

**LAO PEOPLE'S DEMOCRATIC REPUBLIC**

Article 7

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

Article 8

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

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

Article 9

Business persons are persons conducting business operations as their profession.

Article 10

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

Intermediaries include agents and brokers:

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

Article 11

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

Chapter 2  
Conditions for Business Operations

Article 12

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

Article 13

Part III  
Organization of Business Operations

Chapter 1  
Creation and Registration of Enterprises

Article 16

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

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

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

Article 17

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

Article 18

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

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

Article 19

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

Chapter 2  
General Principles of Companies

Article 20

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

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

Article 21

Article 27

All companies shall have written bylaws with the following content:

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

Article 28

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

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

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

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

Article 29

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

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### Article 32

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

Companies may be dissolved for the following reasons:

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

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

## Chapter 3 Private Enterprises

### Article 33

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

Private enterprises may be created under the following two forms:

Sole trader enterprise and company.

#### I. Sole Trader Enterprise

### Article 34

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

### Article 35

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

### Article 36

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

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

### Article 37

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

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

## II. Partnership Company

### Article 38

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

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





### III. Limited Companies

#### Article 45

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

#### Article 46

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

#### Article 47

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

Share certificates of a limited company are not transferable.

#### Article 48

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

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

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

#### Article 49

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

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

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

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

#### Article 50

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

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

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

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

#### Article 51

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

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

#### Article 52

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

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

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

The auditor has the duty to:

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

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

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

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

#### Article 53

The shareholders have the following rights and duties:

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

#### Article 54

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

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



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

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

#### IV. Public Company

##### Article 60

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

The shareholders must be business persons.

##### Article 61

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

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

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

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

##### Article 62

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

Shares of public companies are transferable.

##### Article 63

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

The capital of a public company, in addition to the contribution of capital and shareholders, may also be publicly mobilized from outside and the sale of debentures. The company shall make un transfers7omany".





Article 73

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

The ordinary general meeting may be called by:

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

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

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



Article 76

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

Chapter 4  
State Owned Enterprises

Article 77

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

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

Article 78

The State may contribute equity as follows:

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

I. State owned enterprises

Article 79

A state owned enterprise is fully responsible for its liabilities.

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

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

Article 80

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

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

#### Article 81

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

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

#### Article 82

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

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

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

#### Article 83

The Executive Council has the following rights and duties:

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

#### Article 84

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

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

Article 85

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

The deputy director is appointed by the executive council of the state owned

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

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Article 95

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

Article 96

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

Article 97

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

Vientiane, 18/7/1994

President of the National Assembly  
Saman Vignaket