limited company for any payment to him made by a director in breach of the bylaws of the company.

---

[53] The literal translation of this term is "votes opposing him as director".

[54] It is not clear from the original Lao text which meeting is meant here.

The civil liability of a director towards third parties shall apply in accordance with the laws.

Article 122. Liability for Breaches of Directors

A limited company shall be liable for any breach committed by its directors towards third parties when the shareholders' meeting issues a resolution to adopt any act described in items 1 to 4 of Article 121 of this law.

In the event that [a director] violates the scope of the rights and duties assigned to directors, officers or employees of the company without contravening the purpose of the limited company, the limited company shall be liable towards third parties. The internal liabilities of the limited company and its directors, officers or employees in such case shall be dealt with according to the relevant laws and regulations.

Article 123. Measures Against Directors

A limited company shall apply measures against directors in breach as described in Article 121 of this law. The measures against the directors shall be determined in the bylaws of the limited company.

In the event that the limited company fails to apply the measures mentioned in paragraph one of this article, one or more shareholders representing at least four percent of the paid shares of the limited company may file a notice requesting the company to fine the director or to terminate the act.

In the event that the limited company fails to act or takes improper action against the director in breach, such shareholders[55] may file a claim requesting the court to fine such director or to terminate such act of the director, in the place of the company.

Article 124. Performance of Duties by Directors on behalf of Limited Companies

Directors perform two types of duties: acting as the agent of the limited company and performing specific duties.

The performance of duties as an agent of a limited company [refers to] the performance [of duties] in accordance with the relevant laws.[56] This provision shall also apply to officers or employees of a limited company.

The specific duties of directors include:

---

[55] This is a reference to the percentage in the previous paragraph.

[56] Initially this law included Agency Law. This is a reference is to the intended Agency Law and to provisions in the Contract Law.

1. Administering the business of the limited company in compliance with the contract of incorporation, the bylaws of the limited company and the resolutions of the shareholders' meeting;
2. Calling and collecting payments for shares at the determined amount and at the defined time;
3. Managing and using the capital of the limited company in accordance with the defined purpose and goal;
4. Establishing the accounting system, maintaining and filing all documents of the limited company;
5. Cooperating with the auditors by providing clarifications on the source and accuracy of numbers and information appearing in the balance sheets before submitting them to the shareholders' meeting for adoption;
6. Sending copies of the balance sheet to the shareholders and keeping copies for review by holders of bearer shares when required;
7. Properly distributing the profits;
8. Administering and deploying officers or employees of the limited company;
9. Informing the company of their direct or indirect involvement in transactions of the limited company that could benefit them or of any increase or reduction of their shareholding in the limited company or in the company's subsidiaries within the accounting year.

Article 125. Restrictions on Directors

Directors are prohibited from engaging in the following business activities in competition with the limited company:

1. To conduct identical or similar business activities to the limited company, whether such conduct is for their own personal interest or for another person's interest, except as approved by the shareholders' meeting;
2. To be a partner in a general partnership enterprise or a general partner in a limited partnership enterprise that conducts the same or similar business activities as the limited company, except as approved by the shareholders' meeting;
3. To undertake any transactions with their own limited company, whether for their own personal interest or for another person's interests, except as otherwise agreed;
4. Directors, including members of their families or close relatives, shall not borrow money from their limited company, except as permitted by the bylaws of the limited company. These restrictions also apply to the officers and employees of the limited company.

In the event of any breach of the restrictions mentioned in this article, the measures stipulated in Article 123 of this law shall be applied.

Article 126. Liability towards Third Parties in Appointment of Directors

In the event that directors are appointed in contravention of the bylaws of the limited company or lack qualifications [or] for other reasons, the limited company may not assert [such deficiencies] as arguments to escape liability towards third parties.

Article 127. Termination of Directors

The position of directors of a limited company may terminate for any of the following reasons:

1. The term of office expires;
2. The shareholders' meeting passes a resolution for the removal of the director;
3. The court orders his removal as provided in paragraph four, Article 118 of this law;
4. The director dies, becomes bankrupt, resigns, lacks legal capacity, [or] lacks qualifications as stipulated in Article 117 of this law.

After such termination and the appointment of a new director, the relevant registration officers shall be notified within ten working days from the date of such appointment in order to register the changes.

Any change shall be effective towards third parties only when it has been registered as stipulated in paragraph two of this article.

The resignation of a director shall be effective from the date the limited company receives the resignation letter of the director.

Where the board of directors completes its term, the existing board shall continue to perform necessary tasks until the new board is elected, except as otherwise decided by the court as provided in item three of this article.

Article 128. Register Book of Directors

The register book of directors shall contain the following details:

1. The names, nationalities, dates of birth and addresses of directors;
2. The types of shares, value [of shares], [and] the serial number of shares and number of shares held by each director;
3. The date of election as director;

4. The register book of directors and the minutes of shareholders' meetings shall be kept at the limited company's headquarters and made available to the shareholders for review or inspection.[57]

Article 129. Board of Directors

A limited company with two [or][58] more directors may establish a "board of directors" unless otherwise agreed. A limited company with more than fifty billion Kip in assets shall have a board of directors and [shall] appoint auditor(s)[59].

The board of directors performs its tasks based on the principles and procedures set forth in the bylaws of the limited company. In the event that the bylaws of the company do not specify the principles and procedures, the board of directors of the limited company shall operate in accordance with articles 131 to 134 of this law.

The board of directors operates by dividing the responsibilities among the directors.

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

Article 130. Rights and Duties of Board of Directors

The board of directors has the following rights and duties:

1. To act as the central coordinating body and to oversee the tasks of the directors;
2. To appoint a director to fill a vacancy between two ordinary shareholders' meetings;
3. To determine the plan for the administration and management of the limited company for adoption by the shareholders' meeting;
4. To exercise such other rights and perform such other duties as determined in the bylaws of the limited company.

Article 131. Quorum for Meetings of Board of Directors

The quorum for meetings of the board of directors is subject to the decision of the board of directors itself[,] provided that [the quorum] shall not be

---

[57] The translators are aware that this item 4 is incongruous in this list; however, this is how the item appears in the original Lao text.

[58] See footnote 20.

[59] In the original Lao text, it is unclear whether this term is singular or plural.

less than half the total number of directors. In the event that there are only two directors, the quorum shall be two persons.

In the event that the position of a director is vacant but there is a sufficient number of directors to have a quorum, the board of directors is still able to conduct its activities until a new director is appointed as a replacement.

In the event that the position of a director is vacant and the number of directors is less than that required for a quorum as stipulated in paragraph one of this article, the board of directors cannot conduct its activities unless the full number of directors required is filled.

Article 132. President and Vice Presidents of Board of Directors

The president and vice presidents of the board of directors are elected from among the directors.

The president of the board of directors chairs[60] the board meetings [and] the shareholders' meetings[,] and performs other activities within the scope of rights and duties specified in the bylaws of the limited company.

The vice presidents of the board of directors assist and perform the tasks assigned by the president.

In the event that the president is unable to attend a meeting of the board of directors or a shareholders' meeting, one of the vice presidents shall be assigned to chair the meeting. In the event that there is no vice president or the vice president is unable to attend the meeting, a director shall be selected as the chair of [such] specific meeting.

For the shareholders' meeting of a limited company that has no board of directors, a director shall be selected to chair [such] specific meeting.

Article 133. Calling Meetings of Board of Directors

Each director may call a meeting of the board of directors.

Directors shall attend the meetings in person. It is prohibited to assign other persons to attend the meeting of the board of directors, unless the other directors give unanimous consent. The proxy or representative attending the meeting of the board of directors has the right to give opinions but not the right to vote.

---

[60] The literal translation of this term is "leads".

When necessary, the board of directors may hold a meeting referred to as an "informal meeting" through any means of communication.

Article 134. Resolutions and Minutes of Meetings of Board of Directors

The resolutions of the meeting of the board of directors shall be effective only when adopted by a majority vote of the directors attending the meeting. One director shall have one vote.

As a director, the president of the meeting of the board of directors shall cast his vote like other directors. However, in the event of a tie, the president shall have one more deciding vote.

A director who has any involvement that could benefit him or any direct benefit relating to the resolution shall not vote.

The adoption of resolutions in informal meetings shall be determined in the bylaws of the limited company by describing in detail the voting procedures when using any specific means of communication.[61]

Minutes shall be taken or a report shall be made of each meeting of the board of directors. The minutes of meetings of the board of directors shall be kept at the company's headquarters and shareholders shall have access to them for inspection, except for documents or information containing trade secrets or relating to the strategic competitiveness of the limited company.

Article 135. Officers and Employees of Limited Companies

The officers of a limited company include managers, secretaries, accountants and other general officers.

The officers of a limited company are appointed or removed by the board of directors or by the director if the limited company has no board of directors. The employees of a limited company are recruited or dismissed by the manager.

The officers of a limited company receive salaries. The employees of a limited company are paid wages[62]. The salaries of officers and the wages of employees of a limited company are approved by the shareholders' meeting.

---

[61] This appears to be a reference to being able to pass resolutions by teleconference or other means of communication.

[62] The Lao language has two terms "salary" and "wages". They connote that remuneration is paid on slightly different bases, e.g., in one case remuneration may be paid on a daily basis while in the other case remuneration is paid on the basis of a period longer than a day.

The officers and employees of a limited company shall exercise their rights and perform their duties as assigned to them.

The relationship among the directors, officers and employees of a limited company are subject to the relevant laws.

Hiring or assigning tasks shall be made in writing, describing in detail the rights and duties assigned by the assigning person.

In the event that a limited company does not have a manager, the directors shall exercise the rights and perform the duties of the manager.

E. Shareholders' Meeting of Limited Companies

Article 136. Shareholders' Meetings

A shareholders' meeting of a limited company is the supreme body of the limited company. There are two types of shareholders' meetings of a limited company: ordinary meetings and extraordinary meetings.

An ordinary meeting shall be held at least once a year. The time for convening[63] the meeting shall be stipulated in the bylaws of the limited company.

An extraordinary meeting may be held whenever necessary, such as when the position of an auditor is vacant.

An extraordinary meeting may be held in the following cases:

1. When more than half of the directors agree to hold the shareholders' meeting;
2. When shareholders file complaints and the court orders the meeting to be convened;
3. When shareholders representing at least twenty percent of the total paid shares make a request.

When calling a meeting as prescribed in item 3 of this article, the shareholders shall jointly present a request in writing to the board of directors or the director[,] by indicating the purpose of the request for convening the meeting. After receiving the request, the board of directors or the director shall convene the extraordinary meeting within thirty days from the date the request was received.

---

63 Here, the literal translation of the term is actually "starting", not calling, a meeting.

Article 137. Advance Notice of Meeting to Shareholders

Five working days before convening the ordinary or extraordinary meeting, the board of directors or director shall notify all shareholders of the date, the place and the time for the convening and closing of the meeting, and shall send necessary documents to the shareholders.

In the event that the meeting is postponed, the board of directors or the director shall repeat the same procedures mentioned in paragraph one of this article.

Notice to shareholders may be delivered directly[64] or through an appropriate communication system.

Article 138. Quorum

A limited company shall stipulate in detail the quorum for meetings and the procedures for meetings in the bylaws of the limited company. In the event that they are not specified in the bylaws of the limited company, the quorum of the shareholders' meeting shall be at least two shareholders representing more than half of the total paid shares.

The bylaws of the limited company may stipulate a different[65] quorum, provided that the numbers shall not be less than the numbers described in paragraph one of this article.

Shares invalidly transferred shall not be counted in the meeting regardless of whether the holder of such shares attends the meeting.

Article 139. Agenda of Meetings

The chairman of the meeting shall set and keep to the order of the agenda, as agreed. Any change to the order of the agenda may be made only when approved by more than half of the number of the shareholders attending the meeting.

A shareholders' meeting may add to the meeting's agenda provided that shareholders representing more than one-third of the total paid shares make the proposal.

In the event that any matter requires extensive time for consideration, the meeting may decide to postpone the consideration of such matter to a later date

---

[64] This term has the connotation of actual delivery by hand with receipt acknowledged.

[65] The literal translation of this term is "stipulate a quorum otherwise".

and it is not necessary to follow the procedures for calling meetings set forth in Article 137 of this law.

Article 140. Venue for and Rules of Meetings

A shareholders' meeting shall be convened at the limited company's headquarters, except in the event of necessity or as otherwise agreed.

In the event that a quorum has not been achieved after two hours from the time set for the commencement of the meeting, the chairman has the right to suspend the meeting.

The next meeting shall be held within fifteen working days from the date [the meeting] was suspended and shall proceed with [or] without a quorum.

Article 141. Restrictions on Right to Vote

A shareholder may be restricted from voting in the following circumstances:

1. As stipulated in the bylaws of the limited company;
2. The shareholder has not paid a portion of [his] shares, unless otherwise agreed;
3. The shareholder is a bearer share holder, except when such share certificates are presented to the chairman of meeting or the director prior to convening the meeting;
4. Such shareholder has any involvement that could benefit him or a direct benefit in connection with the matter to be voted on.

The shareholders' meeting shall determine whether the shareholder falls within item 4 of this article.

Article 142. Assigning Proxies to Shareholders' Meetings

A shareholder may assign a proxy to attend a meeting, but the assignment shall be made in writing and presented to the board of directors or the director before the meeting is convened and shall include the following items:

1. The names of the proxy and of the assigning shareholder;
2. The number of shares held by the assigning shareholder;
3. The name, time and venue of the meeting and the scope of the assignment. In the event that the shareholder authorises the proxy to vote, this shall also be indicated.

The proxy has an equal number of votes as the assigning [shareholder], except as otherwise provided in the letter of assignment.

Article 143. Resolutions of Shareholders' Meetings

There are two types of resolutions of shareholders' meeting: ordinary resolutions and special resolutions.

An ordinary resolution is effective only when it is passed by a simple majority vote of the number of shares represented[66] at the meeting where one share equals one vote.

Article 144. Special Resolutions of Shareholders' Meetings

Shareholders shall be notified when a meeting is [called] to adopt a special resolution, [including] the matters to be considered at the meeting, as stipulated in Article 137 of this law.

A shareholders' meeting convened to adopt a special resolution may be held on one or several occasions. The special resolution is effective only when it is passed by a vote of at least two-thirds of the shareholders or their proxies attending the meeting representing at least eighty percent of the paid shares.

Matters requiring special resolutions include:

1. Voting on matters defined by this law;
2. Amending the bylaws or the contract of incorporation of the limited company;
3. Increasing or reducing the capital;
4. The merger or dissolution of the limited company;
5. The sale or transfer of all or a substantial part of the business of the limited company to another person;
6. The purchase or acceptance of a transfer of the business of another enterprise;
7. Maintaining the status as a limited company when there are more than thirty shareholders.

Within ten working days from the date of adoption, such resolution shall be registered with the relevant registration officers.

Article 145. Methods for Adopting Resolutions

Ordinary or special resolutions of the shareholders' meeting may be adopted by secret or open ballot as agreed at each meeting.

---

[66] The literal translation of this term is "participating".

Article 146. Protection of Rights and Interests of Minority Shareholders

Resolutions of the shareholders' meetings are effective when they are adopted in accordance with Article 143 and Article 144 of this law; however, if the resolutions cause substantive damage to the limited company, the limited company shall compensate the shareholders opposing these resolutions as agreed.

Article 147. Nullification of Resolutions of Shareholders' Meetings

Resolutions of shareholders' meetings may be nullified by court order only. The court may decide to nullify the resolutions of shareholders' meetings when:

1. The bylaws or the contract of incorporation of the limited company are breached;
2. The procedures for the adoption of resolutions are breached;
3. The rules on providing notice of meetings specified in Article 137 of this law are breached.

Article 148. Persons Entitled to Request Nullification of Resolutions

The persons entitled to request the court to nullify the resolutions of shareholders' meetings are the shareholders and directors.

In the event that a shareholder dies or has no legal capacity, his legitimate heirs or guardians have a similar right to request the court to nullify the resolutions of shareholders' meetings.

Any request for nullification of a resolution of a shareholders' meeting must be made within sixty days from the date the meeting passed the resolution.

Article 149. Rights and Duties of Ordinary Meetings

The ordinary meeting of shareholders has the following main rights and duties:

1. To adopt the bylaws of the limited company and the contract of incorporation;
2. To elect the director or the board of directors;
3. To elect the auditors;
4. To determine annual honorariums, meeting allowances or salaries of directors;
5. To determine salaries of officers, fees of auditors and wages of other employees of the company; fees for auditors appointed by the court under paragraph three, Article 155 of this law shall be set by the court;

6. To adopt the business report, the accounts receivable, expenses and business plan of the limited company;
7. To adopt the method for the distribution of dividends;
8. To exercise such other rights and perform such other duties as may be deemed necessary.

The extraordinary meeting exercises rights and performs duties in the event of necessity arising between two ordinary meetings.

F. Finances of Limited Companies

Article 150. Distribution of Dividends

Dividends are distributed equally on a pro rata basis to every paid share, except as otherwise agreed. The distribution of dividends requires prior approval of the shareholders' meeting.

A limited company shall not distribute dividends when the company sustains accumulated losses from previous years.

In the event that there is a breach of paragraph two of this article resulting in detriment to the company's creditors, the creditors may make a claim[67] against the shareholders to return the distributed dividends provided that such claim is made within one year from the date of the distribution of such dividends.

Article 151. Reserve Funds

There are two types of reserve funds: the statutory[68] reserve fund and other reserve funds.

The statutory reserve fund is a fund to secure against risks, whereby the limited company shall annually convert ten percent of its net profit into the reserve fund, after deducting its accumulated losses. When the reserve fund reaches half of the registered capital, the limited company may suspend converting [profit] to such fund, except as otherwise provided by the bylaws of the company.

The other reserve funds may be created as agreed by the shareholders' meeting.

[67] See footnote 50.

[68] The literal translation of this term is "what the law says".

Article 152. Use of Reserve Funds

The limited company's statutory reserve fund shall only be utilized specifically to recover the losses of the limited company, except as otherwise stipulated by the laws. The other reserve funds of the limited company may be utilized to recover losses subject only to the approval of the shareholders' meeting.

G. Audit of Limited Companies

Article 153. Audit

An audit is a verification of the accuracy of the information and the accounting records as stipulated by the Law on Enterprise Accounting.

The shareholders' audit is carried out through the auditor they selected at the shareholders' meeting.

A limited company may employ an auditor from the date of its incorporation, or may employ an auditor on a permanent basis, or [may employ an auditor] for periodic auditing as decided by the shareholders' meeting except in the event that the limited company possesses assets in excess of fifty billion Kip.

Article 154. Qualifications of Auditors

Auditors shall have the following qualifications:

1. Not be a director, officer or employee of the limited company;
2. Not have any involvement that could benefit him or direct interest in the limited company. A shareholder is not deemed to be such a person.

An auditor may be a shareholder or a third party.

Article 155. Election or Removal of Auditors

Auditors are elected or removed by the shareholders' meeting.

In the event that the position of an auditor becomes vacant for any reason, the board of directors or the director shall call an extraordinary meeting to elect a replacement auditor to fill the original number of auditors.

In the event that the provisions of paragraph two of this article are breached, three or more shareholders have the right to jointly request the court to appoint the replacement auditor.

Article 156. Rights and Duties of Auditors

Auditors have the following rights and duties:

1. To receive their fees;
2. To audit the accounts of the limited company at any time as deemed necessary;
3. To make inquiries on any matter relating to their audit to the directors, officers or employees of the limited company;
4. To prepare a report on the limited company's income, expenses and the balance sheets of the limited company to present at the shareholders' meeting, including reporting and certifying the appropriateness or inaccuracy of the limited company's accounting system and accounting records[69].

Article 157. Annual Business Report

The annual business report of a limited company shall include the following main items:

1. The total capital, the registered capital and the [number of] issued shares remaining unpaid;
2. The types and number of shares issued and paid;
3. The name, place and type of business of other companies or subsidiaries in which the limited company holds shares, [and] the types and number of shares;
4. The information described in item 9, Article 124 of this law;
5. The amount and value of remuneration paid to each director by the limited company;
6. Other matters set forth in the bylaws of the limited company.

Article 158. Shareholders' Right to Inspect Copies of Documents

Shareholders are entitled to inspect or make copies of documents on[70] the enterprise license of the limited company at any time during office hours, except for documents pertaining to trade secrets and strategic competitiveness.

Copying fees shall be collected on a cost basis only.

Shareholders may request directors of the limited company to certify the accuracy of the copies made by the limited company.

---

69 The literal translation of this term is "numbers in the accounting".

70 This term is used in the sense of "'relating to" or "about".

H. Merger and Dissolution of Limited Companies

Article 159. Merger of Limited Companies

A limited company may merge with another company to become either the original company or a new company.

A limited company may merge only when:

1. A special resolution is passed as stipulated in Article 144 of this law;
2. The merger is published at least three times through appropriate mass media within ten working days from the date the resolution was adopted and creditors are notified to allow [them] to oppose [the merger] within sixty days from the date the creditors receive the notice. Failure of the creditors to respond within such period of time shall be deemed as no objection;
3. The enterprise has been registered again.

Article 52 of this law shall apply similarly to opposition to the merger and the effects of the merger of a limited company.

Article 160. Grounds for Dissolution

A limited company may be dissolved on two grounds: dissolution by operation of law and dissolution by court order.

A limited company intending to dissolve shall register a temporary dissolution as stipulated in paragraph two, Article 53 of this law.

Article 161. Dissolution by Operation of Law

A limited company may be dissolved on any of the following legal grounds:

1. Dissolution in accordance with the bylaws of the company;
2. The shareholders' meeting of the limited company passes a resolution for dissolution as provided in Article 144 of this law;
3. The limited company is bankrupt;
4. Dissolution in cases described in Chapters 2 and 3, Part II of this law.

Article 162. Dissolution by Court Order

Any director or shareholder may file a claim to the court to consider the dissolution of a limited company for any of the following reasons:

1. A breach of any provisions or of the procedures for incorporation set forth in this law;
2. A breach of the contract of incorporation of the limited company or of the bylaws of the limited company;
3. The limited company continuously operates with losses and is not able to resolve the matter;
4. The company is unable to continue its business operations due to events of force majeure;
5. Only one shareholder remains or the limited company has more than thirty shareholders, except in the case provided in Article 85 of this law.

Upon receiving the claim, the court may consider ordering dissolution or may order the concerned company to solve the problem if it is a minor problem or can be solved.

Article 163. Effects of Temporary Dissolution

The temporary dissolution of a limited company has the same effects as the dissolution of a partnership enterprise described in Article 57 of this law.

H. Liquidation of Limited Companies

Article 164. Methods for Liquidation

The shareholders may agree to select methods for the distribution of assets or liquidation as specified in the bylaws of the limited company or as agreed by the shareholders' meeting, except where dissolution is the result of bankruptcy, [or] court order, [or] the limited company having only one shareholder or having more than thirty shareholders.

Article 165. Appointment or Removal of Liquidators

The procedures for the appointment or removal of liquidators of a limited company shall be described in detail in its bylaws. In the event that the bylaws of the limited company do not provide for the appointment or removal of liquidators, the shareholders' meeting shall choose[71] the liquidators by a vote of at least two-thirds of the shareholders or proxies present at the meeting. The liquidators shall be natural persons, who may be internal persons or third parties.

Where the shareholders' votes are not sufficient to choose the liquidators as required under paragraph one of this article, any person having an involvement in the limited company that could benefit him may request the court to appoint liquidators.

[71] The term translated as "choose" is a different word from "select'' or "elect" and is broader in scope.

The liquidators specified in this article and in Article 166 of this law shall be removed in the same manner as they were appointed.

Article 166. Appointment of Liquidators by Court

In the case of dissolution of a limited company caused by bankruptcy or court order or when only a single shareholder remains or when there are more than thirty shareholders in the limited company, only the court shall appoint the liquidator.

Article 167. Appointment of Replacement for Liquidator Who is Unable to Perform his Duties

In the event that, for any reason, a liquidator is unable to perform his duties following his appointment, such as death or lack of legal capacity, [such liquidator] shall be replaced by a new liquidator applying the same process [as that] applied to appoint the former liquidator.

The limited company shall give public notice of the appointment, removal or termination of the liquidator's duties within ten working days from the date of such appointment, removal or termination of appointment as provided in this Article 165 and Article 166 of this law.

Article 168. Priority in Liquidation [and][72] Distribution of Debts

The liquidation [and] distribution of debts[73] shall comply with the order of priority described in items 1 to 4 of Article 64 of this law.

After distribution to the creditors in full as required in paragraph one of this article, any remaining balance shall be distributed among the shareholders.

Article 169. Application of Provisions on Liquidation of General Partnership Enterprises

In addition to the provisions contained in this sub-section H, Chapter 2, Part V of this law, the liquidation of a limited company shall comply with Article 62 of this law in relation to the rights and duties of the liquidators, Article 63 on the performance of duties by multiple liquidators, Article 65 on the duties of liquidators after liquidation, Article 66 on the responsibilities of liquidators and Article 67 on the notice of dissolution and registration of cancellation of the enterprise license.

---

[72] Here, the literal translation is "or", but it is clear from the context that the term "and" is intended.

[73] The term "distribution of debts" has meaning of "making distributions to pay debts".

J. One-Person Limited Companies

Article 170. Establishment of One-Person Limited Companies

A one-person limited company shall be established according to the following procedures:

1. Full payment of shares under the name of the one-person limited company as provided in paragraph one, Article 172 of this law;
2. Drafting of the bylaws of the one-person limited company;
3. Registration of the enterprise.

Article 171. Filing of Notification for Enterprise Registration

The following documents are required for filing a notification for enterprise registration of a one-person limited company:

1. The application form and power-of-attorney in the event that a separate manager is appointed;
2. The bylaws of the one-person limited company.

All of the documents mentioned above shall have the signature of the shareholder and manager, if a manager is separately appointed.

Article 172. Payment and Transfer of Shares of One-Person Limited Company

The shareholder of a one-person limited company shall pay for his shares in full both in cash and in kind prior to the registration of the enterprise.

Upon registration of the enterprise, shares of a one-person limited company shall not be withdrawn but may be transferred and inherited.

A one-person limited company shall present its share certificates to the enterprise registration officers for endorsement within thirty days from the date of the registration of the enterprise.

Share certificates of a one-person limited company are non-negotiable.

Article 173. More than One Shareholder in Company

A one-person limited company having more than one shareholder shall change its name to “limited company” and comply with the provisions of sub-section A to sub-section J of Chapter 2, Part V of this law or shall be dissolved.

Article 174. Rights and Duties of Shareholder

The one-person limited company shareholder has following main rights and duties:

1. To adopt the bylaws of the one-person limited company;
2. To employ a manager;
3. To appoint an auditor when necessary;
4. To determine the salary of the manager, the fees of the auditor and other employees;
5. To adopt the business report, accounts receivable, expenses and business plan of the one-person limited company;
6. To utilize dividends;
7. To exercise such other rights and perform such other duties as provided in the bylaws of the one-person limited company.

Article 175. Manager

The manager of a one-person limited company may be the shareholder himself or an employed third party. A third party employed as a manager receives remuneration as agreed with the shareholder. The shareholder may employ one or several managers.

All activities performed by the manager shall be within the scope of the bylaws of the one-person limited company and [shall be conducted] under the shareholder's supervision.

The manager may delegate part of his tasks to other persons.

Article 176. Employment Contract of Manager

The employment contract of the manager of a one-person limited company shall be made in writing in accordance with the Contract Law. Such contract shall describe in detail the rights, duties, remuneration, responsibilities of the parties and how the contract may be terminated.[74]

The relationship between the manager, the one-person limited company and third parties shall be based on the relevant laws and regulations.

Article 177. Restrictions on Employed Manager

An employed manager of a one-person limited company shall not conduct business activities in competition with the one-person limited company such as:

---

[74] The literal translation of this term is "the termination of the contract".

1. Conducting business activities that are the same type or similar to the one-person limited company, whether doing so for himself or for the benefit of other persons, except if authorised by the shareholder;
2. Being a general partner in a partnership enterprise which conducts business that is the same or a similar business to the one-person limited company, except if authorised by the shareholder.

Article 178. Application of Provisions on Limited Companies

In addition to the provisions set forth in sub-section J, Chapter 2 of this Part, an increase or reduction of capital, financial matters, audit, merger, dissolution and liquidation shall be conducted in compliance with the provisions on limited companies.

Chapter 3
Public Companies

A. General Principles and Incorporation

Article 179. Principles relating to Number of Shareholders in Public Companies

A public company shall have at least nine promoters and shall employ the auditors from the date of registration of the enterprise.

A public company that has fewer than nine shareholders shall proceed with dissolution and liquidation in accordance with sub-section J, Chapter 2, Part V of this law.

Article 180. Promoters of Public Companies

Promoters of a public company are natural persons or legal entities that:

1. Have legal capacity;
2. Are not bankrupt persons who are still under the restricted period for conducting business;
3. Have not been convicted of embezzlement or misappropriation of assets;
4. Jointly hold shares representing at least ten percent of the registered capital.

Lao citizens, foreign residents, apatrids residing in the Lao PDR or foreigners are entitled to be promoters with one hundred percent shareholding of the public company, except in cases of necessity[,] when at least half of the promoters shall be Lao citizens, which the government shall determine case by case.

Article 181. Convening the Incorporation Meeting of Public Companies

The incorporation meeting of a public company shall be convened within ninety days after the contract of incorporation of the public company has been notified to the enterprise registration officers and the shares of the public company have been fully subscribed.

In the event that the incorporation meeting of the public company cannot be convened within the time stipulated in paragraph one of this article, the promoters shall notify the relevant enterprise registration officers within ten working days from the date of the decision to postpone the meeting.

The next meeting shall be held within thirty days from the date of the notice given to the registration officers. In the event that the subsequent incorporation meeting cannot be convened, the contract of incorporation shall be terminated and the public company's promoters shall return all money paid for the shares to the subscribers.

The incorporation meeting of a public company shall be held in the district or province where the company's headquarters will be located, with at least two-thirds of the promoters and subscribers representing two-thirds of the total shares attending the meeting.

Article 182. Contract of Incorporation of Public Companies

The contract of incorporation shall be consistent with the provisions defined in Article 81 of this law, and shall also include wording indicating the intention to offer shares to the public.

The public offering of shares may take place only when the public company is registered and has duly complied with the laws and regulations governing the purchase and sale of shares.

Regulations on the transaction of shares[75] will be determined separately.

B. Shares and Debentures of Public Companies

Article 183. Shares and Payment of Shares

A share of a public company shall not exceed one hundred thousand Kip.[76]

---

[75] This is a reference to a public offering of shares.

[76] Although it is not specified in the original Lao text, this appears to be a reference to par value.

Shareholders of a public company are required to pay for shares in full at the date of its incorporation, whether payment is in kind or in cash.

Shareholders may not request the court to order redemption of their shares once the public company has completed enterprise registration.

Article 184. Share Certificates

A share certificate of a public company shall contain the following items:

1. The serial number of the share certificate;
2. The name and reference number of the enterprise registration license of the public company;
3. The name and nationality of shareholders;
4. The number of shares held by each shareholder;
5. The value of each share;
6. The date of issuance of the share certificate;
7. The names and signatures of authorised directors and the stamp of the public company.

Share certificates of a public company are negotiable.

Article 185. Transfer of Shares

Shares of a public company may be transferred to internal persons or third parties. The share transfer shall be completed when the transferor has endorsed the share certificate by indicating the name of the transferee and it is signed by both parties, and the transferor hands over the share certificate to the transferee.

The transfer of shares is effective towards:

1. The public company when it receives a request to register the transfer;
2. Third parties when the transfer is registered by the public company.

In the event that, after receiving the request, the public company determines that the transfer was carried out in due course, the public company shall register the transfer of shares within five working days from the date of receipt of such request.

In the event of an improper transfer of shares, the public company shall notify the applicant to solve [the matter] within five working days from the date of receiving the request.

The methods and timeframe for replacement of new share certificates shall be stipulated in the bylaws of the public company.

Promoters of a public company shall not transfer shares as provided in item 4, Article 180 of this law within a period of two years from the date of the enterprise registration of the public company.

Article 186. Debentures

A public company may raise funds by issuing debentures to the public. The issuance and offering of debentures shall be conducted in accordance with the procedures and rules of the laws and regulations relating to the transaction of shares.

A public company may raise funds by issuing and offering debentures to the public only pursuant to a special resolution as stipulated in Article 144 of this law.

C. Merger of Public Companies

Article 187. Merger of Public Companies

A public company may merge with another company to become either the original public company or a new company.

In addition to the provisions in this sub-section C, a merger of public companies shall be conducted in accordance with the procedures set forth in Article 159 of this law.

Article 188. Opposition to Merger by the Shareholders

In the event that shareholders of a public company oppose the merger, the public company shall purchase the shares held by the opposing shareholders at the prices appearing at that time on the stock exchange or securities exchange[77].

In the event that there is no reference price on the stock exchange or securities exchange, the price to be applied shall be assessed by independent appraisers appointed by a special resolution of the shareholders' meeting.

Following the appraisal of the share price mentioned in paragraph two of this article, if the opposing shareholders refuse to sell their shares, the relevant public company may carry out the merger regardless of whether the shareholders opposing the merger agree to the estimated prices or not[,] and such shareholders shall become de facto shareholders of the merged company.

Article 189. Timeframe for Merger and Registration of Merged Public Companies

---

[77] The literal translation of this term is stock market or security market.

A merger of public companies shall be completed within one hundred and fifty days from the date all the companies to be merged pass resolutions on the merger[,] and the enterprise registration shall be completed within ten working days from the date of completion of the merger.

Article 190. Application of Provisions on Limited Companies

In addition to the provisions contained in Chapter 3, Part V of this law, the provisions on filing the notification for enterprise registration, the liability of promoters, the increase or reduction of capital, the directors and the board of directors, shareholders' meetings, finance, audit and liquidation of public companies shall comply with the provisions pertaining to limited companies.

Part VI
State-Owned Companies

Chapter 1
General Principles and Formation[78] of State-Owned Companies

Article 191. General Principles Relating to State-Owned Companies

A State-owned company is initially formed with one hundred percent capital contribution by the State and, upon its registration, [the State] may sell part of its shares to other shareholders as authorised by the government up to a maximum amount of less than fifty percent of its total shares.[79]

Shareholders are liable for the debts up to an amount not exceeding the unpaid portion of their shares.

A State-owned company may hold shares in other companies or be a partner in other partnership enterprises.

The State may hold shares in other companies or be a partner in other partnership enterprises, but shall not be a general partner in a partnership enterprise.

Where a State-owned company or the State acquires less than one hundred percent of shares in other types of enterprises, [this] does not cause those enterprises to become State enterprises[80].

---

[78] In the Lao language, the same word is used for incorporation, establishment and formation. Earlier in this law, the term "incorporation" was used specifically for companies. Here, because the process of establishment of State-owned companies is different, the word "formation" is used. However, readers should bear in mind that both English words are translations of the same Lao word.

[79] In practice, this means up to 49% of shares can be sold to other shareholders.

[80] The translators are aware that this appears ambiguous in situations in which the State has a majority interest; however, it might be a reference to Article 9 regarding the type of enterprise.

Article 192. Contract of Formation of State-Owned Companies

A State-owned company is formed on the basis of a contract between the financial sector[81] and the relevant sectors, except for a State-owned company of the financial sector.

The contents of the contract of formation of a State-owned company shall comply with the provisions set forth in Article 81 of this law.

Article 193. Procedures Relating to Formation

A State-owned company shall be formed in accordance with the following procedures:

1. The relevant sector coordinates with the financial sector to determine and agree on the objectives for formation, the type of business and the total capital by dividing the capital into shares of equal value and by determining the proportion of shares that is permitted to be transferred after its registration according to paragraph one, Article 191 of this law;
2. Presenting the application for the formation of the company together with an economic-technical feasibility study to the Prime Minister in the case of a State-owned company at the central level, [or] to the provincial or city mayor, in the case of a State-owned company at the provincial level;
3. Upon receiving approval from the Prime Minister, or from the provincial governor or city mayor, the relevant sector and the financial sector shall select persons to be appointed as directors;
4. Convening the formation meeting of the State-owned company which is attended by the proxies of the relevant sectors, the financial sector and all the appointed directors to declare the formal formation of the State-owned company and to assign all tasks to the directors to continue operations;
5. Convening an initial meeting of the board of directors, if any;
6. The directors shall register the enterprise within thirty days from the date of full payment of shares in accordance with Article 199 of this law.

Article 194. Duties of Formation Meeting of State-Owned Companies

---

[81] See footnote 17. In this Chapter, “sector” is used in its governmental sense.

The formation meeting of the State-owned company has following main duties:

1. To adopt the bylaws of the State-owned company;
2. To declare the formal formation of the State-owned company;
3. To announce the names of the initial appointed members of the board of directors;
4. To announce the auditors and determine their remuneration;
5. To formally assign tasks to the director or the board of directors.

The formation meeting of a State-owned company is chaired by the proxy of the relevant sector or the financial sector.

Article 195. Bylaws of State-Owned Companies

The bylaws of a State-owned company shall contain the requirements specified in Article 82 of this law, and in addition, the following items shall be included:

1. Provisions regarding the [State-owned company's] rights and [regarding] the proportion of shares to be transferred upon registration of the enterprise;
2. The distribution of dividends to other shareholders, if any;
3. The policies or measures[82] of the State regarding the profits or losses of business operations.

The bylaws of a State-owned company shall be signed by the Minister of Finance, in the case of a State-owned company at the central level, or by the provincial governor or city mayor in the case of a State-owned company at the provincial level.

Any modification to the bylaws of a State-owned company shall be carried out only when it is approved by[83] the votes as stipulated in Article 210 of this law.

Article 196. Initial Board Meeting

The initial meeting of the board of directors shall be held within ten working days from the closing date of the formation meeting of the State-owned company.

---

[82] The term "policies" is often used as an indirect way of referring to "incentives" or "privileges" and the term "measures" is often used as an indirect way of referring to "sanctions". Here, these two words are used to refer to the entitlement of persons running State-owned companies to receive incentives or be subject to sanctions for good or bad performance, as the case may be.

[83] The literal translation of this term is "has obtained".

The first board meeting shall have the following duties:

1. To elect the president. If necessary, the vice presidents of the board of directors may be elected;
2. To assign tasks to each director.

A resolution of the initial board meeting shall be effective only when it is adopted by more half of the total number of directors.

Article 197. Filing of Notification for Enterprise Registration

The following documents are required for the filing of a notification for enterprise registration of a State-owned company:

1. The application form for notification of enterprise registration signed by the director[84] and accompanied by the economic-technical feasibility study;
2. The notice or decision on the formation of the State-owned company from the Prime Minister, in the case of a State-owned company at the central level, or from the provincial governor or city mayor in the case of a State-owned company at the provincial level;
3. The minutes of the formation meeting of the State-owned company signed by the chairman of the meeting;
4. The bylaws of the State-owned company signed by the Minister of Finance, in the case of a State-owned company at the central level, or by the provincial governor or city mayor, in the case of a State-owned company at the provincial level.

A transfer of shares of a State-owned company, as stipulated in paragraph one, Article 191 of this law, may be executed only when the company is registered and in compliance with the laws and regulations governing the transaction of shares.

Chapter 2
Shares and Debentures of State-Owned Companies

Article 198. Shares

Shares of a State-owned company are obtained from dividing the capital into portions of equal value of shares. Each share of a State-owned company shall not exceed one hundred thousand Kip.

[84] In the original Lao text, it is unclear whether this term is singular or plural.

The shares of a State-owned company may be contributed in cash or in kind. Contributions in kind shall be appraised in monetary terms by a special committee.

Article 199. Payment of Shares

Shares of a State-owned company to be paid in cash or in kind shall be paid in full no later than five working days prior to the date of the formation of the State-owned company by transferring the ownership[85] to the relevant State-owned company, except in the event that the financial sector and relevant sector have agreed otherwise, and this matter[86] shall be described in the bylaws of the State-owned company.

Article 200. Share Certificates

A share certificate of a State-owned company shall have the following contents:

1. The serial number of the share certificate;
2. The name and reference number of the enterprise registration license of the State-owned company;
3. The names of the shareholding sectors;
4. The number of shares;
5. The value of each share;
6. The date of issuance of the share certificate;
7. The name and signature of the director and the stamp of the State-owned company.

Share certificates of a State-owned company are negotiable up to the portion of shares stipulated in paragraph one, Article 191 of this law.

Within thirty days from the date of registration of the State-owned company, the directors shall issue share certificates to the relevant sector and the financial sector to keep as evidence [of ownership].

The share certificates issued to other shareholders shall have contents in accordance with the types of shares held by each shareholder as stipulated under Article 184 of this law. Other shareholders [refers to] the shareholders that are not shareholders representing the State.

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

---

[85] Although it is not specified in the original Lao text, this is a reference to the ownership of the contributions made in cash and in kind.

[86] Although it is not specified in the original Lao text, this is a reference to the transfer of ownership.

Article 201. Transfer of Shares

Shares that are permitted by the government to be transferred to other shareholders may be transferred without further approval from the government.

Any transfer of shares in excess of the portion stipulated in paragraph one, Article 191 of this law, is invalid. Any person making such transfer shall be responsible for the breach as provided by the laws.

Article 202. Debentures[87]

A State-owned company may raise funds by issuing and offering debentures to the public. [Such] debentures may be issued and offered only when:

1. [Such issuance and offering] are authorised by the government;
2. [Such issuance and offering] duly comply with the procedures and regulations stipulated in the relevant laws relating to the transaction of shares.

Chapter 3
Directors and Board of Directors of State-Owned Companies

Article 203. Directors

A director of a State-owned company may be a civil servant or a third party, except as otherwise determined for certain State-owned companies.

A director of a State-owned company is the representative of the State-owned company to efficiently administer and manage assets contributed by the government to the business activities [of the company], as well as the representative of the State-owned company in its business transactions with third parties.

A director of a State-owned company is paid a basic salary equal to the basic salary of a civil servant, and receives an additional salary or bonus as provided in item 1, Article 215 of this law. This provision also applies to the officers of State-owned companies.

Article 204. Qualifications of Directors

[87] The Lao term for "debenture" encompasses both debentures and bonds, both short-term unsecured obligations as well as longer-term obligations.

In addition to the requirements set forth in Article 117 of this law, a director of a State-owned company shall meet the following additional requirements:

1. Have no record of acts of corruption or self-dealing[88];
2. Be a person with high responsibility in the performance of duties;
3. Have no involvement that could benefit himself or direct benefit in the business transactions of the State-owned company, whether personally or through his spouse and children;
4. Must have declared his assets prior to accepting the position of director;
5. Possess skills, competence and experience in business management and administration.

Article 205. Appointment and Removal of Directors

Directors are appointed in the following two ways:

1. The initial board of directors is appointed by the Minister of Finance in the case of a State-owned company at the central level, or by the provincial governor or city mayor in the case of a State-owned company at the provincial level, based on the consent of the relevant sector;
2. The subsequent boards of directors, including [any] vacancy of a director's position in between two ordinary shareholders' meetings, are appointed by the Minister of Finance in the case of a State-owned company at the central level, or by the provincial governor or city mayor in the case of a State-owned company at the provincial level, based on a resolution of the shareholders' meeting.

The directors appointed in either of the two ways described above shall be removed by the Minister of Finance in the case of a State-owned company at the central level, or by the provincial governor or city mayor in the case of a State-owned company at the provincial level, on the basis of a resolution of the shareholders' meeting.

Article 206. Termination of Position of Directors

The position of a director of a State-owned company may be terminated for any of the following reasons:

1. As provided in items 1 to 4 of Article 127 of this law;
2. The Minister of Finance, in the case of a State-owned company at the central level, or the provincial governor or city mayor, in the case of a

[88] The literal translation of this term is "self-undertaking opportunities".

State-owned company at the provincial level, issues a decision on his removal.

A resignation by a director shall be effective only when it is adopted by the Minister of Finance at the central level, or by the provincial governor or city mayor at the provincial level and shall be notified to the relevant enterprise registration officers.

Article 207. Board of Directors

A State-owned company with more than three directors shall form a board of directors. In the case of necessity, a State-owned company with two directors may also form a board of directors.

The rights and duties of the board of directors of a State-owned company shall be in accordance with Article 130 of this law.

Chapter 4
Shareholders' Meeting of State-Owned Companies

Article 208. Proxy Shareholders of the State

Shareholders of a State-owned company are the proxies of the relevant sector and of the financial sector, unless otherwise determined by the government.

All the sectors described in the foregoing paragraph shall have at least two proxy shareholders appointed by the Minister of Finance in the case of the central level, or by the provincial governor or city mayor in the case of the provincial level, based on the proposal of the relevant sector. In the event of a change of the shareholders, replacements shall be made within thirty days from the date of such changes.

The aforementioned proxies exercise the rights and perform the duties of State shareholders in each State-owned company.

The proxy shareholders of the State receive no salaries or remuneration, but receive an annual bonus and allowances for each meeting in accordance with the relevant regulations.

Article 209. Quorum and Rules for Shareholders' Meetings

A shareholders' meeting of a State-owned company shall be attended by all appointed proxy shareholders of the State or their proxies.

The proxy shareholders of the State who are unable to attend the meeting in person shall send their proxies to the shareholders' meeting, who shall present their letters of assignment to the chairman of the meeting.

In the event that the proxy shareholders of the State are absent at three shareholders' meetings without sufficient reasons, the chairman of the meeting shall notify the Minister of Finance or the provincial governor [or] city mayor for consideration.

In the event that the State-owned company sells its shares in accordance with paragraph one, Article 191 of this law, the quorum of the shareholders' meeting shall, in addition to the requirements mentioned above, require the presence of shareholders [other than the proxy shareholders of the State] holding at least eighty percent of the total number of shares of [non-State][89] shareholders.

Article 210. Resolutions of Shareholders' Meetings

There are two categories of resolutions of shareholders' meetings:

1. In the case of a State-owned company in which the State is the sole shareholder, the resolution of the shareholders' meeting shall be effective only when adopted by more than half of the proxy shareholders of the State, except as provided in the bylaws of the State-owned company. In counting votes, one person shall have one vote;
2. In the event that a State-owned company has sold its shares in accordance with paragraph one of Article 191 of this law, the resolutions of the shareholders' meeting shall be effective only when they are adopted by more than half of the total number of shares. In counting votes, one share shall have one vote. After having agreed by a vote as stipulated in item 1 of this article, the proxy shareholders of the State shall assign one of them to cast the votes on their behalf.

The shareholders' meeting of a State-owned company may consider and adopt any resolutions on all matters relating to the State-owned company's business, except for matters stipulated in Article 211 of this law.

Article 211. Matters Requiring Approval

A State-owned company at the central level shall obtain approval from the government, and a State-owned company at the provincial level shall obtain approval from the provincial governor or city mayor for an increase or reduction of capital, a dissolution, a merger among State-owned companies, or a merger of a State-owned company with other types of enterprises to become a State-owned

[89] The literal translation of this term is "those", which is a reference to the "shareholders other than the proxy shareholders of the State".

company, and [for] purchasing or accepting the transfer of business from other types of enterprises to the State-owned company.

Matters requiring government approval include:

1. The sale of shares as provided in paragraph 1, Article 191 of this law;
2. The sale or transfer of the business of the State-owned company to another type of enterprise;
3. A merger between a State-owned company with other types of enterprises to become another type of enterprise.

When the government, or the provincial governor or city mayor, has authorised any action as described in this article, it shall provide detailed directives on the implementation.

Article 212. Rights and Duties of Other Shareholders

Other shareholders have the following rights and duties:

1. To participate, present their opinions and vote at the shareholders' meeting;
2. To examine and make copies of registered documents of the State-owned company or other information in accordance with regulations;
3. To receive dividends in the manner prescribed in the bylaws of the State-owned company;
4. To file claims in court when their interests are breached.

Chapter 5
Finance and Liabilities of State-Owned Companies

Article 213. Distribution of Dividends

Dividends of a State-owned company shall be distributed in proportion to the shareholding. The remaining balance from the distribution of dividends to other shareholders shall become State property and shall be remitted to the State budget, as regulated.

A State-owned company shall not distribute dividends when it has sustained accumulated losses from previous years.

Article 214. Reserve Funds

There are two types of reserve funds: the statutory reserve fund and other reserve funds.

The statutory reserve fund is a fund to secure against risks, whereby the State-owned company shall annually convert ten percent of its net profit into the reserve fund, after deducting its accumulated losses. When the reserve fund reaches half of the registered capital, the State-owned company may suspend converting to such fund, except as otherwise provided by the bylaws of the State-owned company.

Other reserve funds may be created as decided by the shareholders' meeting. A State-owned company shall not create its own social welfare fund but shall apply the regulations on the governmental social welfare fund.

The use of a State-owned company's reserve funds shall comply with Article 152 of this law.

Article 215. Liabilities

The government treats State-owned companies on a case-by-case basis as follows:

1. In the event that the State-owned company operates at a profit, the State may grant monetary rewards of not more than ten percent of the State-owned company's net profit for increasing salaries or bonuses as appropriate on an annual basis;[90]
2. In the event that the State-owned company operates its business at a loss caused by external factors that are uncontrollable or difficult to control, the State may apply appropriate policies to share the burden of the State-owned company and to allow its business to continue;
3. In the event that losses are sustained because of the lack of capability of management in the State-owned company, the directors shall be liable for not more than ten percent of the total losses. The directors shall be removed when the State-owned company sustains losses for two consecutive years;
4. In the event that the losses are suffered because of the fault of the directors, officers or employees of the State-owned company, the State may cause such persons to be personally liable for such losses and may bring a claim in court against them in accordance with the laws.

Details of the policies awarded and the liabilities in case of losses shall be specified in separate regulations.

Chapter 6
Audit and Ad Hoc Inspection of State-Owned Companies

[90] The translators are aware that the heading does not necessarily correspond to this item and item 2 of this article.

Article 216. Audit

A State-owned company shall have auditor(s) from the date of its enterprise registration. In the case of a small scale State-owned company which is unable to employ a permanent auditor, an auditor shall be recruited to audit and verify its accounting records prior to the submission of its balance sheet and annual report to the shareholders' meeting at least once a year.

The State-owned company shall strictly comply with the auditing principles stipulated in sub-section G, Chapter 2, Part V of this law.

Article 217. Ad Hoc Inspections

Ad hoc inspections of State-owned companies may be carried out with the approval of the Minister of Finance in the case of a State-owned enterprise at the central level, or of the provincial governor and city mayor in the case of a State-owned company at the provincial level, [or] based on a resolution of the shareholders' meeting or at the request of the relevant sector. The provisions of Article 210 of this law shall apply to the resolution of the shareholders' meeting.

Upon receiving such resolution or request, the Minister of Finance, in the case of the central level, or the provincial governor or city mayor, in the case of the provincial level, shall appoint inspectors or an inspection committee within thirty days to inspect the concerned State-owned company.

Article 218. Rights and Duties of Inspectors

Inspectors have the following rights and duties:

1. To request the State-owned company to supply documents for inspection;
2. To question the directors, officers or employees of the concerned State-owned company;
3. To present an inspection report to the shareholders requesting such inspection, and to the Minister of Finance, provincial governor or city mayor.

Article 219. Cost of Ad Hoc Inspections

The State-owned company shall be responsible for the costs incurred in an inspection if the inspection reveals that the company is at fault. The internal liabilities of relevant persons to the State-owned company shall be in accordance with laws and regulations.

Where the results of the inspection do not prove the facts alleged, the State shall bear the cost for the inspection.

Chapter 7
Privatisation, Merger, Dissolution and Liquidation of State-Owned Companies

Article 220. Conversion to Other Type of Enterprise[91]

In the event that there is an intention or a necessity, a State-owned company may be converted into other types of enterprises as stipulated in items 2 and 3 of Article 211 of this law.

The merger or transfer of shares referred to in paragraph one of this article causes the name of the State-owned company to become another name as agreed with the other[92] shareholders[,] and the State becomes a shareholder in the new company, except when the State transfers all of its shares.

A State-owned company that converts to another type of enterprise shall incorporate, register and operate the enterprise on the basis of the principles governing that type of enterprise.

As the holder of the State's shares, the financial sector shall comply with the rules governing that form of company. Any sale or transfer of the shares held by the State shall receive prior approval from the government.

The financial sector shall exercise the rights, perform the duties and protect the interests or ownership of the State as a shareholder in other types of enterprises.

Article 221. Merger of State-Owned Companies

The following procedures shall apply to the merger of State-owned companies:

1. A merger among State-owned companies or a merger of a State-owned company with other types of enterprises to form a State-owned company as provided in paragraph one, Article 211 of this law, shall comply with the rules governing the merger of limited companies and the rules on the formation of State companies;
2. A merger of a State-owned company with other types of enterprises to form another type of enterprise as provided in item 3, paragraph two of Article 211 of this law, shall comply with the rules governing the merger and establishment of that type of enterprise.

---

[91] The translators are aware that this article heading refers to "conversion" rather than to "privatisation" (which is the word used in the chapter heading).

[92] This is a reference to shareholders other than State proxies.

Article 222. Dissolution and Liquidation

A State-owned company may be dissolved in the following cases:

1. The government orders the dissolution of the State-owned company at the central level, or the provincial governor or city mayor orders the [dissolution of the] State-owned company at the provincial level;
2. Bankruptcy;
3. The State-owned company continuously operates at a loss and is unable to recover.

The State-owned company shall strictly comply with the rules of liquidation as provided in sub-section I of Chapter 2, Part V of this law.

Article 223. Application of Provisions on Companies

In addition to the provisions contained in Part VI of this law, the provisions pertaining to limited companies or public companies shall be applied [to a State-owned company] if the form of limited company or public company is used.

Part VII
Joint Companies

Article 224. Joint Companies

A joint company is a company jointly established between the State and other [non-State investors][93], whether domestic or foreign, where each party holds fifty percent of the shares.

Incorporation of a joint company and its management shall be governed by the form of the company[94], as prescribed in this law.

Article 225. Shareholders' meeting

The resolutions of the shareholders' meeting shall be effective only when passed by unanimous vote, except as otherwise determined in the bylaws of the joint company.

In casting votes, one share shall have one vote.

---

[93] The literal translation of this term is simply "others", but, it has the connotation of "other than the State".

[94] The translators are aware that there are not many choices in this context. This appears to be a reference to a limited company.

Part VIII
Administration and Inspection of Enterprises

Article 226. Administrative Authority

The government centrally administers the establishment and operation of enterprises by assigning the commercial sector to be the focal point in coordination with concerned sectors, except for enterprise registration and administration of activities defined in the laws on the promotion of domestic and foreign investments[95].

The commercial sector comprises:

1. The Ministry of Commerce;
2. The trade divisions[96] at the provincial and capital city[97] level;
3. The trade offices at the district and municipal level.

Article 227. Rights and Duties of Ministry of Commerce

The Ministry of Commerce has the following rights and duties:

1. To develop directives, [and] policies to develop and promote enterprises;
2. To research [and] study legal acts[98] for the implementation of policies to develop and promote enterprise;
3. To disseminate, direct, encourage and monitor the nationwide implementation of policies to develop and promote enterprises;
4. To administer and provide services for enterprise registration in compliance with the laws and regulations;
5. To train and to build the technical capacity of officials in the commercial sector;
6. To coordinate with the relevant sectors and local administrations to systematically inspect and monitor nationwide the compliance with laws and regulations by business units;
7. To record[99], amend or cancel names of enterprises from the enterprise registration lists as prescribed by laws and regulations;

---

[95] This is a generic reference to laws pertaining to promoting domestic and foreign investment.

[96] This term could also be translated as "commercial division".

[97] The terms "city" and "capital city" are often used interchangeably to refer to Vientiane because, as of 2005, Vientiane is the only city in terms of local administration. Readers may wish to refer to the Law on Local Administration for more information.

[98] This is a generic reference to legislation, edicts and the like.

8. To maintain foreign trade relations and to seek markets;
9. To exercise such other rights and perform such other duties as prescribed by laws and regulations.

Article 228. Rights and Duties of Trade Divisions at Provincial and City Level

The trade divisions at the provincial and city level have the following rights and duties:

1. To disseminate, direct, encourage and monitor the implementation of policies to develop and promote enterprises within their [respective] provinces or cities;
2. To coordinate with relevant sectors and others[100] to systematically inspect and monitor the implementation of the laws and regulations relating to enterprises by business units within their [respective] local areas, and to report [on such implementation] to higher authorities;[101]
3. To record, amend or cancel enterprise names from the enterprise registry lists in accordance with the laws and regulations;
4. To maintain foreign trade relations, especially with the countries sharing borders with their [respective] provinces, as approved by the Ministry of Commerce;
5. To exercise such other rights and perform such other duties as provided by the laws and regulations.

Article 229 Rights and Duties of Trade Offices at District or Municipal Level

District or municipal trade offices have the following rights and duties:

1. To implement the policies, laws and regulations relating to enterprises within the scope of their responsibilities;
2. To record, amend and cancel the names of enterprises from the enterprise registration lists in accordance with the laws and regulations;
3. To coordinate with the relevant sectors to systematically control, monitor, collect [information] and report to higher authorities on the compliance by business units within their [respective] districts or municipalities with the laws and regulations relating to enterprises;
4. To exercise such other rights and perform such other duties as provided by the laws and regulations.

---

[99] The literal translation of this term is “put”.

[100] The term “and others” is a literal translation and is not subject to further specificity.

[101] For readability, the structure of this sentence has been modified.

Article 230. Rights and Duties of Other Concerned Sectors

Other sectors relating to enterprises[102] shall have duties to coordinate with the commercial sector in accordance with their roles, rights and duties.

Upon registration of an enterprise, the concerned sectors shall take the lead in administering the operations of enterprises within the scope of their rights and duties.

Article 231. Chamber of Commerce and Industry

The Chamber of Commerce and Industry is a social organisation of business people acting as a bridge between government agencies and business units, as representatives of the employers, business associations and different types of enterprises established and operating in the Lao PDR.

The Chamber of Commerce and Industry plays a role in giving opinions to the government on matters pertaining to business, in mobilizing[103], in educating and leading, in organising, [and] in bringing business people together, in order to promote the economy, trade, industry, finance and services, including the protection of legitimate rights and interests of enterprises, and making [them] operate in accordance with the laws and regulations.

Part IX
Policies and Sanctions

Article 232. Policies

Persons or organisations with outstanding performance in the implementation of this law will be praised, congratulated or shall receive appropriate policies.

Article 233. Sanctions

Persons or organisations that breach this law shall be subject to different sanctions in accordance with the nature of the breach.

Article 234. Hindering Enterprise Registration

Any enterprise registration officer or concerned person who has hindered the registration of enterprises in any manner, such as by demanding that the

---

[102] This is a reference to the following paragraph in which responsibilities are delegated to other sectors to administer each enterprise in accordance with their mandated rights and duties.

[103] This is a reference to encouraging people to participate.

applicant provide additional documentation without proper reasons, losing the documents or delaying the registration process[,] shall be subject to disciplinary sanctions, such as: re-education[104], removal from his position, demotion, or dismissal from the civil service.

The provisions contained in paragraph one shall apply to the examination and review of the types of businesses falling within the list of controlled businesses by the officers of the concerned sectors.

Article 235. Order to Renew Enterprise License

Any person ordering the renewal of an enterprise license will be subject to disciplinary sanctions such as removal from his position, demotion, or dismissal from the civil service.

The provisions of paragraph one shall apply to ordering the renewal of documents or licenses relating to the types of businesses falling within the list of controlled businesses by officers of the concerned sectors, except as authorised by the government.

Article 236. Conducting Business without Enterprise Registration

Any person conducting any business activity without an enterprise registration shall be fined from 1,000,000 Kip to 10,000,000 Kip each time.

The legitimate interests of a creditor of a person conducting business activities without an enterprise registration shall be protected if it enters into the business transaction with such person in good faith.

Article 237. Conducting Business Operations Not Consistent with Purpose

Any individual or legal entity conducting business inconsistent with its enterprise purpose shall be re-educated or fined from 1,000,000 Kip to 5,000,000 Kip each time.

Article 238. Improper Registration

Any enterprise license that is improperly registered as described in Article 15 of this law shall be cancelled.

Any enterprise registration officer who has improperly registered an enterprise for persons or organisations as specified in paragraph one above, shall

[104] Here, the term “re-educate” does not mean the same as “re-education without deprivation of liberty referred to in the Penal Law.

be subject to disciplinary sanctions, such as removal from his position, demotion, or dismissal from the civil service.

Article 239. Disclosing and Refusing to Disclose Information

Any enterprise registration officer or concerned person who has disclosed information indicated in paragraph two, Article 19 of this law, without the consent of the relevant enterprise, shall be deemed to be in breach of official confidentiality and shall be punished in accordance with the Penal Law and dismissed from the civil service.

Any enterprise registration officer who refuses the public access to or copies of documents or refuses to disclose the information described in paragraph one, Article 19 of this law, shall be subject to disciplinary sanctions, such as removal from his position, demotion, or dismissal from the civil service.

Article 240. Failure to Display Sign or Improper Use of Name

An enterprise that, seven days after receiving notice, fails to display its enterprise sign or uses an enterprise name inconsistent with the form or type of enterprise shall be sanctioned with re-educational measures or fined 200,000 Kip each time.

Article 241. Use of Forbidden Name

A person who uses a name forbidden under Article 22 of this law will be sanctioned with re-educational measures or fined 300,000 Kip and be ordered to cease the use of such enterprise name.

Article 242. Failure to Remove Sign of Enterprise Name after Dissolution

An enterprise that fails to remove the sign of enterprise name after the enterprise is dissolved as provided in paragraph one, Article 26 of this law will be sanctioned with re-educational measures or fined 500,000 Kip and ordered to remove the sign.

Article 243. Other Breaches

Any person or organisation breaching this law and thereby causing damage to other persons shall be liable to compensate for the damage it has caused.

In the event that such breach constitutes a criminal offence, the breaching person shall be punished in accordance with the Penal Law.

Part X
Final Provisions

Article 244. Implementation

The government of the Lao PDR shall implement this law.

Article 245. Effective Date

This law shall take effect one hundred and twenty days after the date of the promulgating decree issued by the President of the Lao People's Democratic Republic.

This Law on Enterprises repeals the Business Law No. 005/SPA, dated 18 July 1994.

Any regulations or provisions that contradict this law shall be null and void.

Vientiane, 9 November 2005
President of the National Assembly

[Seal and Signature]

Samane VIGNAKET