[*DISCLAIMER: This is an unofficial translation and provided for reference only. The official version was published in the Official Gazette of the Democratic Republic of Timor-Leste, on 17 May 2017, 1st Series, No. 19, and it is also available online here http://mj.gov.tl/jornal/public/docs/2017/serie_1/SERIE_I_NO_19.pdf*]

LAW 10/2017

of 17 May

NEW COMMERCIAL COMPANIES LAW

Establishing a comprehensive legal framework in line with the best international practices for the operation of business activities is an essential factor for promoting consistent and sustainable economic development of any modern State, both by providing legal instruments necessary for businesses in a globalised market, and by conveying an image of progress and credibility to other States, international organisations and foreign investors.

Among the various ongoing reforms necessary to establish such a legal framework, revision of substantive and registrar laws on incorporation, operation and winding up of businesses is of particular importance and urgency.

Solutions of Law 4/2004, of 21 April, on Commercial Companies, are more than out-of-date. On the one hand, it still provides for legal concepts that are obsolete at international level, such as *Sociedades em Nome Coletivo* (General Partnerships), *Sociedades em Comandita* (Limited Partnerships), the requirement for minimum and maximum equity capital, or even bearer shares; on the other hand, it fails to regulate aspects that are essential to a modern globalised company, such as disclosure of beneficial ownership of equity interests and affiliated companies.

It is, therefore, essential to carry out a thorough revision of this Law and to adopt a legal regime that will simplify and facilitate the incorporation of small and medium-sized enterprises, and will also create a comprehensive and firm legal framework to properly support the complex structure of modern multinational commercial companies.

In this sense, this Law introduces a profound change to the existing legal framework, fully repeals Law 4/2004, on Commercial Companies, and adopts a new Commercial Companies Law, establishing a stable general legal regime for all types of special commercial companies to be created in the future.

Pursuant to Article 95(1) of the Constitution of the Republic, the National Parliament decrees the following to have the force of law:

Article 1
New Commercial Companies Law

A New Commercial Companies Law annexed to this law, of which it forms an integral part, is adopted.

Article 2
Legal representative of the company

1. Commercial companies incorporated prior to the entry into force of this law shall appoint a legal representative within three months after this law enters into force.

2. Where no legal representative of the company has been registered within the period stated in the preceding paragraph, all appointed directors with permanent residence in Timor-Leste shall be considered as its legal representatives.

Article 3
General Partnerships and Limited Partnerships

1. Within one year after this law enters into force, registered general partnerships and limited partnerships shall resolve on:

(a) Their conversion into a private limited company or joint stock company[1]; or

(b) Their winding-up.

2. Registrations regarding facts referred to in paragraph 1 above shall be fee-exempt.

3. If, after three months have elapsed as from the period referred to in paragraph 1 of this Article, none of the facts above has been registered, the relevant registrar shall declare the winding-up of the company, promote, on the registrar's own initiative, the registration thereof at the expense of said company, and notify the management or legal representative of the company's liquidation.

Article 4
Prohibition of issuance, conversion and transfer of bearer shares

1. Companies shall be prohibited from issuing bearer shares as from the date of entry into force of this law.

2. Conversion of registered shares into bearer shares, as well as transfer of bearer shares between living people, except for transfers resulting from a court judgment or judicial sale, shall also be prohibited as from the date referred to in the preceding paragraph.

3. In respect of all companies whose articles of association provide for the possibility of issuing bearer shares, the relevant business registrar shall write a note to their incorporation register to include the date of entry into force of this law and consequent prohibition of issuance of bearer shares.

4. The note referred to in the preceding paragraph shall be entered on the registrar's own initiative and free of charge, within thirty days from the date of entry into force of this law.

Article 5
Conversion of bearer shares certificates

[1] TN: Under the New Commercial Companies' Law, incorporation of limited liability companies must be made under one of two types of companies: *Sociedade por Quotas* (or Lda.), or *Sociedade Anónima* (or S.A.).
Sociedade por Quotas (Timorese private limited liability company) is the legal form most suitable for small and medium companies with a limited number of equity capital holders (and thus cannot be listed). The company's capital is not divided into shares but into quotas, each quota representing a certain percentage of the capital of the company. Consequently, each equity investor holds one quota, in proportion to his/her/its capital investment in the company. In this translation, "private limited company" is used to refer to this type of company.
Sociedade Anónima (Timorese joint stock company) is the most common corporate form for medium and large corporations with significant investments. The company's capital is divided into shares, granting, unless provided otherwise, the same rights and obligations. Articles of association may provide that the share capital is divided into different classes of shares, with each class granting different rights and duties. It may also issue securities or financial instruments. In this translation, "joint stock company" is used to refer to this type of company.

1. Holders of bearer shares, or their successors, shall request the conversion of their share certificates into registered shares to the issuing company within one year from the date of entry into force of this law.

2. Conversion requests shall only be accepted if the applicant submits, together with the request, bearer shares certificates in respect of which conversion is sought.

3. Should a permanent seizure or interim order of forfeiture be pending on bearer shares, the execution creditor or distrainer may request the conversion of share certificates pending such legal proceedings, and shall for that purpose attach a judicial certificate of permanent seizure or interim order of forfeiture.

4. Companies may convert bearer shares certificates by replacing the existing certificates or by amending their wording, recording conversions made and date thereof in the share register book.

5. Conversion of share certificates is exempt from payment of any fees, irrespective of their nature.

Article 6
Suspension of rights of holders of bearer shares

1. After the period provided for in Article 5(1) has elapsed, holders of bearer shares who have not requested the conversion of their share certificates shall have all their shareholding rights suspended.

2. Companies shall record suspended share certificates in the share register book and retain profits corresponding to suspended share certificates.

3. Holders of bearer shares shall be able to exercise their rights until the end of the period provided for in Article 5(1). For the purpose of taking part in general meetings, provisions of Articles 247 and 248 of Law 4/2004, of 21 April, shall apply to deposit of bearer shares.

Article 7
Destruction of bearer shares certificates

1. After one year has elapsed as from the expiry of the period referred to in Article 5(1), unconverted bearer shares certificates shall be deemed destroyed and retained amounts pursuant to the preceding Article shall be converted into free reserve.

2. Provisions on cancellation of quotas due to exclusion of an equity holder, pursuant to Articles 180 and the following of the New Commercial Companies Law annexed to this law, apply, with the necessary changes, to the destruction of share certificates.

Article 8
Company secretary

1. Companies registered prior to the entry into force of this law that have appointed a company secretary who does not meet the requirements or is hindered by the impediments provided for in Article 69 of the New Commercial Companies' Law annexed hereto, shall appoint a new company secretary within ninety days as from the date on which this law enters into force.

2. After the expiry of the period referred to in the preceding paragraph, the term of office of the company secretary shall automatically be deemed expired.

Article 9
Persons who may act as auditor

While there is no legal framework defining the criteria and certification required to act as auditor, commercial companies may appoint any natural person[2] with academic and professional qualifications in financial auditing or accounting and proven professional experience for the position.

[2] NT: The original reads: "*qualquer pessoal singular*", which translates literally as "any staff member". However, "*pessoal*" seems to be a typo for "*pessoa*", in which case, the correct translation is "any natural person".

Article 10
Repeal

Law 4/2004, of 21 April, on Commercial Companies, is repealed, without prejudice to the transitional rules contained in Articles 2 to 8 of this law.

Article 11
Entry into force

This law shall enter into force 120 days after its publication.

Approved on 27 March 2017.

The President of National Parliament,

Adérito Hugo da Costa

Promulgated on 15 May 2017.

To be published.

The President of the Republic,

Taur Matan Ruak

ANNEX
(to which Article 1 refers)

NEW COMMERCIAL COMPANIES LAW

CHAPTER I
General

Section I
General provisions

Article 1
Types of commercial companies

1. Private limited companies and joint stock companies are types of commercial companies.

2. A company whose objects are to operate a commercial undertaking may only be incorporated under one of the types provided in the preceding paragraph.

3. A company whose sole object is to operate a non-commercial undertaking may be incorporated under one of the types referred to in paragraph 1 above, in which case it shall be subject to this law.

Article 2
Personal law

1. A commercial company shall have as personal law the laws of the State where the main and effective offices of its management are located.

2. A company with registered office in this country may not use against third parties the fact that its main management offices are not located here, with the purpose of exonerating itself from the enforcement of the laws of Timor-Leste.

Article 3
Companies operating in Timor-Leste on a permanent basis

1. A company operating in Timor-Leste on a permanent basis, though not having its registered office or main management offices in this country, shall be subject to the provisions of the law on business registration.

2. Companies referred to in the preceding paragraph shall appoint a legal representative with habitual residence in Timor-Leste, allocate capital to carry on business in the country, and register the respective resolutions.

3. A legal representative appointed pursuant to the preceding paragraph shall be subject to the provisions of Article 47 with the necessary changes.

4. Companies, even when they fail to comply with the provisions in paragraphs 1 and 2, shall be bound by any actions performed in their name in Timor-Leste, and both the person who has performed such actions and the company directors shall be jointly liable therefor.

5. At the request of the Public Prosecutor or any interested party, the court shall order that a company failing to comply with the provisions of paragraphs 1 and 2 cease its business in the country and liquidate its assets located in Timor-Leste. A deadline of no more than thirty days may be set for such company to regularise the situation.

Article 4
Personality

A commercial company acquires legal personality with final registration of its memorandum of association, without prejudice to the provisions concerning incorporation of companies through merger, demerger or conversion of other companies.

Article 5
Powers

1. Powers of commercial companies shall include the rights and obligations required or deemed convenient for the pursuit of their purpose, except for those barred by law or inseparable from personality of natural persons.

2. Donations that can be considered usual practice, according to the prevailing circumstances at the time and the conditions of the company itself, shall not be deemed as contrary to the purpose of the company.

3. Companies are prohibited from providing personal guarantees or security interests to secure third party obligations, except where there is a well-founded interest of those companies expressed in writing by their management, or if they are in a group relationship.

4. Clauses of the articles of association and corporate resolutions stating the specific objects of a company or prohibiting the performance of certain actions shall not limit the powers of the company, but shall rather impose on their governing bodies the duty to not exceed such objects or to not perform such actions.

Article 6
Offsetting

Compensation of a third-party debt owed to a company for a credit of such third party against an equity holder, or compensation of a company debt owed to a third party for a credit of an equity holder against such third party are prohibited.

Section II
Memorandum of association

Sub-section I
Finalisation and contents of the memorandum of association

Article 7
Finalisation and minimum contents of the memorandum of association

1. A memorandum of association shall be finalised by private document, unless a more formal finalisation is required due to the nature of the assets contributed by the equity holders to the equity capital.

2. A memorandum of association shall be drawn in a sufficient number of originals for the equity holders, the company and the registry.

3. A memorandum of association shall contain:

(a) Date of its execution;

(b) Identification of equity holders and of those signing on their behalf;

(c) Statement of the equity holders' intention to incorporate a company of one of the types provided for by law;

(d) Equity interest subscribed by each equity holder;

(e) Articles of association that shall regulate the company's operation;

(f) An annex containing the instrument of appointment of directors, company's legal representative and, should there be one, of statutory auditor or members of the audit board, and company secretary.

4. The articles of association shall mandatorily include:

(a) Type and name of the company;

(b) Objects of the company;

(c) Address of the company's registered offices;

(d) Equity capital, indicating when and how it shall be paid up;

(e) Composition of governing bodies.

5. For registration purposes, certified copies of original prior authorisations that may be required to carry out the activities included in the company's objects and the report referred to in Article 30 shall be attached to the original memorandum of association.

6. A memorandum of association shall be executed by no less than the minimum number of equity holders required by law for each type of company.

7. A memorandum of association shall be drawn in either of the official languages of Timor-Leste.

8. Model memoranda of association shall be approved by Government decree, without prejudice to the equity holders being able to elect to frame their own memorandum of association.

Article 8
Objects

1. Objects must be described in such a way as to clearly state the activities a company intends to carry out, which shall constitute the scope of the objects clause.

2. A company's objects clause must not include expressions that might cause a third party to believe it is engaged in activities it cannot undertake, namely those that can only be carried out by companies under special frameworks or subject to administrative authorisation.

Article 9
Registered office

1. A company's registered office shall be established at a specific location.

2. Unless otherwise provided in the articles of association, a company's management may freely relocate the registered office within the country.

3. A company's registered office does not preclude certain businesses from being carried out in a particular domicile.

Article 10
Forms of local representation

Unless otherwise provided in the articles of association, a company's management may set up branches, agencies, delegations or other local forms of representation in the national territory or abroad.

Article 11
Denomination of equity capital

The amount of equity capital shall always and only be denominated in the country's legal tender.

Article 12
Duration

1. A company shall exist for an indefinite period whenever its duration has not been determined in the articles of association.

2. Unless otherwise provided by law, on expiry of the period set forth in the articles of association, its extension may only be agreed unanimously.

Sub-section II
Registration of the memorandum of association

Article 13
Deadline and eligibility for filing a registration application

1. A registration application shall be filed within fifteen days as from the date of the memorandum of association.

2. Directors, legal representative and company secretary, should there be one, have the duty to apply for registration within the legal deadline.

3. Any equity holder is entitled to apply for registration.

4. The Public Prosecutor shall initiate liquidation proceedings of any unregistered company operating for more than three months.

Article 14
Proof of paid-up equity capital

1. Registration depends on proof that the required amount of paid-up equity capital, pursuant to the memorandum of association, has been fulfilled.

2. In respect of capital contributions in cash, such proof consists of a document evidencing that the respective amount has been deposited at a credit institution in favour of the company's management, or by means of statements of paid-up capital signed by the equity holders.

3. The deposit to which the preceding paragraph refers may only be withdrawn after the registration and by whoever binds the company.

4. Three months as from the date of the deposit without the company having been registered, the deposit may be withdrawn by the person who made it.

5. With respect to capital contributions to be paid up in kind, such proof consists of a statement signed by the directors of the company and certified by the secretary, should there be one, confirming that the company has taken ownership of the assets and that the latter have been handed to the company, subject to the provisions of Article 31(3).

Article 15
Effects of actions performed prior to registration

1. Upon registration, a company shall assume the obligation to refund whoever has paid for registration expenses, taxes and fees pertaining to its incorporation process.

2. All other expenses, including service fees, arising from a company's incorporation process, but incurred prior to its registration, may be assumed by the company, by decision of its management, which shall be communicated to the counterpart within thirty days as from registration.

3. Upon registration, a company shall assume the rights and obligations arising from actions that have been previously performed in its name, provided that the deadline referred to in Article 13(1) has not expired, and that such actions have been performed by whoever binds the company after its registration.

4. The assumption of rights and obligations referred to in the preceding paragraphs by the company shall release any person(s) from personal liability for the actions arising therefrom.

Article 16
Relations between equity holders prior to registration

1. Relations between equity holders prior to registration are subject, with the necessary changes, to the provisions of the articles of association and legal provisions applicable to the relevant type of company, except those which depend on said registration.

2. Prior to registration, transferring equity interests between living people and amending the articles of association shall always require the unanimous consent of all equity holders.

Article 17
Relations with third parties prior to registration

1. Without prejudice to the provisions of Article 15, if a company commences business prior to its registration, those persons acting on behalf of the company, as well as equity holders who authorise such persons, shall be personally liable for any actions performed.

2. The liability to which the preceding paragraph refers shall be joint and unlimited, and it does not depend on the prior execution of the assets allocated to the company's business.

Sub-section III
Invalidity, liability and suspension

Article 18
Invalidity of the memorandum of association

1. General rules applicable to legal transactions shall apply to the memorandum of association, with the modifications set forth in the following paragraphs.

2. Failure to comply with formal finalisation requirements, where it is required, shall only invalidate the entire transaction if the latter, pursuant to paragraph 3, cannot be converted in such a way that the company retains only use and fruition of those assets whose transfer requires a more formal finalisation, or if it cannot be reduced to other equity interests, pursuant to paragraph 4.

3. A void or cancelled transaction may be converted into a transaction of different type or contents, in relation to which it complies with the essential requirements in terms of finalisation and substance, when the purpose pursued by the parties gives reason to suppose that the parties would have so wished had they foreseen the invalidity of the transaction.

4. Where a company is already registered or has already commenced business, the effect of the memorandum of association being declared void or cancelled shall be the company going into liquidation, without prejudice to any actions performed with third parties in good faith.

5. Once a company is registered, if only a part of the memorandum of association is declared void or cancelled, or just in respect of one or some of the contracting parties, the company shall not go into liquidation, except where the memorandum of association could not have been concluded without the part declared void or cancelled.

6. Nullity arising from breaching provisions on the minimum contents of the articles of association shall be remedied by resolution of the equity holders, taken in accordance with the provisions on amendments to the articles of association, within thirty days of the defect being noticed.

7. Nullity provided for in the preceding paragraph may be remedied, where the equity holders fail to do so, by the court at the request of any interested party.

Article 19
Liability in incorporating a company

1. The company's directors and secretary who, upon review of the incorporation process, issue a statement confirming that they have found no irregularity therein shall be held jointly liable to the company

for any false, inaccurate or deficient declarations, without prejudice to criminal liability that such fact may entail.

2. Liable company officials shall be entitled to the right of redress among themselves, in proportion to their level of fault and consequences arising therefrom. Level of fault of liable company officials shall be assumed to be equal.

3. From the company's directors and secretary mentioned in paragraph 1, those who were not aware of the false, inaccurate or deficient statements, and despite acting with the diligence of a meticulous and organised manager could not learn of such fact, shall, however, not be liable.

Article 20
Suspension of business

1. Once a company is registered, equity holders may unanimously resolve to suspend the business for a definite period.

2. Equity holders and all those acting on behalf of the company shall be personally, jointly and severally liable for any actions performed after the suspension of business is registered and for as long as it lasts; such liability shall not depend on the execution of the assets allocated to the corporate business.

3. Duration of the suspension shall not be more than three years, renewable only once for an equal period. A resolution to resume business or to renew the suspension shall be passed by the equity holders before the expiry of the ongoing suspension period, otherwise the company shall be wound up.

4. Suspension shall not preclude the need to appoint members to the governing bodies and to submit, at the end of each financial year, a balance sheet of the company for equity holders' approval, as well as the possibility for the latter to resolve on resuming business at any time.

Section III
Relations between equity holders and the company

Sub-section I
Rights and obligations of equity holders in general

Article 21
Right to equal treatment

Under identical relevant circumstances, all equity holders shall be equally treated by the company.

Article 22
Rights of equity holders

1. Every equity holder shall have the right, pursuant to the terms and limitations of law and without prejudice to any other especially enshrined rights:

(a) to receive a portion from the company's profits;

(b) to elect members to the managing and auditing bodies, to hold them accountable and to initiate liability proceedings;

(c) to obtain information about the life of the company;

(d) to participate in corporate resolutions.

2. Any stipulation by which any equity holder would receive a fixed remuneration on his/her/its equity interest shall be prohibited.

3. Any stipulation by which an equity holder would have a special right to obtain information about the life of the company shall also be prohibited.

Article 23
Special rights

1. Special rights for some equity holders shall only be created by stipulation in the articles of association.

2. Special rights may not be removed or changed without its holder consenting thereto, unless otherwise provided for in the articles of association.

Article 24
Obligations of equity holders

Every equity holder shall be bound:

(a) To contribute to the company with assets that may be object of a permanent seizure order;

(b) To share in the company's losses.

Article 25
Participation in profits and losses

1. Except as otherwise provided for by law or the articles of association, equity holders shall receive profits and share in losses of the company in proportion to their equity interests at par value.

2. Where the articles of association determine only the portion of each equity holder in the profits, their share in the losses shall be assumed to be the same.

3. A clause depriving any equity holder of its portion in the profits, or exempting the equity holder from sharing in the losses of the company shall be void; nullity of such clause determines that provisions of paragraph 1 shall apply.

4. A clause by which division of profits or losses shall be left to the discretion of a third party shall be void.

Article 26
Profits and limitations on their distribution

1. Except as otherwise provided for by law, no company's assets shall be distributed to equity holders except in the form of profits.

2. The company's profits shall mean the amount calculated in the annual accounts, in accordance with the legal rules for preparing and approving such accounts, which exceeds the sum of equity capital plus amounts already allocated or to be allocated in that financial year as reserves that cannot be distributed to equity holders, under the law or the articles of association.

3. In case of retained losses, annual profits shall not be distributed until the former have been paid-up first and, thereafter, mandatory reserves under the law or the articles of association have been set up or replenished.

Article 27
Resolution on the distribution of profits

1. No distribution of profits may be made without a prior resolution of the equity holders being passed in this respect.

2. From among the sums to be distributed, the resolution shall distinguish annual profits and voluntary reserves.

3. Management has the duty to not implement any resolution on distribution of profits whenever such a resolution or its implementation, at that time, breaches the provision of the preceding Article.

4. Should a resolution not be implemented in accordance with the preceding paragraph, the management shall inform the auditing body, if any, of the underlying reasons and convene a general meeting to review and resolve on the matter.

Article 28
Return of wrongly received assets

1. Equity holders shall return to the company any assets they may have received in violation of the law. However, regarding any amounts received in the form of profits or reserves, they shall only be required to return such amounts if they were aware of the irregularity or, given the circumstances, they had the obligation of being aware of the irregularity.

2. Corporate creditors may initiate judicial proceedings for the return to the company of amounts referred to in the preceding paragraph, provided that not returning them significantly affects the security of their claims.

3. The burden of proof as to the awareness or duty to not ignore the irregularity shall rest with the company or its corporate creditors.

Article 29
Form of payment of equity interests

1. When in cash, payment shall consist of delivering an amount in legal tender of not less than the par value of the equity interest; when in kind, it shall consist of transferring to the company assets that may be object of a permanent seizure order, with a value at least equal to the par value of the equity interest.

2. Where the equity interest is paid up by transferring to the company a credit claim over a third party and such claim is not settled by the debtor in due time, the equity holder must pay up the credit, or a part thereof not received by the company, in cash, within eight days of maturity.

3. If, for any reason, there is a negative difference between the assets value at the payment date and the value resulting from the evaluation, the equity holder shall be responsible for said difference, which shall be paid up in cash up to the par value of the respective equity interest.

Article 30
Verification of value paid up in kind

1. Assets used to pay up an equity interest in kind shall be identified, described and evaluated in a report prepared by an auditor or independent auditing firm, to be attached to the memorandum of association.

2. The report shall be prepared no earlier than sixty days prior to the date of the memorandum of association and shall state the criteria used in the evaluation.

Article 31
Timeframe for paying up equity interests

1. Equity interests shall be fully paid up at the time of the memorandum of association, without prejudice to the provisions of the paragraphs below.

2. Payment of equity interests in cash may be deferred as established for each type of company.

3. In paying up an equity interest in kind, the delivery of assets shall only be deferred where this is in the interest of the company and always for an exact date, which shall be mentioned in the memorandum of association.

4. Should the deferment of the paying-up of an equity interest in kind be of more than one year, a new report shall be prepared by the auditor or auditing firm and, where its value is found to be less than that resulting from the previous evaluation, then the provision of Article 29(3) shall apply.

5. Should the company, by lawful act performed by a third party, be deprived of an asset already delivered by an equity holder or, when deferred pursuant to paragraph 3 above, the delivery thereof becomes unfeasible, the equity holder shall pay in cash the par value of its equity interest within eight days after any of such factors has occurred.

Article 32
Payment of equity interests

1. Company's rights over payment of equity interests are unwaivable and shall not be eligible for compensation.

2. Equity holders who fails to pay up their equity interests on time shall be liable to pay, in addition to the capital due, the respective interest on arrears and other damages that may arise to the company because of such default.

3. As long as the default persists, the equity holder shall not be able to exercise rights as equity holder corresponding to the part in arrears, in particular right to profits.

Article 33
Rights of creditors over equity interests

1. Creditors of any company may:

(a) Exercise the company's rights relating to overdue and payable equity interests;

(b) Initiate legal proceedings on the payment of equity interests before they are due, if that is necessary to maintain their credits properly secured.

2. The company may rebut the request of such creditors by paying their credits with interest on arrears, where such credit is due, or, where it is not due, by properly securing such credits or paying them with a deduction corresponding to the advance payment and accrued expenses.

Article 34
Loss of half of a company's equity capital

1. On finding, based on the annual accounts, that the company's net asset worth is less than half of the company's equity capital, the management shall propose, pursuant to the paragraph below, that the company be wound up or its equity capital be reduced, unless the equity holders pay up, within sixty days of the resolution derived from such proposal, amounts in cash to replenish the company's assets in a proportion equal to its equity capital.

2. The proposal shall be presented and voted, even if it is not on the agenda, at the general meeting convened to review the annual accounts, or at a general meeting to be convened within eight days of its judicial approval pursuant to Article 94.

3. Where the management fails to comply with the provisions of the preceding paragraphs, or where the resolutions therein have not been passed, any equity holder or creditor may request a court, while such a situation stands, to wind up the company, without prejudice to the equity holders being able to pay replenishments referred to in paragraph 1 above not later than ninety days of the company being summoned, during which time the proceedings shall be suspended.

4. Provisions of this Article shall not apply to companies whose equity capital is less than 5,000 US dollars.

Article 35
Equity holders' agreements

1. Equity holders' agreements concluded between all or some equity holders whereby, in that capacity, they undertake to follow a conduct not prohibited by law shall have effect between the parties.

But no act performed by the company or by its equity holders towards the company shall be refuted because of such an agreement.

2. Agreements referred to in the preceding paragraph may relate to the exercise of voting rights, but not to the conduct of participants or other persons performing management or auditing functions.

3. An agreement shall be null and void where an equity holder undertakes to vote by:

(a) Always following the instructions issued by the company or any of its governing bodies;

(b) Always approving the proposals made by the company or any of its governing bodies;

(c) Exercising the right to vote or refraining from exercising it in exchange for special advantages.

Sub-section II
Supplementary payments

Article 36
Obligation of supplementary payments

1. The articles of association may provide for supplementary payments to be made in cash.

2. The articles of association shall set the maximum overall amount of supplementary payments, under penalty of such payments not being enforceable.

3. Supplementary payments shall not form part of the company's equity capital, shall not bear interest and shall not confer the right to receive profits.

4. Equity holders are required to make supplementary payments in the proportion of their equity interest.

Article 37
Enforceability of supplementary payments

1. Enforceability of supplementary payments shall always depend on an equity holders' resolution approving the amount, within the limit set forth in Article 36(2), as well as the payment period, which may not be less than sixty days.

2. The resolution shall be passed by the majority required to amend the articles of association.

3. Equity holders cannot pass a resolution to enforce supplementary payments without the equity capital being fully paid-up, or after the winding up of the company for any reason.

4. Creditors of a company may not replace its equity holders in the exercise of the right to enforce supplementary payments.

5. Provisions of Article 32 shall apply to the obligation to make supplementary payments.

Article 38
Refund of supplementary payments

1. Supplementary payments may only be repaid to equity holders if said refund does not have the effect of reducing the net asset worth of the company below the sum of its capital, legal reserve and mandatory contractual reserves.

2. The equity capital may not be increased until supplementary payments made by equity holders have been refunded to them, unless such payments have been converted, in whole or in part, into equity capital.

3. Refund of supplementary payments shall depend on a resolution of the equity holders.

Sub-section III
Equity holder loan agreement

Article 39
Definition

1. An equity holder loan agreement is a contract by which the equity holder lends money or other fungible assets to the company, and the latter is bound to return the equal amount of a similar kind and quality, or by which the equity holder agrees with the company to defer the maturity of its credits with the company.

2. A third party's claim against the company that the equity holder acquires through a transaction between living persons shall be subject to the rules applicable to equity holder loan agreements.

Article 40
Rules applicable to equity holder loan agreements

1. Equity holder loan agreements shall not be subject to special finalisation requirements, regardless of their value, but they must be registered in the register of liens, charges and encumbrances to be effective with other equity holders, corporate creditors or third parties.

2. In the absence of stipulation, equity holder loan agreements shall be presumed to be free of charge.

3. Where no deadline has been set for the refund of equity holder loans and if the parties do not agree on a date, it shall be for the court to determine such deadline, taking into consideration the impact that such refund will have on the company, in which case it may determine that the payment be divided into a certain number of instalments.

4. Security interest[3] provided by the company in respect of obligations to refund equity holder loans shall be null and void. Security interest of other obligations shall be extinguished when these become subject to the rules applicable to equity holder loans.

5. The conclusion of equity holder loan agreements does not depend on a prior resolution of equity holders, unless otherwise stated in the articles of association. However, the stipulation of interest shall only be effective if it is agreed by all equity holders and after the prior opinion of an auditor confirming that the agreed interest rate does not exceed by one percentage point the average interest rate of commercial banks in accordance with official information from Central Bank of Timor-Leste.

Sub-section IV
Other rights and obligations

Article 41
Usufruct and pledge of equity interests

1. The establishment of usufruct and pledge of equity interests shall be subject to finalisation requirements and limitations established for the transfer of such equity interests, without prejudice to the law on business registration.

2. Unless the parties have expressly provided otherwise, the rights inherent to equity interests subject to pledge shall rest with their equity holders. However, the company's liquidation balance shall be given to the pledging creditor as interest and capital of the secured claim, the excess thereof being returned to the equity holder.

3. An usufructuary of equity interests shall be entitled to:

(a) Profits distributed for the duration period of the usufruct;

[3] NT: Security interest means a property right (*in rem* right) in collateral that secures performance of an obligation.

(b) Vote at general meetings, except in case of resolutions to amend articles of association or to wind-up the company;

(c) Benefit from the amounts that, upon liquidation of the company or cancellation of a quota, are apportioned to the equity interest object of the usufruct.

4. In taking resolutions that involve amending articles of association or merger, demerger, conversion or winding up of the company, the vote shall rest with both the usufructuary and the original equity holder.

5. Usufruct of equity interests shall be governed by the provisions of the Civil Code in all issues beyond those foreseen in this law.

Article 42
Acquisition and divestiture of assets from or to equity holders

1. Except for transactions over consumer goods and which are part of the normal running of the company, acquisition and divestiture of company's assets from or to equity holders holding more than 1% of the equity capital may only occur for a consideration and after prior approval by resolution of the equity holders, in which the equity holder from or to whom the assets are to be acquired or sold shall have no vote.

2. The resolution of the equity holders shall always be preceded by verification of the value of the assets pursuant to Article 30.

3. Contracts for acquisition or divestiture of assets from or to equity holders referred to in paragraph 1 shall, under penalty of nullity, be prepared in a written document, which may be of a private nature unless a specific finalization is required due to the nature of the assets, and be registered in the register of liens, charges and guarantees.

Article 43
Right to information

1. Without prejudice to the provisions on each type of company, every equity holder is entitled to:

(a) Examine the records of minutes of general meetings;

(b) Examine the register of liens, charges and guarantees;

(c) Examine the share register;

(d) Examine the attendance register, if any;

(e) Examine all other documents that, pursuant to law or to the articles of association, must be made available to the equity holders prior to the general meetings;

(f) Request the directors and, if any, the statutory auditor or members of the audit board and the company secretary any information relevant to the matters on the general meeting agenda before voting, provided they are reasonably necessary for exercising a well-informed voting right;

(g) File a written request to the management for written information on the company's management, in particular on any specific corporate transaction;

(h) Request a copy of the resolutions or the entries in the registers referred to in sub-paragraphs (a) to (d).

2. The right set forth in sub-paragraph (g) of the preceding paragraph may be subject to the holding of a certain percentage of equity capital, which shall in no case be more than 5%.

3. An equity holder who uses, to the detriment of the company, information thus obtained shall be liable for the damages caused to the latter.

4. If a request for information is declined, the equity holder may request the court to order that such information be disclosed, giving the reasons thereto. After hearing the company, the judge shall decide, with no further proof, within no more than ten days. Should the request be granted, the directors responsible for the refusal shall compensate the equity holder for any damages caused and reimburse the latter for any expenses it may have reasonably incurred.

5. The equity holder to whom false, incomplete or manifestly unclear information is given may request the court to judicially examine the company pursuant to Article 45.

Article 44
Communication between company and equity holders

1. All the company's actions, of which equity holders must be personally aware, shall be communicated in writing, by means capable of providing proof of receipt.

2. Means referred to in paragraph 1 above may be replaced by electronic mail in respect of equity holders that have previously given the company their consent to be informed through electronic means of any actions, information and documents pertaining to the company.

3. Where communication to all equity holders pursuant to paragraphs 1 and 2 is impossible, notices shall be published in accordance with Article 162(2).

Article 45
Judicial examination of the company

1. Where an equity holder has well-founded suspicions concerning serious irregularities in the company's life, said equity holder may request the court to examine the company to confirm such suspicions, indicating the irregularities and the facts on which his/her/its suspicions are founded.

2. The court, having heard the management, may order that such examination be carried out, for which an auditor shall be appointed.

3. The auditor shall be appointed by the auditing profession regulatory authority.

4. The court may, if deemed convenient, subject the examination to a guarantee to be presented by the applicant.

5. Once irregularities are confirmed, the court may, in view of the seriousness thereof, order:

(a) regularisation of illegal situations found, setting a deadline for that purpose;

(b) removal of members of the governing bodies responsible for the irregularities found;

(c) winding up of the company, if grounds for dissolution are found.

6. Once irregularities are confirmed, the court costs, remuneration of the auditor referred to in paragraph 2 above, and expenses that the applicant may have reasonably incurred shall be borne by the company. The latter shall be entitled to a right of recourse against the members of the governing bodies responsible for such irregularities.

7. The registrar of businesses may request a similar judicial examination of the company whenever omission of registration or contents of documents filed for registration purposes indicate the existence of irregularities that, having been reported to the management, have not been remedied.

Section IV
Governing bodies

Sub-section I
General provisions

Article 46
Governing bodies

1. Without prejudice to the provisions of a special law, commercial companies shall comprise the following bodies:

(a) Legal representative;

(b) General meeting;

(c) Management;

(d) Company secretary;

(e) Auditing body.

2. All members of the governing bodies shall declare in writing whether they agree to hold the positions for which they were elected or appointed.

Sub-section I
Legal representative

Article 47
Legal representative

1. Companies must appoint a legal representative with permanent residence in Timor-Leste. Such appointment is subject to business registration.

2. Any member of another governing body or a third party who is a natural person entitled to exercise rights and qualified to perform this function may be appointed as legal representative.

3. Legal representatives shall have the power to receive any communications, summons and notices addressed to the company.

4. Management may appoint the legal representative to act as manager or attorney of the company, pursuant to Article 67(3), subject to business registration.

5. Legal representatives shall act in the interest of the company and in accordance with any instructions received from the management.

6. Equity holders may resolve, freely and always, on the removal of the legal representative.

Sub-section II
General meeting

Article 48
Matters within the decision-making powers of equity holders

In addition to other matters specifically assigned to them by law, it shall be for the equity holders to resolve on the following matters:

(a) Election and removal of management, auditing body and legal representative;

(b) Annual balance sheet, profit and loss account and management report;

(c) Report and opinion of the auditing body;

(d) Annual appropriation of results;

(e) Change articles of association, without prejudice to Article 9(2);

(f) Increase or decrease of equity capital;

(g) Merger, demerger and conversion of the company;

(h) Winding up of the company;

(i) Approval of an internal regulation that allows equity holders to participate in general meetings by means of distance communication, pursuant to Article 50(3);

(j) Any matters that, by legal or contractual provision, do not fall within the powers of other governing bodies.

Article 49
How to pass a resolution

1. Equity holders shall pass resolutions at general meetings, as prescribed for each type of company.

2. General meetings shall be preceded by a call and other formalities, within the terms and deadlines set for each type of company. However, if all equity holders are present, either in person or through representative specifically authorised for the purpose, this shall remedy any irregularity, including lack of call for the meeting, provided that no equity holder objects to holding a general meeting. At such a meeting, however, resolutions may be only passed on matters expressly agreed on by all equity holders.

3. Equity holders may pass a resolution without holding a general meeting provided that all of them declare in writing their voting intention, in a document containing the proposed resolution, duly dated, signed and addressed to the company.

4. A written resolution shall be considered as having been passed on the date when the company receives the last of the documents referred to in the preceding paragraph.

5. Once a resolution has been passed pursuant to paragraphs 3 and 4, the company secretary or, in the absence thereof, the chairperson of the general meeting or his/her alternate, shall inform all equity holders, in writing, of such a resolution.

Article 50
General meeting

1. Unless otherwise provided by law, all equity holders shall be entitled to participate in general meetings for discussion and voting purposes.

2. Members of the governing bodies shall attend general meetings when requested by the chairperson of the general meeting.

3. The company's articles of association may provide for the equity holders' right to participate by means of distance communication, pursuant to a regulation to be approved by the general meeting.

Article 51
Voting restrictions due to conflict of interest

An equity holder shall not vote, in person or through a representative, or represent another equity holder in a voting, whenever, in relation to the subject matter of the resolution, such equity holder has a conflict of interest with the company.

Article 52
Annual and extraordinary general meetings

1. General meetings shall be held annually, within three months following the end of each financial year, to:

(a) Resolve on the annual balance sheet, profit and loss account and management report;

(b) Resolve on the appropriation of results;

(c) Elect directors and members of the auditing body to fill any vacancies in these governing bodies.

2. Annual general meetings may resolve to initiate liability proceedings against directors and to dismiss those whom the general meeting considers liable, even when this matter is not on the agenda.

3. General meetings can be held extraordinarily whenever duly called by the chairperson of the general meeting or at the request of management, auditing body, or equity holders who represent at least 10% of equity capital.

Article 53
Call for general meetings

1. General meetings shall be called by the chairperson of the general meeting, pursuant to the terms and deadlines set for each type of company, except for the call for the first general meeting, which shall be the responsibility of the equity holders.

2. Where the chairperson of the general meeting has not been appointed, has ceased his/her office, or fails to call a general meeting when he or she is legally required to do so, the management, auditing body or equity holders who have requested it may call it directly, and documented expenses that have reasonably been incurred by them shall be borne by the company.

Article 54
Call notice

1. A call notice shall, at least, set out:

(a) The name, type, registered office, taxpayer identification number and, where applicable, indication that the company is being liquidated;

(b) The place, date and time of the meeting;

(c) The type of meeting;

(d) The agenda for the meeting, specifically mentioning matters referred to the equity holders for decision.

2. Call notices shall also mention the documents available to the equity holders for examination at the company's registered office and the rules for participating through means of distance communication, if any.

3. Meetings shall take place at the company's registered office or, when deemed convenient by the panel of the general meeting, at any other place in the same municipality of the registered office, provided that such venue is duly identified in the call notice.

4. Where a quorum is required by law or the articles of association for a general meeting to sit and resolve on certain matters, the call notice may set a second date for another meeting to be held if the required quorum is not present at the first meeting, provided that both meetings are at least 15 days apart. The meeting taking place on the second date shall, for all purposes, be considered as a general meeting on second call.

5. Call notices shall be signed by the chairperson of the general meeting, or, in the cases provided for in Article 53(2), by any of the directors, the chairperson of the audit board or statutory auditor, or the equity holders calling the general meeting.

Article 55
Operating procedures of the general meeting

1. General meetings shall be led by a panel composed of one chairperson and at least one secretary.

2. The chairperson of the general meeting shall be elected at a general meeting from among the equity holders or other natural persons. The role of secretary of the general meeting shall be performed by the company secretary, if any, or otherwise by any other person entitled to be present, chosen by the latter[4].

3. The chairperson elected at a general meeting shall remain in office until a new chairperson is elected, unless otherwise stated in the company's articles of association or following his/her resignation in writing addressed to the management or the company secretary, if any.

4. In the absence of the chairperson of the general meeting due to lack of election, termination of office, or failure to attend, any of the directors or equity holders may be elected by those present at the general meeting to act as the chairperson.

Article 56
Adjournment and suspension of sessions

1. Where all issues on the agenda cannot be dealt with on the day for which the meeting was called, the meeting shall continue at the same time and place on the following working day.

2. Without prejudice to the provisions of the preceding paragraph, it may be resolved to suspend the proceedings and schedule a new session for no later than thirty days.

3. The same general meeting may only be suspended twice.

Article 57
Majorities

1. Votes of equity holders prevented from voting pursuant to Article 51 shall not be considered when determining the majority required by law or articles of association.

2. Casting of votes, quorum for general meetings and composition of majorities required for passing resolutions depending on the matters shall follow the rules established by law for each type of company.

Article 58
Voting units

1. Each equity holder cannot cast his/her/its votes in favour of and simultaneously against a resolution in the same voting nor can he/she cast only part of his/her/its votes.

2. Infringement of the provisions of the preceding paragraph means that all votes cast by the equity holder in that voting shall be considered as an abstention.

3. An equity holder representing other equity holders may vote differently than those being represented, and may also cease to exercise his/her/its own right to vote or that of those he/she/it represents.

Article 59
Lack of equity holders' consent

Except as otherwise provided for by law or articles of association, the equity holders' resolutions on special rights of any equity holders or types of equity holders shall not have any effect until the holders of such rights have given their explicit or tacit consent.

Article 60
Null resolutions

1. Equity holders' resolutions shall be null and void when they are:

(a) Passed at a general meeting that has not been called, except as provided for in Article 49(2);

[4] NT: The original refers to "latter" although "former" – as the drafter is referring to the chairman - would be the correct choice.

(b) Passed in writing and an equity holder has not exercised his/her/its right to vote in writing pursuant to Article 49(3);

(c) Contrary to accepted principles of morality;

(d) On a matter that by law or nature is not subject to the equity holders' decision-making powers;

(e) In breach of legal provision designed mainly or specifically to protect company creditors, or in breach of public interest.

2. For Article 60(1)(a) above, a general meeting whose call notice has not been signed by whoever is authorised to do so, or that does not indicate the date, time, place and agenda shall be deemed as not having been called.

3. Nullity of a resolution pursuant to Article 60(1)(a)(b) and (c) may not be argued where more than five years have elapsed since its registration date, except by the Public Prosecutor if the resolution constitutes a punishable criminal offence in relation to which the law establishes a longer limitation period.

Article 61
Cancellation of resolutions

1. Equity holders' resolutions shall be cancelled when:

(a) They are in breach of any legal provision that does not give rise to nullity under Article 60(1), or in breach of the company's articles of association;

(b) Information requested by an equity holder, to which such equity holder is entitled under the law or the articles of association, has not been provided in advance thereto;

(c) It has been passed at a general meeting unlawfully called, except for those cases referred to in Article 60(2).

2. For cancelling a resolution based on the provisions of sub-paragraph (b) above, it shall be irrelevant that the general meeting or other equity holders declare or have declared that the refusal to provide information has not influenced the passing of such a resolution.

3. Cancellation of a resolution requested within the legal deadline shall cease provided that equity holders reconfirm such a resolution by means of another resolution. However, an interested equity holder may continue with proceedings to cancel such a resolution regarding the period prior to the resolution that has reconfirmed it.

Article 62
Cancellation proceedings

1. Legitimacy to reverse a resolution shall rest with:

(a) Any equity holder who has taken part in the decision-making process, unless if said equity holder has cast a winning vote;

(b) Any equity holder who has been unlawfully prevented from attending the general meeting, or who has failed to attend it because the meeting was unlawfully called;

(c) The auditing body;

(d) Any director or member of the auditing body if the implementation of the resolution may lead them to incur in criminal or civil liability.

2. Cancellation proceedings shall be lodged within twenty days of:

(a) The date on which the resolution was passed;

(b) The date on which the equity holder learned of the resolution when said equity holder had been unlawfully prevented from attending the general meeting, or the meeting had been unlawfully called.

Article 63
Provisions common to nullity and cancellation proceedings

1. Both proceedings to declare the nullity or to cancel a resolution shall be lodged against the company only.

2. All expenses relating to proceedings lodged by the auditing body shall be borne by the company, even if such proceedings are declared unfounded.

3. A judgment declaring the nullity of, or cancelling a resolution shall be effective against and in favour of all equity holders and governing bodies, even if they have not been a party or have not participated in the proceedings.

4. A declaration of nullity or cancellation shall not undermine the rights acquired in good faith by third parties, based on actions performed while executing such a resolution.

5. There is no good faith if the third parties were aware or should have been aware of the grounds for the nullity or cancellation.

Article 64
Suspension of corporate resolutions

1. Any person entitled to request the declaration of nullity or cancellation of an equity holders' resolution may request a court to order, as an interim measure, the suspension of its implementation or of its effects when it has already been or is being implemented.

2. Such an interim measure shall be requested within five days of the dates referred to in Article 62(2)(a) and (b), or of the date the applicant learned of the resolution when said applicant is not an equity holder, a director or a member of the auditing body.

3. The applicant shall indicate his/her/its interest in the interim measure and the damage that might result from its implementation, continued implementation, or effectiveness.

4. Provisions of the civil procedural law shall apply to the extent that they do not conflict with the provisions of the foregoing paragraphs.

Article 65
Minutes

1. Resolutions of equity holders shall only be approved by minutes of the meetings or, where written resolutions are accepted, by the documents containing such resolutions.

2. Minutes shall contain:

(a) Identification of the company, place, date, time and agenda for the meeting;

(b) Identification of the person who chaired the meeting;

(c) Identification of the person who took the minutes;

(d) Reference to the documents and reports submitted to the meeting;

(e) An accurate transcription of the proposed resolutions and the result of the voting thereof;

(f) An express reference to the voting intention of any equity holder who so requires;

(g) Signatures of the person who chaired the general meeting and the person who took the minutes;

(h) In attachment, a list of attendance organised by the secretary of the general meeting and signed by the members of the panel, except if all equity holders present at the meeting sign the minutes.

3. A reference to written resolutions, pursuant to Article 49(3) and (4), and to resolutions passed in the form of public deeds or separate instrument shall be recorded in the minutes book or in loose pages, and copies of such documents shall be kept by the company.

4. No equity holder shall be required to sign minutes that have not been entered in the respective book or in loose pages properly numbered and initialled.

Sub-section III
Management

Article 66
Management

1. All directors shall be natural persons with full legal capacity.

2. Composition, appointment, removal from office and operation of the management shall comply with the rules set for each type of company. The first management shall be appointed by the equity holders in the memorandum of association, pursuant to Article 7(3)(f).

Article 67
Powers of the management

1. Management shall be responsible for managing and representing companies, pursuant to the terms provided for each type of company.

2. Company directors shall always act in the interest of the company, and in doing so shall employ the diligence expected from a judicious and careful manager.

3. A company may, by decision of the directors representing it, propose managers to conduct a certain business that is part of its corporate objects, or appoint attorneys to act on certain matters or categories of matters, irrespective of express authorisation granted by the articles of association.

4. Companies shall be civilly liable for actions and omissions of any of the persons referred to in paragraphs 2 and 3 above on the same terms as a grantor shall be liable for any action and omission of its agents.

5. In companies that do not have a company secretary, or if the latter is not available, functions listed in Article 70(e)(h)(i)(j) shall rest with the company's management.

Article 68
Directors' powers of representation and binding the company

1. Actions performed by directors, on behalf of the company and within the powers conferred to them by law, are binding on the company to third parties, notwithstanding restrictions contained in the articles of association or resulting from resolutions passed by the equity holders, even if such resolutions have been publicised.

2. A company may, however, impose on third parties the limitation of powers resulting from its corporate objects if it can prove that the third party was aware of or could not ignore, given the circumstances, that the action performed did not comply with said clause and if, in the meantime, the company did not assume it by explicit or tacit resolution of the equity holders.

3. Awareness referred to in the preceding paragraph may not be proved only by the publicity of the articles of association of the company.

4. Directors shall bind the company by signing and indicating that capacity.

Sub-section IV
Company secretary

Article 69
Company secretary

1. Appointment of a company secretary shall be optional and may not fall on any equity holder, director or member of the auditing body.

2. Except for the first one, who may be appointed by the equity holders in the memorandum of association pursuant to Article 7(3)(f), the company secretary shall be appointed and removed from office by the management through minutes subject to business registration.

3. Duties of secretary shall be exercised by a natural person with full legal capacity, with academic training appropriate to the performance of such duties, who shall not exercise them in more than seven companies, except in those that are in a group relationship pursuant to this law.

4. A company secretary who is also acting as attorney or legal representative of the company shall not act in this two-fold capacity.

5. A company secretary may be appointed for a specific period or for an indefinite period.

Article 70
Powers of the company secretary

1. In addition to other duties as may be assigned by law or by the articles of association, it shall be for the company secretary to:

(a) Certify the translator's statement confirming that the legally required translations have been faithfully translated;

(b) Take minutes of general meetings, management minutes and meeting of the auditing body, and sign them;

(c) Certify, where appropriate, that the equity holders or directors themselves have signed documents in his/her presence;

(d) Ensure that attendance lists for general meetings, if any, are completed and signed;

(e) Request the registration and publication of facts subject to such procedures;

(f) Certify that all the copies or transcripts from the company's books are authentic, complete and up-to-date;

(g) Certify the contents, in whole or in part, of the articles of association in effect, as well as the identity of members of various governing bodies of the company and their powers;

(h) Request legalisation of the company books and ensure they are kept in good condition and order, and are updated;

(i) Ensure that all books that must be available for examination by the equity holders or third parties are available at least for two hours each business day, during office hours and at the place where, as indicated in the records, these books are to be kept;

(j) Ensure that updated copies of the articles of association, of the resolutions of equity holders and of the management, as well as of entries in force in the book of liens, charges and encumbrances are delivered or sent, within eight days, to any person who has rightfully requested them.

2. Certifications by the company secretary referred to in Article 70(1)(c)(f)(g) shall supersede, for all legal purposes, a business registration certificate.

3. The company secretary shall refer to the Public Prosecutor all illegal actions punishable by criminal law of which he/she becomes aware in the exercise of his/her functions.

Sub-section V
Auditing body

Article 71
Requirement

1. Joint stock companies are required to have a statutory auditor.

2. Joint stock companies that exceed the limits set by Government decree in relation to the number of equity holders, equity capital, balance sheet value or turnover are required to have an audit board.

3. Private limited companies that exceed the limits set by Government decree in relation to the number of equity holders, equity capital, balance sheet value or turnover are required to have a statutory auditor or an audit board.

4. Should the meeting of the above criteria be after the incorporation of the company, the latter shall appoint a statutory auditor or an audit board within ninety days of when such criteria are met.

5. The Government decree may also define the criteria for the appointment of the external auditor in the case of private limited companies, which shall be subject to the provisions of Article 73, 75 and 76, mutatis mutandis, and to business registration.

Article 72
Composition of the auditing body

1. The supervision of the company shall rest with a statutory auditor or an audit board, composed of three members.

2. The statutory auditor or one of the audit board members, as appropriate, shall be an auditor or an auditing firm.

3. The auditing firm sitting on the auditing body shall appoint an equity holder or an employee of the auditing firm, in any case an auditor, to perform the functions assigned thereto by the company.

4. All other members of the audit board shall be natural persons with full legal capacity.

Article 73
Disqualifications

1. The following persons shall not be eligible to become members of the auditing body:

(a) Directors, the legal representative and the company secretary;

(b) Any company employee or any person receiving any remuneration from the company other than for the performance of functions of auditing body member;

(c) A spouse, family member and kin up to and including third degree, of the persons referred to in the preceding paragraphs.

2. The statutory auditor or audit board member referred to in Article 72(2) may not be an equity holder of the company.

3. The subsequent occurrence of any of the disqualifications referred to in the preceding paragraphs shall result in the automatic termination of the appointment, and shall be reported by a company’s director.

Article 74
Election and removal of the statutory auditor or of the audit board members

1. The statutory auditor and the audit board members shall, except as otherwise provided in Article 7(3)(f), be elected at the annual general meeting, and shall remain in office until the next annual general meeting. The chairperson shall be appointed during the election.

2. The statutory auditor and the audit board members may be re-elected.

3. The statutory auditor and the audit board members may be dismissed by equity holder resolution taken at the general meeting, provided it is based on a just cause, but only after they have been given the opportunity to explain their actions and omissions at the meeting.

Article 75
Powers of the auditing body

1. It shall be for the auditing body to:

(a) Supervise the company's management;

(b) Verify the regularity and updating of the company's books and of the documents supporting the entries;

(c) Whenever deemed convenient and in the manner deemed appropriate, verify the cash flow and any assets or valuables belonging to the company or received by the company by way of guarantee, deposit or otherwise;

(d) Verify the accuracy of the annual accounts;

(e) Verify whether the appraisal criteria adopted by the company enable the proper appraisal of the assets and liabilities and of the results;

(f) Prepare an annual report on its supervisory action and given an opinion on the balance sheet, the profit and loss account, the proposal for the appropriation of results, and the management' report;

(g) Demand that the books and accounting records provide a simple, clear and precise view of the company's operations and its financial position;

(h) Comply with all other obligations contained in the law and in the articles of association.

2. Without prejudice to the duties of the other auditing body members, the auditing body member referred to in Article 72(2) shall have the special duty to perform all checks and analyses required for the proper and thorough audit and report on the accounts, pursuant to any special law

Article 76
Powers and duties of the auditing body

1. To meet the obligations of the auditing body, the statutory auditor or each of the audit board members, jointly or individually, shall have the power to:

(a) Obtain from the management or from the company secretary, if any, the presentation of the books, records and documents of the company for examination and verification;

(b) Obtain from the management or from the company secretary, if any, any information or clarifications on any matter that falls within their powers or in relation to which any of them have intervened or that has come to their notice;

(c) Obtain from third parties who have made transactions on behalf of the company any information they need to properly clarify such transactions;

(d) Attend the management' meetings.

2. The statutory auditor or the audit board members, if any, shall have the duty to:

(a) Attend the general meetings for which they were called;

(b) Attend the management' meetings to review the annual accounts;

(c) Keep confidential any facts and information that have come to their notice without prejudice to the duty to inform the Public Prosecutor of any unlawful actions punishable by criminal law;

(d) Inform the management of any irregularities and inaccuracies found and, if these are not remedied, inform the first general meeting held immediately after the expiry of time reasonably needed to remedy them.

3. In the performance of their functions, the audit board members or the statutory auditor shall act in the interest of the company, the creditors and the public at large, with the diligence of a meticulous and impartial supervisor.

Article 77
Meetings, resolutions and minutes of the audit board

1. The chair of the audit board shall be responsible for convening and chairing the meetings.

2. The audit board shall meet at the request of any member sent to the chair, and at least once every quarter.

3. Resolutions shall be taken by a majority of votes, and the board may only meet if the majority of members are present, the latter not being able to delegate their functions.

4. Minutes of the meeting shall be prepared, to be signed by all members present, containing the resolutions taken and a summarised report of all verifications, inspections and other steps taken by its members since the previous meeting, and their results.

5. Should there be a statutory auditor instead of an audit board, the signed report referred to in the preceding paragraph shall, at least every quarter, be written down in the book or attached to it in any other way.

6. Unless otherwise provided in the articles of association of the company, the audit board may approve an internal regulation to enable the participation of one of its members in the meetings by means of distance communication.

Section V
Liability of governing body officers

Article 78
Liability of directors towards the company

1. The directors shall be liable to the company for any damage they cause through actions or omissions in breach of legal or statutory duties, except where they prove that they acted in good faith.

2. Liability shall be excluded if any of the persons referred to in the preceding paragraph can prove that they acted based on substantiated information, free from any personal interest and according to criteria of business rationality.

3. Directors who have not participated in or who have voted against a resolution of the management and have not participated in the enforcement thereof shall not be liable for the resulting damages; directors shall have their voting intention recorded in the minutes, otherwise they shall be presumed to have voted in favour.

4. Directors shall not be liable to the company if the act or omission is based on a resolution of the equity holders, even if null and void, except as provided in the final part of Article 43(4), or if the resolution was passed under their proposal.

5. The liability of directors shall be joint and several, and provisions of Article 17(2) shall apply to the relations between directors.

Article 79
Exclusion, limitation, waiver and expiry of liability

1. Any clause excluding or limiting the liability of directors shall be void.

2. Resolutions by which equity holders approve the balance sheet and accounts shall not imply that the company waives the right to compensation against directors.

3. The company shall only be entitled to waive the right to compensation or compromise in relation thereto by explicit resolution of the equity holders passed without the vote against of a minority representing at least 10% of the equity capital, and only if the damage shall not significantly reduce the creditors' guarantee.

4. The expiry period shall only run from the time when the majority of the equity holders have become aware of the fact.

Article 80
Liability proceedings initiated by the company

1. The liability proceedings initiated by the company shall depend on the equity holders' resolution taken by a simple majority, and shall be initiated within three months as of the date on which the resolution was taken.

2. The resolution to initiate liability proceedings shall imply the removal of the directors in question, and the equity holders shall, immediately and as appropriate, appoint special company representatives under which action for compensation may be brought.

Article 81
Liability proceedings initiated by equity holders

1. Liability proceedings in favour of a company may be initiated by an equity holder with an equity interest of no less than 10% if the company has not already initiated proceedings.

2. In such cases, the company's intervention shall be provoked, pursuant to the procedural law.

Article 82
Liability towards the creditors of the company

1. Directors shall be liable to the creditors of the company when, in breach of a provision of the law or of the articles of association, which is mainly or exclusively aimed at their protection, the company's assets are insufficient for the payment of their credits.

2. Where the company or its equity holders have failed to do so, the creditors of the company may exercise the right to the compensation to which the company is entitled provided there is a reasonable risk that the equity guarantee is significantly reduced.

3. The liability pursuant to paragraph 1 above shall apply to Article 78(2)(3)(4)(5).

Article 83
Direct liability towards equity holders and third parties

In accordance with general rules, directors shall also be liable to equity holders and third parties for any damages caused directly to them in the performance of their duties.

Article 84
Liability of managers, attorneys and other corporate officers

1. The provisions in Articles 78 to 83 shall apply mutatis mutandis to the company's managers and attorneys.

2. The audit board members, the statutory auditor, the company secretary and the legal representative, if any, shall be liable pursuant to Articles 78 to 83, but shall also be jointly and severally liable along with the directors for any actions or omissions of the latter, where the damage would not have taken place had they fulfilled all their obligations with due diligence.

Article 85
Joint and several liability of the equity holder

1. The equity holder who, alone or jointly with others to whom said equity holder is bound by an equity holder agreement, has, by virtue of the provisions of the articles of association, the right to appoint directors without all the equity holders resolving on such an appointment shall be jointly and severally liable with the person he/she/it has appointed, whenever the latter is liable, pursuant to this law, to the company or the equity holders, and if fault is found in the election of the appointed person.

2. The equity holder who, due to the number of votes it holds, alone or in representation of others to whom he/she/it is connected by equity holder agreements, is able to elect a director or an auditing body member shall be jointly and severally liable with the elected person, if fault is found in the election of the appointed person, whenever the latter is liable, pursuant to this law, to the company or the equity holders, provided that the resolution has been taken by the votes of this equity holder and of those referred to above, and less than half of the votes of other equity holders present at the general meeting.

3. The equity holder who, by virtue of statutory provisions or by the number of votes it holds, alone or in representation of others to whom he/she/it is connected by equity holder agreements, is able to remove or have removed a director or an auditing body member, and through his/her/its influence orders that person to perform or omit an action shall be jointly and severally liable to that person if the latter, as a result of such act or omission, is liable to the company or the equity holders, pursuant to this law.

Article 86
Liability of the sole equity holder

1. Without prejudice to the provisions of the preceding article and the provisions on affiliated companies, if a company with a sole equity holder is declared insolvent, whether the company holds part of its own capital or otherwise, the sole equity holder shall be personally, jointly and severally liable for all the company's debts if it is proven that the corporate assets was not exclusively allocated to meet the company's obligations.

2. The exclusive allocation provided for at the end of the preceding paragraph shall be presumed when the company's accounting books are not kept pursuant to Article 75(1)(b)(g) or when the company and the equity holder have entered into legal business without drafting it in a written form.

Section VI
Company books and accounting records

Sub-section I
Company books

Article 87
Mandatory company books

1. Besides the records and accounting books mandatory by law, the companies shall have:

(a) a book of minutes of the general meeting;

(b) a book of minutes of the management;

(c) a book of minutes of the auditing body, if any;

(d) a book of liens, charges and guarantees;

(e) a share register;

(f) a bond issue register.

2. The book referred to in sub-paragraph (d) above shall include, in particular, all the personal and real guarantees that the company provides, all the liens and charges encumbering the company's assets and its equity interests, all the limitations to full ownership or availability of the company's assets and its equity interests, disposals and acquisitions from equity holders pursuant to Article 42, and all the equity holders' loans pursuant to Articles 39 and 40; the copies of the decisions or contracts from which such situations arise shall be attached to the book.

3. The books shall always be kept at the company's registered office or at another location in the same municipality of the registered office, provided that such place is reported to the registry by means of a declaration signed by the secretary, if any, or by the company's management.

4. The books referred to in Article 87(1)(a)(d) and (e) shall be made available for examination by the equity holders for at least two hours a day, during office hours.

5. The book referred to in Article 87(1)(d) shall be made available for examination by any interested party during the period referred to in the preceding paragraph.

6. All entries in the books referred to in Article 87(1)(d)(e)(f) that are no longer up to date shall be cancelled by the company secretary, if any, or by the management, in a clearly visible manner, but taking care to ensure that it can still be read, and the person responsible shall sign and date the cancellation on the margin.

7. Any interested party may request that an fact relating to the company be registered in the books.

8. Copies of any minutes or entries in the books shall, within the shortest time possible and in any case within no more than eight days, be provided upon request to any equity holder or interested party entitled to examine such copies.

9. The equity holder is entitled to examine and obtain a copy of any minutes or resolution of the management, provided that three months have elapsed since the date thereof or, before that time limit, if authorised by the secretary, if any, or by the management, since no risk of damage shall fall on the company from the disclosure of such information.

10. All entries in the books shall be drafted in one of the official languages of Timor-Leste, and the annexes to the books may be written in one of the official or working languages of Timor-Leste.

11. The Minister of Economy may approve the imperative official forms for the mandatory books by ministerial diploma.

Sub-section II
Company accounts

Article 88
Duration, start and end of the accounting period

1. The accounting periods of companies shall be annual. They may start on 1 April, 1 July, 1 October or 1 January, and end, respectively, on 31 March, 30 June, 30 September and 31 December, as determined by the articles of association.

2. If the articles of association are silent on this matter, the company's accounting period shall begin on 1 January and end on 31 December.

3. The first accounting period of companies that adopt an accounting period other than the one corresponding to the calendar year shall not be less than 6 months, or more than 18 months, without prejudice to the provisions of tax law.

Article 89
Annual accounts, report and proposal

At the end of each accounting period, the company's management shall organise its annual accounts and, except if all the equity holders are directors and the company has no auditing body, it shall prepare a report on the year and a proposal for the appropriation of profits.

Article 90
Report of the management

1. The report of the management shall describe, with reference to the annual accounts, the condition and growth of the company's management in the various sectors in which it operates, and mention, in particular, costs, market conditions and investments so that the report can provide a clear and easy overview of the company's financial situation and profitability.

2. The report shall be signed by all directors, except if refused by a director, the refusal of which shall be justified in writing in a document attached to the report.

3. The annual accounts, the report on the financial year and the proposal for the appropriation of profits shall be signed by the directors in office at the time of the submission of the foregoing. However, former directors shall provide all the information upon request relating to their term of office.

Article 91
Report and opinion of the audit board or of the statutory auditor

1. The annual accounts, the report of the management and the proposal for the appropriation of results shall be submitted to the auditing body, if any, along with the inventories that support them, within thirty days before the date set for the general meeting.

2. The auditing body shall prepare the report and opinion referred to in Article 75(1)(f) by the date on which the calls for the annual general meeting are sent or published.

3. The report shall indicate:

(a) Whether the annual accounts and report of the management are accurate and complete, if they give a clear and easy-to-read view of the company's financial situation, whether they comply with the legal and statutory provisions, and if the auditing body agrees or not with the proposal for the appropriation of results;

(b) The steps taken, and verifications carried out, and the result thereof;

(c) The appraisal criteria adopted by the management and their suitability;

(d) Any irregularities or unlawful actions;

(e) Any amendments that should be made to the documents referred to in paragraph 1 above, and the reasons thereof.

4. The provisions of Article 90(2)(3) shall apply to the report and opinion of the auditing body.

Article 92
Issue and public subscription of bonds

1. In relation to companies that issue bonds or seek public subscription, the accounts shall also be subject to an opinion issued by an auditor or auditing firm independent of the company and of the statutory auditor or of any other audit board member.

2. The provisions in the preceding paragraph shall apply to the companies operating permanently in Timor-Leste, although their statutory office or principal administration is not in this country.

Article 93
Examination of annual accounts

The annual accounts, the report on the financial year and the proposal for the appropriation of results, along with the report and opinion of the auditing body, if any, shall be made available for examination by the equity holders at the company's registered office, during office hours, as of the date on which the calls for the annual general meeting are sent or published.

Article 94
Legal approval of accounts

1. If the annual accounts and the report of the management are not presented to the equity holders within three months following the closing of the financial year to which they relate, any equity holder may request the court to set a deadline of not more than sixty days for such documents to be submitted.

2. If, on the expiry of that period set pursuant to the final part of the preceding paragraph, such documents are not submitted, the court may order the removal of one or more directors from functions and order a judicial examination pursuant to Article 45, for which it shall name a court-appointed auditor to prepare the annual accounts and the report of the management relating to the entire period since the last approval of accounts.

3. Once the balance sheet, the accounts and the report have been prepared, they shall be subject to the approval of the equity holders, at a general meeting convened for that purpose by the court-ordered auditor.

4. If the equity holders do not approve the accounts, the court-ordered auditor shall, under the analysis, request the court that they be legally approved, attaching the opinion of an auditor not associated with the company.

Section VII
Amendments to the articles of association

Sub-section I
General amendments

Article 95
General principles

1. It shall be for the equity holders to resolve on the amendments to the articles of association of the company, except if the law provides otherwise.

2. If the consequence of the amendment is the increase in the payments imposed by the articles of association on the equity holders, such imposition shall only bind the equity holders who expressly agree to such an increase.

3. The amendments to the articles of association of the company shall be drafted in one of the official languages of Timor-Leste.

Sub-section II
Capital increase

Article 96
Type and limitations

1. The capital of a company may be increased through contributions in cash or capitalisation of available reserves.

2. No increase in capital may be resolved until the initial equity capital or previous increase in capital is fully paid up.

Article 97
Resolution requirements

Resolutions to increase the capital shall expressly state:

(a) Type and amount of the capital increase;

(b) Par value of new equity interests;

(c) Deadlines for payment of equity interests resulting from the increase;

(d) Reserves to be capitalised, if the capital reserve is to be done by the capitalisation of reserves;

(e) Whether only the equity holders participate in the capital increase and under what terms, or if the increase is open to third parties, in particular through a public offer;

(f) Whether new quotas or shares are to be created, or if the par value of existing quotas and shares is to be increased.

Article 98
Increase through new contributions

1. Provisions on contributions of the same nature as in the incorporation of the company shall apply to contributions to capital increase.

2. Resolutions on capital increase through new contributions shall only allow the delay of payment of equity interests within the limits established by law.

Article 99
Increase through capitalisation of reserves

1. If a resolution is not taken on the capital increase through the capitalisation of reserves at the general meeting called to approve the accounts for the year, or in the sixty subsequent days, it shall only be done if accompanied by the approval of a special balance sheet, prepared, approved and registered as provided for the annual balance sheet.

2. Quotas or own shares of the company shall be included in the increase, unless otherwise resolved by the equity holders.

3. In the case of equity interests subject to usufruct, the latter shall apply under the same terms to new equity interests arising from the increase by capitalisation of reserves.

Sub-section III
Capital reduction

Article 100
Resolution requirements

1. The resolution to reduce the capital shall state the purpose of the reduction and how it shall be done, and also whether the par value is to be reduced or whether equity interests will be extinguished, and, in this case, which equity interests will be affected by the reduction.

2. A reduction not caused by losses may only be resolved if the net worth of the company exceeds by 20% the sum of the capital, legal reserves and mandatory statutory reserves, proved by means of a report to be prepared by an auditor or auditing firm and to be attached to the resolution.

Article 101
Registration and publication of the resolution

A resolution approving the reduction of equity capital shall be registered and published.

Article 102
Moment when capital reduction becomes effective

The capital shall be reduced upon the registration of the resolution thereon.

Article 103
Protection of corporate creditors

1. Guarantees shall be provided to creditors whose amounts receivable were established before the resolution to reduce the capital was published and are unable to demand the payment thereof, provided they require the guarantee within thirty days as of the date of publication; creditors shall be informed of this right on the publication of the resolution.

2. Creditors whose amounts receivable are already guaranteed may not exercise the right granted in the preceding paragraph.

3. Payments to equity holders based on the capital reduction may not be made before sixty days following the date when the resolution to reduce capital is published, and only after guarantees have been given or payment made to creditors who demand it.

Article 104
Reduction caused by losses

1. The provisions of the preceding Article shall not apply:

(a) If the reduction is caused by losses;

(b) If the purpose of the reduction is the transfer to or increase of legal reserve.

2. In the cases provided for in the preceding paragraph, the equity holders shall not be exempt from their obligation to pay the capital.

Article 105
Simultaneous reduction and increase of capital

1. The resolution to reduce capital to an amount less than that established by law for each type of company shall be allowed if such reduction is expressly subject to the increase of capital to an amount equal to or more than that minimum amount, to be paid within sixty days as of the resolution.

2. The provision on the minimum capital for each type of company shall not preclude the resolution on the reduction being valid if, a resolution is taken at the same time to convert the company to a type that can legally have a reduced amount of capital.

Sub-section IV
Change of the corporate object

Article 106
Rights of creditors

If the amendment of the articles of association significantly changes the corporate object, or results in a complete change of activity, any corporate creditor may, within thirty days as of the resolution registration, require the early payment of its amounts receivable, unless otherwise agreed in advance.

Section VIII
Merger of companies

Article 107
Concept and types

1. Two or more companies, even if they are of different types, may merge into one.

2. The merger may be carried out:

(a) By transferring all the assets from one or more companies to the other, and by giving the equity holders of the former company or companies the shares or quotas of the latter;

(b) By forming a new company to which all the assets of the merged companies will be transferred, and the shares or quotas of the new company shall be given to the equity holders of the former companies.

Article 108
Draft merger

1. The boards of directors of companies wanting to merge shall jointly prepare the draft terms of merger which, besides other information necessary or convenient to the full understanding of the intended operation, shall also include:

(a) The type, reasons, conditions and purposes of the merger, regarding all merging companies;

(b) The name, registered office, capital and registration number of each company;

(c) Equity interests that any of the companies may have in the capital of another;

(d) Specially organised balance sheets of the merging companies, stating the value of assets and liabilities to be transferred to the acquiring company or to the new company;

(e) Shares or quotas to be allotted to the equity holders of the company being acquired, pursuant to Article 107(2)(a), or of the companies to be merged pursuant to Article 107(2)(b) and, if any, the compensation to be given to the equity holders, specifying the equity interests-exchange ratio;

(f) Draft amendment to be made to the articles of association of the acquiring company or the draft articles of association of the new company;

(g) Measures to protect the rights of creditors;

(h) Rights ensured by the acquiring company or by the new company to equity holders with special rights;

(i) In mergers in which the acquiring company or the new company is a joint stock company, the classes of shares of such companies and the date from which these shares are allotted and earn profits, as well as the types of these rights.

2. The draft terms of merger or annex thereto shall indicate the appraisal criteria used as well as the basis for the exchange ratio referred to in Article 108(1)(e).

Article 109
Draft merger supervision

1. The management of each company involved shall communicate the draft merger and its annexes to the respective auditing body, or in its absence, to an auditor or auditing firm for their opinion thereon.

2. The audit board or the statutory auditor, the account auditor or auditing firm may request from all participating companies all the information and documents they might need to carry out the required verifications.

Article 110
Draft merger registration and call for the general meeting

1. The draft merger shall be submitted to the resolution of the equity holders of each of the merging companies, at a general meeting, irrespective of the type of company; the general meetings shall be convened, once the merger project has been registered, within at least thirty days as of the date when the call is sent or published, pursuant to paragraph 2, whichever date is later.

2. A public notice shall be published, pursuant to the business registration law, informing that the merger project has been registered, that both the project and ancillary information is available for examination at the registered office of each company by their equity holders and corporate creditors, and informing on the dates scheduled for the general meetings.

Article 111
Examination of documents

1. Upon publication of the notice required pursuant to the preceding Article, the equity holders and creditors of any of the merging companies in the merger shall have the right to examine the following documents at the registered office of each company, and to obtain a full copy thereof free of charge:

(a) Draft merger;

(b) Reports and opinions prepared by the auditing bodies or by account auditors.

2. They may also examine the accounts, reports of the management, reports and opinions of the auditing bodys, and the resolutions taken at general meetings on such accounts for the last three financial years.

Article 112
General meeting

1. At the meeting, the management shall ask whether since the preparation of the draft merger any relevant change in the information on which the draft terms were based has occurred and, if yes, which changes need to be implemented.

2. Where there has been a relevant change pursuant to the preceding paragraph, the meeting shall resolve whether the draft merger should be restarted or if the appraisal of the proposal continues to be under discussion.

3. The proposal presented to the various meetings shall be strictly identical; any change made by the meeting shall be considered as a rejection of the proposal, without prejudice to its renewal.

4. Any equity holder may, at the meeting, request information about the merging companies they consider necessary to clarify the merger proposal.

Article 113
Resolution

1. In the absence of a special provision, the resolution shall be taken pursuant to the provisions on the amendment of the company's articles of association.

2. The resolution may only be implemented after obtaining the consent of the aggrieved equity holders when:

(a) It increases the obligations of all or some of the equity holders;

(b) It affects the special rights held by some equity holders;

(c) Modifies the proportion of their equity interests in relation to other equity holders of the same company, except insofar as such modification arises from payments they are required to make to comply with legal provisions imposing a minimum or specific value for each equity interest.

3. If any of the merging companies has several classes of shares, the merger resolution of the respective general meeting shall only be effective after its approval by a special meeting convened for each class.

Article 114
Participation of a company in the capital of another

1. If any company holds an equity interest in the capital of another company, it shall not have more votes than the sum of those of other equity holders in the resolution to approve the merger project.

2. For the purposes of the preceding paragraph, to the votes of the company shall be added the votes of other companies, controlled by or subordinated to the company pursuant to the provisions of Chapter IV of this law, as well as the votes of persons acting in their own name but on behalf of some of these companies.

3. As an effect of a merger by absorption, the acquiring company shall not receive its own shares or quotas in exchange for shares or quotas in the company being acquired which are held by the former or by the latter, or by persons acting in their own name but on their own behalf of any of these companies.

Article 115
Right of resignation of equity holders

1. If the law or articles of association give the equity holder who has voted against the draft merger the right to resign, the equity holder may request, within thirty days following the date of publication provided for in Article 117(1), that the company acquire or have a third party acquire its equity interest.

2. Unless otherwise provided in the articles of association or agreement between the parties, the value of the equity interest shall be set by an auditor not associated with the merging companies.

3. The company shall pay the set compensation within ninety days, otherwise the equity holder may request its winding up.

4. The right of the equity holder to dispose of his/her/its equity interest by other means shall not be affected by the provisions set forth in the preceding paragraphs; the limitations set forth in the company's articles of association shall not preclude such disposal if it is done within the deadline set therein.

Article 116
Merger document

1. Once the merger has been approved by resolution of the general meeting of each of the merging companies, it shall be for their boards of directors to sign the merger document.

2. If the merger is carried out by the formation of a new company, the following provisions shall govern the formation there of, except where its purpose determines otherwise.

Article 117
Publication of the merger and opposition of creditors

1. The management of each company involved shall register the resolution approving the draft merger, and shall publicise it pursuant to the law on business registration.

2. The creditors of merging companies in a merger whose amounts receivable date before the publication may legally oppose the merger within thirty days of the last publication referred to in the preceding paragraph, based on the effect that the losses resulting therefrom would have on the payment of their amounts receivable.

3. The creditors referred to in the preceding paragraph shall be informed of their right to oppose the publication mentioned in paragraph 1 above and, if their amounts receivable are recorded in books or company documents or are by any other means known to the company, in writing, by any means capable of producing proof of receipt.

Article 118
Effects of opposition

1. Any legal opposition by creditors shall prevent the merger from being registered until one of these facts occur:

(a) If the application is dismissed, by final court judgment, or, where the proceedings are dismissed, the opponent has not pursued court action within thirty days;

(b) The opponent withdraws the proceedings;

(c) The company has paid the opposing creditor or given a guarantee for an amount agreed or ordered by court judgment;

(d) The opponents have authorised the registration;

(e) The amounts owed to the opponents are deposited.

2. If the court upholds the claim, it shall determine the refund of the opponent's amounts receivable or, where this is not possible, the provision of security.

3. The provisions of the preceding Article and those of paragraphs 1 and 2 above shall not preclude the enforcement of contractual clauses which give the creditor the right to be immediately paid the amounts owed if the debtor company merges with another company.

Article 119
Holders of bonds

1. The provisions of Articles 117 and 118 shall apply to holders of bonds, with the amendments contained in the following paragraphs.

2. Meetings with the holders of bonds of each company shall be convened by the common representative of each bond issue, to give their opinion on the merger and on the possible losses for such creditors; the resolutions shall be taken by an absolute majority of holders of bonds present or represented.

3. Should the meeting not approve the merger, the right to oppose shall be exercised collectively through the common representative.

4. Holders of bonds, whether or not convertible into shares, shall have, regarding the merger, the rights they have been assigned in this case; if no specific right has been granted, they shall have the right to oppose, pursuant to this Article.

Article 120
Holders of other certificates

Holders of certificates other than shares, but which carry special rights, shall continue to enjoy at least equivalent rights to those in the acquiring company or in the new company, except if:

(a) It is resolved, at a special meeting with holders of certificates and by absolute majority of the number of each type of security, that said rights may be changed;

(b) Each of all the holders of each type of security agree to the changes in their rights, if a special meeting is not provided for by law or by articles of association;

(c) The draft merger allows the acquiring company or the new company to acquire those certificates and the terms of the acquisition shall be approved at a special meeting by the majority of holders present and represented.

Article 121
Registration of merger

Where the period provided for in Article 117(2) has expired without any opposition being filed or any of the facts mentioned in Article 118(1) having occurred, the management of any of the merging companies or of the new company shall register the merger.

Article 122
Effects of the registration

When the registration of the merger is effected:

(a) The companies being acquired or, in the case of the formation of a new company, all the merged companies shall be closed, and their rights and obligations shall be transferred to the acquiring company or to the new company;

(b) The equity holders of closed companies shall become the equity holders of the acquiring company or of the new company.

Article 123
Condition or effect

If the effectiveness of the merger is subject to a condition or suspensive effect and before these occur relevant changes affect the facts on which the resolutions were based, the general meeting of any of the companies may resolve to request the court to terminate or amend the merger. The effectiveness of the merger shall be delayed until the final court judgment decides on the proceedings.

Article 124
Liability arising from the merger

1. The directors, the audit board members or the statutory auditor and the secretary of each of the merging companies shall be jointly and severally liable for damages caused by the merger to the company and its equity holders and creditors following any breach of the duty of prudence and diligence in the scrutiny of the companies' financial situation and in the completion of the merger.

2. In their mutual relations, co-obligors are liable pursuant to Article 19(2).

3. The closure of companies caused by the merger shall not prevent the exercise of the right to compensation as provided for in paragraph 1 and the rights and obligations arising from the merger thereon, and such companies shall be considered for that purpose.

Article 125
Enforcement of liability in the event of company closure

1. The rights provided for in the preceding Article, where they relate to the companies referred to in its paragraph 3, shall be exercised by a special representative, the appointment of which may be requested from the court by any company equity holder or creditor.

2. The special representative shall invite the equity holders and creditors of the company, by notice published pursuant to Article 162(2) to claim their compensation rights within the period established by the representative, but not less than thirty days.

3. The compensation given to the company shall be used to pay the creditors, to the extent that they have not been paid or secured by the acquiring company or by the new company, and any excess amount shall be split between the equity holders in accordance with the rules applicable to the sharing of the liquidation surplus.

4. The equity holders and creditors who have not claimed their rights in good time shall not be included in the sharing referred to in the preceding paragraph.

5. The special representative shall be entitled to reimbursement of any expenses reasonably incurred and to be remunerated for the work performed; the court, in its wisdom, shall set the amount of expenses and remuneration, and how they will be borne by the equity holders and the interested creditors.

Article 126
Merger of a company wholly owned by another company

1. The provisions of the preceding paragraph shall apply, with the exceptions referred to in the following paragraphs, to the merger of a company by another company which holds all the shares or quotas, directly for its own account but in its own name.

2. In this case, the provisions relating to the exchange of equity interests, to the reports of the governing bodies of the acquired company and to the liability of these bodies shall not apply.

3. The merger document may be drafted without the prior resolution of general meetings, provided that the following conditions are all met:

(a) The draft merger indicates that the document shall be signed without the prior resolution of general meetings, if the call for the meeting is not required pursuant to sub-paragraph (d);

(b) The draft merger has been publicised as required by Article 110 within two months of the date of the document;

(c) The equity holders may have had knowledge, at the registered office, of the documents referred to in Article 108, at least as from the eighth day following the date when the draft merger was publicised, and have been informed thereof in the same draft merger or together with the notification thereof;

(d) If, up to fifteen days before the date scheduled for the preparation of the document, equity holders owning 5% of the equity capital call a general meeting to resolve on the merger.

Article 127
Invalidity of a merger

1. A merger may only be considered invalid based on the absence of a document or on the prior declaration of invalidity or cancellation of some of the resolutions taken at general meetings of the participating companies.

2. The action for the invalidity of a merger may only be proposed as long as the existing faults are not remedied, but never before six months have elapsed since the date when the registered merger was publicised, or the final court judgment declaring any of the resolutions of the general meetings null and void or cancelling them.

3. The court shall not declare the invalidity of a merger if the fault that causes is remedied within the stated period.

4. The court judgment invalidating the merger shall be subject to the same publication requirements as for the merger.

5. The effects of actions performed by the acquiring company, after the merger is registered with the registry and before the declaration of invalidity, shall not be affected thereby. However, the company being acquired shall be jointly and severally liable for the obligations incurred by the acquiring company during that time; merging companies shall also be liable for the obligations incurred by the new company if the merger is declared invalid.

Section IX
Demerger of companies

Sub-section I
General provision

Article 128
Concept and types

1. A company shall be allowed to:

(a) Detach part of its assets and use them to form another company;

(b) Dissolve itself and split its assets, each of the resulting parts being used to form a new company;

(c) Detach parts of its assets or wind up, splitting its assets into two or more parts, to merge them with already existing companies or with part of other companies' assets, separated by identical processes and with the same purpose.

2. A demerger may take place even if the company is in liquidation.

3. The companies resulting from the demerger may be of a different type than the demerged company.

Article 129
Draft demerger

1. The management of the company to be split or, in the case of a merger-demerger, the boards of directors of participating companies, shall jointly prepare the draft terms of the demerger which, besides other information necessary and convenient to the full understanding of the intended operation, shall also include:

(a) The type, reasons, conditions and purposes of the demerger, regarding all companies involved;

(b) The name, registered office, capital and taxpayer identification number of each company;

(c) Equity interests that any of the companies may have in the equity of another;

(d) The full list of assets to be transferred to the acquiring company or to the new company, and the amounts allotted to them;

(e) In the case of a merger-demerger, the balance sheet of each of the companies involved, prepared pursuant to Article 108(1)(d);

(f) The shares or quotas of the acquiring company or of the new company and, where appropriate, the amounts in cash to be attributed to the equity holders of the company to be split, specifying the exchange ratio, as well as the basis of this ratio;

(g) In demergers in which the resulting companies are a joint stock company, the classes of shares and the dates from which they are allotted;

(h) The date from which the holding of new equity interests entitles the holders to share in the profits, and any specific conditions affecting that entitlement;

(i) The rights ensured by the companies resulting from the demerger to the equity holders of the demerged company with special rights;

(j) The draft amendments to the articles of association of the acquiring company or the draft articles of association of the new company;

(k) The measures to protect the rights of creditors;

(l) The measures to protect the right of non-equity holding third parties to participate in the company's profits;

(m) The attribution of the contractual position of the company or participating companies, arising from the work contracts concluded with its employees, which shall not be terminated as a result of the demerger.

2. The draft terms of demerger or an annex thereto shall indicate the appraisal criteria used as well as the basis for the exchange ratio referred to in Article 129(1)(b).

Article 130
Applicable provisions

The provisions for company mergers shall apply, mutatis mutandis, to demergers.

Article 131
Exclusion of novation

Assigning the debts of the demerged company to the acquiring company or the new company shall not entail novation.

Article 132
Liability for debts

1. The demerged company shall be jointly and severally liable for the debts that, as a result of the demerger, are assigned to the acquiring company or the new company.

2. Companies benefitting from contributions resulting from the demerger shall be jointly and severally liable, up to the amount of those contributions, for the debts of the demerged company prior to the registration of the demerger.

3. A company that, due to the joint and several liability provided for in the preceding paragraphs, pays debts that have not been assigned to it shall have the right to claim a refund from the principal debtor.

Sub-section II
Simple demerger

Article 133
Simple demerger requirements

1. The demerger provided for in Article 128(1)(a) shall not be possible if:

(a) The assets of the demerged company are worth less than the sum of the equity capital, legal reserve and mandatory statutory reserves, and if the equity capital is not reduced accordingly before the demerger or concomitantly with it;

(b) The capital of the demerged company is not fully paid up.

2. For the purpose of sub-paragraph (a) above, additional contributions paid by the equity holders and not yet refunded shall be added.

3. The verification of the conditions required under the preceding paragraphs shall be clearly stated in the opinions and reports of the managing and auditing bodies, as well as of the auditor or auditing firm.

Article 134
Separable assets and liabilities

1. For a simple demerger, only the following assets may be separated for the formation of the new company:

(a) Equity interests in other companies, whether they represent all or part of the equity interests of the demerged company, and only for forming a new company, whose sole object is the management of equity interests;

(b) Assets of the company to be split that are coordinated to form an autonomous unit.

2. In the case of sub-paragraph (b) above, debts that are financially related to the formation or operation of the unit referred to therein may be attributed to the new company.

Article 135
Reduction of capital of the demerged company

The reduction of capital of the demerged company shall only be subject to the general regime insofar as it is not part of the overall amount of capital of the new companies.

Sub-section III
Demerger-winding up

Article 136
Requirements for demerger-winding up

1. The merger-winding up provided for in Article 128(1)(b) shall cover all the assets of the demerged company.

2. Where the resolution on the demerger does not state the criteria for attributing assets or debts not mentioned in the final draft demerger, the assets shall be split between the new companies in the proportion resulting from the draft demerger.

3. The new companies shall be liable for the debts, and the company that pays debts in an amount greater than the proportion resulting from the draft demerger shall be entitled to be refunded by the new companies.

Article 137
Equity interests in the new company

Unless otherwise agreed by the parties concerned, the equity holders of the company wound up through a demerger-winding up shall have an equity interest in each of the new companies in the same proportion as held in the former merged company.

Article 138
Applicable provision

The provisions of Article 122 shall apply mutatis mutandis and, in particular, to the demerger-winding up.

Sub-section IV
Demerger-merger

Article 139
Special requirements

The requirements to which, by law or contract, the transfer of certain assets or rights is subject may not be waived in a demerger-merger.

Article 140
Formation of new companies

1. The formation of new companies through the simultaneous demerger-merger of two or more companies may involve only the companies involved therein.

2. The participation of the equity holders of the demerged company in the formation of capital of the new company may not be more than the value of split assets, net of debts contractually attached to them.

Article 141
Applicable provisions

1. The provisions of Articles 114, 123 and 124 shall apply mutatis mutandis to the demerger-merger.

2. The provisions in Articles 133 and 134 shall apply to the demerger-merger if the demerged company keeps its legal personality, and the provisions of Articles 122, 125, 136 and 137 shall otherwise apply.

Section X
Conversion of companies

Article 142
General principles

1. Any company may, once it is formed and registered, take a different corporate type, unless prohibited by law.

2. Civil companies may be converted into commercial companies provided they take on one of the types provided for in Article 1(1). The rules on the conversion and registration of companies shall apply mutatis mutandis.

3. The conversion of a company shall not result in the winding up of the company.

Article 143
Impediments to conversion

A company may not be converted:

(a) If all the equity capital provided for in the articles of association, and already accrued, is not fully paid up;

(b) If the balance sheet of the conversion shows that the net asset worth of the company is less than its capital;

(c) If, in the case of a joint stock liability company, it has issued bonds convertible into shares not yet fully repaid or converted.

Article 144
Report of the management

1. The company's management shall prepare a report justifying the conversion, which shall contain the following information:

(a) The company's balance sheet specifically prepared for that purpose;

(b) The draft articles of association that will govern the company.

2. If the general meeting resolving on the conversion is held sixty days following the approval of the balance sheet of the preceding financial year, the submission of the special balance sheet may be waived, in which case the report shall be based on the former.

3. The provisions of this law on the draft terms of conversion and the examination of documents in the case of company mergers shall apply mutatis mutandis.

Article 145
Resolutions

1. The following shall be subject to different resolutions:

(a) Approval of the balance sheet;

(b) Approval of the conversion and of the articles of association that will govern the company.

2. The resolutions on the conversion that imply the elimination of special rights shall only take effect if they are approved by the equity holders who should shoulder such a responsibility and by the affected holders of special rights.

3. The new articles of association may not set longer limits for paying the equity capital not yet accrued, or contain provisions that otherwise prejudice or limit the existing rights of bond holders.

Article 146
Formalities of the conversion

In all matters not explicitly provided for in this section, the provisions on the amendment of articles of association shall apply to the conversion of companies.

Article 147
Equity interests of equity holders

Unless otherwise agreed by all the equity holders, the proportion of each equity interest in relation to the capital may not be changed.

Article 148
Resignation of disagreeing equity holders

1. Equity holders who vote against a resolution to convert the company may resign by expressing their intention in writing within thirty days of the registration of the conversion.

2. Equity holders who resign from the company pursuant to the preceding paragraph shall receive the amount of their equity interest, pursuant to Article 115.

3. If the payment of the equity interest of an equity holder who resigns affects the equity capital, all the equity holders shall be called to resolve on the revocation of the conversion or the reduction of capital.

4. The resignation shall take effect as of the date of its registration.

Article 149
Third party guarantees

1. The conversion shall not affect the personal liability of equity holders for prior corporate debts incurred.

2. The personal liability of equity holders arising from the conversion of the company shall not include prior corporate debts incurred.

3. Usufruct rights or guarantees over equity interests at the date of the conversion shall be maintained, and shall concern the new corresponding equity interests.

Section XI
Winding-up and liquidation

Sub-section I
Winding-up

Article 150
Causes for winding up and its registration

1. Companies wound up pursuant to the law, the articles of association and:

(a) By resolution of the equity holders;

(b) On the expiry of their duration;

(c) On the suspension of activity for a period of more than three years;

(d) For failure to exercise any activity for a period of more than twelve consecutive months, its activity not being suspended pursuant to Article 20;

(e) On the elimination of its object;

(f) By the supervening unlawfulness or circumstance of its object if, within forty-five days, a resolution is not taken on the amendment of such object, pursuant to the provisions on the amendment of the articles of association;

(g) If it appears from the accounts for the financial year that the net worth of the company is less than half the value of the equity capital, except as provided for in Article 34;

(h) By court judgment leading to the winding up.

2. Where there is doubt as to whether there is a reason for the winding up and in the case provided for in Article 150(1)(e), the general meeting shall be called to resolve on the recognition or not of the winding up or on the extension of the duration of the company or the amendment of its object.

3. Any creditor or the Public Prosecutor shall be entitled to request the court to declare the winding up of the company in view of any determining fact, despite the resolution of the equity holders to not recognise the winding up pursuant to the preceding paragraph.

Article 151
Effects of the winding up

1. As a result of the winding up, the company shall go into liquidation.

2. The winding up shall take effect as of the date when it is registered or, regarding the parts thereof, on the date of the final court judgment declaring or determining the winding up.

Article 152
Obligations of the management of a wound-up company

1. Following the winding up of the company, the directors shall submit the inventory, the balance sheet and the statement of profit and loss for the approval of the equity holders within sixty days as of the date when the winding up was registered.

2. Once the accounts are approved by the equity holders, directors who are not liquidators shall submit all the documents, books, papers, cash or assets of the company to the equity holders.

3. The directors shall also provide all the information and explanations necessary on the life and condition of the company as may be required by the liquidators.

Sub-section II
Liquidation

Article 153
General rules

1. The company in liquidation shall continue to have legal personality, and unless expressly provided otherwise, the provisions that regulate the liquidation up to the liquidation shall apply.

2. The company in liquidation shall maintain its name to which shall be added the wording “in liquidation”.

Article 154
Immediate share out

1. If, at the time of the winding up, the company has no debts, the equity holders may immediately share out the company's assets, in the form prescribed in Article 159.

2. Debts of a fiscal nature that have not yet fallen due at the time of the winding up shall not prevent the share out pursuant to the preceding paragraph, but all the equity holders shall be jointly and severally liable for such debts, although they may reserve, by any means whatsoever, the estimated amounts for the payment thereof.

Article 155
Liquidation period

1. The out-of-court liquidation shall not last more than two years from the registration date of the winding up until the registration of the termination of liquidation.

2. If the liquidation is not terminated within that period, it shall continue in court; the liquidators shall request that proceedings should continue within eight days as of the end of the period referred to in the preceding paragraph.

Article 156
Liquidators

1. The directors of the company shall become its liquidators, unless a clause of the articles of association or resolution to the contrary applies.

2. Legal persons may not be appointed as liquidators, except for law firms or auditing firms.

3. If there is a just cause, any interested party may request the judicial removal of liquidators.

4. The liquidators shall take up their office on the date on which the accounts are approved pursuant to Article 152(1).

Article 157
Rules applicable to liquidators

1. Subject to the legal provisions applicable to liquidators and the limitations arising from the nature of their functions, liquidators shall, in general, have the same duties, powers and responsibilities as the directors of the company.

2. Liquidators may only initiate new operations under the object of the company and contract borrowings subject to the prior resolution of the equity holders.

3. Liquidators shall, in particular, conclude businesses and transactions already begun at the date of the liquidation, collect loans and meet the obligations of the company and, save by the unanimous resolution of the equity holders, transform the remaining assets into cash.

4. Liquidators shall require equity holders to pay any outstanding contributions insofar as they are necessary to meet the obligations of the company and the liquidation costs.

Article 158
Annual accounts, final accounts and report of liquidators

1. In addition to having to submit the accounts at the end of each financial year to the equity holders on the financial position of the company and on the progress of the liquidation process, the liquidators shall also submit the final or closing accounts accompanied by a full report on the liquidation and a proposal for the share out of the remaining assets.

2. Once the final accounts and the share out proposal are approved, the equity holders shall appoint the depositary for the books and documents of the company, which shall be kept for five years.

3. The final accounts shall only be submitted to the equity holders if provisions have been made for all third-party credits known to the liquidator.

4. The liquidators shall be directly liable to creditors for any damages caused as the result of breach of the provision in the preceding paragraph.

5. If the company's assets are not sufficient to meet all the debts of the company, the liquidators shall, once it realises this, apply for the insolvency of the company.

Article 159
Approval of annual accounts and share out of the company

1. Once the final accounts are approved, the assets, net of the liquidation costs and of tax or registration debts that have not yet fallen due, shall be shared out among the equity holders as established by the articles of association or, failing that, in accordance with the following paragraphs.

2. The remaining assets shall be used primarily to reimburse the contributions actually made; this amount is the fraction of capital corresponding to each equity holder, without prejudice to the provisions of the company's articles of association if the value of the assets contributed by the equity holder is greater than that nominal fraction.

3. If the full reimbursement is not possible, the existing assets shall be shared out among the equity holders so that the losses are shared out among them in the proportion of their share in the losses of the company; to that end, the amount of contributions owed by the equity holders shall have to be taken into consideration.

4. Should a balance be left after the full reimbursement is made, it shall be shared out in the proportion applicable to profits distribution.

5. Any balances from liquidation that cannot be handed to the respective equity holder shall be deposited in its name in a bank established in the country.

Article 160
Registration and winding up of the company

1. Liquidators shall require the registration of the resolution to close the liquidation process within fifteen days, attaching thereto the documents referred to in Article 158(1).

2. The company shall be considered as wound up on the date on which the liquidation closure is registered, pursuant to this law or to insolvency proceedings.

Article 161
Supervening assets and liabilities

1. Upon closure of the liquidation and winding up of the company, the former equity holders shall be jointly and severally liable for the company's liabilities that have not been accounted for in the liquidation up to the amount they have received in the share out of the liquidation balance.

2. Any judicial proceedings in which the company is involved shall continue after its winding up; the company shall be considered as being replaced by the equity holders as of the date of the winding up; proceedings shall not be suspended nor is authorisation required.

3. If assets have not been shared out after the registration of the winding up process, any of the equity holders referred to in the preceding paragraph shall propose an additional share out to the other equity holders, which shall be made in accordance with terms agreed by all.

Section XII
Publicity of company facts

Article 162
Publications

1. The publications of facts subject to registration shall be made in one of the official languages, pursuant to the law on business registration.

2. Notices, announcements and calls to meetings addressed to the equity holders or creditors, where required to be publicised by law or by contract, shall be published in a national newspaper or, failing that, in at least one of the most widely read newspapers in the municipality where the registered office of the company is situated.

Article 163
Liability for discrepancies

1. The company shall be liable for the damages caused to equity holders or third parties for the discrepancies between the contents of the facts effected, content of the registration and of publications; directors and the company secretary, if any, shall be jointly and severally liable with the company, except where they prove that they acted without fault.

2. The directors and the company secretary, if any, shall take the necessary steps to remove the discrepancies in the shortest time possible as soon as they become aware thereof.

3. Should a discrepancy exist between the contents of any publication and that of the registration, the company may not avoid third party liability for the published text, but any third parties may benefit from the text, except where the company can prove that the third party was aware of the text contained in the registration.

Article 164
References in documents addressed to third parties

Without prejudice to the provisions in special laws, in all contracts, correspondence, publications, announcements and, in general, in all documents addressed by the company to third parties reference shall always be made to the name, registered office, taxpayer identification number and the equity capital, as well as the amount of paid-up capital, should it be different to the equity capital.

Section XIII
Supervision by the Public Prosecutor

Article 165
Supervision by the Public Prosecutor

1. The Public Prosecutor shall request, without the need for a prior action, the judicial liquidation of companies:

(a) That although not registered, have been in business for more than three months;

(b) That are not formed under or do not operate as prescribed by law; or

(c) Whose object is unlawful or contrary to the public policy.

2. The court shall order the notice of the request to the company and the equity holders and, should the regularisation be possible, it shall set a reasonable period therefor.

Section XIV
Limitation periods

Article 166
Limitation periods

1. The rights of the company against equity holders, directors, audit board members or statutory auditor, company secretary and liquidators, and their rights against the company shall lapse five years as of:

(a) The due date of the payment of the obligation to pay capital or supplementary contributions;

(b) The conclusion of all wilful or negligent conduct, or of its disclosure if it has been concealed, and of the occurrence of damage, irrespective of whether the damage has actually occurred, in relation to the obligation to compensate the company;

(c) The date of maturity of any other obligation.

2. The rights of equity holders and third parties in relation to the liability of other equity holders, directors, auditing body members, company secretary and liquidators thereto shall elapse five years as of the moment referred to in 166(1)(b).

3. The credit rights of third parties against the company which may be exercised against former equity holders and those demanded by the latter against third parties, pursuant to Article 161, shall elapse five years as of the registration of the company's winding up if, based on other legal requirements, they do not elapse before that time limit.

4. The rights to compensation referred to in Article 124 shall elapse five years as of the date of the merger registration.

5. If the fact from which the obligation arises is a crime for which the law sets a longer time limit, such time limit shall apply.

CHAPTER II
Private limited companies

Section I
General provisions

Article 167
Characteristics

1. The capital of a private limited company is divided into quotas and the equity holders shall be jointly and severally liable for the payment of all quotas pursuant to Article 173.

2. Quotas shall not be incorporated in negotiable certificates and cannot be called shares.

3. The articles of association of the company shall specify, in addition to provision of Article 7(4), the capital ratio of each equity holder.

4. The name of these companies shall be formed, without or without an acronym, by the name or business name of all, one or some of the equity holders, or by a specific name, or by the combination of both, but in any case, shall end with the word "Limited" or the abbreviation "Lda."

5. Except as provided for in paragraph 1 above and in the following article, only the company's assets shall bear the debts of the company to creditors.

Article 168
Direct liability of equity holders to the creditors of the company

1. The articles of association of the company may stipulate that one or more specific equity holders, in addition to being liable to the company pursuant to Article 167(1), shall also be liable to corporate creditors up to a certain sum.

2. The articles of association of the company may either determine that the liability be joint and several to the company or subsidiary, and the regime for all equity holders shall be the same.

3. The liability set forth in the preceding paragraphs covers only the obligations undertaken by the company while the equity holder is a part thereof and shall not be transferred upon the equity holder's death, without prejudice to the transfer of obligations to which the equity holder was bound before.

4. Any equity holder who pays the company's debts pursuant to this Article shall be entitled to be refunded by the company for the whole sum paid, but not by other equity holders.

Article 169
Maximum number of equity holders

1. A private limited company shall not have more than thirty equity holders.

2. No act that has the effect of causing a private limited company to have more than thirty equity holders shall have no legal effect on the company until said company is converted by resolution of the equity holders into a joint stock company.

3. Should the number of equity holders exceed the maximum number set in paragraph 1 above because of mortis causa succession, the successors may request the court to set a reasonable period, under penalty of winding up, to resolve on the conversion into a joint stock company.

4. Where a quota is held jointly by several persons, for the purpose of this Article only one equity holder shall be considered.

Article 170
Capital

1. The capital shall be freely set by the equity holders.

2. The capital shall always correspond to the sum of the par values of quotas.

Section II
Relations between equity holders

Sub-section I
Quotas and their payment

Article 171
Quotas

1. The par value of each quota shall be equal to or more than 1 US dollar and shall be a multiple of one.

2. The provision in the preceding paragraph shall apply to quotas resulting from a division.

3. The capital subscribed by each equity holder in the memorandum of association shall only correspond to one quota; the capital subscribed by each equity holder that comes into the equity holder's possession at any capital increase shall only correspond to one new quota.

4. Quotas corresponding to special rights shall always be independent and indivisible.

Article 172
Time for paying up quotas

1. The payment in cash of up to half of the par value of quotas may be delayed provided that the amount in cash and the par value of quotas paid in kind are equal to or more than 5,000 US dollars.

2. The payment of quotas may only be delayed for a period of not more than three years, to a specific and determined date or to be determined by the management.

3. Should the date be determined by the management and it fails to do so, the duty of payment shall be due at the end of the three-year period as of the date of registration of the memorandum of association of the company or of the resolution on the capital increase.

Article 173
Liability of other equity holders for the payment of quotas

1. Should the equity holder not pay its quota on time, the remaining equity holders shall have to pay the part in arrears, in proportion to their quotas, but jointly and severally to the company.

2. Before calling the remaining equity holders to pay the part of the debt pursuant to the preceding paragraph, the company's management shall advise the defaulting equity holder, as per Article 44, that an additional sixty days shall be granted, as of the date on when the notice is sent to pay the quota, without prejudice to the provisions of Article 32(2)(3).

3. If the defaulting equity holder fails to pay the quota within the period stated in the preceding paragraph, the company shall challenge the remaining equity holders to pay the part in arrears.

4. The total quota shall belong to the equity holders who pay the part in arrears, in due proportion, and it shall be split and added to the respective quotas.

5. The equity holder who loses the quota pursuant to the preceding paragraphs shall not be entitled to recover the sums already paid for the quota.

6. The defaulting equity holder shall also be informed of such consequences in the notice referred to in paragraph 2 above.

7. The company secretary or, where there is no such person, a director shall record this in the company books and register the corresponding amendments.

Article 174
Pre-emption right in capital increases

1. Equity holders shall have pre-emption rights in capital increases.

2. The provisions of Article 275(4) shall apply to the restriction or withdrawal of the pre-emption rights referred to in the preceding paragraph.

Sub-section II
Division and unification of quotas

Article 175
Division of quotas

1. Without prejudice to the provisions of Article 171(1), a quota may only be divided through partial cancellation, partial or apportioned transfer, sharing or division between co-holders.

2. All actions involving the division of quotas shall be drawn up in a written document, which may be of a purely private nature, unless otherwise provided by law.

3. The division of a quota does not have to be authorised by quota-holders, without prejudice to the law or the articles of association on the transfer of quota. The quota shall not for any purpose be regarded as divided if such a division has not been recorded in the company books and registered.

Article 176
Indivisible quotas

1. Joint holders of indivisible quotas shall exercise their rights and comply with the obligations attached thereto through a common representative.

2. Any actions of the company that must be notified personally to the equity holders shall be addressed to the common representative or, in the absence thereof, to any of the joint holders.

3. Joint equity holders shall be jointly and severally liable for the obligations relating to the quota.

4. The appointment and removal of the common representative shall be made in writing, under penalty of not being effective.

5. It shall be for the common representative to exercise all rights and meet all the obligations inherent to the indivisible quota, and it shall not be possible to apply any limitation of liability to the powers of representation required therefor.

6. The regime set forth in this Article shall apply to the quota incorporated in an independent asset that should be shared, unless otherwise provided by law.

Article 177
Unification of quotas

1. The original quota of an equity holder and those acquired thereafter shall be independent.

2. The holder may, however, unify them provided they are fully paid up and no rights and obligations apply to them in accordance with the company's articles of association.

3. The unification must be recorded in writing, registered and communicated to the company.

Sub-section III
Transfer of quotas

Article 178
Form and registration of the transfer

1. The transfer of a quota between living persons shall be made in writing, which may be in the form of a merely private document, unless otherwise provided by law.

2. The transfer of the quota shall be ineffective in relation to the company until it has been communicated thereto in writing and registered.

Article 179
Pre-emption right in the transfer of a quota

1. Unless otherwise provided for in the articles of association, the company, and, where the company fails to do so, the equity holders in the proportion of their quotas, shall have pre-emption rights in all transfers of quotas between living persons.

2. The company shall only exercise the pre-emption right if, as a result of the acquisition, its net worth does not become less than the sum of the equity capital, the legal reserve and the mandatory statutory reserves.

3. No transfer between living persons shall be effective, even between the parties, if the company and the quota-holders have not been notified in writing thereof, by any means capable of producing proof of receipt, to exercise the pre-emption right.

4. Once the company and the quota-holders have been notified of the desired transfer, of the price, of the identification of the proposed purchaser and of other conditions, the company and the quota-holders shall have forty-five days and fifteen days, respectively, to exercise the pre-emption right.

5. If the price of the desired transfer exceeds by more than 50% the value of the quota resulting from the appraisal specifically performed by an auditor not associated with the company, the company and the equity holders shall be entitled to purchase the quota for the value resulting from the appraisal plus 25%.

6. The provisions of Article 185(3) shall apply to the quota purchased by the company as a result of the exercise of the pre-emption right.

7. A court judgment ruling on the transfer of the quota in any proceedings shall, ex officio, be transmitted to the company for the purposes of this Article, and the company shall notify the quota-holders in writing.

8. The articles of association shall provide for any other limitations to the transfer of quotas between living persons.

Sub-section IV
Cancellation of quotas

Article 180
Cancellation of quotas

1. Quotas shall only be cancelled where the quota-holder is excluded or resigns.

2. The effect of cancelling a quota is its extinction.

3. If the cancellation of the quota is not accompanied by the corresponding reduction in capital, the quotas of other equity holders shall be proportionally increased and be subject to registration.

4. A resolution on the cancellation of a quota shall not be taken if the quota is not fully paid up.

5. If the company is entitled to cancel the quota it may, instead, purchase it or have a quota-holder or a third party purchase it, and the provisions of Article 185(3) shall apply to the former case.

6. Equity holders may only resolve on the cancellation of a quota pursuant to Article 185(2).

Article 181
Form and effect of the cancellation

1. Quota-holders shall resolve on the cancellation of a quota where a holder is excluded, or at the discretion of a holder wanting to resign from the company.

2. Once the legal or statutory provision allowing the exclusion of a quota-holder is established, the remaining quota-holders may, within ninety days as of the date when the management has become aware of such fact, resolve on the cancellation of the quotas held by the quota-holder.

3. The resolution to cancel the quota shall be effective through the registration and notification to the excluded quota-holder.

4. Once the statutory provision allowing the resignation of a quota-holder is established, the latter may inform the company, in writing and by any means capable of producing proof of receipt, within thirty days of being aware of that fact, of its intention to cancel its quotas.

5. The cancellation shall be effective, provided it is registered, thirty days after the notification is received by the company. However, if the conditions of Article 185(2) are not met, the payment of the cancellation shall only be made thereafter.

Article 182
Payment of cancellation

1. The settlement of the cancellation shall consist in the payment to the quota-holder of a sum equal to the value of the quota resulting from the appraisal, carried out for that purpose by an auditor not associated with the company.

2. The payment shall be made in two equal instalments, each maturing, respectively, six months and one year after the date on which the cancellation becomes effective or on which the conditions referred to in Article 185(2) are borne out.

Article 183
Exclusion of an equity holder

1. An equity holder may be excluded in the cases specifically provided for in the articles of association as well as by court judgment, where the conduct of the holder causes relevant damage to the company.

2. The exclusion of an equity holder shall not preclude the obligation thereof to compensate the company for any damages caused.

3. Amendments to the articles of association relating to the exclusion of quota-holders shall only be allowed if taken unanimously.

Article 184
Resignation of a equity holder

1. An equity holder may resign from the company pursuant to the articles of association and when the remaining equity holders voting against its resolution resolve on:

(a) An increase in capital to be subscribed, in whole or in part, by third parties;

(b) An amendment of the company's object to the extent provided for in Article 106;

(c) The transfer of the company's registered office overseas.

2. An equity holder may only resign if its quotas are fully paid up.

Sub-section V
Purchase of own quotas

Article 185
Purchase of own quotas

1. A company may, by resolution of the equity holders, purchase its own quotas for a consideration, and by resolution of the board of directly free of charge.

2. A company may only purchase its fully paid up own quotas if its net worth is less than the sum of the equity capital, the legal reserve and the mandatory statutory reserves.

3. Except for the right to receive new quotas or increases in the par value of equity interests in the capital through the incorporation of reserves, all rights inherent to the quotas held by the company shall be deemed to be suspended.

Sub-section VI
Profits and legal reserve

Article 186
Profits and legal reserve

1. Distributable profits for the year shall be allocated as resolved by the equity holders.

2. The articles of association may require that a percentage of no less than 25% and no more than 75% of the distributable profits for the year be compulsorily distributed to equity holders.

3. Profits receivable by equity holders shall be due thirty days after the registration of the resolution approving the accounts for the year and the resolution on the appropriation of results.

4. A share of no less than 25% of the profits for the year shall be retained in the company as legal reserve until it reaches a sum equal to half of the equity capital and at least 2,500 US dollars.

5. The provisions of Article 238(2)(3) shall apply mutatis mutandis to private limited companies.

Sub-section VIII
Special rights of equity holders

Article 187
Special rights of equity holders

Special financial rights shall be transferable with the respective quota, except where it is provided in the memorandum of association or articles of association that they were established intuitu personae; the latter and the special financial rights shall not be transferred with the quota.

Section III
Governing bodies

Sub-section I
General meeting

Article 188
General meeting

1. General meetings shall be convened in writing, by any means capable of producing proof of receipt, addressed to the equity holders, and shall contain the call notice and be sent at least fifteen before the date scheduled for the meeting, save where the articles of association provide that the call notice must be publicised or set a longer time limit.

2. No equity holder shall be deprived of the right to attend the general meetings, even if barred from exercising the right to vote.

3. Except as otherwise provided in the articles of association, an equity holder may only be represented at the general meeting by another equity holder, a spouse, a descendant or ascendant, for which a written document signed by the equity holder and addressed to the chairperson of the general meeting shall suffice as instrument of voluntary representation.

Article 189
Attribution of votes and calculating a majority

1. Each quota shall correspond to one vote, which equals the percentage that the par value of the quota represents in the equity capital.

2. Abstentions shall not be counted in determining whether a majority of votes were cast on a proposal for approval or rejection.

Article 190
Powers of equity holders

Without prejudice to other matters that the law or the articles of association subject to the resolution of the equity holders, it shall be for them to resolve on:

(a) The amendment of the articles of association, without prejudice to the provisions of Article 9(2);

(b) The exercise of the pre-emption right in the transfer of quotas between living persons;

(c) The non-judicial exclusion of an equity holder and the cancellation of the respective quotas;

(d) The purchase of its own quotas by the company;

(e) The calling in and repayment of supplementary contributions;

(f) The approval of the company's annual accounts and of the management' report;

(g) The distribution of profits;

(h) The appointment and removal of directors;

(i) The appointment and removal of the statutory auditor or of the audit board members;

(j) The merger, demerger, conversion and winding up of the company;

(k) The approval of the final accounts of the liquidators;

(l) The purchase of equity interests in unlimited liability companies or with a corporate object different from that of the company, or in companies governed by special laws.

Article 191
Majority

Without prejudice to the cases in which the law or the articles of association require a higher vote percentage, the following shall be deemed as having been taken:

(a) Resolutions concerning the matters provided for in Article 190(a)(j), if favourable votes cast correspond to at least two thirds of the equity capital;

(b) Resolutions concerning other matters if, on first call, favourable votes cast correspond to the absolute majority of the equity capital, and on second call to the absolute majority of the equity capital present or represented.

Sub-section II
Management

Article 192
Composition of the management

Private limited companies shall be managed and represented by one or more directors, who may or may not be equity holders.

Article 193
Appointment and term of office of directors

1. Directors shall be appointed in the memorandum of association or elected by resolution of the equity holders.

2. The term of office of directors, who may be re-elected, shall be for a definite period but not more than three terms financial years, but without prejudice to the articles of association being able to resolve on their indefinite duration.

3. Directors shall not be represented in the performance of their duties.

Article 194
Replacement of directors

Should all the directors be temporarily or permanently absent, any equity holder may perform urgent actions that cannot be delayed until the election of new directors or until their absence ceases.

Article 195
Functioning of the management

1. If the company has only one director, the company shall be bound by the actions performed by such director on its behalf, within the limits of the powers conferred on the director.

2. If the management comprises two directors, both shall have equal executive powers and the company shall be bound by the actions performed by either director in its behalf, within the limits of their powers, or by both directors if provided by the articles of association.

3. If the management comprises three or more directors, it shall function as a collegiate body, and the resolutions thereof shall be taken based on the favourable votes of the majority of directors and, unless otherwise provided in the articles of association, the company shall be bound by the legal transactions concluded by the majority of directors or ratified by the majority of directors.

4. Unless provided otherwise by the articles of association, the collegiate body may delegate powers to one or more directors to, individually or jointly, deal with specific management issues of the company or to perform specific actions or categories of actions.

5. The delegation of powers provided for in the preceding paragraph shall be recorded in the minutes of the meeting of the body in which it was enacted.

6. The collegiate body of directors shall meet informally or whenever it is convened by any director. Minutes shall be taken of all meetings to be signed by the attending directors in the absence of the secretary or if no secretary exists, and recorded in the minutes book.

7. Unless otherwise provided in the company's articles of association, the management may approve an internal regulation enabling the participation of its members in the meetings via distance communication.

8. The directors shall, in the exercise of their powers, comply with the resolutions of the equity holders taken regularly on matters concerning the management of the company.

Article 196
Remuneration of the directors

1. The directors shall be entitled to a remuneration set by resolution of the equity holders.

2. Any equity holder may apply to the court for the reduction of the directors' remuneration if they are clearly disproportionate in relation to the services rendered or to the company's situation.

3. If a director is dismissed without just cause, he or she shall be entitled to receive, by way of compensation, the remuneration that would be payable until the end of the term of office or, if said term of office is not for a definite period, the remunerations corresponding to two financial years.

Article 197
Resignation of directors

1. A director may resign from the term of office, in writing, by any means capable of producing proof of receipt, addressed to the management; in the absence thereof, or where there is only one director, to the company secretary and, in the absence thereof, to the chairperson of the general meeting.

2. The resignation shall be effective thirty days after the communication referred to in the preceding paragraph is received, or as soon as it is registered if the registration is completed before that period.

3. In the case of a term of office of definite duration, the resigning director shall compensate the company for any losses that may arise from the resignation.

Article 198
Dismissal of directors

1. The equity holders may at any time resolve on the dismissal of directors.

2. The articles of association may require that the dismissal of one or more directors de resolved by a qualified majority.

3. If pursuant to the articles of association an equity holder is granted a special executive right, such equity holder may not be dismissed by resolution of the remaining equity holders.

4. If justifiable grounds exist, any director may be dismissed by court judgment at the request of any equity holder or director.

5. The serious or repeated breach of the directors' duties shall constitute grounds for dismissal.

6. A serious breach of the directors' duties shall be deemed to be, in particular:

(a) Failure to register or late registration of the facts subject thereto, and failure to keep the company's books updated and in order;

(b) The exercise, in an employed or self-employed capacity, of a business activity in direct competition with that of the company, unless the prior consent of the equity holders.

Section IV
Private limited liability companies with a sole equity holder

Article 199
Private limited liability companies with a sole equity holder

1. Any natural or legal person may incorporate a private limited liability company the capital of which, consisting of a single quota, he/she/it shall be the sole holder, to be governed by the provisions of this section and by the provisions applicable to private limited companies with the necessary modifications.

2. Provisions of this section shall apply to private limited liability companies that have a sole equity holder from the outset, for as long as there is a sole equity holder, and to private limited liability companies that have subsequently come to have a sole equity holder, ninety days having elapsed without a plurality of equity holders having been re-established.

3. The name of such companies shall include the word "*unipessoal*" before the word "*Limitada*" or the abbreviation "*Lda*".

Article 200
Legal transactions between the sole equity holder and the company

1. A legal transaction concluded, directly or through a third party, between a company and its equity holder shall always be in writing, unless a more formal finalisation is required, and it shall be necessary, useful or deemed convenient to the pursuance of the company's objects, otherwise it shall be null and void.

2. Legal transactions referred to in the preceding paragraph shall always be object of a prior report to be prepared by an auditor not associated with the company, who shall, in particular, determine whether the company's interests have been duly protected and the transaction complies with normal market conditions and price, otherwise it may not be concluded.

3. To be effective, legal transactions referred to in the preceding paragraph shall be recorded in the book of liens, encumbrances and guarantees.

4. Provisions of this Article shall not apply to equity holder loans made pursuant to Articles 39 and 40.

Article 201
Decisions of the sole equity holder

Decisions on matters that by law fall under the decision-making powers of equity holders shall be personally taken by the sole equity holder and recorded in a book intended for that purpose and signed by the sole equity holder and by the company secretary, should one exist.

CHAPTER III
Joint stock companies

Section I
General provisions and public subscription

Sub-section I
General provisions

Article 202
Characteristics

1. Joint stock companies may only be formed by a minimum of three shareholders, without prejudice to the provisions on affiliated companies.

2. The provisions of paragraph 1 above shall not apply to the companies in which the State holds all or the majority of capital, which may be formed by only one or two shareholders. However, should the State be the sole shareholder, the provisions in Articles 289 to 291 shall apply mutatis mutandis.

3. The equity capital of joint stock companies may not be less than 50,000 US dollars.

4. The equity capital shall be divided into shares, all of an equal par value of 1 US dollar or multiples of one, represented by share certificates.

5. The liability of the shareholder shall be limited to the value of subscribed shares.

6. The business name of these companies shall be formed, with or without an acronym, by the name or business name of one or some of the shareholders, or by a specific name, or a combination of both these elements, but in any case, shall end with the wording "*sociedade anónima*" or the abbreviation "*S.A.*".

Article 203
Payment of equity capital

1. The joint stock company may not be formed if the equity capital is not fully subscribed and at least 25% is fully paid up

2. There may be no delay in the payment of equity capital due in kind, nor of the issue premium, where the case may be.

Article 204
Memorandum of association

The shareholders shall be involved in the drafting of the memorandum of association, except where the company is formed through public subscription. In addition to the provisions in Article 7(4), the articles of association shall include the following:

(a) The par value and number of shares;

(b) The authorisation, if any, for the issuance of bonds;

(c) The amount up to which the management may increase the equity capital without a resolution of the shareholders;

(d) The types of shares, ordinary and preferential, if different;

(e) The various classes of ordinary shares, if equal rights are not attached to all shares.

Sub-section II
Formation through public subscription

Article 205
Formation through public subscription

1. The formation of the company through public subscription shall be initiated by one or more promoters, whether natural or legal persons, who shall be jointly and severally liable for the entire process up the registration of the company.

2. The promoters shall subscribe and pay, in cash, themselves, shares whose par values total at least 50,000 US dollars or 20% of the shared capital, whichever is the highest, of which they shall not be allowed to dispose or encumber before the accounts of the third financial year are approved.

3. Companies formed through public subscription may only have ordinary shares of one single class.

Article 206
Draft

1. The promoters shall prepare a draft containing:

(a) The full draft articles of association, strictly specifying the object of the company;

(b) The number of shares intended for public offering, as well as their nature and par value and issue premium, if any;

(c) The estimated costs to be borne by the promoters, if these are to be refunded by the company pursuant to Article 17(2);

(d) The time limit for the public offering and the credit institutions where it can be made;

(e) The time limit within which the constituent assembly shall meet;

(f) A three-year forecast technical, economic and financial study on the development of the company, based on true and accurate data and taking into consideration the known circumstances and projections available at that date, to properly clarify any persons potentially interested in the offering;

(g) The rules for the apportioning of the offering, if necessary;

(h) The indication of the conditions under which the company shall be formed if the public offering is incomplete or, in this case, the indication that the company shall not be formed;

(i) The amount of subscribed capital to be paid at the time of the offering, the time limits for paying the remaining amount, and the time limit for the refund of that amount if the company is not formed.

2. The draft shall also contain the full identification of promoters and of the authors of the study provided for in Article 206(1)(f), if different.

Article 207
Liability

1. The promoters of the company shall, without limit, be jointly and severally liable for the accuracy of the information contained in the study.

2. For this purpose, the authors of the study provided for in Article 206(1)(f) shall also be regarded as promoters of the company.

Article 208
Supervision of draft and offering

1. A copy of the draft referred to in Article 206 shall be submitted to the monetary and foreign exchange authority.

2. Fifteen days after the submission referred to in the preceding paragraph, the promoters shall formulate a public offering, which they shall sign, to be registered together with the draft.

Article 209
Publicity

1. Once the offering and draft are registered, they shall be publicised in full, without prejudice to the provisions of the following paragraph.

2. The publication of the study as per Article 206(1)(f) may be replaced by the indication that copies thereof are available to any interested party, free of charge, at the credit institutions where the offering can be made.

Article 210
Payment in cash

For companies formed through public subscription, equity capital my only be paid in cash.

Article 211
Incomplete offering

1. The company may only be formed if at least 75% of shares offered to the public are subscribed and if this is provided for in the draft pursuant to Article 206(1)(h).

2. If the company is not formed for failure to achieve a sufficient percentage of shares subscribed by the public, the promoters shall, within five working days after the time limit for the offering mentioned in the draft, publicise this information to the subscribers, and cancel the registration of the draft.

3. These same notices shall inform the subscribers that the company has not been formed and that the capital paid by each subscriber shall be available at the credit institution where subscription was made; the notices shall be posted again within one month.

Article 212
Constituent meeting

1. On the expiry of the subscription and where the company may be formed, the promoters shall, within the next five working days, call a meeting of all subscribers.

2. The call for the meeting, which shall indicate two dates so that the meeting can convene on second call, if necessary, shall follow the provisions for general meetings of joint stock companies, and the meeting shall be chaired by one of the promoters and a lawyer shall act as secretary.

3. Attendance lists and minutes shall be drawn of meetings pursuant to Article 65(2).

4. All documents pertaining to the offering and, in general, to the formation of the company shall be available to the subscribers as of the publication of the call notice, which shall mention this fact, indicating the place where they may be examined.

5. On the first date set, the meeting shall only convene if the promoters are present or represented as well as subscribers holding or representing three quarters of the capital subscribed by the public, in which case the resolutions shall be taken by a majority of the votes corresponding to the equity capital, each subscribed share being allowed one vote.

6. If, on the second set date the promoters and subscribers holding or representing half of the capital subscribed by the public are not present or represented, the resolutions shall be taken by two thirds of the votes, each subscribed share being allowed one vote.

7. If the meeting is unable to resolve, pursuant to the preceding paragraphs, on any of the dates set on the call notice, the company may not be formed, and the provisions of Article 212(2)(3) shall apply.

8. If the company is unable to be formed, all expenses relating to its formation shall be borne by the promoters.

Article 213
Resolutions

1. Once the meeting is convened, the promoters shall make a statement equivalent to the one provided in Article 112(1), and if a relevant change has occurred, the meeting shall resolve pursuant to Article 112(2).

2. Where there is no relevant change, or it has been resolved that a rewriting of the draft is not necessary, the constituent meeting shall resolve on the formation of the company and on the appointment of the first governing body officers.

3. If the formation is resolved even though the equity capital has not been fully subscribed, such equity capital shall be reduced to the amount subscribed.

4. If it is resolved to rewrite the draft or to not form the company, the provisions of Article 211(2)(3) shall apply mutatis mutandis.

5. The minutes, which shall be published if the formation has been approved, shall include, in attachment, the subscribers' attendance mentioning those who voted in favour to the formation of the company; the attached list shall not require publication.

6. The rules on nullity, invalidity and suspension of resolutions of general shareholder meetings shall apply to the resolutions of the constituent assembly.

7. Any relevant false information contained in the study provided for in Article 206(1)(f) shall also be grounds for the cancellation of resolutions, which may only be requested six months after the company's formation is registered, even though the subscriber may only have had knowledge thereof later.

8. The provisions of the preceding paragraph shall be without prejudice to the civil and criminal liability of subscribers.

Article 214
Registration of the memorandum of association

For registration, the memorandum of association shall consist of the minutes of the constituent assembly and its attendance list.

Article 215
Indirect subscription

1. A subscription shall be public even if indirectly effected by credit institutions authorised by law to intervene in these transactions.

2. In this case, the intervening institutions shall subscribe all the equity capital set aside for the public offering and undertake to offer the shares for the price and under the terms and conditions as set forth in the draft.

Article 216
Transferability of shares

The shares of companies formed through public subscription shall always be freely transferable, except for the provisions of Article 215(2).

Section II
Relations between shareholders and the company

Sub-section I
Shares and their payment

Article 217
Share type and classes

1. Shares may be ordinary or preferential. Whereas ordinary shares confer the right to vote and to the dividend of distributable profits, preferential shares do not confer the right to vote, but confer the tight to a priority dividend and to the priority reimbursement in the share out of the liquidation balance.

2. Ordinary shares may be divided into several classes if the inherent rights of each share class are different.

3. The diversity of rights of ordinary shares may consist in the removal of proportionality in relation to the distribution of profits and the share out of the assets resulting from the liquidation, but the shares within a class shall confer equal rights.

4. Preferential shares may be redeemed.

Article 218
Time for paying up shares

1. The payment in cash of up to 75% of share par value of shares may be delayed provided that the amount in cash is at least equal to the minimum capital set forth in Article 202(3).

2. The payment may only be delayed for a period of not more than five years to a specific and determined date or to be determined by the management.

3. Should the date be determined by the management and it fails to do so, the duty of paying the shares shall be due at the end of the five-year period as of the date of registration of the memorandum of association of the company or of the resolution on the capital increase.

4. The amount payable by the shareholders may not be less than the par value of the shares, but can be higher if an issue premium is required.

5. The payment of the issue premium may not be delayed.

Article 219
Liability for the payment of shares

1. Each shareholder shall only be liable for the payment of shares subscribed and, if cash payments are delayed to a date to be determined by the management, shall never be in arrears until thirty days have elapsed since the notice of the resolution that has set that date.

2. The original subscriber and all those to whom the shares have been transferred, in whatever capacity, shall be jointly and severally liable for the payment of shares.

3. If the shareholder or predecessors default, the management shall notify them, again, granting an additional time limit of ninety days to pay the shares subscribed and in arrears, plus default interest, under penalty of losing those shares to the company and the amounts already paid for those shares.

4. If the company was formed through public subscription, on the date of the first and second issues notices shall be posted to all subscribers.

Article 220
Nature and type of shares

1. All shares are registered shares.

2. Shares may be book-entry or represented by share certificates.

Article 221
Coupons

Share certificates may have coupons for the collection of dividends.

Article 222
Indivisibility

1. Shares shall be indivisible.

2. In the case of joint ownership of a share, the rights inherent thereto shall be exercised by a common representative, and the joint owners shall be jointly and severally liable to compliance with obligations.

Article 223
Special rights

1. Special rights conferred to a share class shall only be removed or limited by special resolution taken at a meeting of shareholders holding shares of the said class.

2. Special rights shall be transferred with the shares to which they relate.

3. Statutory amendments affecting, in different ways, the various types of shares shall depend on the special resolution taken at a meeting of shareholders holding each of those types of shares, under the terms and with the majority required for statutory amendments.

Article 224
Share certificates representing shares

1. Each share shall be given a serial number, which shall feature on the share certificate to which they belong.

2. Share certificates representing most shares may be broken down into share certificates representing fewer shares and vice-versa, always at the request and expense of the shareholder.

3. Share certificates representing shares shall indicate in a clear and easily understandable way, in one of the official languages:

(a) The type, class, serial number, par value and the overall number of shares registered in each security;

(b) The name, registered office and taxpayer identification number of the company;

(c) The amount of the equity capital subscribed;

(d) The percentage amount to which the shares registered in the security are paid up;

(e) The signatures or seal of one director and of the company secretary, if any;

(f) The legal or statutory limitations to the transfer of share certificates.

4. Share certificates representing shares shall be made available to the shareholders within ninety days of the registration of the memorandum of association or of the capital increase.

5. During the period referred to in the preceding paragraph, the shareholders may request the company to issue provisional certificates which, for all purposes and until the issue of the share certificates, shall replace them and shall contain the same references of the share certificates and shall always be registered.

6. The Government, by ministerial diploma of the Minister of Economy, shall establish and regulate the form of share certificates.

Article 225
Share register

1. The share register shall contain the following information in separate sections by type and class of shares:

(a) The serial number of all shares;

(b) The number and overall par value of each type or class of shares;

(c) The dates on which the provisional certificates or final certificates were delivered to the shareholders;

(d) The name and address of the first holder or each share;

(e) Any conversions made and the dates thereof;

(f) The breakdowns or concentrations and the dates thereof;

(g) Any liens or encumbrances on shares;

(h) The redemption of preferential shares and the date thereof;

(i) The transfer of shares and the date thereof.

2. A separate section of the register shall contain the shares owned by the company.

3. As shares are of the book-entry type, the share register shall contain an individual record of the shares identifying the holder and the legal or statutory limitations to its transfer. The shareholder may request the company to issue a certificate attesting to such a registration.

4. The company secretary, if any, or a director shall initial the entries made in the register pursuant to sub-paragraphs (c) to (i) of paragraph 1 above.

5. The individual registration of shares shall take an electronic form in accordance with terms and conditions to be regulated by government decree.

Sub-section II
Preferential shares without voting rights

Article 226
Issue and priority dividends

1. The articles of association may authorise the company to issue, up to half of the equity capital, shares without voting rights conferring, pursuant to Article 217(1), the right to priority dividends not less than 5% of the par value and to be defined in the resolution of issue, and to the priority reimbursement of its par value in the share out of the liquidation balance.

2. If any distributable profits exist, the general meeting shall distribute at least the priority dividends or, it these do not suffice, it shall share out the distributable profits proportionally to the holders of preferential shares.

Article 227
Non-payment of priority dividends

1. If the priority dividend cannot be paid during the two first consecutive financial years, the holders of preferential rights shall be entitled to have their shares converted, upon request, into ordinary shares.

2. Should there be several classes or ordinary shares, the holder shall indicate in the request the class into which the shares shall be converted.

Article 228
Rights, quorum and majority

1. Except for the voting right, preferential shares shall not confer all the rights of the ordinary shares to their holders.

2. Preferential rights shall not be considered for the purpose of quorum or majorities in the taking of resolutions by shareholders; however, their holders shall be entitled to be present at the general meetings, or to be represented therein through a common representative should the articles of association prohibit the presence of shareholders without voting rights.

Article 229
Redeemable preferential rights

1. Unless otherwise provided by the articles of association, preferential shares may be issued on the condition that they are redeemed on a certain date or on a date to be set by the board of directors, but nonetheless not more than ten years as of the due date.

2. Preferential shares may only be redeemed if they are fully paid up.

3. Redemptions shall be made based on the share par value, unless the articles of association allow the payment of a redemption premium, the amount of which shall be set in the resolution on the share issue.

4. Redemption may only take place if as a result of the payment of the par value and of the redemption premium the net worth of the company is not less than the sum of its capital, the legal reserve and the mandatory statutory reserves.

5. As of the redemption, an amount equal to the share par value shall be taken to special reserve, for all purposes equivalent to the legal reserve, without prejudice to its cancellation should the capital be reduced.

6. The redemption of shares shall not imply a capital reduction and, unless otherwise stated in the articles of association, the general meeting may resolve to issue new shares of the same type to replace the redeemed shares, to be disposed to shareholders or third parties.

7. The resolution on the redemption of shares shall be subject to registration and publication.

8. The articles of association may provide for penalties for non-compliance by the company of the obligation to redeem the shares on the set date; in the absence of statutory provisions to the contrary, any holder of such shares may request the company, one year after that date where the redemption has not been effected, to convert is shares pursuant to Article 227, or to request the court to determine the winding up of the company.

Sub-section III
Transfer of shares

Article 230
Transfer of share certificates

1. Share certificates shall be transferred between living persons through the endorsement in the certificate and record thereof in the share register.

2. Book-entry shares shall be transferred between living persons through a contract concluded by written document recorded in the individual share registration in the share register.

Article 231
Legal limits to transfers

Provisional certificates or share certificates the transfer of which depends on a legal or statutory provision shall contain a specific reference to this information on the front page, in easily understandable wording.

Sub-section IV
Purchase of own shares

Article 232
Purchase of own shares

1. Without prejudice to a more restrictive provision in the articles of association, a joint stock company shall not be entitled to purchase own shares corresponding to more than 10% of its equity capital.

2. The limit established in the preceding paragraph may be exceeded or, in the case of a full restriction, may not be complied with:

(a) If the purchase is specially permitted or imposed by law;

(b) In the case of a universal purchase of assets;

(c) If the purchase it free of charge;

(d) If the purchase is enforced, if the debtor has no sufficient assets.

3. The company may only purchase own shares if, as a result, its net worth does not become less than the sum of the equity capital, of the legal reserve and of the mandatory statutory reserves.

4. The company may only purchase own shares if they are fully paid up, except as provided for in Article 218(3).

5. All purchases made in breach of the provisions of this article shall be null and void, without prejudice to the liability of those involved in such a purchase.

6. The company may not accept as guarantee shares representing its capital, except for the purpose of securing the performance of oversight functions.

Article 233
Resolution to purchase own shares

1. The resolution to purchase of own shares shall rest with the shareholders.

2. The resolution shall specify the purpose, price and other terms and conditions of the purchase, the time limit and the margins within which the management may effect the purchase.

3. In the cases provided for in Article 232(2)(a)(b)(c), if the purchase depends on the will of the company, this shall be stated in the management' resolution.

Article 234
Disposal of own shares

The provisions of Article 233(1)(2) shall apply mutatis mutandis to the disposal of own shares.

Article 235
Regime for own shares

1. The provisions of Article 185(3) shall apply mutatis mutandis to own shares.

2. The report and accounts for the year shall clearly refer to the number of shares held by the company at the end of the year.

Sub-section V
Right to information

Article 236
Right to information before the general meeting

In addition to the right of information for all shareholders in general, shareholders shall be entitled to examine, at the registered of the company, during office hours, as of the date on which the calls for the annual general meeting are sent or published:

(a) All documents that serve to support the taking of resolutions on matters on the agenda;

(b) The text of proposals that the management or the audit board or statutory auditor have resolved to submit to the general meeting;

(c) The text of proposals that any shareholders have submitted to the company, in particular where they have requested the general meeting;

(d) The full identification and curriculum of persons proposed by the management for the performance of governing positions.

Sub-section VI
Profits and legal reserve

Article 237
Right to profits

1. Distributable profits shall be allocated as resolved by the shareholders.

2. The articles of association may require that a percentage of no more than 25% of the distributable profits for the year be compulsorily distributed to shareholders.

3. Profits receivable by shall be due thirty days after the registration of the resolution approving the accounts for the year and the resolution on the appropriation of results.

Article 238
Legal reserve

1. A share of no less than 10% of the profits for the year shall be retained in the company as legal reserve until it reaches a sum equal to one quarter of the equity capital.

2. The reserves formed by the following items shall for all purposes be equivalent to the legal reserve, but shall not be exempted from the provisions of the preceding paragraph:

(a) Share issue premiums;

(b) Premiums for the issue or conversion of bonds convertible into shares;

(c) Value of the payments in kind more than the par value of the shares thus paid.

3. The legal reserve and equivalent reserves shall only be used to:

(a) To cover the losses as at the closing of the year, except where these losses can be covered by any other reserves;

(b) Cover losses carried over from previous financial years that cannot be covered by the year's profits or any other reserves;

(c) Incorporation in the equity capital.

Section III
Obligations

Article 239
Concept and types

1. Joint stock companies shall be entitled to issue negotiable securities designated as bonds which, in the same issuance, shall confer equal credit rights for the same par value.

2. Bonds may be issued that:

(a) Besides conferring their holders the right to a fixed interest, they also entitle them to a supplementary interest or to a reimbursement premium, either fixed or dependent on the company's profits;

(b) Present the interest and reimbursement plan, dependent on the profits and variables according to their amounts;

(c) May be convertible into shares, with or without issue or conversion premiums.

Article 240
Conditions and limits

1. Bonds may only be issued by companies whose two last balance sheets have been regularly approved or that have resulted from the merger or demerger of companies of which at least one is in said situation.

2. Bonds may not be issued if shareholders are in arrears.

3. Joint stock companies shall not be allowed to issue bonds that exceed the amount of the paid up and existing capital, pursuant to the last approved balanced sheet.

4. The limit referred to in the preceding paragraph shall be calculated by adding the par value of all bond issued by the company that have not been cancelled on the date when new bonds are resolved.

5. A new bond issue may not be made while the obligations of a previous issue are not fully subscribed.

Article 241
Series and incomplete subscription

1. Shareholders shall be entitled to authorise the effectiveness of a bond issue they have authorised to be made, in instalments, in series, established by them or by the board of directors; however, such authorisation shall expire after five years in respect of series not yet issued.

2. A new series may not be launched until the bonds of the previous series are not fully subscribed.

3. Once the new issue of bonds is effected and only a part thereof is subscribed during the period set for the subscription, the issue shall be limited to the amount subscribed.

Article 242
Registration

1. Each bond issue and the issue of each series of bonds shall be subject to registration.

2. While the issue of bonds or the series of bonds are not registered, the certificates thereof may not be issued.

3. Directors shall promote the registration of the actual amount of the issue when it is reduced because of an incomplete subscription.

Article 243
Issue resolution

1. The issue of obligations shall be resolved by the shareholders, unless the articles of association authorise the resolution thereof by the board of directors.

2. The resolution to issue bonds convertible into shares shall always be taken by shareholders, and a majority of votes shall be required to resolve on the increase of capital.

3. The resolution to issue bonds convertible into shares shall be considered as an implicit approval of the increase of capital of the company in the amount and conditions as may be necessary to meet the conversion requests.

Article 244
Minimum contents of the issue resolutions

1. The resolution to approve the issue of bonds shall contain at least:

(a) The overall amount of the issue and the grounds therefor, the par value of bonds, the price for which they are issued and reimbursed, or how to calculate it;

(b) The interest rate and, where applicable, the method of calculating the appropriation for paying interest and reimbursement and the fixed interest rate, the criterion for calculating the supplementary interest or of the reimbursement premium;

(c) The loan repayment plant;

(d) The identification of subscribers and the number of bonds to be subscribed by each shareholder, where the company does not use a public subscription.

2. A resolution approving the issue of convertible bonds shall also indicate:

(a) The bases and terms of the conversion;

(b) The issue or conversion premium;

(c) If the shareholders are to be deprived of the right provided for in Article 275(1) and the reason for such measure.

Article 245
Supplementary interest

1. In bonds with a supplementary interest, this may be:

(a) Fixed and dependent only on the existence of distributable profits in an amount equal to that of the supplementary interest;

(b) Variable and corresponding to a percentage of not more than 10% of the calculated distributable profits.

2. It may be established that in any of the supplementary interest arrangements provided for in the preceding paragraph, the interest shall only be payable if the distributable profits exceed a fixed amount or a fixed percentage of the capital, the bond holders being only entitled to the fixed interest if no distributable profit in excess of that limit is calculated.

3. If there is supplementary interest, the auditor shall issue an opinion on the calculation of the profits and, in particular, on the correction and justifications for the cancellations and provisions made.

4. The distributable profit to be considered, for the purpose of paying, in a specific financial year, the supplementary interest shall be that of the preceding year.

Article 246
Payment of supplementary interest and reimbursement premium

1. The supplementary interest for each year shall be paid one or more times, separately or together with the fixed interest, as may be established in the issue.

2. Should the bond be cancelled before the due date of the supplementary interest, the issuing company shall provide the bond holder a document enabling the exercise of the tight to any supplementary interest.

3. The reimbursement premium shall be fully paid on the date when the bonds are cancelled, which shall not be set for a date before the time limit for approving the annual accounts.

Article 247
Pre-emption right

1. The shareholders shall be entitled to a pre-emption right in the subscription of convertible bonds, for which Article 275 shall apply.

2. A person may not take part in a vote that removes or limits the pre-emption right of shareholders in the subscription of convertible bonds if the person might benefit from such a removal or limitation, nor shall the person's actions be taken into consideration for the purpose of quorum at a meeting or of a majority required for the resolution.

3. The resolution to issue bonds may establish the pre-emption right of shareholders or of bond holders in the subscription of bonds to be issued, and shall regulate the exercise thereof.

Article 248
Prohibition of amendments

1. The conditions established by the resolution of the general shareholders meeting on the issue of bonds may only be amended without the consent of bond holders provided that the amendment does not reduce the bond holders' benefits or rights, or increase their burdens.

2. As of the date of the resolution on the issuance of bonds convertible into shares, and for as long as it is possible for any bond holder to exercise the right of conversion, the company shall not be allowed to amend the conditions of the share out of profits set in the memorandum of association, to distribute, for whatever purpose, own shares or to attach benefits to existing shares.

3. If the capital is reduced because of losses, the rights of bond holders who opt for the conversion shall be reduce correlatively, as if those bond holders had been shareholders as of the issue of the bonds.

4. During the time referred to in paragraph 2 above, the company may only issue new bonds convertible into shares, change the par value of its shares, distribute reserves to shareholders, increase the equity capital through new equity interests or through the incorporation of reserves, and to perform any act that may affect the rights of bond holders who opt for the conversion provided that they are granted the same rights as those of the shareholders.

5. The rights referred to in the final part of the preceding paragraph shall not cover the right to receive any revenue from the certificates or to participate in the distribution of free reserves, in respect of a period prior to the date on which the conversion takes effect.

Article 249
Allocation of interest and dividends of convertible bonds

1. Bond holders shall be entitled to the interest of their bonds up to the time of the conversion, which, for this purpose, shall always refer to the end of the quarter in which the request for conversion is submitted.

2. The terms and conditions of issue shall always contain the regime for the allocation of dividends applied to the shares into which the bonds are converted, in respect of the financial year in which the conversion takes place.

Article 250
Increases through conversion and registration

1. The increase in the equity capital resulting from the conversion of bonds into shares shall be resolved by the management, which shall be taken:

(a) Within thirty days after the expiry of the time limit for submitting a conversion request period where, pursuant to the terms of the issue, the conversion is to be done in a single operation and in one occasion;

(b) Within thirty days after the expiry of each time limit for submitting a conversion request, where, pursuant to the terms of the issue, the conversion may be done in more than one occasion.

2. Where the resolution for the issue establishes only one moment as from which the right of conversion may be exercised, as soon as it occurs the management shall resolve on the increase of capital, in the first and seventh months of each financial year, each resolution covering the increase resulting from the conversions requested during the immediately preceding six-months.

3. The conversion shall be considered, for all purposes, as effected:

(a) In the cases provided for in paragraph 1, on the last day of the time limit for submitting the request;

(b) In the cases provided for in paragraph 2, on the last day of the month immediately prior to that in which the resolution to increase the capital that covers such conversion is taken.

4. The increase of capital shall be registered within fifteen days of the date of their resolutions.

Article 251
Agreement with creditors and winding up of the company

1. If the company issuing bonds convertible into shares enters into an agreement with its creditors, the right of conversion may be exercised as soon as the agreement is approved and in accordance with its conditions.

2. In the event of the winding up of the company issuing bonds convertible into shares other than as the result of a merger, the bond holders, in the absence of a suitable security, may request the early repayment.

Article 252
Own shares

The company may only purchase own bonds in the cases provided for in Article 232(2) and if the provisions set forth in Article 232(3) are met.

Article 253
General bond holders meeting and common representative

1. Thirty days after the time limit for subscription of a bond issue, the company shall convene a general bond holders meeting by means of call notice.

2. Rules applicable to general meetings shall apply to this meeting with the necessary modifications.

3. The bond holders shall elect a common representative, who may be a natural person, a law firm or an auditing firm, who shall attend and participate in the general meetings, without a voting rote, who shall, be responsible for representing the group of bond holders as a whole in court and before the company or third parties.

4. It shall be for the bond holders at the general meeting to resolve on all matters of common interest.

Article 254
Bond certificates

Bond certificates issued by the company shall indicate:

(a) Name, registered office, subscribed capital and taxpayer identification number of the company;

(b) Date of the resolution on the issue;

(c) Date of registration of the issue;

(d) Total amount of bonds of this issue, the number of bonds issued, the par value of each bond, the rate and interest payment method, the time limits and the conditions for the subscription and reimbursement, as well as any other special issue terms and conditions;

(e) Serial number of the bond;

(f) Issue or conversion premium;

(g) Special guarantees of the bond, if applicable;

(h) Type of the bond, registered or bearer;

(i) Series, if applicable;

(j) Signatures or seal of one director and of the company secretary, if any.

Section IV
Governing bodies

Sub-section I
General meeting

Article 255
Limits

Shareholders may only resolve on management issues of the company at the request of the management.

Article 256
Participation in the meeting

1. All shareholders who are entitled to, at least, one vote, shall be entitled to be present at the general meeting and discuss and vote therein.

2. Shareholders may be represented at the general meeting by any natural person entitled to exercise rights, for which a document of voluntary representation drafted and signed by the shareholder and addressed to the chairperson of the general meeting shall suffice.

3. Shareholders without voting rights and bond holders shall have the right to attend the general meetings and take part in the discussion of matters on the agenda, unless otherwise stated in the articles of association.

4. The common representatives of bond holders and holders of preferential shares without voting rights, as well as any persons authorised by the chairperson of the general meeting, the latter subject to the opposition of the shareholders, shall have the right to attend the general meeting, but shall not be allowed to take part in the discussion.

5. Where the articles of association require ownership of a certain number of shares for the purpose of voting at a meeting, the shareholders owning a number of shares less than that required may form a group to achieve such number and shall be represented by one such shareholder.

Article 257
Call for general meetings

1. The call notice shall be published at least fifteen days before the general meeting.

2. The articles of association may establish other formalities in the calling of shareholders and may allow the publication of notices to be replaced by written communication, by any means capable of producing proof of receipt, addressed to the shareholders within the same time limit.

Article 258
Votes

1. Unless otherwise provided for in the articles of association, each share shall correspond to one vote.

2. The articles of association may require the ownership of a certain number of shares to cast a vote, provided that all shares issued by the company are considered and that one vote corresponds to at least every 1,000 US dollars of equity capital.

Article 259
Quorum for holding meetings and for resolutions

1. Unless otherwise provided by law or the articles of association, the general meeting shall resolve by an absolute majority of votes corresponding to the equity capital present or represented.

2. Abstentions shall not be counted in determining whether a majority of votes were cast on a proposal for approval or rejection.

3. Resolutions concerning the amendment of the articles of association, merger, demergers, conversion and winding up of the company shall only be considered as being taken if the meeting where they are taken is attended by the shareholders or their representatives owning shares corresponding to at least one third of the equity capital, and if favourable votes cast correspond to two thirds of the equity capital present or represented, whether the meeting convenes at first or second call, but in this case, the meeting may resolve irrespective of the equity capital present or represented.

4. If there are several proposals for the appointment of holders of governing positions, the proposal obtaining the most votes shall win.

Sub-section II
Management

Article 260
Composition

1. Management shall be entrusted to a board of directors composed of an odd number of members, who may or may not be shareholders of the company.

2. The articles of association may authorise the appointment of alternate directors, up to a maximum of three, the order of preference of which shall be established upon the election resolution and, where no resolution is taken, shall be determined based on seniority.

3. The articles of association may provide for a sole director, provided that the equity capital is of no more than 200,000 US dollars. The provisions on the board of directors that do not imply multiple directors shall apply to the sole director.

4. The articles of association may provide for a Chief executive officer or an Executive Committee, and non-executive members, in which case the provisions of Article 272 shall apply mutatis mutandis.

Article 261
Duration of the term of office and representation

1. The duration of the term of office of directors shall be three calendar years, the calendar year in which the directors have been appointed being counted as a full year, unless a shorter period is provided in the articles of association. Directors may be re-elected.

2. Although appointed for fixed period, directors shall remain in office until the new election, without prejudice to the provisions of Articles 268 to 270.

3. Directors shall not be represented in the performance of their duties, except in board of directors' meetings and by another director, by letter addressed to the board

Article 262
Replacement of directors

1. Should a director be permanently absent, the first alternate shall be called to replace the position thereof.

2. In the absent of alternates, one or more directors shall be elected at the first subsequent general meeting, even though such matter may not be on the agenda, to perform duties until the term of office of the remaining directors.

Article 263
Appointment by the court

1. Where the board of directors is unable to meet for more than one hundred and twenty days due to the lack of sufficient effective directors, and where no replacements as per the preceding Article were made, and also where more than one hundred and eighty days have elapsed since the expiry of the term for which the directors were elected without a new election having taken place, any shareholder may request the court to appoint a director until a new board of directors is elected.

2. The provisions relating to the board of directors that do not presuppose multiple directors shall apply to the court-appointed director.

3. The functions of the existing directors, in the cases provided for in paragraph 1 shall cease upon the court appointment of a director.

Article 264
Chair of the board of directors

1. The chair of the board of directors shall be appointed by the general meeting convened to elect the directors, and, the articles of association permitting, shall be chosen by the board of directors.

2. The articles of association may grant the chair a casting vote in the resolutions of the board of directors.

Article 265
Guarantee and remuneration

1. The liability of directors shall be guaranteed of so determined by the articles of association or at a general meeting.

2. It shall be for the general meeting, or for a shareholder-chosen committee, to set the remunerations of the directors.

Article 266
Transactions with the company

Contracts concluded between the company and its directors, directly or through a third party, shall be null and void, except those specifically authorised by resolution of the board of directors, with the favourable opinion of the audit board or the statutory auditor.

Article 267
Prohibition of competition

Except in the cases specifically authorised at a general meeting, directors shall be barred from exercising, in an employed or self-employed capacity, a business activity covered by the object of the company.

Article 268
Suspension of directors

1. The audit board or the statutory auditor may suspend directors from the exercise of their duties when any personal circumstances of these directors prevent them from carrying out their duties for a period presumably greater than sixty days.

2. During the suspension of directors, their powers, rights and duties that presuppose the effective performance of their functions shall also be suspended.

Article 269
Removal

1. The directors' term of office may be revoked by resolution of the shareholders, at any time, without prejudice to the right of the director to the compensation referred to in Article 196(3) if the revocation is without just cause.

2. One or more shareholders, holders of shares corresponding to 10% of the equity capital, may request the court to dismiss any director, at any time, based on just cause.

Article 270
Resignation

1. The director may resign from the position by letter addressed to the board of directors or to the company secretary.

2. The resignation shall only take effect at the end of the month following that during which the resignation was communicated, except if in the meantime the alternate director is appointed or elected.

3. The resigning director shall compensate the company for the losses arising from the resignation.

Article 271
Powers of the board of directors

1. It shall be for the board of directors to manage the activities of the company and to represent it, for which it shall be subject to the resolutions of the shareholders or the interventions of the audit board or the statutory auditor, except if specific powers are had in certain areas.

2. In addition to other matters provided by law, the board of directors shall have the power to resolve on:

(a) Reports and annual accounts;

(b) Purchase, sale and encumbrance of any assets;

(c) Providing personal or real guarantees by the company;

(d) Opening or closing establishments;

(e) Expand or significantly reduce the activity of the company;

(f) Change the company organisation;

(g) Draft mergers, demergers and conversion of de the company;

(h) Any other matter on which any director requires the resolution of the board.

Article 272
Chief executive officer and executive committee

1. The board of directors may entrust the management of the company to a chief executive officer or an executive committee formed by several directors.

2. Powers on the matters referred to in Article 271(2)(a)(c)(e)(g) may not be delegated.

3. The delegating of the day-to-day running of the company shall not prevent the powers of the body from taking any resolutions on the same matters.

4. The directors shall be responsible for monitoring the performance of the chief executive officer or of the members of the executive committee, and shall be jointly and severally liable with them for damages caused to the company if, being able to avoid or mitigate them, did not do so, except where they prove that they acted in good faith.

Article 273
Board meetings and resolutions

1. Unless otherwise stated in the articles of association, the board shall meet in ordinary sessions convened by the chair, at least once a month.

2. The board shall meet in extraordinary sessions, whenever called by the chair or by any member, or by any two members, depending on whether the number of directors is equal to or less than five or more than five members.

3. The board shall only take resolutions of the majority of its members is present or represented, pursuant to Article 259(3).

4. Resolutions shall be taken by a majority of the votes of directors present or represented.

5. The company secretary, if any, shall act as the meeting secretary and sign the respective minutes.

6. Unless otherwise stated in the articles of association of the company, the board of directors may approve an internal regulation that allows members to participate in the meetings by means of distance communication.

7. The provisions contained in Article 49(4) and Articles 51, 60, 61 and 65 shall apply to the resolutions and meetings mutatis mutandis.

Article 274
Representation

1. The directors shall jointly exercise the powers of representation and, unless otherwise provided for in the articles of association, the company shall be bound by the legal businesses concluded by the majority of directors or approved by them.

2. Unless specifically prohibited in the articles of association, the company shall be bound by the actions of the chief executive officer or of the members of the executive committee, if the power to represent the company is contained in the resolution on the delegation of powers.

3. Directors shall bind the company by signing and indicating that capacity.

4. Any notices or declarations made by third parties to the company may be addressed to any one of the directors, company secretary or legal representative.

5. The notices or declarations of a director whose recipient if the company shall be addressed to the board of directors, company secretary or legal representative.

Section VI
Capital increase

Article 275
Pre-emption right of shareholders

1. Shareholders in that capacity at the time of the capital increase by the subscription of new shares in cash shall have pre-emption rights in the subscription of new shares, proportionally to the number of shares they hold.

2. Where not all shareholders exercise the pre-emption right, it shall be returned to the remaining shareholders until all shareholders are fully accounted for or until shares are fully subscribed.

3. If new shares of a new share class are not subscribed by the holders of shares of the same class, the pre-emption right shall be returned to the remaining shareholders.

4. The pre-emption right provided for in this Article may be removed or limited by resolution of the general meeting taken by the majority of votes required to amend the articles of association.

Article 276
Notice and time limit for exercise of pre-emption right

Shareholders shall be informed, by notice or written communication capable of producing proof of receipt, of the time limit to exercise the pre-emption right, which may not be less than fifteen days.

Article 277
Incomplete subscription

1. If a capital increase is not fully subscribed, it shall be limited to the subscriptions made, except if the resolution for the increase provides that, in this case, it shall be of no effect.

2. If the increase has no effect, the management shall inform the subscribers thereof in an announcement, within eight days after the end of the subscription period, and shall, simultaneously, make the sums available to the subscribers.

CHAPTER IV
Affiliated companies

Section I
General provisions

Article 278
Scope of application

1. This chapter shall apply to the relations established between private limited companies and joint stock companies with registered office in Timor-Leste.

2. Companies having their registered office in Timor-Leste shall also be subject to the prohibition set forth in Article 284 on the purchase of equity interests in companies with their registered office abroad which, according to the criteria established in this law, are considered to be dominant.

3. The following shall apply to companies with registered office abroad:

(a) Provisions on the incorporation of joint stock companies, pursuant to Article 285(1) and (3);

(b) Provisions of Article 85 shall be applicable to companies with registered office abroad, which, pursuant to the criteria set forth in this Decree-law, are deemed to be dominant of another company with registered office in Timor-Leste, in relation to its liability towards the company and its equity holders;

(c) Provisions of Article 289 shall be applicable to companies with registered office abroad, which, pursuant to the criteria set forth in this Decree-law, are deemed to be managing of another company with registered office in Timor-Leste, in relation to its liability towards the corporate creditors.

Article 279
Affiliated companies

1. Affiliated companies shall be:

(a) Simple holdings;

(b) Cross-holdings;

(c) Companies in a controlling relationship;

(d) Companies in a group relationship.

2. The establishment and end of any of the relationships provided in the preceding paragraph shall be subject to registration pursuant to the law on business registration.

Section II
Simple holdings

Article 280
Simple holdings

1. Simple holdings exist when a participating company holds quotas or shares in an amount equal to or greater than 10% in another company's equity capital, the participated company, and it does not exist between them none of the other relationships provided for in Article 279.

2. For the amount referred to in the preceding paragraph, the company's quotas or shares shall be equivalent to the quotas or shares held by another company which is directly or indirectly dependent thereon, or with which it is in a group relationship, the same applying for the ownership of shares of a person on behalf of any such companies.

Article 281
Duty to inform

1. Without prejudice to the duty to declare and publicise equity interests in the presentation of accounts, a company shall communicate to the other company, in writing, all the purchases and disposals of quotas or shares thereof that it has effected from the moment that a simple holding relationship is established and as long as the amount of the equity interest is not less than that which determines such a relationship.

2. The communication referred to in the preceding paragraph shall be independent of the communication of purchase of quotas pursuant to Article 178(2), and of the registration of the purchase and disposal of shares, pursuant to Article 230; however, the participated company cannot plead ignorance of

the amount of the equity interest of another company therein, in respect of purchased quotas that have been communicated to it and of purchase of shares that have been registered, as referred to above.

Section III
Cross-holdings

Article 282
Cross-holdings

1. Companies in a cross-holding relationship shall be subject to the duties and limitations referred to in the paragraphs below from the moment both equity interests reach 10% of the participated company.

2. The company that has communicated the information pursuant to Article 281(1) later, resulting in the knowledge of the amount of the equity interests referred to in the preceding paragraph, shall not be able to purchase new quotas or shares in the other company.

3. Purchases made in violation of the provision of the preceding paragraph shall not be null or void, but the purchasing company shall not be entitled to exercise the rights inherent to those quotas or shares in respect of the portion exceeding 10% of the equity capital, except for the right to the share out of the liquidation sum, albeit subject to the respective obligations, and its directors shall, in general, be liable for the damages suffered by the company as a result of creating and maintaining said situation.

4. Where the relationships are cumulated, the provisions of Article 284(2) shall prevail over Article 282(3).

5. Where the law requires the publication or declaration of equity interests, mention shall be made to cross-holdings, their amount and the quotas or shares whose rights may not be exercised by one or the other company.

Section IV
Companies in a controlling relationship

Article 283
Companies in a controlling relationship

1. Two companies are said to be in a controlling relationship where one of the companies, the controlling undertaking, is entitled to exercise, directly or through companies or persons who meet the requirements of Article 280(2), a controlling influence over the other company, the controlled undertaking.

2. It shall be assumed that a company is controlled by another if the latter, directly or indirectly:

(a) Holds a majority equity interest in the equity capital;

(b) Has more than half the votes;

(c) Can appoint more than half directors or members of the auditing body.

3. Where the law requires the publication or declaration of equity interests, both the supposedly controlling undertaking and the supposedly controlled undertaking shall be required to mention if any of the situations referred to in Article 283(2) exist.

Article 284
Prohibition to acquire equity interests

1. A company shall be prohibited from acquiring quotas or shares of companies that, directly or through companies or persons that fulfil the requirements of Article 280(2), control it, unless they are free of charge, by award within court enforcement proceedings brought against its debtors or through the division of companies in which it holds equity interests.

2. The acquisition or quotas or shares in violation of the provisions of the preceding paragraph shall be null or void except if they are acquired on the stock exchange, but in this case the provisions of Article 282(3) shall apply to all shares thus acquired.

Section V
Companies in a group relationship

Article 285
Initial total control

1. A managing company may incorporate a joint stock company, called subordinate company, of which it shall initially be the sole shareholder.

2. A sole equity holder private limited company whose equity holder is a company shall be deemed to be in initial total control.

3. To form such a company as referred to in paragraph 1 above, all the requirements applicable to the formation of joint stock companies that are not incompatible with the existence of a sole equity holder shall be observed.

Article 286
Supervening total control

1. The managing company that, directly or through other companies or persons that meet the requirements of Article 280(2), totally controls another subordinate company, because there are no other equity holders, shall form a group with the latter, by operation of law, except if the general meeting of the former company takes any of the resolutions as provided in Article 286(2)(a)(b).

2. In the six months following the situation provided for in the preceding paragraph, the managing company's management shall convene the general meeting of the subordinate company to resolve on:

(a) The winding up of the subordinate company;

(b) The disposal of quotas or shares of the subordinate company;

(c) Maintaining the current situation.

3. Once the resolution provided for in Article 286(2)(c) is taken, or while no resolution is taken, the subordinate company shall be deemed to be in a group relationship with the managing company and shall not be wound up, even though it has only one equity holder.

Article 287
Termination of the total control relationship

1. The total control relationship shall terminate:

(a) If the managing company is extinguished;

(b) If more than 10% of the subordinate company's equity capital ceases to belong to the managing company or to the companies and persons as referred to in Article 280(2).

2. In the case referred to in sub-paragraph (b) above, the managing company shall immediately inform the subordinate company thereof in writing.

3. The management of the subordinate company shall request the registration of the resolution referred to in Article 287(2)(b), and the termination of the group relationship.

Article 288
Take-over offers

1. A company which, itself or together with other companies or persons indicated in Article 280(2), holds quotas or shares corresponding to, at least, 90% of the equity capital of another company, shall communicate such fact to said company within thirty days from the date it reached the aforementioned equity interest.

2. Within six months from the date of the notice, the controlling company may make an offer to acquire the shares of the remaining equity holders, against considerations made in cash or its own quotas, shares or bonds, justified by a report prepared by an external auditor independent of the interested companies, which shall be recorded and made available to interested parties at the registered offices of the two companies.

3. The controlling company may become the holder of the shares or quotas that belong to the free equity holders of the dependent company, if so stated in the proposal, the acquisition being subject to registration and publication.

4. Registration can be effected provided the company has deposited the consideration, in cash, shares or bonds, for the acquired shares, calculated in accordance with the highest values in the auditor's report.

5. Should the controlling company not make the offer permitted under paragraph 2 of this Article in a timely manner, each free equity holder or shareholder may, at any time, demand, in writing, that the controlling company make them, within no less than thirty days, an offer to acquire their quotas or shares, against a consideration in cash, or its quotas or shares.

6. In the absence of an offer or should it be deemed unsatisfactory, the free equity holder may request the court to declare the shares or quotas acquired by the controlling company from the date of the filing of proceedings, set their price in cash and order the controlling company to pay it.

7. The proceedings provided for in the preceding paragraph should be proposed within thirty days following the deadline stipulated in paragraph 5 or the receipt of the proposal, as applicable.

Article 289
Liability towards creditors of the subordinate company

1. In the event the subordinate company is declared insolvent, the managing company shall be secondarily liable for the obligations of the subordinate company.

2. If the group relationship ended less than two years prior to the insolvency proceedings being filed in court, the managing company shall also be liable, pursuant to paragraph 1, for the obligations of the subordinate company, undertaken before or during the establishment of the group relationship, up until it ended, except if it can prove that what lead to the insolvency was not due to actions or obligations undertaken at the time the group relationship existed.

3. Proceedings cannot be filed against the managing company based on an enforcement order issued against the subordinate company.

Article 290
Liability for losses of the subordinate company

1. The subordinate company has the right to demand that the managing company compensate annual losses which, for any reason, occur during the group relationship, whenever they are not off-set by the reserves established during the same period.

2. The liability established in the preceding paragraph is only enforceable after the group relationship ends, but becomes enforceable during its existence should the subordinate company be declared insolvent.

Article 291
Right to give instructions

1. From the moment the group relationship is established, the managing company has the right to give the subordinate company's management binding instructions.

2. Disadvantageous instructions may be given to the subordinate company, if such is in the interests of the managing company or of other companies that belong to the same group; however, instructions to perform actions, which in and of themselves are prohibited by legal provisions, that do not respect the operation of the companies are not permitted.

3. If instructions are given to the subordinate company's management to carry out a business deal which, by law or the memorandum of association, is reliant upon the opinion of or consent from another governing body of the subordinate company and it is not given, the instructions should be accepted if they are reiterated, in the event they were rejected, accompanied by the consent from or favourable opinion of managing company's corresponding governing body, should it exist.

4. The managing company may not determine the transfer of the subordinate company's assets to other group companies without fair consideration.

Article 292
Duties and Responsibilities

1. The directors of the managing company should adopt, regarding the group, the diligence required by law for the management of its own company.

2. The directors of the managing company are also liable towards the subordinate company, pursuant to Articles 78 through 83, mutatis mutandis.

3. The directors of the subordinate company are not liable for actions or omissions in the implementation of the lawful instructions it received.

CHAPTER V
Beneficial ownership

Section I
General provisions

Article 293
Concept

1. Beneficial owner means the natural person or persons who, ultimately, hold a beneficial interest in the company, which translates into the ownership or direct or indirect control of a commercial company, or into the control of said company by other means.

2. Ownership or direct control over a company is deemed to exist when a natural person holds more than 25% of equity capital or voting rights in that company.

3. Ownership or indirect control over a company is deemed to exist when a natural person holds more than 25% of equity capital or voting rights in a company or companies which, separately or jointly, own or directly or indirectly control that company.

4. If a natural person who fulfils the requirements of the preceding paragraphs cannot be identified, beneficial owner of the company is deemed to be the director or directors who actively perform management positions in the company.

Article 294
Obligation to collect information

1. Companies must collect the following information about beneficial owners:

(a) Full name;

(b) Type, number, validity date and issuing entity of an identity document issued by a competent public authority, which must have a photograph and the signature of the bearer;

(c) Taxpayer identification number;

(d) Date of birth;

(e) Nationality as stated on the identity document;

(f) Country of permanent residence and, when different, country of fiscal domicile;

(g) Nature and extent of the beneficial interest held.

2. It is incumbent upon the company secretary or, in his/her absence, the company's management, to do everything necessary to obtain information on the company's beneficial owners and to update such information annually.

3. Companies must keep records of all actions taken in order to obtain the information.

Article 295
Collaboration and information duties

1. All equity holders have a duty to collaborate with the company to obtain information on its beneficial ownership.

2. Equity holders are obliged, in particular, to provide information to the company on any changes to beneficial ownership within ten business days of the change.

Article 296
Retention and confidentiality obligations

1. Companies must retain the information collected for at least 5 years.

2. All information collected must be kept confidential and may only be provided to the competent authorities, pursuant to the Articles below.

Article 297
Disclosure of information

1. Companies are required to provide information on beneficial ownership, within ten business days, whenever requested to do so:

(a) By the Financial Intelligence Unit of the Central Bank of Timor-Leste, pursuant to law;

(b) By the entities required to identify customers, under the terms and for the purposes of the Legal Regime to Prevent and Combat Money Laundering and the Financing of Terrorism;

(c) By other competent authorities pursuant to law.

2. Companies must keep records of all information requests they receive, and the content of the information provided.

Article 298
Registration

Companies are required to provide information on beneficial ownership to the business registry, pursuant to the respective law.

Article 299
Administrative offences

Non-compliance with the obligations and duties imposed by this chapter is a punishable administrative offence pursuant to the Legal Regime to Prevent and Combat Money Laundering and the Financing of Terrorism.