



LAO PEOPLE'S DEMOCRATIC REPUBLIC  
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

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National Assembly

13 August 1994

**DECREE**  
*of the*  
**PRESIDENT**  
*of the*  
**LAO PEOPLE'S DEMOCRATIC REPUBLIC**

**On the Promulgation of the Business Law**

Pursuant to Article 53, clause 1 of the Constitution of the Lao People's Democratic Republic;

Pursuant to the Resolution of the 4th extraordinary session of the National Assembly, IIIrd Congress on the adoption of the Business Law No. 005, dated 18 July 1994.

**The President of the Lao People's Democratic Republic  
Decrees that:**

**Article 1.** The Business Law is hereby promulgated.

**Article 2.** This decree shall enter into force on the date it is signed

Vientiane, 13 August 1994

President of the Lao People's Democratic  
Republic

*[Seal and Signature]*

Nouhak PHOUMSAVANH



LAO PEOPLE'S DEMOCRATIC REPUBLIC  
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

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National Assembly

No. 005/94  
18 July 1994

## THE BUSINESS LAW

### Part I General Provisions

**Article 1.** The Business Law is issued to promote a multi-sectoral economy investing in business in all sectors in order to expand a trade-based market economy, as adjusted by the State.

**Article 2.** Domestic and foreign business persons investing in business activities in the following sectors shall receive protection of their rights and interests under the laws of the Lao People's Democratic Republic: manufacturing, transportation, construction, trade and other services.

**Article 3.** Lao citizens, aliens, apatrids<sup>1</sup> residing in the Lao People's Democratic Republic and foreign individuals have the right to conduct or participate in business operations in compliance with the laws of the Lao People's Democratic Republic.

**Article 4.** Enterprises are business units established for business operations. In the Lao People's Democratic Republic, there are four types<sup>2</sup> of enterprises: private enterprises, State-owned enterprises, collective enterprises, and mixed enterprises (namely, State-owned enterprises in joint venture with domestic or foreign parties and private enterprises in joint venture with domestic or foreign parties).

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

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<sup>1</sup> Readers may wish to refer to the Law on Lao Nationality for the distinction between foreign individuals, aliens and apatrids (i.e., individuals residing in the Lao People's Democratic Republic but who are unable to certify their nationality).

<sup>2</sup> Enterprises are categorized according to two kinds of criteria. In this Article 3, enterprises are distinguished based on their ownership (i.e., whether the owners are private persons, State entities, collectives/co-operatives or a combination thereof). The other criterion is the form or structure of the entity (e.g., whether it is a sole proprietorship, a partnership, etc.).

**Article 5.** Activities of enterprises of all types [in] the multi-sectoral economy are interrelated, and [shall] co-operate with each other and compete equally before the laws.<sup>3</sup>

**Article 6.** The capital [and] assets, including the legitimate rights and interests, of enterprises shall be protected by the laws.

**Article 7.** All enterprises are obligated to protect the rights and interests of employees, to protect the environment, to perform their obligations to the State, to conduct their businesses within their sectors and the scope authorized, [and] to implement accounting regulations and settlements in accordance with banking regulations.

**Article 8.** The scope of this Business Law applies to businesses with a registered capital of 1,000,000 Kip or more.

## **Part II**

### **Business Persons, Conditions for Business Operations and Commercial Paper**

#### **Chapter 1**

#### **Business Persons**

**Article 9.** Business persons are persons conducting business activities as a profession.

**Article 10.** Middlemen are business persons, whether individuals or legal entities, who represent, liaise with [or conduct] business [relations] between business persons or between business persons and customers.

Middlemen comprise agents and brokers:

- Agents are individuals or legal entities representing any individual or legal entity to conduct negotiations and to sign business contracts on behalf [of their client];
- Brokers are individuals or legal entities which conduct any activity for the benefit of another person for compensation or establishing relationships between business persons for the purpose of negotiating and making contracts without being the representative of any party.

**Article 11.** The following individuals are prohibited from conducting business as a profession:

- Children who have not yet reached eighteen years of age;

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<sup>3</sup> The translators are aware that it is awkward to attribute the ability to “co-operate” and “compete” to “activities of enterprises”. However, the text does not support any other subject for these verbs.

- Persons who do not have the capacity to act;
- Persons prohibited from conducting business by a court decision;
- Civil servants, unless they have received specific permission [to do so].

## **Chapter 2**

### **Conditions for Business Operations**

**Article 12.** Prohibited business is business which conflicts with the laws and regulations of the Lao People's Democratic Republic.

**Article 13.** Some business sectors which are important to national security, the economy or society, must be closely controlled by the State, such as [any] business related to:

- petroleum;
- electrical power;
- water utilities;
- telecommunications;
- wood and wood products;
- mines and minerals;
- food industry;
- medicine;
- chemical substances;
- liquor; [or]
- smoking tobacco.

In addition to [the above], the government may from time to time determine additional business sectors to be so controlled.

**Article 14.** Business sectors reserved specifically for Lao citizens shall be determined separately by the government.

## **Chapter 3**

### **Commercial Paper**

**Article 15.** Commercial paper [refers to] contract documents which are the basis for settlement of money [payments] in accordance with financial institution regulations[; they] are transferable<sup>4</sup> and are the means of credit [arrangements]

There are four types of commercial paper: promissory notes, certificates of deposit, bills of exchange and cheques.

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<sup>4</sup> The literal translation is “can change hands”. This Article appears to intend to define instruments that one might consider “negotiable”. However, when encountering ambiguity, the translators have chosen to adopt a literal translation rather than attempt to conform these definitions to other commonly-accepted definitions of negotiable instruments.

A promissory note is the [acknowledgement] of a debt by a person [in which he promises] to pay a sum of money to another person on a specific date or by putting goods up as collateral.

A certificate of deposit is an [acknowledgement] issued by a bank certifying the deposit of a specific sum of money [with the bank].

A bill of exchange is an [order] by the creditor directing the debtor to pay the debt on a specified date to the person specified in the order.

A cheque is an [order] by the holder of a bank account directing the bank to pay a sum of money to the holder or to another person.

### **Part III Organization of Business Operations**

#### **Chapter 1 Establishment and Registration of Enterprises**

**Article 16.** Persons who intend to establish an enterprise shall submit an application for the establishment and registration of such enterprise to the [governmental] sector<sup>5</sup> responsible for commerce. Application procedures for the establishment and registration of enterprises shall be separately determined by such responsible sector.

Upon receipt of an application to establish [an enterprise], the governmental sector responsible for commerce and other concerned<sup>6</sup> sectors must swiftly consider such [application] and respond within 60 days from the day the application is received.

All enterprises shall be considered as lawfully established only when [properly] registered as an enterprise.

**Article 17.** Enterprise registration shall be performed as a sequential and systematic recording of enterprise registration numbers in the "Enterprise Registry Book" collating all contracts, articles of association and relevant data of enterprises, which the relevant authorities shall maintain. After an enterprise has been registered, any change regarding such enterprise, such as an amendment to its articles of association, its dissolution or its liquidation, must be notified by the person responsible for the enterprise to the concerned authorities in order to record such changes in the Enterprise Registry Book.

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<sup>5</sup> The term "governmental sector" is used because there may be more than one agency or department and the intention is to refer to all those agencies, departments or offices which, as a cluster, are responsible for such matters.

<sup>6</sup> The term "concerned" is used in the sense of "relevant" or "charged with responsibility".

**Article 18.** After an enterprise has been registered, it must file a tax registration with the governmental sector responsible for finance.

A tax registration certificate is a document for monitoring the performance of annual [tax] obligations in accordance with financial laws and regulations.

**Article 19.** When its establishment has been approved, the enterprise must affix a sign of its name in accordance with regulations. If such enterprise fails to conduct business within one year from the date of receipt of authorization to establish [the enterprise], the enterprise license shall become invalid.

## **Chapter 2 General Principles of Companies**

**Article 20.** A company is a business unit established by at least two individuals or legal entit[ies]<sup>7</sup> on the basis of a contract for the contribution of property, capital, and labour for the purpose of jointly conducting business operations and sharing net profits.

[However,] a [one-person] limited company may be established by one individual or one legal entity.

**Article 21.** In the Lao People's Democratic Republic, there are three forms of companies:

- A Partnership Company;
- A Limited [Liability] Company; [and]
- A Public Company.

**Article 22.** A company is established on the basis of a written contract between the incorporators, which [contract] is referred to as a company contract, the terms and conditions of which shall comply with the Contract Law and other laws of the Lao People's Democratic Republic, except for one-person limited companies [which do not require a company contract]. Such a contract is the basis for the relationship among the persons investing in the company.

Individuals or legal entities entering into contracts to contribute capital to establish companies may be incorporators or shareholders.

“Incorporators” refers to persons investing in partnership companies and to persons founding limited [liability] companies or public companies.<sup>8</sup>

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<sup>7</sup> The literal translation is “from two individuals up or legal entity”. Because the Lao language does not require distinctions between singular and plural nouns, the translators are unable to confirm definitively that the “two” qualifies “legal entity”.

<sup>8</sup> There is only one Lao word to describe investors who set up a legal entity and who are relatively more active in its management. That word has been translated as “incorporators” when used generally to refer to partnership companies, limited [liability] companies and public companies. That

“Shareholders” refers to persons investing in limited [liability] companies and public companies, whether or not [such] persons have the status of business persons.<sup>9</sup>

**Article 23.** A company’s capital is derived from the contributions of incorporators and shareholders. A company's capital comprises fixed assets and working capital.

**Article 24.** Limited [liability] companies, one-person limited companies, and public companies shall establish reserve funds in accordance with regulations; [contributions to such fund] shall be deducted from such company’s distributable net profit in an amount between 5% to 10% [of such profit].

The determination of other reserves and provisions<sup>10</sup> are provided for in the company’s articles of association.

**Article 25.** Incorporators and shareholders have the following rights and duties:

- To participate in the operations of the company in accordance with the company's articles of association;
- To be informed of the company’s activities;
- To attend meetings and vote;
- To receive distributions of profit;
- To contribute capital to the company and pay up shares when such payment is due; [and]
- To be responsible for the company's liabilities according to the type of company.

**Article 26.** A company does not operate on behalf of an individual owner in the same manner as a sole-trader enterprise, but [rather] operates as a legal entity. A company has the status of a legal entity from the day it is registered as an enterprise.

The indices of a company’s legal status comprise:

- The company's name which clearly states the type of company;
- The location of its registered office;
- The [capacity to] hold assets;
- Legal capacity to exercise its rights and obligations, and to be a plaintiff or defendant [in legal proceedings] in the same manner as natural persons.

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same word has been translated as “partners” when specifically referring to such “founding investors” in partnership companies.

<sup>9</sup> The term “shareholders” is used generically to refer to persons investing in limited [liability] companies and public companies (i.e., both the founding shareholders as well as other shareholders).

<sup>10</sup> The term “provisions” is used here as in “provisions” against losses.

**Article 27.** All companies shall have written articles of association with the following contents:

- Name, surname, profession, nationality and address of the persons investing in the company;
- Name, objectives, term and location of office of the company;
- Organisational [structure] and management of the company;
- Distribution of profit and [allocation] of liability for losses;
- Meetings and methods of [passing] resolutions;
- [Process for] dissolution and liquidation; [and]
- Methods of dispute resolution.

**Article 28.** In conducting business, a company may make changes in order to comply with economic conditions, such as an amendment of the articles of association, a capital increase or reduction, a corporate merger or division, changing the type of the company or changing the company's objectives.

Any change to a company must be approved by a meeting of the incorporators and shareholders.

Any change to a company must be reported to concerned authorities for entry in the Enterprise Registry Book, and to incorporators, shareholders and the public. Changes to a company must take place within one year from the occurrence of the cause for such change.<sup>11</sup>

**Article 29.** A company's capital can be increased by using reserve funds to increase the value of existing shares, by increasing the number of shares, or by converting the company's creditors into shareholders. If the number of shares is to be increased, the company's incorporators and shareholders shall have priority [to take up such newly issued shares] before persons outside of the company.<sup>12</sup>

Only public companies may openly mobilize funds from third parties and issue securities.

A company's capital may be decreased by decreasing the value of each share or decreasing the number of shares.

**Article 30.** A merger of companies may be accomplished by two methods:

- Two or more companies merge into a new [third] company; [or]
- Two or more companies merge and [maintain the identity of one of the merging companies].

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<sup>11</sup> That is, in invoking an occurrence to justify a change, the company cannot rely on old events.

<sup>12</sup> Where it would be unwieldy to use the full term “persons outside of the company”, we have translated the term as “third parties”. Readers should note that both expressions refer to the same Lao word.

A merger may take place between similar or different forms of companies.

The division of a company is the splitting up of a company into several companies of similar or different forms.

**Article 31.** A company may change itself into another form of company. The modification of a company's form does not constitute the establishment of a new legal entity.

The modification of a company's form must comply with regulations governing the establishment of new companies of that form, such as the amount of capital, [and] the number of incorporators and shareholders. The modification of a company's form shall not result in the discharge of any [pre-existing] debts. The modification of a company's form shall increase the incorporators' and shareholders' liability only when approved by a meeting of incorporators and shareholders.

**Article 32.** The dissolution of a company is the absolute cessation of the company's activities. A company may dissolve at a pre-determined date or before such date. The dissolution of a company must be reported to concerned authorities, incorporators, shareholders, creditors, and the public.

Companies may be dissolved for the following general reasons:

- Expiration of its term as specified in the articles of association;
- Accomplishment of the company's objectives;
- The incorporators and shareholders resolve to dissolve the company before its term expires;
- The company cannot operate according to its objectives;
- Inability to conduct activities, due [primarily] to losses;
- Termination of the company contract;
- Dissolution by court decision; [or]
- Bankruptcy.

In addition to the foregoing [general] reasons for dissolution, partnership companies have specific reasons for dissolution, such as the bankruptcy of any of the partners, [or their] prohibition from undertaking business, incapacity to act or death, unless otherwise provided in the articles of association.

### **Chapter 3** **Private Enterprises**

**Article 33.** Private enterprises are business units established by individuals or legal entities to undertake profit-making activities.

Private enterprises may be established in two forms as follows: A sole trader [enterprise] and a company.

## 1. Sole Trader Enterprise

**Article 34.** Sole trader enterprises are business units with a registered capital of 1,000,000 Kip or more, established by one person who is solely responsible for all of the enterprise's liabilities. A sole trader enterprise operates on behalf of its individual owner.

**Article 35.** The name of a sole trader enterprise may be the name of the enterprise owner himself<sup>13</sup> or according to [the] business sector [of the enterprise] or [may be some] other [name]. The documents of the enterprise must clearly state "Sole Trader Enterprise."

**Article 36.** The owner of a sole trader enterprise manages the activities of his enterprise or may allow another person to manage the enterprise on his behalf, but the enterprise owner is responsible for such enterprise activities.

The owner of a [sole trader] enterprise solely decides on the use of profits and on other issues.

**Article 37.** A sole trader enterprise may change its objectives or business sector subject to prior approval of the concerned authorities and must notify the enterprise registration authorities. The owner of a sole trader enterprise may apply to the enterprise registration authorities for its dissolution, but must notify creditors and ensure settlement of the enterprise's total debts.

## 2. Partnership Company

**Article 38.** A partnership company is a form of company that is primarily established on the basis of trust between partners.

All partners in a partnership company have the status of business persons<sup>14</sup> and share joint and unlimited liability for the company's total liabilities.

**Article 39.** A [partnership] company may use the name of one or several partners as the company's name or can use some other name, but the [partnership] company's name must include the words "Partnership Company."

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<sup>13</sup> The reader 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. The translators' decision to use the male gender was made in the interest of simplicity and consistency.

<sup>14</sup> There are two alternative connotations to this statement. The first connotation is that participating as a partner confers the status of business person. The second connotation is that only someone with the status of business person may participate as a partner; this connotation appears to be the more commonly understood one.

The [partnership] company's capital is derived from contributions of partners. Such contributions may be in cash, in kind, in labour or in the form of intellectual property which shall be valued in monetary terms.

The contribution and payment of shares must be implemented as determined by the company's manager.

A partnership company's share certificates are not [freely] transferable.

**Article 40.** All partners may be joint managers, unless otherwise determined by the company's articles of association.

In the event that the manager is not a partner, the manager's appointment shall be approved by all the partners, unless otherwise provided by the articles of association.

**Article 41.** In his relations with the partners, the manager has the right to conduct all management activities in the company's interest, unless otherwise provided by the articles of association.

The company is responsible for those activities of the manager in relation to third parties that are related to<sup>15</sup> the company's objectives.

A manager is legally liable to the company in the event of personal wrongdoing in his management [of the company] that causes losses to the company, such as: excessive use of authority, or breach of the company's articles of association.

The manager who is a partner may be dismissed only with the unanimous approval of the partners. The manager shall have no right to vote [on his dismissal].

A manager who is not a partner shall be dismissed in accordance with the company's articles of association.

**Article 42.** A partnership company may have an auditor<sup>16</sup>.

The auditor has the duty to audit the accounts and certify their accuracy and compliance with principles and rules pertaining to accounting documentation, and to present a report thereon to a meeting of the partners.

The auditor is appointed by a meeting of the partners.

**Article 43.** All partners have the following rights and duties:

- To participate in the management of the company;

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<sup>15</sup> The Lao term is literally “related to”. This term is often given the strict meaning of “within the scope”. However, there is a separate word for “within the scope” and that is not the word used here.

<sup>16</sup> The auditor may be individual or an entity.

- To receive distributions of profits;
- To be informed of the company's activities;
- To receive reports from the auditor;
- To receive documents no later than fifteen days before the date of the annual meeting;
- To raise questions and present opinions in writing to the manager regarding the company's management; [and]
- To participate in meetings and vote.

A partner does not have the right to conduct business in the same sector as his partnership company, unless he has conducted such business prior [to the establishment of the partnership company] and if after the [partnership] company is established, no objections are raised [against the conflicting business].

All partners share joint unlimited liability for the company's debts. New partners are liable for the company's prior debts, and partners who have withdrawn from the company are liable for the debts the company incurred before such withdrawal.

**Article 44.** Meetings of partners are held as required [but] at least once a year. No later than fifteen days before the date of the meeting, the manager shall call for the meeting and shall notify [the partners] of the agenda for the meeting.

Partner meetings have the duty to consider all matters relating to the company's activities, such as the appointment or removal of the manager, the manager's term of office and salary, the establishment of the company's financial regulations, the auditor's appointment, adoption of the annual financial statements, the distribution of profits, the transfer of shares, the continuation or dissolution of the company, and any modification of the articles of association.

Unless otherwise provided in the articles of association, resolutions regarding important issues of the partnership company may only be passed by a unanimous vote in a meeting of partners.

[Such important] matters requiring unanimous approval are:

- The removal of a manager who is a partner, [and] who is not entitled to vote on this matter;
- The consideration of the continuation or dissolution of the company in the event that any manager who is a partner is dismissed or in the event that any partner ceases to have the status of a business person;
- The transfer of shares to persons who are not partners; [and]
- The modification of the company's articles of association.

### 3. Limited [Liability] Companies

**Article 45.** A limited [liability] company is a form of company established by dividing the capital into shares of equal value with two or more shareholders. The shareholders of a limited [liability] company shall not exceed twenty persons who shall be liable for the company's liabilities up to an amount not exceeding the unpaid portion of their shares.

Shareholders are not required to have the status of business persons.

**Article 46.** The shares of a limited company may be contributed in cash or in kind. Shares contributed in kind must be contributed immediately on the day the company is established and must be evaluated in monetary terms by the share contribution control committee or by the company's founding meeting. At least fifty percent of the value of shares to be contributed in cash shall be paid on the date the company is established. The remainder shall be paid within two years from the company's registration.<sup>17</sup>

**Article 47.** The shares of a limited [liability] company may be transferred to persons within or outside of the company. Transfer of shares to third parties shall require the approval of a majority of shareholders representing at least two-thirds of the company's capital. A limited [liability] company's share certificates are not transferable.

**Article 48.** The name of a limited [liability] company may be related to its objectives or business sector, but shall include the words "Limited Company".

The company's minimum registered capital shall be 5,000,000 Kip, except if the government has provided for a higher [minimum capital] in the case of certain businesses.

The company shall use the capital from share contributions only when the company has been registered.

**Article 49.** The management of a limited [liability] company is conducted by one or more managers.

The manager<sup>18</sup> is appointed by the meeting of shareholders or according to the company's articles of association. The manager may be selected from among the shareholders or third parties.

The manager's term of office is determined by a decision made at the founding meeting of shareholders or a meeting of shareholders, once company operations [have commenced].

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<sup>17</sup> Two dates "establishment of company" and "registration of company" are used, but they appear to be interchangeable. See Article 16.

<sup>18</sup> In the rest of this Chapter, the reference is to "the" manager. However, it is clear that there can be more than one manager and the meaning is presumably "each" manager.

The manager's salary is determined by the articles of association or by a meeting of shareholders.

**Article 50.** The manager has the right to sign on behalf of the company. Any signature not related to the company's objectives is considered null and void as regards the company. The manager has the right to conduct business activities related to the company's objectives as provided in the articles of association, such as the right to obtain and make loans.

In his relationship with the shareholders, the manager has the right to conduct management activities in the interests of the company, unless otherwise provided by the articles of association. The manager must comply with shareholder resolutions.

The manager is obligated to use his abilities to conduct the company's activities and does not have the right to conduct activities constituting a violation of the laws or of the company's articles of association.

**Article 51.** The manager is legally accountable to the company and third parties in the event that he violates this law, [or] the company's articles of association, or [if he] conducts wrongful acts in the management of the company, which [wrongful acts] cause loss to the company.

The manager may be dismissed by the decision of shareholders representing more than half of the company's total shares, taken at a meeting of shareholders.

**Article 52.** A limited [liability] company with a capital of 100,000,000 Kip or more must have one auditor.

The auditor is appointed by a meeting of shareholders and is selected from the list of persons registered with the organization of professional accountants.

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

The auditor has the following duties:

- To audit the accounts and certify the accuracy of accounting documents;
- To present a report to the annual meeting [of shareholders] and send a summary report to the shareholders no later than fifteen days before the date of the meeting;
- To request relevant documents from all departments of the company.

The meeting of shareholders shall determine the auditor's fee for auditing the accounts.

In implementing their duties, auditors shall be responsible before the laws and the ethical code of conduct provided by the organization of professional accountants.

Auditors perform their duties independently, and may only have their titles [as auditors] removed by a court decision or by the organization of professional accountants.

**Article 53.** Shareholders have the following rights and duties:

- To receive a distribution of profits in proportion to their [paid-up]<sup>19</sup> shareholding ;
- To be informed of various issues relating to the company's activities;
- To receive documents no later than fifteen days before the date of the annual meeting;
- To raise questions and present opinions in writing to the manager regarding the company's management;
- To attend meetings of shareholders and cast one vote for each share [they hold];
- Shareholders representing half of the value of the company's share capital have the right to convene a meeting [of shareholders];
- Shareholders do not have the right to redeem their shares, but only have the right to transfer such shares to others;
- Shareholders shall pay up their shares within the time stipulated; [and]
- Shareholders' responsibility for the company's liabilities shall not exceed the amount of the unpaid portion of their shares.

**Article 54.** The meeting of shareholders<sup>20</sup> shall take place at least once a year. In addition, a meeting of shareholders may be held as required by the company's business.

A meeting of shareholders can [only] be convened if shareholders and their proxies representing more than half of the company's capital are present.

No later than fifteen days before the date of the meeting, the manager shall call for the meeting and shall notify [the shareholders] of the meeting's agenda.

In addition, a meeting [of shareholders] may be convened by:

- Auditors;
- Shareholders representing at least half of the company's capital;
- Persons appointed by the court at the request of shareholders;

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<sup>19</sup> The literal translation is "in proportion to the shares that they have contributed".

<sup>20</sup> The term "meeting of shareholders" is used for a limited [liability] company. The term "general meeting" (ordinary and extraordinary) is reserved for public companies.

- A [receiver]<sup>21</sup> of the company as appointed by the court in the event that the company is facing difficulties; or
- A liquidator.

A resolution of the meeting of shareholders<sup>22</sup> shall be effective [only] if adopted by the vote of [shareholders representing] a majority of the company's [share] capital [present in person or by proxy], except for resolutions concerning the modification of the articles of association and approval of new shareholders, which shall require the affirmative vote of [shareholders representing] two-thirds of the company's share capital [present in person or by proxy].

**Article 55.** The meeting of shareholders has the duty to:

- Appoint or remove the manager;
- Appoint the auditor;
- Pass resolutions regarding the company's activities in the previous year and plans for the following year;
- Approve the yearly accounts; [and]
- Approve the distribution of profits.

**Article 56.** The meeting of shareholders may amend the company's articles of association, provided that shareholders representing at least two-thirds of the company's share capital approve such amendment.

**Article 57.** A one-person limited company is a business unit established by a single person and shall have a registered capital of 5,000,000 Kip or more; [the shareholder shall] be liable for the company's liabilities up to an amount not exceeding the company's registered capital.

The shareholder of a one-person limited company may be an individual or a legal entity. If the shareholder of a one-person limited company is a single individual, [such individual] does not have the right to establish other one-person limited companies.

**Article 58.** The manager of a one-person limited company may be the shareholder himself or a third party. In the event that the shareholder is a legal entity, the manager shall be a third party.

A manager who is a shareholder has the right to conduct all activities of the company and to make decisions on all company matters. A manager who is not the shareholder shall obtain the shareholder's approval before deciding on any important issues of the company, as provided in the company's articles of association.

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<sup>21</sup> The literal translation of this term is “the person temporarily supporting the company”.

<sup>22</sup> The term “meeting of shareholders” is used interchangeably in two senses. First, to refer to the meetings held by shareholders. Second, to refer the “body of shareholders” attending such meetings. The second meaning is intended here and in similar provisions dealing with meetings of directors.

Decisions of the manager shall be recorded in the company's register in accordance with regulations.

**Article 59.** The shareholder of a one-person limited company may transfer his rights to conduct the company's activities in whole or in part to a third party.

In the event that the shareholder of a one-person limited company dies, the company's activities may be continued by any successor, unless otherwise provided for by the articles of association. If there are many successors, the one-person limited company shall become a general limited [liability] company. Dissolution of the one-person limited company shall lead to liquidation only when there are no successors.

In addition to the rules and principles contained in Articles 57 and 58 of this law, the establishment and activities of a one-person limited company shall be conducted in accordance with the rules and principles governing limited [liability] companies generally.

#### **4. Public Company**

**Article 60.** A public company is a form of company established by dividing the capital into shares of equal value with seven or more shareholders establishing the company. [Shareholders of public companies] are liable for the company's liabilities up to an amount not exceeding the unpaid portion of their shares<sup>23</sup>.

Shareholders are not required to have the status of business persons.

**Article 61.** The shares of a public company may be contributed in cash or in kind.

At least twenty-five percent of the value of shares to be contributed in cash shall be paid on the date the company is established. The remainder shall be paid within three years from the company's registration, as provided by the board of directors.

Shares contributed in kind shall be valued in monetary terms by the share contribution control committee or by the founding meeting of the company, and shall be paid to the company on the day the shares are subscribed.

The maximum value of one share in the company shall not exceed 10,000 Kip.

**Article 62.** A public company's share certificates may be transferred to persons within or outside the company. Where share certificates are transferred to third parties, the board of directors must be notified within seven days after the transfer.

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<sup>23</sup> For readability, the punctuation in this sentence has been modified.

Share certificates of public companies are transferable.

**Article 63.** The name of a public company may be related to its business sector, its objectives and others, and shall include the words "Public Company".

The capital of a public company, in addition to coming from a contribution of capital and from shareholders<sup>24</sup>, may also be openly mobilized from the public and from the distribution of debt instruments. The company can make use of such capital only when it has been registered.

A public company's minimum registered capital shall be no less than 50,000,000 Kip, except if the government has determined a higher [minimum capital] for certain businesses.

**Article 64.** The management of a public company is conducted by the board of directors which comprises five to eleven persons, among whom one or two must be a representative of the employees.

A director<sup>25</sup> has a term of office of three years. A director is appointed and may be dismissed by an ordinary general meeting of shareholders. A director may be re-appointed.

**Article 65.** Directors must be shareholders, except for representatives of employees.

Directors represent the company and are entitled to conduct activities only on behalf of the board of directors. If a director is also an employee, such director shall receive insurance and others, in a similar manner as other employees.

Directors' fees for attending meetings shall be determined by the articles of association or by a general meeting of shareholders.

**Article 66.** The board of directors has the following rights and duties:

- To decide the company's general activities;
- To elect one chairman of the board of directors;
- To elect the managing director<sup>26</sup>;

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<sup>24</sup> This appears to be a reference to the original contribution of capital (namely from founding shareholders) and subsequent shareholders.

<sup>25</sup> The literal translation is "director of the board of directors". We have used "director" consistently to replace this term.

<sup>26</sup> There is a single word for the concept of "managing director" in the Lao language (i.e., the term is not a compound noun comprising the two words "managing" and "director"). However, this English translation appears to be the most appropriate term for that word in Lao.

- To determine the meeting fees of the chairman and directors and the salary of the managing director;
- To compile the annual accounts of the company, and to prepare reports relating to the management of the company;
- To authorize the giving of security;
- To distribute various corporate documents to shareholders; [and]
- To convene ordinary general meetings and other meetings of the company.

**Article 67.** The board of directors may convene meetings at any time as required by the [company's] business. A meeting of the board of directors may be convened only if at least one-half of the total directors are present.

The board of director's meetings are called by:

- The chairman of the board of directors; or
- At least one-third of the [total] directors, in the case where the chairman has not called the meeting.
- A resolution of a meeting of the board of directors shall be effective [only] if adopted by the vote of a majority of the directors present in person or by proxy. In the event that votes are tied, the vote of the chairman shall be the casting vote.

**Article 68.** Directors shall have joint civil liability towards the company and third parties in the event that they violate laws and regulations, [or] the company's articles of association, or there is wrongdoing in the management of the company causing loss. If such loss occurs from the wrongful acts of any director, that director shall be solely responsible for such loss.<sup>27</sup> Additionally, directors may be criminally liable for the commission of criminal offences.

**Article 69.** The board of directors elects one chairman from among its members who shall be called the chairman of the board of directors. A legal entity cannot be chairman of the board of directors. The chairman has a term equal to that of a director and can be re-elected, unless otherwise provided in the company's articles of association.

The chairman of the board of directors may be removed by the board of directors.

In the event that the chairman is engaged on other matters, any director may act as a substitute in accordance with the agreement of the board of directors.

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<sup>27</sup> The translators are aware that there is an apparent inconsistency between the "joint civil liability" of directors and the fact that where the loss occurs from the wrongdoing of an individual director, only such director is liable.

**Article 70.** The chairman of the board of directors calls and presides at meetings.

Additionally, the detailed rights and duties of the chairman of the board of directors are provided for in the company's articles of association.

The company is responsible for all activities conducted by the chairman relating to third parties, unless the company has evidence that such third parties had knowledge that the chairman's acts were outside of the scope of the company's objectives.

The chairman shall approve the granting of security by the company only when specifically empowered by the board of directors.

As a director, the chairman has similar responsibilities as other directors, as provided in Article 68 of this law. In addition, the chairman shall also be responsible for his personal wrongdoing in the conduct of the company's activities.

**Article 71.** The board of directors may elect any person as managing director, based on the chairman's recommendation. The managing director may be selected from among the directors or may be a third party. The chairman of the board of directors may, with the board of directors' approval, be elected as managing director and, if so, his title shall be "chairman director".

The managing director may be dismissed by the board of directors. The managing director's salary is determined by the board of directors. The term of office and duties of a managing director who is not a director is determined by the board of directors. A managing director who is [also] a director has a term of office of three years and may be re-elected.

The managing director is responsible for leading the general activities of the company, and for conducting all business activities on behalf of the company within the scope of the company's objectives.

**Article 72.** The general meeting of shareholders is the highest organ of a public company.

There are two types of general meetings of shareholders:

- Ordinary general meeting;
- Extraordinary general meeting.

**Article 73.** The ordinary general meeting is a meeting of shareholders convened at least once a year for consideration of matters related to the company's activities.

The ordinary general meeting may be convened by:

- The board of directors;
- The managing director;

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

The invitation for the meeting along with an agenda shall be sent to the shareholders no later than fifteen days before the date of the meeting.

An ordinary general meeting can [only] be convened if shareholders representing at least one-half of the total shares are present in person or by proxy. In the event that such meeting cannot be convened [because the quorum has not been achieved], at the second call, the meeting may convene without regard to the number of participants in that meeting.

A resolution of an ordinary general meeting shall be effective [only] if adopted by the vote of [shareholders representing] a majority of the total shares of those present in person or by proxy. [Each shareholder] has the right to one vote per share.

**Article 74.** The ordinary general meeting has the following rights and duties:

- To listen to reports from the board of directors on the company's activities, declaration of profit and proposals for the distribution of profits;
- To listen to a report from the auditor;
- To pass resolutions regarding the company's past activities and future plans;
- To adopt the annual accounts;
- To approve the distribution of profits;
- To elect or dismiss directors;
- To appoint the auditor and determine the auditor's fees; [and]
- To authorize the board of directors to undertake any specified activities on behalf of the ordinary general meeting.

**Article 75.** An extraordinary general meeting may be convened at any time to consider modifications to the company's articles of association, such as: an extension of the term of the company, an increase or reduction of the company's capital.

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

An extraordinary general meeting can [only] be convened if shareholders representing at least two-thirds of the total shares are present in person or by proxy upon the first call, and at least one-half of all the shareholders upon the second call. In the event that the specified quorum is not achieved on the first or second call, the meeting shall be postponed to another

date no later than two months after [the postponed meeting], and upon such call, the meeting shall convene regardless of the number of participants.

A resolution of an extraordinary general meeting shall be effective if adopted by the vote of [shareholders representing at least] two-thirds of the total shares of those present in person or by proxy.

**Article 76.** The shareholders of a public company have the same rights and duties as the shareholders of a limited [liability] company.

#### **Chapter 4** **State-Owned Enterprises<sup>28</sup>**

**Article 77.** A State-owned enterprise is a business unit which the State establishes and invests in by itself or a business unit in which the State invests fifty-one percent or more, in joint venture with another enterprise.<sup>29</sup>

A State-owned enterprise or the State may contribute shares in two forms of companies only: the limited [liability] and the public company.

**Article 78.** The State may contribute capital as follows:

- Enterprises in which the States invests at one hundred percent are referred to as wholly State-owned enterprises;
- Enterprises in which the State invests with other types of enterprises [and invests] from fifty one percent but less than one hundred percent [of the capital] are referred to as State mixed enterprises; [and]
- Enterprises in which the State joint ventures with other types of enterprises [and participates at a level] below fifty percent of the capital are referred to as joint ventures between the State and other sectors.<sup>30</sup>

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<sup>28</sup> The translators are aware that this chapter also discusses the joint venture between State and other sectors, which has less than 51% State ownership and is technically not a “State-owned enterprise” as defined in Article 77. A more accurate title for this chapter might be “Enterprises with State Ownership” – but the translators have not thought it advisable to depart from the actual title.

<sup>29</sup> The structure of this sentence has been modified to clarify that it is the business unit in which the State has a majority interest, not the “other enterprise”.

<sup>30</sup> The structure of this sentence has been slightly modified. The translators are aware that there are discrepancies between this Article and Article 90. The translators are also aware that this Article does not cover an enterprise in which the State invests exactly 50%.

## 1. Wholly State-Owned Enterprises

**Article 79.** A wholly State-owned enterprise is completely responsible for its debts.

In addition to the capital already contributed by the State, a wholly State-owned enterprise may increase its capital through:

- Loans from local and foreign banks and other financial institutions based upon the laws and regulations; [or]
- Openly mobilized capital from the public, such as the sale of debt instruments based upon government approval.

**Article 80.** The Minister of Finance, representing the government in the position of capital owner of the wholly State-owned enterprise:

- Proposes the establishment or dissolution of wholly State-owned enterprises;
- Determines the goals and objectives of wholly State-owned enterprises;
- Appoints or dismisses the chairman, vice chairman, directors and the managing director;
- Determines allowances and benefits for the chairman, directors and those invited to participate in meetings;
- Proposes the transfer of the business or the sale of any assets of wholly State-owned enterprises.

**Article 81.** The Ministry of Finance coordinates with concerned sectors to authorize the establishment [of wholly State-owned enterprises] with the Prime Minister's approval, and thereafter [such wholly State-owned enterprises] shall be registered with the Ministry of Commerce and shall register their tax [status] with the Ministry of Finance.

Wholly State-owned enterprises shall be established on the basis of conditions, capital requirements, and other [terms], as provided in this law and regulations issued by concerned sectors.

**Article 82.** Wholly State-owned enterprises are managed by a board of directors which comprise three to eleven members, among which are:

- One chairman, appointed by the Minister of Finance with the approval of concerned ministries;
- A vice chairman, appointed by the Minister of Finance, based on the recommendation of a minister in the concerned sector;
- Some directors including one representative of the company's employees. The remaining members shall be appropriately qualified people with business experience as appointed by the Minister of Finance.

The board of directors and its members have a term of office of three years. Directors may be re-appointed.

**Article 83.** The board of directors has the following rights and duties:

- To adopt a business strategy for the enterprise;
- To evaluate the results of the business activities of the enterprise;
- To propose the appointment or removal of the managing director;
- To determine the salaries and allowances for the managing director and deputy managing director, based on the regulations issued by the Ministry of Finance;
- To determine the capital structure of the enterprise;
- To determine the ratio between loans and capital;
- To determine the targeted capacity that the enterprise should achieve;
- To [approve the] sale of debt instruments to employees and workers within the enterprise or to the general public;
- To adopt the appointment of the chief accountant, based on the recommendation of the managing director;
- To propose the appointment of an auditor; [and]
- To propose modifications of capital or to the articles of association of the enterprise.

**Article 84.** The board of directors convenes an ordinary meeting every 3 months. Extraordinary meetings may be convened at any time as the needs of the business require, by the chairman of the board of directors calling for such meeting directly or upon the proposal of more than half the total number of directors.

The board of directors oversees but does not directly participate in the management of the managing director's daily activities, except in the case of a director who is [also] appointed as managing director.

**Article 85.** The managing director of a wholly State-owned enterprise is appointed or removed by the Minister of Finance, based on the recommendation of the board of directors.

The deputy managing director is appointed or removed by the board of directors of the wholly State-owned enterprise, based on the recommendation of the managing director.

**Article 86.** The managing director has the following rights and duties:

- To be accountable to the board of directors regarding the administration and management of the enterprise according to the strategic goals and plans adopted by the board of directors;
- To decide on all matters of the wholly State-owned enterprise within the scope determined by the board of directors;

- To periodically submit plans, financial statements, summaries of activities and other specific reports required by the board of directors before the meetings.

**Article 87.** The capital and total reserve funds, together with the profits of a wholly State-owned enterprise from the date of its establishment as reflected in its financial statements, is the State's share capital contributed to the wholly State-owned enterprise.

The use of the capital of a wholly State-owned enterprise is determined by the board of directors on the basis of determined rules and principles, while the remainder is owned<sup>31</sup> exclusively by the State. The annual profit of a wholly State-owned enterprise, after the payment of various taxes in accordance with regulations, shall be allocated in accordance with the following priorities:

- To the legal reserve fund;
- To settle payments of principal of domestic and foreign loans;
- To expand production;
- To other reserve funds, except for welfare and pension funds;
- To the State.

## **2. State Mixed Enterprises**

**Article 88.** A State mixed enterprise is a business unit established on the basis of a joint venture between another type of enterprise with the State and in which the State holds shares at fifty-one percent or more of the total capital but less than one hundred percent.

The shareholders of a State mixed enterprise are liable for the company's liabilities in an amount not exceeding the unpaid amount of their shares.

Shares of State mixed enterprises may be contributed in cash or in kind in accordance with regulations governing public companies.

**Article 89.** A State mixed enterprise is managed and operates in accordance with regulations governing public companies, except in certain cases as follows:

- The transfer of the State's shares is decided by the government, while the transfer of the private sector's shares shall be conducted in accordance with regulations governing public companies;
- Share certificates of State mixed enterprises are transferable;
- The board of directors of a State mixed enterprise comprises members in proportion to the capital [structure] of the enterprise, among which shall be one chairman appointed by the Minister of Finance with the

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<sup>31</sup> The reference to ownership appears to connote State's discretion in using the balance.

approval of concerned ministries; one vice chairman representing the private sector as approved by the Minister of Finance, based on the recommendation of such concerned private sector; and a representative of employees appointed by the Minister of Finance;

- A resolution of a meeting of the board of directors shall be effective only if adopted by the vote of a majority of the directors participating in the meeting. In the event that votes are tied, the vote of the chairman shall be the casting vote;
- The managing director is appointed or removed by the board of directors, based on the recommendation of the general meeting of shareholders;
- The deputy managing director is appointed or removed by a general meeting of shareholders, based on the recommendation of the managing director.

**Article 90.** A joint venture between the State and other types of enterprises is an enterprise in which the State holds fifty percent or less of the capital.<sup>32</sup> The State shall enter into joint ventures only with limited and public companies. [Depending on which type of company the State has entered into,] the organization, management, and activities shall be conducted in accordance with the regulations governing limited [liability] companies or public companies [, as relevant].

## **Chapter 5 Collective Enterprises**

**Article 91.** A collective enterprise is a business unit established by a collective organization of two or more families to conduct profit making activities. A collective enterprise conducts its business according to the form of a business cooperative.

**Article 92.** A business cooperative is a collective organization established based on the voluntary contribution of the capital and labour of farmers, craftsmen, and small traders [engaging in] production, trade, and services for the purpose of profit making.

**Article 93.** The capital of a business cooperative is not determined and may be changed at any time. In the event that a business cooperative has less than twenty member families, the management, administration, and [the adoption of] resolutions must comply the regulations for limited [liability] companies. In the event that a business cooperative has twenty or more member families, the management, administration, and [the adoption of] resolutions shall comply with the regulations for public companies.

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<sup>32</sup>

The translators are aware that there are discrepancies between this Article and Article 78.

## **Chapter 6**

### **Mixed Enterprises**

**Article 94.** A mixed enterprise is a joint venture between a Stated-owned enterprise and a local or foreign enterprise. The organization, administration and management of mixed enterprises shall be in accordance with Articles 88, 89, and 90 of this law.

### **Part IV**

#### **Final Provisions**

**Article 95.** All laws, decrees, decisions and instructions conflicting with this law are [hereby] repealed.

**Article 96.** The government of the Lao People's Democratic Republic shall issue regulations for the implementation of this law.

**Article 97.** This law enters into force 30 days from the date of the promulgating decree issued by the President of the Lao People's Democratic Republic.

Vientiane, 18 July 1994  
President of the National Assembly

*[Seal and Signature]*

Samane VIYAKETH