

LAW OVERVIEW

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REGULATION ON SALE OF SHARES OF THE GOVERNMENT IN THE JOINT VENTURE COMPANIES INCORPORATED TO LEASE ISLANDS, LANDS, & LAGOONS FOR THE DEVELOPMENT OF TOURIST RESORTS

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JOINT VENTURE COMPANIES WITH THE GOVERNMENTS' SHARES

1. Which companies are considered as Joint Venture Companies?

- For the purpose of the *Regulation on Sale of Shares of the Government in the Joint Venture Companies Incorporated to Lease Islands, Lands, & Lagoons for the Development of Tourist Resorts* (the "**Regulation**"), the company to be regarded as a joint venture company incorporated with the government shareholding for the lease of islands, lands & lagoons for the development of tourist resorts ("**Joint Venture Company**"), the following requirements must be met:
 - The company must have been incorporated before the 10th amendment to Law no. 2/99 (Tourism Act) came into force;
 - The company must have a third-party shareholder who holds any amount of paid-up shares in the authorised share capital of the company, apart from the Maldivian government; and
 - The Memorandum of Association and the joint venture agreement of the company must state that the only objective of the company is to develop and operate tourist resorts.

2. When is Government obligated to act in accordance with the Regulation?

- The government is obligated to follow the Regulation, only when the shares of the government in the Joint Venture Company are being sold to the existing shareholders of the Joint Venture Company.

- If the Government is selling its shares in the Joint Venture Company to a third party who is not a shareholder in the Joint Venture Company, then Government is not obligated to comply with the Regulation.

3. Decision for the sale of shares

- The decision to sell the shares of the government in the Joint Venture Company to the existing shareholders, will be made by the Ministry of Finance, in accordance with the direction from the President. This decision by the Ministry of Finance must be shared with the Board of Privatization and Corporatization (the “**Board**”).

TRANSACTION OF THE SALE OF SHARES

4. Execution of the sale transaction

- After the decision for the sale of shares have been made and the same has been shared with the Board by the Ministry, everything in relation to the sale transaction will be undertaken and carried out by the Board, pursuant to the procedures stipulated in Law no. 3/2013 (Privatization, Corporatization, Monitoring and Evaluation of Government Businesses Act).

5. Determining the price of shares

- To determine the price of the shares of the government in a Joint Venture Company, a rate of USD 5.00 (United States Dollars Five), per percentage of the shares of the government in the Joint Venture Company, is to be multiplied with each square meter of the size of the island, land or lagoon leased to that Joint Venture Company.

For an example:

- if the island, land or lagoon has 1000 square meters and the shares of the government in the Joint Venture Company is 10%, the price of shares will be: $US\$ 5.00 \times 10 \times 1000 = US\$ 50,000.00$.

AGREEMENT FOR THE SALE OF SHARES

6. Requirements of the Sale & Purchase Agreement

- Pursuant to the Regulation, the transaction for the sale of shares of the government in the Joint Venture Company shall be carried out under a written agreement between the government and the shareholder(s), which must specify the following details:
 - number of shares being sold;
 - manner of payment of sale price; and
 - duration for repayment of sale price.

7. Payment for the shares sold

- The government is at discretion to allow the buyer of the shares to make the payment in instalments within a period (not exceeding 18 months) specified under the agreement or to receive the payment in full.

TRASNFER OF SHARES

- The Joint Venture Company must ensure to complete all procedures of share transfer, pursuant to Law no. 10/96 (Companies Act of Maldives) within a maximum period of 15 (fifteen) business days, from the date of receipt of the full payment for the shares.

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