



**LAO PEOPLE'S DEMOCRATIC REPUBLIC**

**PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY**

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Lao Securities Commission

Ref. No. 0023/LSC

Vientiane capital, dated: 26 Oct 2016

**Decision  
on Related Party Transactions**

- Pursuant to Law on Securities No. 21/NA, dated 10 December 2012;
- Pursuant to Decree on Organization and Operations of Lao Securities Commission No. 188/PM, dated 24 July 2013;
- Pursuant to the proposal of Lao Securities Commission Office, No 0149/LSCO, dated 13 Oct 2016.

**The Chairman of Lao Securities Commission hereby  
Issues the following Decision:**

**Section 1  
General Provisions**

**Article 1 Objectives**

This Decision sets forth the principles, procedures, methods and measures relating to the related party transactions to allow business activities of the listed company, related person and juristic person to be conducted in a properly, transparent and fairly manner with the aim of protecting the rights and interest of the shareholders.

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<sup>1</sup> Although every effort has been made to convey the meaning and effect of each provision of the original Lao language version as accurately as possible, this English translation does not carry any legal authority. Only the original Lao text has legal force; this English translation is strictly for reference.

## **Article 2      Related Party Transactions**

Related party transactions refer to business transactions which are conducted between the company and the related persons and juristic persons.

## **Article 3      Definitions**

The terms used in this Decision shall have the meaning as follows:

1. **Related Person** refers to
  - 1.1 The person who holds the shares of the company of at least five percent of the total number of shares;
  - 1.2 The management of the company.
2. **Related Juristic Person** refers to
  - 2.1 The juristic person which holds the shares of the company or the juristic person in which the company hold the shares with a proportion of at least five percent of the total number of shares;
  - 2.2 The juristic person that the related person prescribed in Clause 1.1 or the management of the company prescribed in Clause 1.2 of this Decision is the executive or holds the shares of at least ten percent of the total number of shares;
3. **Management** refers to the chairman, vice-chairman of the board of directors, members of the board of directors, chief executive officer and deputy chief executive officer;
4. **General Business Transactions** refer to the business transactions which have fair conditions and do not lead to a transfer of interest and not cause a loss of interest to any party;
5. **Fair conditions** refer to:
  - 5.1 Price and conditions that the company applies to all persons or juristic persons;
  - 5.2 Price and conditions that the related person applies to all persons or juristic persons;
  - 5.3 Price and conditions that the company can demonstrate that they are the price and conditions applied by similar business operator to all persons or juristic persons;
6. **Net Tangible Assets** refer to Total Assets *minus* Total Liabilities *minus* Intangible Assets *minus* Non-controlling Interest;
7. **Intangible Assets** refer to goodwill, land use right, concession right and etc.;
8. **Provision of Financial Assistance** refers to giving or receiving loans and other credits that are divided into two types: (1) receiving financial assistance and (2) giving financial assistance that occur between the company and the related person or juristic person;
9. **Company** refers to listed company.

**Article 4 Principles of Operations of the Related Party Transactions**

The principles of operations of the related party transactions shall be in line with the following fundamental principles:

1. Being transparent and fair;
2. Ensuring maximum benefit of the company;
3. Conducting in accordance with proper procedures;
4. Disclosing information to investors.

**Article 5 Scope of Application**

This Decision shall apply to listed companies, related persons and juristic persons, both domestic and foreign.

**Section 2  
Related Party Transactions of the Company**

**Article 6 Procedures for Conducting the Related Party Transactions**

The related party transactions shall be conducted according to the following procedures:

1. Inspecting the related person and juristic person of the company;
2. Inspecting the type of the related party transactions;
3. Inspecting the approval of the related party transactions;
4. Inspecting the implementation of the related party transactions.

The procedure of inspecting the related person and juristic person of the company refers to the inspection of the related party transactions by the related party transactions' inspection committee when the company conducts business operations with a person and juristic person in order to find out whether such transactions are the business operation with the related person and juristic person of the company or not.

The procedure of inspecting the type of the related party transactions refers to the inspection of the business transaction that will occur during the business activities of the company. The committee inspecting the related party transactions shall identify whether such transaction is the related party transaction or the exempted related party transaction.

The procedure of inspecting the approval of the related party transactions refers to the inspection of the approval of the related party transactions according to the approval levels, such as: company level, board of directors level and shareholders' meeting level to ensure compliance with relevant principles.

The procedure of inspecting the implementation of the related party transactions refers to the procedure of monitoring the inspection after receiving the approval to conduct the business operations with the related person and juristic person, and monitoring the reporting.

**Article 7      Types of Related Party Transactions**

The types of the related party transactions consist of the following:

1. Purchase and sale of assets;
2. Purchase and sale of goods and services;
3. Purchase and sale of raw materials and energy;
4. Rental or lease of assets;
5. Being an agent or giving authorization to be an agent to buy and sell goods and services;
6. Joint investment in partnership with the related person and juristic person;
7. Guarantee or providing guarantee service;
8. Providing financial assistance (except for normal activity, such as: bank and financial institutions);
9. Signing contracts on use rights;
10. Handing over or taking over of assets;
11. Other types of the related party transactions as determined by Lao Securities Commission.

**Article 8      Exempted Related Party Transactions**

The exempted related party transactions are as follows:

1. Business transaction operations conducted between the company with the person and juristic person who hold the company's shares of less than five percent of the total number of shares;
2. Business transaction operations conducted between the company with the related juristic person that the company holds its shares of not less than fifty percent of the total number of shares;
3. Business transaction operations conducted between the company with a state organization or a state-owned enterprise.

**Section 3**  
**Approval, Formula for Calculation and Report**  
**of the Related Party Transactions**

**Article 9      Approval Levels of the Related Party Transactions**

The approval of the related party transactions consists of three levels, namely: company level, board of directors level and shareholders' meeting level.

1. Company Level: Related party transactions with a value of less than five hundred million Kip (500,000,000 Kip) or accounts for zero point zero three percent (0.03 %) of net tangible assets of the company can be approved by the company in accordance with the by-laws of the company;
2. Board of Directors Level: Related party transactions with a value of five hundred million Kip (500,000,000 Kip) to five billion Kip (5,000,000,000 Kip) or accounts for zero point zero three percent (0.03 %) to three percent (3%) of net tangible assets of the company shall receive the approval from the board of directors;

3. Shareholders' meeting Level: Related party transactions with a value of more than five billion Kip (5,000,000,000 Kip) or more than three percent (3%) of net tangible assets of the company must receive the approval from the shareholders' meeting.

Regarding the calculation of the value and ratio of the related party transactions, the calculation result with higher value shall be taken as basis for approval.

In case of a company in a group or a company of general business type, their financial statements shall refer to the latest year financial statements audited by an external audit firm. As to a group of companies, their financial statements shall refer to consolidated financial statements.

#### **Article 10 Approval of Related Party Transactions by the Board of Directors**

The approval of the related party transactions specified in Article 9, Paragraph 2 of this Decision requires to have the opinions of the related party transactions' inspection committee before submitting to the board of directors meeting for consideration.

The consideration of the related party transactions by the board of directors requires that the members of the board of directors attending the meeting must be more than one-half of the total number of directors who are not related persons.

In the case where the board of directors has members who are related persons more than one-half of the total number of directors, it is required to submit such related party transactions to the shareholders' meeting for consideration.

Members of the board of directors who are related persons shall have no right to vote in that agenda.

#### **Article 11 Approval of Related Party Transactions by the Shareholders' Meeting**

Regarding the approval of the related party transactions specified in Article 9, Paragraph 3 of this Decision, the related party transactions' inspection committee shall request the board of directors to give opinions for submitting to the shareholders' meeting for consideration.

Shareholders who are related person and juristic person shall have no right to vote and are not entitled to assign the right to another person to vote.

#### **Article 12 Formula of Calculation of the Net Tangible Assets**

The net tangible assets can be calculated pursuant to the following formula:

$$\text{Net Tangible Assets} = \text{Total Assets} - \text{Total Liabilities} - \text{Intangible Assets} - \text{Non Controlling Interest.}$$

#### **Article 13 Price Used in the Calculation of Related Party Transactions**

The price used in the calculation of the related party transactions can refer to any of the following prices:

1. Price set out by the Government (if any);

2. Price guided by the Government;
3. Price based on comparison with market price.

In the case where the company uses the price specified in Paragraph 3 of this Article, it must disclose the principle and method as well as explain the appropriateness of such method.

In conducting the related party transactions, if the prices of the related party transactions in the agreement are changed by five percent or more, the company must re-determine the prices and the calculation shall be based on the varying price and the company shall follow the procedure of approval again.

#### **Article 14 Reporting**

For related party transactions specified in Article 9 of this Decision, the company must summarize the results of the approval of the related party transactions in the annual financial statements of the company.

After getting approval for conducting related party transactions, the company must disclose such information and report to Lao Securities Commission Office.

### **Section 4 Inspection Committee and Independent Financial Consultant of the Related Party Transactions**

#### **Article 15 Related Party Transactions' Inspection Committee**

The related party transactions' inspection committee is a committee which is appointed and removed by the board of directors and has a term of office of two years.

The related party transactions' inspection committee has the mandate of monitoring the related party transactions of listed companies to ensure transparency, correctness and fairness.

The related party transactions' inspection committee shall compose of three persons, one of whom must be an independent member and the others must come from within the company who have extended knowledge on this matter.

#### **Article 16 Rights and Duties of the Related Party Transactions' Inspection Committee**

The related party transactions' inspection committee shall have the following rights and duties:

1. To summarize the names of related persons and juristic persons of the company including the change of the names of related persons and juristic persons for submitting to Lao Securities Commission Office;
2. To study and follow-up the implementation procedures of the related party transactions;
3. To appoint independent financial consultant;
4. To exercise other rights and perform other duties as determined by the company.

**Article 17 Appointment of Independent Financial Consultant of the Related Party Transactions**

The related party transactions' inspection committee shall appoint the independent financial consultant in the case where opinions on related party transaction is necessary for using as information for the shareholders in considering the related party transactions prior to proposing such transactions to shareholders' meeting.

The independent financial consultant of the related party transactions is an accounting enterprise or an audit enterprise which is approved or not approved by Lao Securities Commission Office.

The independent financial consultant of the related party transactions has the mandates of making the analysis and giving opinions on the related party transactions of the company for using as information for the shareholders in considering the related party transactions of the company.

The accounting enterprise or audit enterprise which provides accounting or audit services to the company cannot be the independent financial consultant of the company while it provides such services to the company.

**Article 18 Rights and Duties of Independent Financial Consulting Company**

The rights and duties of the independent financial consulting company are as follows:

1. To request for detailed documents concerning the related party transactions from the board of directors, particularly the details of the related party transactions, the agreements concerning the related party transactions and the future plan after receiving the approval of the related party transactions;
2. To summarize and give opinions on the related party transactions of the company;
3. To attend the shareholders' meeting for giving opinions and reasons concerning the related party transactions.

**Section 5**

**Awards for good Performers and Measures against Violators**

**Article 19 Awards for good Performers**

Persons, juristic persons and organization with outstanding performance in the implementation of this Decision shall receive the award or other benefits in accordance with the specific regulation.

**Article 20 Measures against Violators**

Persons, juristic persons or organization related who avoid the approval of the related party transactions shall be educated or subject to measures as prescribed in the laws and regulations.

In case the related party transactions' inspection committee fails to exercise its rights and perform its duties, it shall be educated and, in addition, the listed company shall disclose the names of such persons in the annual report of the company.

## **Section 6 Final Provisions**

### **Article 21    Implementation**

Lao Securities Commission Office, securities exchange, issuing companies, listed companies, related persons, juristic persons or organizations and other relevant parties shall acknowledge and strictly implement this Decision in accordance with the scope of their respective rights and duties.

### **Article 22    Effectiveness**

This Decision is effective from the date of signing and after being disclosed in the official Gazette for fifteen days.

**Chairman  
of Lao Securities Commission**

(signature and seal)

**Somdy Douangdy**