

Contract Law of the People's Republic of China

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General Provisions

Chapter 1 General Provisions

Article 1 This Law is formulated with a view to protecting the lawful rights and interests of the parties to contracts, maintaining the social economic order and promoting the progress of the socialist modernization drive.

Article 2 A contract in this Law refers to an agreement establishing, modifying and terminating the civil rights and obligations between subjects of equal footing, that is, between natural persons, legal persons or other organizations.

Agreements involving personal status relationship such as on matrimony, adoption, guardianship, etc. Shall apply the provisions of other Laws.

Article 3 The parties to contract shall have equal legal status. No party may impose its will on the other party.

Article 4 The parties shall have the rights to be voluntary to enter into a contract in accordance with the law. No unit or individual may illegally interfere.

Article 5 The parties shall abide by the principle of fairness in defining the rights and obligations of each party.

Article 6 The parties must act in accordance with the principle of good faith, no matter in exercising rights or in performing obligations.

Article 7 In concluding and performing a contract, the parties shall abide by the laws and administrative regulations, observe social ethics. Neither party may disrupt the socio-economic order or damage the public interests.

Article 8 As soon as a contract is established in accordance with the law, it shall be legally binding on the parties. The parties shall perform their respective obligations in accordance with the terms of the contract. Neither party may unilaterally modify or rescind the contract.

The contract established according to law shall be under the protection of law.

Chapter 2 Conclusion of Contracts

Article 9 In concluding a contract, the parties shall have appropriate civil capacity of right and civil capacity of conduct.

The parties may conclude a contract through an agent in accordance with the law.

Article 10 The parties may conclude a contract in written, oral or other forms.

Where the laws or administrative regulations require a contract to be concluded in written form, the contract shall be in written form. If the parties agree to do so, the contract shall be concluded in written form.

Article 11 The written forms mean the forms which can show the described contents visibly, such as a written contractual agreement, letters, and data-telex (including telegram, telex, fax, EDI and e-mails).

Article 12 The contents of a contract shall be agreed upon by the parties, and shall contain the following clauses in general:

- (1) title or name and domicile of the parties;
- (2) contract object;
- (3) quantity;
- (4) quality;
- (5) price or remuneration;
- (6) time limit, place and method of performance;
- (7) liability for breach of contract; and
- (8) methods to settle disputes.

The parties may conclude a contract by reference to the model text of each kind of contract.

Article 13 The parties shall conclude a contract in the form of an offer and acceptance.

Article 14 An offer is a proposal hoping to enter into a contract with other parties. The proposal shall comply with the following stipulations:

- (1) Its contents shall be detailed and definite;
- (2) It indicates the proposal of the offeror to be bound in case of acceptance.

Article 15 An invitation for offer is a proposal for requesting other parties to make offers to the principal. Price forms mailed, public notices of auction and tender, prospectuses and commercial advertisements, etc. Are invitations for offer.

Where the contents of a commercial advertisement comply with the terms of the offer, it may be regarded as an offer.

Article 16 An offer becomes effective when it reaches the offeree.

If a contract is concluded by means of data-telex, and recipient appoints a specific system to receive

the data-telex, the time when the data-telex enters the system shall be the time of arrival; if no specific system is appointed, the time when the data-telex first enters any of the recipient's systems shall be regarded as the time of arrival.

Article 17 An offer may be withdrawn, if the withdrawal notice reaches the offeree before or at the same time when the offer arrives.

Article 18 An offer may be revoked, if the revocation reaches the offeree before it has dispatched an acceptance.

Article 19 An offer may not be revoked, if

- (1) the offeror indicates a fixed time for acceptance or otherwise explicitly states that the offer is irrevocable; or
- (2) the offeree has reasons to rely on the offer as being irrevocable and has made preparation for performing the contract.

Article 20 An offer shall be null and void under any of the following circumstances:

- (1) The notice of rejection reaches the offeror;
- (2) The offeror revokes its offer in accordance with the law;
- (3) The offeree fails to make an acceptance at the time when the time limit for acceptance expires;
- (4) The offeree substantially alters the contents of the offer.

Article 21 An acceptance is a statement made by the offeree indicating assent to an offer.

Article 22 Except that it is based on transaction practices or that the offer indicates an acceptance may be made by performing an act, the acceptance shall be made by means of notice.

Article 23 An acceptance shall reach the offeror within the time limit fixed in the offer.

Where no time is fixed in the offer, the acceptance shall arrive in accordance with the following provisions:

- (1) If the offer is made in dialogues, the acceptance shall be made immediately except as otherwise agreed upon by the parties;
- (2) If the offer is made in forms other than a dialogue, the acceptance shall arrive within a reasonable period of time.

Article 24 Where the offer is made in a letter or a telegram, the time limit for acceptance commences from the date shown in the letter or from the moment the telegram is handed in for dispatch. If no such date is shown in the letter, it commences from the date shown on the envelope. Where an offer is made by means of instantaneous communication, such as telephone or facsimile, the time limit for acceptance commences from the moment that the offer reaches the offeree.

Article 25 A contract is established when the acceptance becomes effective.

Article 26 An acceptance becomes effective when its notice reaches the offeror. If an acceptance needn't be notified, it becomes effective when an act of acceptance is performed in accordance with transaction practices or as required in the offer.

Where a contract is concluded in the form of data-telex, the time when an acceptance arrives shall apply the provisions of Paragraph 2, Article 16 of this law.

Article 27 An acceptance may be withdrawn, but a notice of withdrawal shall reach the offeror before the notice of acceptance reaches the offeror or at the same time when the acceptance reaches the offeror.

Article 28 Where an offeree makes an acceptance beyond the time limit for acceptance, the acceptance shall be a new offer except that the offeror informs the offeree of the effectiveness of the said acceptance promptly.

Article 29 If the offeree dispatches the acceptance within the time limit for acceptance which can reach the offeror in due time under normal circumstances, but the acceptance reaches the offeror beyond the time limit because of other reasons, the acceptance shall be effective, except that, the offeror informs the offeree promptly that it does not accept the acceptance because it exceeds the time limit for acceptance.

Article 30 The contents of an acceptance shall comply with those of the offer. If the offeree substantially modifies the contents of the offer, it shall constitute a new offer. The modification relating to the contract object, quality, quantity, price or remuneration, time or place or method of performance, liabilities for breach of contract and the settlement of disputes, etc., shall constitute the substantial modification of an offer.

Article 31 If the acceptance does not substantially modifies the contents of the offer, it shall be effective, and the contents of the contract shall be subject to those of the acceptance, except as rejected promptly by the offeror or indicted in the offer that an acceptance may not modify the offer at all.

Article 32 Where the parties conclude a contract in written form, the contract is established when both parties sign or affix a seal on it.

Article 33 Where the parties conclude the contract in the form of a letter or data-telex, etc., one party may request to sign a letter of confirmation before the conclusion of the contract. The contract shall be established at the time when the letter of confirmation is signed.

Article 34 The place of effectiveness of an acceptance shall be the place of the establishment of the contract.

If the contract is concluded in the form of data-telex, the main business place of the recipient shall be the place of establishment. If no main business place, its habitual residence shall be considered to be the place of establishment. Where the parties agree otherwise, the place of establishment shall be subject to that agreement.

Article 35 Where the parties conclude a contract in written form, the place where both parties sign or affix a seal shall be the place where the contract is established.

Article 36 A contract, which shall be concluded in written form as provided for by the laws and administrative regulations or as agreed upon by the parties, shall be established, as the parties do not use the written form, but one party has performed the principal obligation and the other party has received it.

Article 37 A contract, which is concluded in written form, shall be established, if one party has performed its principal obligation and the other party has received it before signature or affixing with a seal.

Article 38 In case the State issues a mandatory plan or a State purchasing order task based on necessity, the relevant legal persons or other organizations shall conclude contracts between them in accordance with the rights and obligations as stipulated by the relevant laws and administrative regulations.

Article 39 Where standard terms are adopted in concluding a contract, the party which supplies the standard terms shall define the rights and obligations between the parties abiding by the principle of fairness, request the other party to note the exclusion or restriction of its liabilities in reasonable ways, and explain the standard terms according to the requirement of the other party.

Standard terms are clauses which are prepared in advance for general and repeated use by one party and which are not negotiated with the other party in concluding a contract.

Article 40 When standard terms are under the circumstances stipulated in Article 52 and Article 53 of this Law, or the party which supplies the standard terms exempts itself from its liabilities, weights the liabilities of the other party, and excludes the rights of the other party, the terms shall be null and void.

Article 41 If a dispute over the understanding of the standard terms occurs, it shall be interpreted according to general understanding. Where there are two or more kinds of interpretation, an interpretation unfavourable to the party supplying the standard terms shall be preferred. Where the standard terms are inconsistent with non-standard terms, the latter shall be adopted.

Article 42 The party shall be liable for damages if it is under one of the following circumstances in concluding a contract and thus causing losses to the other party:

- (1) disguising and pretending to conclude a contract, and negotiating in bad faith;
- (2) concealing deliberately the important facts relating to the conclusion of the contract or providing deliberately false information;
- (3) performing other acts which violate the principle of good faith.

Article 43 A business secret the parties learn in concluding a contract shall not be disclosed or unfairly used, not matter the contract is established or not. The party who causes the other party to suffer from losses due to disclosing or unfairly using the business secret shall be liable for damages.

Chapter 3 Effectiveness of Contracts

Article 44 The contract established according to law becomes effective when it is established.

With regard to contracts which are subject to approval or registration as provide for by the laws or administrative regulations, the provisions thereof shall be followed.

Article 45 The parties may agree on some collateral conditions relating to the effectiveness of a contract. The contract with entry-into-force conditions shall be effective when such conditions are accomplished. The contract with dissolving conditions shall be null and void when such conditions are accomplished.

To unfairly prevent the conditions from being accomplished by one party for its own interests shall be regarded as those conditions have been accomplished. To unfairly promoting the accomplishment of such conditions by one party shall be regarded as non-accomplishment.

Article 46 The parties may agree on a conditional time period as to the effectiveness of the contract. A contract subject to an effective time period shall come into force when the period expires. A contract with termination time period shall become invalid when the period expires.

Article 47 A contract concluded by a person with limited civil capacity of conduct shall be effective after being ratified afterwards by the person's statutory agent, but a pure profit-making contract or a contract concluded which is appropriate to the person's age, intelligence or mental health conditions need not be ratified by the person's statutory agent.

The counterpart may urge the statutory agent to ratify the contract within one month. It shall be regarded as a refusal of ratification that the statutory agent does not make any expression. A bona fide counterpart has the right withdraw it before the contract is ratified. The withdrawal shall be made by means of notice.

Article 48 A contract concluded by an actor who has no power of agency, who oversteps the power of agency, or whose power of agency has expired and yet concludes it on behalf of the principal, shall have no legally binding force on the principal without ratification by the principal, and the actor shall be held liable.

The counterpart may urge the principal to ratify it within one month. It shall be regarded as a refusal of ratification that the principal does not make any expression. A bona fide counterpart has the right withdraw it before the contract is ratified. The withdrawal shall be made by means of notice.

Article 49 If an actor has no power of agency, oversteps the power of agency, or the power of agency has expired and yet concludes a contract in the principal's name, and the counterpart has reasons to trust that the actor has the power of agency, the act of agency shall be effective.

Article 50 Where a statutory representative or a responsible person of a legal person or other organization oversteps his/her power and concludes a contract, the representative act shall be effective except that the counterpart knows or ought to know that he/she is overstepping his/her powers.

Article 51 Where a person having no right to disposal of property disposes of other persons' properties, and the principal ratifies the act afterwards or the person without power of disposal has obtained the power after concluding a contract, the contract shall be valid.

Article 52 A contract shall be null and void under any of the following circumstances:

(1) A contract is concluded through the use of fraud or coercion by one party to damage the interests of the State;

(2) Malicious collusion is conducted to damage the interests of the State. A collective or a third party;

(3) An illegitimate purpose is concealed under the guise of legitimate acts;

(4) Damaging the public interests;

(5) Violating the compulsory provisions of the laws and administrative regulations.

Article 53 The following immunity clauses in a contract shall be null and void:

(1) those that cause personal injury to the other party;

(2) those that cause property damages to the other party as a result of deliberate intent or gross fault.

Article 54 A party shall have the right to request the people's court or an arbitration institution to modify or revoke the following contracts:

(1) those concluded as a result of serious misunderstanding;

(2) those that are obviously unfair at the time when concluding the contract.

If a contract is concluded by one party against the other party's true intentions through the use of fraud, coercion or exploitation of the other party's unfavorable position. The injured party shall have the right to request the people's court or an arbitration institution to modify or revoke it.

Where a party requests for modification, the people's court or the arbitration institution may not revoke the contract.

Article 55 The right to revoke a contract shall extinguish under any of the following circumstances:

(1) A party having the right to revoke the contract fails to exercise the right within one year from the day that it knows or ought to know the revoking causes;

(2) A party having the right to revoke the contract explicitly expresses or conducts an act to waive the right after it knows the revoking causes.

Article 56 A contract that is null and void or revoked shall have no legally binding force ever from the very beginning. If part of a contract is null and void without affecting the validity of the other parts, the other parts shall still be valid.

Article 57 If a contract is null and void, revoked or terminated, it shall not affect the validity of the dispute settlement clause which is independently existing in the contract.

Article 58 The property acquired as a result of a contract shall be returned after the contract is confirmed to be null and void or has been revoked. Where the property can not be returned or the return is unnecessary, it shall be reimbursed at its estimated price. The party at fault shall compensate the other party for losses incurred as a result thereof. If both parties are at fault, each party shall respectively be liable.

Article 59 If the parties have maliciously conducted collusion to damage the interests of the State, a collective or a third party, the property thus acquired shall be turned over to the State or returned to the collective or the third party.

Chapter 4 Performance of Contracts

Article 60 The parties shall perform their obligations thoroughly according to the terms of the contract.

The parties shall abide by the principle of good faith and perform the obligations of notice, assistance and maintaining confidentiality, etc. Based on the character and purpose of the contract or the transaction practices.

Article 61 Where, after the contract becomes effective, there is no agreement in the contract between the parties on the terms regarding quality, price or remuneration and place of performance, etc. Or such agreement is unclear, the parties may agree upon supplementary terms through consultation. In case of a failure in doing so, the terms shall be determined from the context of relevant clauses of the contract or by transaction practices.

Article 62 If the relevant terms of a contract are unclear, nor can it be determined according to the provisions of Article 61 of this Law, the provisions below shall be applied:

(1) If quality requirements are unclear, the State standards or trade standards shall be applied; if there are no State standards or trade standards, generally held standards or specific standards in conformity with the purpose of the contract shall be applied.

(2) If the price or remuneration is unclear, the market price of the place of performance at the time concluding the contract shall be applied; if the government-fixed price or government-directed price shall be followed in accordance with the law, the provisions of the law shall be applied.

(3) If the place of performance is unclear, and the payment is currency, the performance shall be effected at the place of location of the party receiving the payment; if real estate is to be delivered, the performance shall be effected at the place of location of the real estate; in case of other contract objects, the performance shall be effected at the place of location of the party fulfilling the obligations.

(4) If the time limit for performance is unclear, the obligor may at any time fulfill the obligations towards the obligee; the obligee may also demand at any time that the obligor performs the obligations, but a time period for necessary preparation shall be given to the obligor.

(5) If the method of performance is unclear, the method which is advantageous to realize the purpose of the contract shall be adopted.

(6) if the burden of the expenses of performance is unclear the cost shall be assumed by the obligor.

Article 63 In cases where the government-fixed price or government-directed price is followed in a contract, if the said price is readjusted within the time limit for delivery as stipulated in the contract, the payment shall be calculated according to the price at the time of delivery. If the delivery of the object is delayed and the price has risen, the original price shall be adopted; while the price has dropped, the new price shall be adopted. In the event of delay in taking delivery of the object or late payment, if the price has risen, the new price shall be adopted; while the price has dropped, the original price shall be adopted.

Article 64 Where the parties agree that the obligor performs the obligations to a third party, and the obligor fails to perform the obligations to the third party or the performance does not meet the terms of the contract, the obligor shall be liable to the obligee for the breach of contract.

Article 65 Where the parties agree that a third party performs the obligations to the obligee, and the third party fails to perform the obligations or the performance does not meet the terms of the contract, the obligor shall be liable to the obligee for the breach of contract.

Article 66 If both parties have obligations toward each other and there is no order of priority in respect of the performance of obligation, the parties shall perform the obligations simultaneously. One party has the right reject the other party's request for performance if the other party's performance. One party has the

right to reject the other party's corresponding request for performance if the other party's performance does not meet the terms of the contract.

Article 67 Where both parties have obligations towards each other and there has been an order of priority in respect of the performance, and the party which shall render its performance first has not rendered the performance, the party which may render its performance later has the right to reject the other party's request for performance. Where the party which shall render its performance first violates the terms of a contract while fulfilling the obligations, the party which may render its performance later has the right to reject the other party's corresponding request for performance.

Article 68 One party, which shall render its performance first, may suspend its performance, if it has conclusive evidence that the other party is under any of the following circumstances:

- (1) Its business conditions are seriously deteriorating;
- (2) It moves away its property and takes out its capital secretly to evade debt;
- (3) It loses its commercial credibility;
- (4) Other circumstances showing that it loses or is possible to lose the capacity of credit.

Where a party suspends performance of a contract without conclusive evidence, it shall be liable for the breach of contract.

Article 69 One party to a contract which suspends its performance of the contract in accordance with the provisions of Article 68 of this Law, shall promptly inform the other party of such suspension. It shall resume its performance of the contract when the other party provides a sure guarantee. After the suspension of the performance, if the other party does not reinstate its capacity of performance and does not provide with a sure guarantee, the party suspending performance of the contract may rescind the contract.

Article 70 If the obligee does not notify the obligor its separation, merger or a change of its domicile so as to make it difficult for the obligor to perform the obligations, the obligor may suspend the performance of the contract or have the object deposited.

Article 72 The obligee may reject the partial performance of the contract by the obligor, except that the partial performance does not damage the interests of the obligee.

Additional expenses caused to the obligee by partial performance shall be borne by the obligor.

Article 73 If the obligor is indolent in exercising its due creditor's right, thus damaging the interests of the obligee, the obligee may request the people's court for subrogation in its own name, except that the creditor's right exclusively belongs to the obligor.

The subrogation shall be exercised within the scope of the creditor's right of the obligee. The necessary expenses caused to the obligee by exercising subrogation shall be borne by the obligor.

Article 74 If the obligor renounces its due creditor's right or transfers its property gratis, thus damaging the interests of the obligee, the obligee may request the people's courts to revoke the obligor's act. If the obligor transfers its property at an obviously unreasonable low price, thus damaging the interests of the obligee, and the transferee knows such situation, the obligee may request the people's court to revoke the obligor's act.

The right of revocation shall be exercised within the scope of the creditor's right of the obligee. The necessary expenses caused to the obligee by exercising the right of revocation shall be borne by the obligor.

Article 75 The time limit for exercising the right of revocation shall be one year, commencing from the day when the obligee is aware or ought to be aware of the causes of revocation. If the right of revocation has

not been exercised within five years from the day when the act of the obligor takes place, the right of revocation shall be extinguished.

Article 76 After a contract becomes effective, the parties may not reject to perform the obligations of the contract because of modification of the title or name of the parties, or change of the statutory representative, the responsible person or the executive person of the parties.

Chapter 5 Modification and Assignment of Contracts

Article 77 A contract may be modified if the parties reach a consensus through consultation.

If the laws or administrative regulations stipulate that a contract shall be modified through the procedures of approval or registration, such provisions shall be followed.

Article 78 If the contents of the modified contract agreed by the parties are unclear, it shall be presumed that the contract is not modified.

Article 79 The obligee may assign, wholly or in part, its rights under the contract to a third party, except for the following circumstances:

(1) The rights under the contract may not be assigned according to the character of the contract;

(2) The rights under the contract may not be assigned according to the agreement between the parties;

(3) The rights under the contract may not be assigned according to the provisions of the laws.

Article 80 An obligee assigning its rights shall notify the obligor. Without notifying the obligor, the assignment shall not become effective to the obligor.

The notice of assignment of rights may not be revoked, unless the assignee agrees thereupon.

Article 81 If the obligee assigns its rights, the assignee shall acquire the collateral rights relating to the principal right, except that the collateral rights exclusively belong to the obligee.

Article 82 After the obligor receives the notice of assignment of the creditor's right, it may claim its demur in respect of the assignor to the assignee.

Article 83 When the obligor receives the notice of assignment of the creditor's rights, and the obligor has due creditor's rights to the assign or, and the creditor's rights of the obligor are due in priority to the assigned creditor's rights or due at the same time, the obligor may claim to offset each other to the assignee.

Article 84 If the obligor assigns its obligations, wholly or in part, to a third party, it shall obtain consent from the obligee first.

Article 85 If the obligor assigns its obligations to a third party, the new obligor may claim the demur belonging to the original obligor in respect of the obligee.

Article 86 If the obligor assigns its obligations to a third party, the new obligor shall assume the collateral obligations relating to the principal obligations, except that the obligations exclusively belong to the original obligor.

Article 87 Where the laws or administrative regulations stipulate that the assignment of rights or transfer of obligations shall go through approval or registration procedures, such provisions shall be followed.

Article 88 One party to a contract may assign its rights and obligations under the contract together to a third party with the consent of the other party.

Article 89 If one party to a contract assigns its rights and obligations under the contract together to a third party, the provisions of Article 79, Article 81 to 83, and Article 85 to 87 of this Law shall be applied.

Article 90 If one party to a contract is merged after the contract has been concluded, the legal person or other organization established after the merger shall exercise the contract rights and perform the contract obligations. If one party is separated after the contract has been concluded, the legal persons or other

organizations thus established after the separation shall exercise the contract rights or assume the contract obligations jointly and severally.

Chapter 6 Termination of the Rights and Obligations of Contracts

Article 91 The rights and obligations of contracts shall be terminated under any of the following circumstances:

- (1) The debt obligations have been performed in accordance with the terms of the contract;
- (2) The contract has been rescinded;
- (3) The debts have been offset against each other;
- (4) The obligor has deposited the object according to law;
- (5) The debt obligations have been exempted by the obligee;
- (6) The creditor's rights and debt obligations are assumed by the same person; or
- (7) Other circumstances for termination as stipulated by the laws or agreed upon by the parties in the contract.

Article 92 When the rights and obligations of contracts are terminated, the parties to a contract shall, abiding by the principle of good faith, perform such obligations as making a notice, providing assistance and maintaining confidentiality according to transaction practices.

Article 93 A contract may be rescinded if the parties to the contract reach a consensus through consultation.

The parties to a contract may agree upon the conditions to rescind the contract by one party. When such conditions are accomplished, the party entitled to rescind the contract may rescind it.

Article 94 The parties to a contract may rescind the contract under any of the following circumstances:

- (1) The purpose of the contract is not able to be realized because of force majeure;
- (2) One party to the contract expresses explicitly or indicates through its acts, before the expiry of the performance period, that it will not perform the principal debt obligations;
- (3) One party to the contract delays in performing the principal debt obligations and fails, after being urged, to perform them within a reasonable time period;
- (4) One party to the contract delays in performing the debt obligations or commits other acts in breach of the contract so that the purpose of the contract is not able to be realized; or
- (5) Other circumstances as stipulated by law.

Article 95 Where the laws stipulate or the parties agree the time limit to exercise the right to rescind the contract, and no party exercises it when the time limit expires, the said right shall be extinguished.

Where the law does not stipulate or the parties make no agreement upon the time limit to exercise the right to rescind the contract, and no party exercises it within a reasonable time period after being urged, the said right shall be extinguished.

Article 96 One party to a contract shall make a notice to the other party if it advances to rescind the contract according to the provisions of Paragraph 2, Article 93 and Article 94 of the Law. The contract shall be rescinded upon the arrival of the notice at the other party. The party may, if the other party disagrees therewith, request the people's court or an arbitration institution to confirm the effectiveness of rescinding the contract.

Where the laws or administrative regulations stipulate that the rescinding of a contract shall go through the formalities of approval and registration, the provisions thereof shall be followed.

Article 97 If a contract has not yet been performed, its performance shall be terminated after the rescission. If it has been performed, a party to the contract may, in light of the performance and the

character of the contract, request that the original status be restored or other remedial measures be taken.

Article 98 The termination of the rights and obligations of a contract may not affect the force of the settlement and clearance clauses in the contract.

Article 99 Where the parties to a contract have debts due mutually and the category and character of the debts are the same, any party may offset his debt against the other's one, except that the debts may not be offset according to the provisions of the laws or to the character of the contract.

Any party advancing to offset the debts shall make a notice to the other party. Such notice shall be effective upon the arrival at the other party. The offset may not be accompanied by any conditions or time limit.

Article 100 Where the parties to a contract have debts due mutually and the category and character of the debts are different, the debts may be offset against each other if both parties have reached a consensus through consultation.

Article 101 The obligor may deposit the object if the debt obligations are difficult to be performed under any of the following circumstances:

- (1) The obligor refuses to accept them without justified reasons;
- (2) The obligee is missing;
- (3) The obligee is deceased and the heir is not yet determined, or the obligee has lost his conduct capacity and the guardian is not yet determined; or
- (4) Other circumstances as stipulated by law.

If the object is not fit to be deposited or the deposit expenses are excessively high, the obligor may, according to law, auction or sell the object and deposit the money obtained therefrom.

Article 102 After the object is deposited, the obligor shall, except that the obligee is missing, make a notice promptly to the obligee or the obligee's heir or guardian.

Article 103 The risk of damage to and missing of the object after being deposited shall be borne by the obligee. During the period of depositing, the fruits generated by the object shall belong to the obligee. The deposit expenses shall be borne by the obligee.

Article 104 The obligee may claim the deposited object at any time. However, if the obligee is under a debt due to the obligor the deposit authorities shall refuse him to claim the deposited object at the request of the obligor, before the obligee has performed his debt obligations or provides a guaranty.

The right to claim the deposited object by the obligee shall be extinguished if it has not been exercised within 5 years as of the date of deposit. The deposited object shall be owned by the State with deduction of the deposit expenses.

Article 105 If the obligee exempts the obligor from the debt obligations wholly or in part, the whole or part of the rights and obligations of a contract shall be terminated.

Article 106 If the creditor's rights and debt obligation are assumed by the same person, the rights and obligations of a contract shall be terminated, except for those involving the interests of a third party.

Chapter 7 Liability for Breach of Contracts

Article 107 Where one party to a contract fails to perform the contract obligations or its performance fails to satisfy the terms of the contract, the party shall continue to perform its obligations, to take remedial measures, or to compensate for losses.

Article 108 Where one party to a contract expresses explicitly or indicates through its acts that it will not perform the contract, the other party may demand it to bear the liability for the breach of contract before the expiry of the performance period.

Article 109 If one party to a contract fails to pay the price or remuneration, the other may request it to make the payment.

Article 110 Where one party to a contract fails to perform the non-monetary debt or its performance of non-monetary debt fails to satisfy the terms of the contract, the other party may request it to perform it except under any of the following circumstances:

- (1) It is unable to be performed in law or in fact;
- (2) The object of the debt is unfit for compulsory performance or the performance expenses are excessively high; or
- (3) The creditor fails to request for the performance within a reasonable time period.

Article 111 If the quality fails to satisfy the terms of the contract, the breach of contract damages shall be borne according to the terms of the contract agreed upon by the parties. If there is no agreement in the contract on the liability for breach of contract or such agreement is unclear, nor can it be determined in accordance with the provisions of Article 61 of this Law, the damaged party may, in light of the character of the object and the degree of losses, reasonably choose to request the other party to bear the liabilities for the breach of contract such as repairing, substituting the goods, or reducing the price or remuneration.

Article 112 Where one party to a contract fails to perform the contract obligations or its performance fails to satisfy the terms of the contract, the party shall, after performing its obligations or taking remedial measures, compensate for the losses, if the other party suffers from other losses.

Article 113 Where one party to a contract fails to perform the contract obligations or its performance fails to satisfy the terms of the contract and causes losses to the other party, the amount of compensation for losses shall be equal to the losses caused by the breach of contract, including the interests receivable after performance of the contract, provided not exceeding the probable losses caused by the breach of contract which has been foreseen or ought to be foreseen when the party in breach concludes the contract.

The business operator who commits default activities in providing to the consumer any goods or service shall be liable for paying compensation for damages in accordance with the Law of the People's Republic of China on the Protection of Consumer Rights and Interests.

Article 114 The parties to a contract may agree that one party shall, when violating the contract, pay breach of contract damages of certain amount in light of the breach, or may agree upon the calculating method of compensation for losses resulting from the breach of contract.

If the agreed breach of contract damages are lower than the losses caused, any party may request the people's court or an arbitration institution to increase it; if it is excessively higher than the losses caused, any party may request the people's court or an arbitration institution to make an appropriate reduction.

If the parties to a contract agree upon breach of contract damages in respect to the delay in performance, the party in breach shall perform the debt obligations after paying the breach of contract damages.

Article 115 The parties to a contract may, according to the Guaranty Law of the People's Republic of China, agree that one party pays a deposit to the other party as the guaranty for the creditor's rights. After the debt obligations are performed by the obligor, the deposit shall be returned or offset against the price. If the party that pays the deposit fails to perform the agreed debt obligations, it shall have no right to reclaim the deposit. If the party that receives the deposit fails to perform the agreed debt obligations, it shall return twice the amount of the deposit.

Article 116 Where the parties to a contract agree on both breach of contract damages and a deposit, when one party violates the contract, the other party may choose to apply the breach of contract damages clause or the deposit clause.

Article 117 In case that a contract is not able to be performed because of force majeure, the liabilities shall be exempted in part or wholly in light of the effects of force majeure, except as otherwise stipulated by law. If the force majeure occurs after one party has delayed in performance, the liability may not be exempted.

Force majeure as referred to in this Law means the objective circumstances that are unforeseeable, unavoidable and insurmountable.

Article 118 One party to a contract that is not able to perform the contract because of force majeure shall make a notice to the other party promptly so as to reduce the probable losses to the other party and provide evidence within a reasonable time limit.

Article 119 After one party violates a contract, the other party shall take proper measures to prevent from the enlargement of losses; if the other party fails to take proper measures so that the losses are enlarged, it may not claim any compensation as to the enlarged losses.

The reasonable expenses paid by the party to prevent from the enlargement of losses shall be borne by the party in breach.

Article 120 In case that both parties violate a contract, they shall bear the liabilities respectively.

Article 121 One party that violates the contract because of a third party shall be liable for the breach of contract to the other party. The disputes between the said party and the third party shall be settled according to law or their agreement.

Article 122 In case that the breach of contract by one party infringes upon the other party's personal or property rights, the aggrieved party shall be entitled to choose to claim the assumption by the violating and infringing party of liabilities for breach of contract according to this Law, or to claim the assumption by the violating and infringing party of liabilities for infringement according to other laws.

Chapter 8 Miscellaneous Provisions

Article 123 If there are provisions as otherwise stipulated in respect to contracts in other laws, such provisions shall be followed.

Article 124 Any contract which is not addressed explicitly in the Specific Provisions of this Law or in other laws shall apply the provisions of the General Provisions of this Law or in other laws may be applied *mutatis mutandis*.

Article 125 With regard to disputes between the parties to a contract arising from the understanding of any clause of the contract, the true intention of such clause shall be determined according to the terms and expressions used in the contract, the contents of the relevant clauses of the contract, the purpose for concluding the contract, the transaction practices and the principle of good faith.

Where two or more languages are adopted in the text of a contract and it is agreed that both texts are equally authentic, it shall be presumed that the terms and expressions in various versions have the same meaning. In case that the terms and expressions in different versions are inconsistent, they shall be interpreted according to the purpose of the contract.

Article 126 The parties to a contract involving foreign interests may choose the law applicable to the settlement of their contract disputes, except as otherwise stipulated by law. If the parties to a contract involving foreign interests have not made a choice, the law of the country to which the contract is most closely connected shall be applied.

The contracts for Chinese-foreign equity joint ventures, for Chinese-foreign contractual joint ventures

and for Chinese-foreign cooperative exploration and development of natural resources to be performed within the territory of the People's Republic of China shall apply the laws of the People's Republic of China shall apply the laws of the People's Republic of China shall apply the laws of the People's Republic of China.

Article 127 The departments of administration for industry and commerce and other competent departments shall, within the scope of their respective competence and functions, be responsible for supervision over and dealing with illegal acts in taking advantage of contracts to endanger and harm the State interests and public interests. In case that a crime is constituted, criminal responsibility shall be investigated.

Article 128 The parties may settle their disputes relevant to the contract through conciliation or mediation.

The parties may, if unwilling to settle their disputes through conciliation or mediation or failing in the conciliation or mediation, apply to an arbitration institution for arbitration according to their arbitration agreement. The parties to a contract involving foreign interests may, according to their arbitration agreement, apply for arbitration to a Chinese arbitration institution or other arbitration institutions. If there is no arbitration agreement between the parties or the arbitration agreement is null and void, they may bring a lawsuit before the people's court. The parties shall perform the court judgments, arbitration awards or mediation documents with legal effectiveness. In case any refusal in respect to the performance, the other party may request the people's court for execution.

Article 129 The time limit for action before the people's court or for arbitration before an arbitration institution regarding disputes relating to contracts for international sales of goods and contracts for technology import and export shall be four years, calculating from the date on which the party knows or ought to know the infringement on its rights. The time limits for action before the people's court or for arbitration before an arbitration institution regarding other contracts disputes shall be in accordance with the provisions of the relevant laws.

Specific Provisions

Chapter 9 Contracts for Sales

Article 130 A sales contract is a contract whereby the seller transfers the ownership of an object to the buyer and the buyer pays the price for it.

Article 131 Other than those as stipulated in Article 12 of this Law, a sales contract may also contain such clauses as package manner, inspection standards and method, method of settlement and clearance, language adopted in the contract and its authenticity.

Article 132 An object to be sold shall be owned by the seller or of that the seller is entitled to dispose.

Where the transfer of an object is prohibited or restricted by the laws and administrative regulations, the provisions thereof shall be followed.

Article 133 The ownership of an object shall be transferred upon the delivery of the object, except as otherwise stipulated by law or agreed upon by the parties.

Article 134 The parties to a sales contract may agree that the ownership shall belong to the seller if the buyer fails to pay the price or perform other obligations.

Article 135 The seller shall perform the obligation to deliver to the buyer the object or the documents to take delivery of the object, and to transfer the ownership of the object.

Article 136 The seller shall, according to the terms of the contract or transaction practices, deliver to the buyer relevant documents and materials other than the documents to take delivery of the object.

Article 137 When an object such as computer software with intellectual property rights is sold, the intellectual property rights of such object shall not belong to the buyer except as otherwise stipulated by law or agreed upon by the parties.

Article 138 The seller shall deliver the object according to the agreed time limit. If a time limit of delivery is agreed upon, the seller may deliver at any time within the said time limit.

Article 139 Where there is no agreement in the contract between the parties as to the time limit to deliver the object or such agreement is unclear, the provisions of Article 61 and Sub-Paragraph (4), Article 62 of this Law shall be applied.

Article 140 If an object has been possessed by the buyer before the contract is concluded, the delivery time shall be the time when the contract goes into effect.

Article 141 The seller shall deliver the object according to the agreed place. Where there is no agreement in the contract between the parties as to the place to deliver the object or such agreement is unclear, nor can it be determined according to the provisions of Article 61 of this Law, the following provisions shall be applied:

(1) In case the object needs carriage, the seller shall deliver the object to the first carrier so as to hand it over to the buyer; or

(2) In case the object does not need carriage, and the seller and buyer know the place of the object when concluding the contract, the seller shall deliver the object at such place; if the place is unknown, the object shall be delivered at the business place of the seller when concluding the contract.

Article 142 The risk of damage to or missing of an object shall be borne by the seller before the delivery of the object and by the buyer after the delivery, except as otherwise stipulated by law or agreed upon by the parties.

Article 143 Where the object cannot be delivered according to the agreed time limit due to causes of the buyer, the buyer shall bear the risk of damage to or missing of the object as of the agreed date of delivery.

Article 144 Where the seller sells an object delivered to a carrier for carriage and en route of carriage, the risk of damage to or missing of the object shall be borne by the buyer as of the time of establishment of the contract, except as otherwise agreed upon by the parties.

Article 145 Where there is no agreement in the contract between the parties as to the place of delivery or such agreement is unclear, and the object needs carriage according to the provisions of Sub-paragraph (1), Paragraph 2, Article 141 of this Law, the risk of damage to or missing of the object shall be borne by the buyer after the seller has delivered the object to the first carrier.

Article 146 Where the seller has put an object at the place of delivery according to the provisions of Sub-paragraph (2), Paragraph 2, Article 141 of this Law, while the buyer fails to take delivery of the object by violating the terms of the contract, the risk of damage to or missing of the object shall be borne by the buyer as of the date of breach.

Article 147 The buyer's failure in delivering the documents and materials relating to the object according to the terms of the contract may not affect the risk transfer of the damage to or missing not affect the risk transfer of the damage to or missing of the object.

Article 148 Where it is not able to realize the purpose of a contract because the quality of the object has not satisfied the quality requirements, the buyer may refuse to accept the object or may rescind the contract. Where the buyer refuses to accept the object or rescinds the contract, the seller shall bear the risk of damage to or missing of the object.

Article 149 In case that the buyer bears the risk of damage to or missing of the object, the buyer's right may not be affected to claim the assumption by the seller of the liabilities for breach of contract because of the seller's performance failing to conform with the terms of the contract.

Article 150 The seller shall, in respect of the object delivered, assume the obligation to guarantee that no third party may claim any right to the buyer, except as otherwise stipulated by law.

Article 151 Where the buyer knows or ought to know, when concluding the contract, that a third party has rights on the object to be sold, the seller may assume no obligation as stipulated in Article 150 of this Law.

Article 152 Where the buyer has conclusive evidence to demonstrate that a third party may probably claim rights on the object, the buyer may suspend to pay the corresponding price, unless the seller provides a proper guaranty.

Article 153 The seller shall deliver the object according to the agreed quality requirements. In case that the seller provides with the quality specifications concerning the object, the delivered object shall satisfy the quality requirements in such specifications.

Article 154 Where there is no agreement between the parties in the contract on the object requirements or such agreement is unclear, nor can it be determined according to the provisions of Article 61 of this Law, the provisions of Sub-paragraph (1), Article 62 of this Law shall be applied.

Article 155 Where the object delivered by the seller fails to conform with the quality requirements, the buyer may claim the assumption by the seller of the liabilities for breach of contract according to the provisions of Article 111 of this Law.

Article 156 The seller shall deliver the object in the agreed package manner. Where there is no agreement on package manner in the contract or the agreement is unclear, nor can it be determined according to the provisions of Article 61 of this Law, the object shall be packed in a general manner, and if no general manner, a package manner enough to protect the object shall be adopted.

Article 157 The buyer shall inspect the object within the agreed inspection period after receiving the object. In case there is no such period agreed upon in the contract, the inspection shall be made in time.

Article 158 Where the parties have agreed upon the inspection period in the contract, the buyer shall, within the period for inspection, make a notice to the seller that the object quantity or quality fails to conform with the terms of the contract. If the buyer is indolent in making such a notice, it shall be deemed that the object quantity or quality has conformed with the terms of the contract.

Where there is no agreement between the parties in the contract on the inspection period, the buyer shall make a notice to the seller within a reasonable time period after it finds or ought to find that the object quantity or quality fails to conform with the terms of the contract. If the buyer fails in making a notice within such reasonable time period or within 2 years as of the date of receiving the object, it shall be deemed that the object quantity has conformed with the terms of the contract. However, if there is a quality guarantee period on the object, the said quality guarantee period shall be applied instead of the above said 2 years.

Where the seller knows or ought to know the object to be supplied does not conform with the terms of the contract, the buyer may not be restricted by the time limit as stipulated in the preceding paragraph.

Article 159 The buyer shall pay the price according to the agreed amount in the contract. If there is no agreement in the contract on the price or such agreement is unclear, the provisions of Article 61 and Sub paragraph (2), Article 62 of this Law shall be applied.

Article 160 The buyer shall pay the price at the agreed place. If there is no agreement in the contract on the place of payment or the agreement is unclear, nor can it be determined according to the provisions of

Article 61 of this Law, the buyer shall pay at the seller's business place. However, if it is agreed that the delivery of the object or the documents to take delivery of the object is set as a prerequisite to the payment of the price, the payment shall be made at the place where the object or the documents to take delivery of the object are delivered.

Article 161 The buyer shall pay the price at the agreed time. If there is no agreement in the contract on the time of payment or such agreement is unclear, nor can it be determined according to the provisions of Article 61 of the Law, the buyer shall pay at the same time when receiving the object or the documents to take delivery of the object.

Article 162 Where the seller delivers excessive objects, the buyer may accept or refuse to accept the excess part. In case the buyer accepts the excess part, the buyer shall pay for it at the price in the original contract; if he refuses to accept the excess part, the buyer shall make a notice to the seller promptly.

Article 163 Any fruits generated by the object before delivery shall be owned by the seller, while those generated after delivery shall be owned by the buyer.

Article 164 If a contract is rescinded resulting from that the principal part of the object fails to satisfy the terms of the contract, the effectiveness of rescinding the contract shall extend to the collateral part.

Where the collateral part of the object fails to satisfy the terms of the contract so that it has been rescinded, the effectiveness of its rescinding may not extend to the principal part.

Article 165 Where the object contains several items and one of them fails to satisfy the terms of the contract, the buyer may rescind the contract with respect to such item. However, if its separation from other items will damage the object value obviously, the parties may rescind the contract with respect to such several items.

Article 166 Where the seller delivers the object in batches, if the seller fails to deliver one batch of the object or the delivery fails to satisfy the terms of the contract so that the said batch can not realize the contract purpose, the buyer may rescind the contract with respect to such batch of object.

If the seller fails to deliver one batch of object or the delivery fails to satisfy the terms of the contract so that the delivery of the subsequent batches of objects can not realize the contract purpose, the buyer may rescind the contract with respect to such batch and the subsequent batches of objects.

If the buyer has rescinded the contract with respect to one batch of object and such batch of object is indispensable to other batches of objects, the buyer may rescind the contract with respect to the various batches of objects delivered and undelivered.

Article 167 Where the buyer making payment by installments fails to pay the price due and the amount unpaid accounts for one fifth of the whole price, the seller may request the buyer to pay the whole price or may rescind the contract.

Where the seller rescinds the contract, the seller may request the buyer to pay for the use of such object.

Article 168 The parties to a sales transaction based upon the sample shall seal up the sample, and may make specifications on the sample quality. The object delivered by the seller shall have the same quality as the sample and the specifications.

Article 169 Where the buyer to a sales transaction based upon the sample does not know that the sample has a hidden defect, even if the object delivered is the same as the sample, the object delivered by the seller shall still meet the normal standards of the kind.

Article 170 The parties to a sales transaction on trial use may agree on the period of trial use of the object. If there is no agreement in the contract on such period or such agreement is unclear, nor can it be determined according to the provisions of Article 61 of this Law, it shall be determined by the seller.

Article 171 The buyer to a sales transaction on trial use may, during the period of trial use, buy the object or refuse to buy it. Upon the expiry of the period of trial use, if the buyer fails to express whether or not to buy the object, the purchase shall be deemed.

Article 172 The rights and obligations of the parties to a sales transaction in the form of inviting and making tenders and the procedures therefor, shall be in accordance with the provisions of relevant laws and administrative regulations.

Article 173 The rights and obligations of the parties to an auction and the procedures therefor, shall be in accordance with the provisions of relevant laws and administrative regulations.

Article 174 Where there is any provision on other non-gratuitous contracts in the laws, such provisions shall be followed, if no such provisions, the relevant provisions on sales contracts shall be applied *mutatis mutandis*.

Article 175 Where the parties make an agreement on a barter trade, and the ownership of the object is to be transferred, the relevant provisions on sales contracts shall be applied *mutatis mutandis*.

Chapter 10 Contracts for Supply and Use of Electricity, Water, Gas or Heating

Article 176 A contract for supply and use of electricity refers to a contract whereby the supplier of electricity supplies electricity to the user of electricity, and the user pays the electric fee.

Article 177 The contents of a contract for supply and use of electricity shall contain such clauses as the manner, quality, and time of supplying electricity, quantity of use, address and character of use, method of measurement, method of settlement and clearance of electricity price and fees, and the responsibility for maintaining the facilities for supply and use of electricity.

Article 178 The place where a contract for supply and use of electricity is to be performed shall be agreed upon by the parties. Where there is no such agreement between the parties in the contract or such agreement is unclear, the place where the property rights of the electricity supply facilities are demarcated shall be the place of performance.

Article 179 The supplier of electricity shall safely supply electricity in accordance with the standards for the supply of electricity stipulated by the State and the terms of the contract. Where the supplier of electricity in accordance with the standards for the supply of electricity as stipulated by the State and terms of the contract, and causes losses to the user of electricity, it shall be liable for damages.

Article 180 When the supplier of electricity needs to suspend the supply of electricity due to such reasons as planned or ad hoc inspection and repair of the facilities for supply of electricity, restriction on electricity according to law or use of electricity in advance in accordance with the relevant provisions of the State. Where it suspends the supply without notifying the user in advance and causes losses to the user, the supplier of electricity shall be liable for damages.

Article 181 Where the supplier of electricity suspends the supply of electricity due to such reasons as natural disasters, it shall make prompt repairs in accordance with the relevant provisions of the State. Where it fails to make prompt repairs and cause losses to the user, it shall be liable for damages.

Article 182 The user of electricity shall pay the electricity fees as scheduled in accordance with the relevant provisions of the State and the terms of the contract. If the user of electricity does not pay the electricity fees within the time limit, it shall pay breach of contract damages in accordance with the terms of the contract. If the user still does not pay the electricity fees and the breach of contract damages, the supplier may suspend the supply of electricity in accordance with the procedures stipulated by the State.

Article 183 The user of electricity shall use the electricity in accordance with the relevant provisions of the State and the terms of the contract. Where the user of electricity fails to use the electricity safely according to the relevant provisions of the State and the terms of the contract and causes losses to the supplier of electricity, it shall be liable for damages.

Article 184 Contracts for supply and use of water, gas or heating shall apply mutatis mutandis the provisions on contracts for supply and use of electricity.

Chapter 11 Contracts for Donation

Article 185 A donation contract refers to a contract whereby the donator presents gratis its property to the donee, and the donee expresses the acceptance of the donation.

Article 186 The donator may rescind the donation before transferring of the rights of the donated property.

Where the donation contract is of such nature as for public welfare or moral obligation in providing disaster or poverty relief, or the donation contract is notarized, the provisions of the preceding paragraph shall not be applied.

Article 187 If the donated property needs to go through such formalities as registration according to law, the relevant formalities shall be completed.

Article 188 In case of a donation contract being of such nature as for public welfare or moral obligation in providing disaster or poverty relief, or that the donation contract is notarized, if the donator does not deliver the donated property, the donee may request for the delivery.

Article 189 Where, due to the deliberate intention or gross fault of donator, destruction or losses are caused to the donated property, the donator shall be liable for damages.

Article 190 The donation may be subject to collateral obligations.

Where the donation is subject to collateral obligations, the donee shall perform the obligations in accordance with the terms of the contract.

Article 191 Where the donated property has defects, the donator shall not bear any liability. In case of a donation subject to collateral obligations, if the donated property has defects, the donator shall bear the same liability as a seller within the limit of the collateral obligations.

Where the donator does not inform of the defects intentionally or insures that there is no defect, thus causing losses to the donee, the donator shall be liable for damages.

Article 192 Where the donee is under any of the following circumstances, the donator may rescind the donation:

- (1) seriously infringing upon the donator or his/her close relatives;
- (2) not performing the obligation in respect of supporting the donator;
- (3) not performing the obligation agreed upon in the donation contract.

The right of the donator to rescission shall be exercised within one year as of the date when he knows or ought to know the rescission reasons.

Article 193 In case of the donee's illegal acts resulting in the death of the donator or the loss of the donator's civil capacity, the heir or statutory agent of the donator may rescind the donation.

The right to rescission of the heir or statutory agent of the donator shall be exercised within six months as of the date when he knows or ought to know the rescission reasons.

Article 194 Where a person having the right to rescission rescinds the donation, the person may request the donee to return the donated property.

Article 195 Where economic conditions of the donator is strikingly deteriorating, which seriously affects his/her production and business operations or the family life, the donator may no longer perform the donation obligation.

Chapter 12 Contracts for Loans

Article 196 A loan contract refers to a contract whereby the borrower raises a loan from the lender, and repays the loan with interest thereof when it becomes due.

Article 197 Loan contracts shall be in written form, except as otherwise agreed upon by natural persons in respect of loans between them.

The contents of a loan contract shall contain such clauses as the category of loans, the kind of currency, the purpose of use, the amount, the interest rate, the term and the method for returning the loan.

Article 198 In concluding a loan contract, the lender may require the borrower to provide a guaranty. The guaranty shall abide by the provisions of the Guaranty Law of the People's Republic of China.

Article 199 In concluding a loan contract, the borrower shall provide with the truthful information about the business activities and financial conditions relating to the loan according to the requirements of the lender.

Article 200 The interest of the loan shall not be deducted from the principal in advance. Where the interest is deducted in advance from the principal, the loan shall be repaid and the amount of the interest calculated according to the actual amount of the loan.

Article 201 Where the lender fails to extend the loan in accordance with the agreed date and amount and causes losses to the borrower, the lender shall compensate for the losses.

Where the borrower fails to accept the loan in accordance with the agreed date and amount, the borrower shall pay the interest according to the agreed date and amount.

Article 202 The lender may inspect and supervise the use of the loan in accordance with the terms of the contract. The borrower shall provide regularly the relevant financial statements and other materials to the lender in accordance with the terms of the contract.

Article 203 Where the borrower fails to use the loan in accordance with the agreed usage of the loan, the lender may cease in extending the loan, recall the loan ahead of time or rescind the contract.

Article 204 Loan interest rates of the financial institutions conducting loan business shall be determined according to the upper limit and lower limit of loan interest rates stipulated by the People's Bank of China.

Article 205 The borrower shall pay the interest in accordance with the agreed time limit. Where there is no agreement in the contract as to the time limit for payment of interest or such agreement is unclear, nor can it be determined according to the provisions of Article 61 of this Law, the interest shall be paid at the time when the loan is returned for loans under a term of less than one year; as for loans under a term of more than one year, the interest shall be paid at the time when every one full year expires, and if the remaining term is less than one year, the interest thereof shall be paid at the time when the loan is returned.

Article 206 The borrower shall return the loan in accordance with the agreed time limit in the contract. Where there is no agreement in the contract as to the loan term or such agreement is unclear, nor can it be determined according to the provisions of Article 61 of this Law, the borrower may return the loan within a reasonable time limit.

Article 207 Where the borrower fails to return the loan in accordance with the agreed time limit, the borrower shall pay overdue interest according to the terms of the contract or the relevant provisions of the State.

Article 208 Where the borrower returns the loan ahead of time, except as otherwise agreed upon between the parties, the interest thereof shall be calculated according to the actual term of the loan.

Article 209 The borrower may apply to the lender for an extension of the loan return term before the loan term expires. If the lender consents, the term may be extended.

Article 210 A loan contract between natural persons shall come into force as of the time when the lender extends the loan.

Article 211 If there is no agreement in a loan contract between natural persons as to the payment of interest or such agreement is unclear, it shall be deemed as non-payment of interest or such agreement is unclear, it shall be deemed as non-payment of interest.

If the payment of interest is agreed in a loan contract between natural persons, the loan interest rates shall not violate the provisions of the State on the restriction on loan interest rates.

Chapter 13 Contracts for Lease

Article 212 A lease contract refers to a contract whereby the lessor shall deliver the leased property to the lessee for the latter's use or obtaining proceeds through the use, and the lessee pays the rent.

Article 213 The contents of a lease contract shall contain such clauses as the name, quantity, purpose for use, term of the lease, rent as well as time limit and method for its payment, maintenance of the leased property.

Article 214 The term of a lease may not exceed 20 years; in case of a term exceeding 20 years, the exceeding part shall be invalid.

At the expiry of the term of the lease, the parties may extend the lease contract; however, the extended term of the lease agreed upon shall not exceed 20 years as of the date of extending the contract.

Article 215 Where the lease term is above 6 months, the lease contract shall be in written form. If the parties do not conclude it in written form, it shall be deemed an unfixed lease.

Article 216 The lessor shall deliver the leased property to the lessee and keep it being fit for the use according to the terms of the contract during the term of the lease.

Article 217 The lessee shall use the leased property in accordance with the methods agreed upon in the contract. Where there is no agreement in the contract on the methods for using the leased property in accordance with the methods agreed upon in the contract. Where there is no agreement in the contract on the methods for using the leased property or such agreement is unclear, nor can it be determined according to the provisions of Article 61 of this Law, the leased property shall be used in a manner in light of its nature.

Article 218 Where the lessee uses the leased property in accordance with the methods agreed upon in the contract or the nature of leased property and causes losses to the leased property, the lessee shall not bear the liability for damages.

Article 219 Where the lessee uses the leased property not in accordance with the methods agreed upon in the contract or the nature of the leased property and causes losses to the leased property, the lessor may rescind the contract and claim compensation for losses.

Article 220 The lessor shall perform the obligation of maintenance of the leased property, except as otherwise agreed upon by the parties.

Article 221 The lessee may request the lessor to maintain and repair the leased property within a reasonable time limit when the leased property needs maintenance and repair. Where the lessor fails to perform the obligation of maintaining and repairing the leased property, the lessee may maintain it by itself, and the expenses for the maintenance shall be borne by the lessor. Where the maintenance affects

the use of the leased property, the rent shall be reduced or the lease term shall be extended correspondingly.

Article 222 The lessee shall keep the leased property in proper shape. In case that improper storage causes destruction of, damage to or loss of the leased property, the lessee shall bear the liability for damages.

Article 223 With the consent of the lessor, the lessee may improve or add other items to the leased property.

Where the lessee improves or adds other items to the leased property without the consent of the lessor, the lessor may request the lessee to restore it to the original conditions or compensate for the losses.

Article 224 With the consent of the lessor, the lessee may sublet the leased property to a third party. In case of subletting by the lessee, the lease contract between the lessee and lessor shall continue to be effective, and the lessee shall compensate for the losses if the third party causes losses to the leased property.

Where the lessee sublets the leased property without the consent of the lessor, the lessor may rescind the contract.

Article 225 The proceeds gained due to possession or use of the leased property shall belong to the lessee, except as otherwise agreed upon by the parties.

Article 226 The lessee shall pay the rent according to the time limit agreed upon in the contract. Where there is no agreement in the contract as to the time limit for payment or such agreement is unclear, nor can it be determined according to the provisions of Article 61 of this Law, the rent shall be paid at the expiry of the lease term if the lease term is less than one year, or shall be paid at the expiry of every one full year if the lease term is more than one year, the rest of rent shall be paid at the expiry of the lease term if the remaining lease term is less than one year.

Article 227 Where the lessee fails to pay or delays the payment of the rent without justified reasons, the lessor may require it to pay the rent within a reasonable time limit. If the lessee fails to pay the rent according to the time limit, the lessor may rescind the contract.

Article 228 Where a third party claims rights and makes it impossible for the lessee to use or obtain proceeds from the leased property, the lessee may request a reduction of rent or not to pay the rent.

Where rights are claimed by a third party, the lessee shall notify the lessor promptly.

Article 229 In case of a change with regard to the ownership of the leased property, the effectiveness of the contract shall not be affected.

Article 230 If the lessor sells out a leased house, it shall, within a reasonable time limit before the sale, notify the lessee and the lessee shall have the right to priority to buy the leased house on equal conditions.

Article 231 If, due to causes which are not attributable to the lessee, part or all of the leased property is damaged, destroyed or lost, the lessee may request for a reduction of the rent or not to pay the rent. If the damage to or destruction or loss of part or all of the leased property makes it impossible to realize the purpose of the contract, the lessee may rescind the contract.

Article 232 Where there is no agreement between the parties in the contract as to the term of the lease or such agreement is unclear, nor can it be determined according to the provisions of Article 61 of this Law, such lease shall be considered to be an unfixed lease. The parties may rescind the contract at any time, but the lessor shall, at the rescission of the contract, notify the lessee before a reasonable time limit.

Article 233 Where the leased property endangers the safety or health of the lessee, even if the lessee knows the leased property does not meet the quality requirements when concluding the contract, the lessee may rescind the contract at any time.

Article 234 Where the lessee is deceased during the term of a house lease, the persons who live together with the deceased may lease the house in accordance with the original lease contract.

Article 235 The lessee shall return the leased property at the expiry of the lease term. The property returned shall be in conformity with the conditions after use according to the terms of the contract or the nature of the leased property.

Article 236 Where the lessee continues to use the leased property after the expiry of the lease term, and the lessor does not raise objection, the original lease contract shall continue to be effective, but the lease term is not fixed.

Chapter 14 Contracts for Financial Lease

Article 237 A financial lease contract refers to a contract whereby the lessor buys the leased property from the seller based on the lessee's choice of the seller and the leased property, and supplies it to the lessee for the latter's use, and the lessee pays the rent.

Article 238 The contents of a financial lease contract shall contain such clauses as the title, quantity, specifications, technical performance and inspection methods of the leased property, the term of the lease, the rent composition and the time limit and kinds of currencies for payment of the rent, and the attribution of the leased property at the expiry of the lease term.

A financial lease contract shall be in written form.

Article 239 With regard to the sales contract concluded by the lessor based on the lessees' choice of the seller and the leased property, the seller shall deliver the object to the lessee according to the terms of the contract, and the lessee shall enjoy the rights of a buyer relating to the received object.

Article 240 The lessor, seller and lessee may agree that, where the seller fails to perform the sales contract, the lessee shall exercise the right to claims. Where the lessee exercises the right, the lessor shall provide assistance.

Article 241 The sales contract concluded by the lessor based on the lessee's choice of the seller and the leased property, shall not be modified in respect of the contents of the contract relating to the lessee without the consent of the lessee.

Article 242 The lessor shall be entitled to the ownership of the leased property. In case of bankruptcy of the lessee, the leased property does not belong to the bankrupt property.

Article 243 The rent under a financial lease contract shall be determined according to the major part or whole of the cost for purchasing the leased property and reasonable profits of the lessor, except as otherwise agreed upon by the parties.

Article 244 Where the leased property does not conform to the terms of the contract or the purpose of its use, the lessor shall not bear any liability, except that the lessee decides on the choice of the leased property depending on the skills of the lessor or the lessor interferes with the choice of the leased property.

Article 245 The lessor shall insure the lessee's possession and use of the leased property.

Article 246 Where the leased property caused personal injury or property damage to a third party during the period wherein the lessee possesses the leased property, the lessor does not bear liability.

Article 247 The lessee shall keep the leased property in a proper storage and use it properly.

The lessee shall perform the obligation for maintenance of the leased property during the period wherein the period wherein the lessee possesses the leased property.

Article 248 The lessee shall pay the rent according to the terms of the contract. If the lessee still does not pay the rent within a reasonable time limit after being urged, the lessor may request it to pay all the rent, or rescind the contract and take back the leased property.

Article 249 Where the parties agree in the contract that the leased property shall belong to the lessee at the expiry of the lease term, the lessee has paid the majority of the rent but is unable to pay the remaining rent, and the lessor rescinds the contract for this reason and takes back rent, and the lessor rescinds the contract for this reason and takes back the leased property, the lessee may request the lessor to return a certain part if the value of the leased property taken back exceeds the rent and other expenses which the lessee owes to the lessor.

Article 250 The lessor and lessee may agree upon the attribution of the leased property at the expiry of the lease term. Where there is no agreement in the contract as to the attribution of the leased property or such agreement is unclear, nor can it be determined according to the provisions of Article 61 of this Law, the ownership of the leased property shall belong to the lessor.

Chapter 15 Contracts for Work

Article 251 A work contract refers to a contract whereby the contractor shall, in light of the requirements of the ordering party, complete the work and deliver the results therefrom, and the ordering party pays the remuneration therefor.

Work includes processing, ordering, repairing, duplicating, testing, inspecting, etc..

Article 252 The contents of a work contract shall contain such clauses as the object, quantity, quality, remuneration and method of the work, supply of materials, term of performance, standards and method of inspection.

Article 253 The contractor shall use its own equipment, technology and labour force to complete the principal part of the work, except as otherwise agreed upon by the parties.

Where the contractor assigns the contracted work to a third party in respect of the work results completed by the third party. Where the assignment is without the consent by the ordering party, the ordering party may rescind the contract.

Article 254 The contractor may assign some auxiliary work contracted to a third party for completion. The contractor shall be responsible to the ordering party for the work results completed by a third party if the contractor assigns the auxiliary work to the third party.

Article 255 Where the contractor provides with materials, the contractor shall select and use the materials according to the terms of the contract and accept inspection by the ordering party.

Article 256 Where the ordering party supplies materials, the ordering party shall supply the materials according to the terms of the contract. The contractor shall promptly inspect the materials supplied by the ordering party and, if it discovers that they do not conform to the agreement in the contract, it shall promptly notify the ordering party to replace them or supply what is lacking or take other remedial measures.

The contractor may not unilaterally replace any materials supplied by the ordering party, and may not replace the components which do not need to be repaired.

Article 257 Where the contractor discovers that the drawings supplied by the ordering party or the technical requirements are unreasonable, it shall promptly notify the ordering party. If, due to the indolent reply of the ordering party and other reasons, losses are caused to the contractor, the ordering party shall be liable for making compensation.

Article 258 Where the ordering party changes the requirements of the contracted work midway and causes losses to the contractor, the ordering party shall be liable for making compensation.

Article 259 If the contracted work needs the assistance of the ordering party, the ordering party shall have the obligation to provide assistance. Where the ordering party does not perform the assistance obligation and causes the contracted work unable to be completed, the contractor may urge the ordering party to perform its obligation within a reasonable time limit and may prolong the term of performance; the contractor may rescind the contract if the ordering party does not perform such obligation within the time limit.

Article 260 The contractor shall, during the period of working, accept the necessary supervision over and inspection of the work by the ordering party. The ordering party may not obstruct the contractor's normal work with the supervision and inspection.

Article 261 Where the contractor completes the work, it shall deliver the results of the work to the ordering party, and submit necessary technical materials and the relevant quality certificates. The ordering party shall examine and accept the results of the work.

Article 262 Where the results of the work delivered by the contractor do not conform to the quality requirements, the ordering party may request the contractor to bear such liabilities for the breach of contract as repairing, reprocessing, reducing remuneration and making compensation.

Article 263 The ordering party shall pay remuneration according to the time limit agreed by the parties in the contract. Where there is no agreement in the contract as to the time limit for payment of remuneration or such agreement is unclear, nor can it be determined according to the provisions of Article 61 of this Law, the ordering party shall pay it at the same time when the results of the work are delivered; where only part of the work results is delivered, the ordering party shall make corresponding payment.

Article 264 Where the ordering party fails to pay the remuneration or the price for the materials and etc., the contractor shall have the right to lien upon the results of the work, except as otherwise agreed upon by the parties.

Article 265 The contractor shall keep in a proper storage the materials supplied by the ordering party and the work results completed, and the contractor shall be liable for damages if they are destroyed, damaged or lost due to improper storage.

Article 266 The contractor shall maintain confidentiality according to the requirements of the ordering party and may not, without permission thereby, withhold and preserve the duplicates or technical materials.

Article 267 Co-contractors shall bear joint and several liability to the ordering party, except as otherwise agreed upon by the parties.

Article 268 The ordering party may rescind the contract at any time, but it shall bear the liability for making compensation for losses, if the contractor suffers losses therefrom.

Chapter 16 Contracts for Construction Projects

Article 269 A construction project contract refers to a contract whereby the contractor undertakes the construction of the project and the contract letting party pays the cost and remuneration.

Construction project contracts include project survey contracts, project design contracts and project construction contracts.

Article 270 Construction project contracts shall be in written form.

Article 271 The invitation and submission of tenders to a construction project shall be proceeded openly, equally and fairly according to the provisions of relevant laws.

Article 272 The contract letting party may enter into a construction project contract with a general contractor, or enter into a survey contract, design contract or construction contract with a surveyor, designer or constructor respectively.

The contract letting party may not divide the construction project that should be fulfilled by one contractor into several parts so as to be finished by several contractors.

With the consent of the contract letting party, the general contractor or the contractors for survey, design or construction may assign part of the contracted work to a third party. The third party shall assume joint and several liability to the contract letting party together with the general contractor or the contractors for survey, design or construction in respect of its work achievements. A contractor may not assign the whole contracted project to a third party or divide the whole contracted construction project into several parts and assign them respectively to third parties in the name of subletting.

The contractors are forbidden to sublet the project to any unit not having corresponding qualifications. The sub-contractor is forbidden to sublet its contracted work once again. The construction of the main body of the construction project must be completed by the general contractor.

Article 273 Contracts for major construction projects of the State shall be concluded in accordance with the procedures prescribed by the State and the investment plans, feasibility study reports and other documents approved by the State.

Article 274 The contents of a survey or design contract shall contain such clauses as the time limit for submission of the relevant basic materials and documents (including estimated budgets), the quality requirements, the expenses and other terms for cooperation.

Article 275 The contents of a construction contract shall contain such clauses as the scope of the construction, time period for the construction, the time for beginning and completing the intermediate construction projects, the quality of the construction, the cost of the construction, the time for submission of technical data, the responsibility for supply of materials and equipment, the allocation of funds and settlement of accounts, the inspection and acceptance of the project upon completion, the scope for guaranteed maintenance and repair and the quality guaranty period, the mutual cooperation of the two parties.

Article 276 Where supervision is practiced in respect of a construction project, the contract letting party shall enter into a written supervision commission contract with a supervisor. The rights, obligations and legal liabilities of the contract letting party and the supervisor shall be in accordance with the provisions on commission contracts of this Law and other relevant laws and administrative regulations.

Article 277 The contract letting party may inspect the operation progress and quality at any time provided not hampering the contractor from normal operation.

Article 278 Before covering a project which needs to be covered, the contractor shall notify the contract letting party to inspect the project. If the contract letting party fails to inspect it in time, the contractor may prolong the construction period, and shall have the right to request the contract letting party for compensation for losses caused by work stoppages and idling of the labour force, etc.

Article 279 Upon completion of a construction project, the contract letting party shall inspect and accept the projects in time according to the construction drawings and specifications as well as the construction inspection rules and quality standards issued by the State. If qualified, the contract letting party shall pay the costs and remuneration and accept the construction project according to the terms of the contract. A construction project may not be delivered for use until it is qualified through inspection and acceptance. A construction project may not be delivered for use without inspection and acceptance or proved to be unqualified through inspection and acceptance.

Article 280 Where the quality of survey or design work is not in conformity with the requirements, or the survey or design documents are not submitted in due time, thus delaying the construction period and causing losses to the contract letting party, the surveyor or designer shall continue to complete the

survey or design, reduce or do not charge the survey and design fees, and make compensation for the losses.

Article 281 If, due to the causes of the constructor, the construction quality does not conform to the terms of the contract, the contract letting party shall have the right to request the constructor to repair or reconstruct results in overdue delivery of the project, the constructor shall be liable for the breach of contract.

Article 282 If, due to causes of the contractor, personal injury and property losses have occurred within the period of reasonable use of the construction project, the contractor shall be liable for damages.

Article 283 If the contract letting party has not supplied the raw materials, equipment, sites, funds or technical data according to the agreed time and requirements in the contract, the contractor may prolong the construction period and shall have the right to request for compensation for the losses caused by work stoppages and idling of the labour force, etc.

Article 284 If, due to the causes of the contract letting party, a construction project pauses or is postponed in the course, the contract letting party shall adopt measures to offset or reduce the losses and compensate the contractor for losses and actual expenses incurred as a result of work stoppages, idling of the labour force, changes in transportation, transfer and move of machinery and equipment, overstocking of materials and components, etc.

Article 285 If, due to modification of the plan, or inaccuracy of the data supplied or a failure in providing the necessary conditions for survey and design work has to be redone or stopped, or the design revised, the contract letting party shall pay additional expenses for the amount of work actually rendered by the surveyor or designer.

Article 286 If the contract letting party fails to pay the costs and remuneration accordance with the terms of the contract, the contractor may urge the contract letting party to pay the money within a reasonable time limit. If the contract letting party fails to pay within the time limit, except that it is not appropriate to convert the construction project into money or auction it due to its characters, the contractor may consult with the contract letting party to convert the project into money, or apply to the people's court to auction the project according to law. The costs and remuneration of the construction project shall be compensated in priority by the money derived from the conversion or auction.

Article 287 Matters not addressed in this Chapter shall apply the relevant provisions on contracts for work.

Chapter 17 Contracts for Transportation

Section 1 General Rules

Article 288 A transportation contract refers to a contract whereby the carrier carries passengers or goods from the starting place of carriage to the agreed destination, and the passenger or the shipper or the consignee pays for the ticket-fare or freight.

Article 289 A carrier engaged in public transportation may not refuse the normal and reasonable carriage request of a passenger or shipper.

Article 290 A carrier shall carry the passenger or goods safely to the agreed destination within the agreed time period or within a reasonable time period.

Article 291 A carrier shall carry the passenger or goods to the agreed destination via the agreed or customary carriage route.

Article 292 A passenger or a shipper or a consignee or a consignee shall pay for the ticket-fare or for the freight. Where a carrier has not taken the agreed route or a customary carriage route, and consequently

increased the ticket-fare or the freight, the passenger or the shipper or the consignee may refuse to pay for the increased part of the ticket-fare or the freight.

Section 2 Contracts for Passenger Transportation

Article 293 A passenger transportation contract shall be established at the time when the carrier delivers the ticket to the passenger except as otherwise agreed upon in the contract by the parties or there are other transaction practices.

Article 294 A passenger on board shall hold a valid ticket. A passenger on board without a ticket or exceeds the distance paid for or takes a higher class or higher berth than booked or holds an invalid ticket, shall make up the payment for an appropriate ticket. The carrier may charge an additional payment according to the rules. Where the passenger refuses to make such a payment, the carrier may refuse to undertake the carriage.

Article 295 A passenger unable to embark on the time stated on the ticket due to his/her own fault, shall go through ticket cancellation and refund for malities or ticket modification formalities within the agreed time period. Where the passenger fails to do so within the time period, the carrier may refuse to make the refund and shall no longer assume the obligation of carriage.

Article 296 A passenger shall bring with him/her luggage within the agreed limit of quantity. A passenger takes luggage exceeding the limit shall check in the luggage.

Article 297 A passenger may not bring with him/her or pack in the luggage such dangerous articles as are inflammable, explosive, corrosive or radioactive as well as those that might endanger the safety of life and property on board the transportation vehicle or other contraband articles.

Where a passenger violates the provisions of the preceding paragraph, the carrier may discharge the contraband articles, destroy them or hand them over to relevant departments. Where the passenger insists on bringing or packing in the luggage the contraband articles, the carrier shall refuse the carriage.

Article 298 A carrier shall inform the passengers in time of the important causes which hinders the normal carriage and the matters which shall be noted for purpose of safety carriage.

Article 299 A carrier shall carry passengers in conformity with the time and the carriage schedule stated on the ticket. A carrier delaying the carriage shall arrange the passengers to take other flights or numbers, or refund the tickets as requested by the passengers.

Article 300 A carrier unilaterally changing the carriage vehicle and consequently lowering the standards of service shall refund the ticket or lower the price of the ticket as requested by the passenger. A carrier unilaterally raising the standards of service, shall not charge additional ticket-fare.

Article 301 A carrier shall, during the period of carriage, render whatever help and assistance as it can to a passenger who is seriously ill, or who is giving birth to a child or whose life is at risk.

Article 302 A carrier shall be liable for damages for the death of or personal injury to passengers during the period of carriage, unless the death or personal injury results from the health conditions of the passenger himself/herself, or the carrier proves that the death or personal injury is caused by the deliberate intention or gross fault of the passenger.

The preceding paragraph shall be applicable to a passenger who is exempted from buying the ticket according to relevant rules, or who is holding a preferential ticket, or who is permitted by the carrier to be on board without a ticket.

Article 303 Where an article that the passenger takes with him/her on board is damaged or destroyed during the period of carriage, the carrier shall be liable for the damage if it has committed fault.

Where a check-in luggage of a passenger is damaged or destroyed, the relevant rules for the carriage of goods shall be applied.

Section 3 Contracts for Goods Transportation

Article 304 A shipper, when handling the formalities for goods carriage, shall precisely indicate to the carrier, the title or name of the consignee or consignee by order, the name, nature, weight, amount and the place for taking delivery of the goods, and other information necessary for goods carriage.

Where a carrier suffers from damage due to untrue declaration or omission of important information by the shipper, the shipper shall be liable for damages.

Article 305 Where such formalities as examination and approval or inspection are required for goods carriage, the shipper shall submit the documents of fulfillment of the relevant formalities to the carrier.

Article 306 A shipper shall pack the goods in the agreed manner. Where there is no agreement in the contract as to the manner of packing or such agreement is unclear, the provisions of Article 156 of this Law shall be applied.

Where a shipper violates the provisions of the preceding paragraph, the carrier may refuse to undertake the carriage.

Article 307 When shipping such dangerous articles as are inflammable, explosive, corrosive or radioactive, a shipper shall appropriately pack the articles in conformity with the rules of the State governing the carriage of dangerous articles, and put on the marks and labels for dangerous articles and submit the written papers relating to the nature and measures of precaution to the carrier.

Where a shipper violates the provisions of the preceding paragraph, the carrier may refuse to undertake the carriage, or take corresponding measures to avoid damage. Expenses thus caused shall be borne by the shipper.

Article 308 Prior to the delivery of goods to the consignee by the carrier, the shipper may request the carrier to suspend the carriage, to return the goods, to alter the destination or to deliver the goods to another consignee. The shipper shall compensate the carrier for losses thus caused.

Article 309 After the goods carriage is completed, if the carrier has the knowledge of the consignee, it shall notify the consignee promptly and the consignee shall claim the goods promptly. Where the consignee claims the goods exceeding the time limit, it shall pay to the carrier for such expenses as storage of the goods, etc.

Article 310 When claiming the goods, a consignee shall inspect the goods within the agreed time limit in the contract. Where there is no agreement in the contract on the time limit or such agreement is unclear, nor can it be determined according to Article 61 of this Law, the consignee shall inspect the goods within a reasonable time limit. The failure of the consignee to make any claims on the amount, damage or losses of the goods within the agreed time limit or within a reasonable time limit, shall be deemed as the preliminary evidence that the carrier has delivered the goods in conformity with the statements indicated on the carriage documents.

Article 311 A carrier shall be liable for damages for the damage to or destruction of goods during the period of carriage unless the carrier proves that the damage to or destruction of goods is caused by force majeure, by inherent natural characters of the goods, by reasonable loss, or by the fault on the part of the shipper or consignee.

Article 312 The amount of damages for the damage to or destruction of the goods shall be the amount as agreed on in the contract by the parties where there is such an agreement. Where there is no such an agreement or such agreement is unclear, nor can it be determined according to the provisions of Article 61 of this Law, the market price at the place where the goods are delivered at the time of delivery or at the time when the goods should be delivered shall be applied. Where the laws or administrative

regulation stipulate otherwise on the method of calculation of damages and on the ceiling of the amount of damages, those provisions shall be followed.

Article 313 Where more than one carriers take a connect carriage in the same manner of transportation, the carrier who concludes the contract with the shipper shall bear the liability for the entire transport.

Where loss of goods occurred in a specific section, the carrier who concludes the contract with the shipper and the carrier who is responsible for the specific section shall bear joint and several liability.

Article 314 Where the goods are destroyed due to force majeure during the period of carriage and the freight has not been collected, the carrier may not request the payment of the freight. Where the freight has been collected, the shipper may request the refund of the freight.

Article 315 Where the shipper or the consignee fails to pay the freight, storage expense and other carriage expenses, the carrier is entitled to lien on the relevant carried goods except as otherwise agreed upon in the contract.

Article 316 Where the consignee is unclear or the consignee refuses to claim the goods without justified reasons, the carrier may have the goods deposited according to the provisions of Article 101 of this law.

Section 4 Contracts for Multi-modal Transportation

Article 317 A multi-modal transportation business operator shall be responsible for the performance or the organizing of performance of the multi-modal transportation contract, enjoy the rights and assume the obligations of the carrier for the entire transport.

Article 318 A multi-modal transportation business operator may enter into agreements with the carriers participating in the multi-modal transportation in different section of the transport on their respective responsibilities for different sections under the multi-modal transportation contract.

Article 319 A multi-modal transportation business operator shall issue multi-modal transportation documents upon receiving the goods from the shipper. The multi-modal transportation documents may be negotiable or non-negotiable, as requested by the shipper.

Article 320 Where a multi-modal transportation business operator suffers losses due to the fault of the shipper when shipping the goods, the shipper shall bear the liability for damages even if the shipper has transferred the multi-modal transportation documents to other parties.

Article 321 Where the damage to, destruction or loss of goods occurs in a specific section of the multi-modal transportation, the liability of the multi-modal transportation business operator for damages and the limit thereof shall be governed by the relevant laws on the specific model of transportation used in the specific section. Where the section of transportation in which the damage or destruction or loss occurred can not be identified, the liability for damages shall be governed by the provisions of this Chapter.

Chapter 18 Contracts for Technology

Section 1 General rules

Article 322 A technology contract refers to a contract that the parties conclude for purpose of establishing rights and obligations of the parties regarding technology development, technology transfer, technical consultancy and technical services.

Article 323 The conclusion of a technology contract must facilitate the progress of science and technology, accelerate the commercialization, application and dissemination of the achievements of science and technology.

Article 324 The contents of technology contract shall be agreed upon by the parties, and shall contain the following clauses in general:

- (1) title of the project;

- (2) contents, scope and requirements of the targeted object;
- (3) plan, schedule, time period, place, areas covered and manner of performance;
- (4) maintenance of confidentiality of technical information and materials;
- (5) sharing of liability for risks;
- (6) ownership of confidentiality of technical information and materials;
- (7) standards and method of inspection and acceptance;
- (8) price, remuneration or royalties and method of payment;
- (9) damages for breach of contract or method for calculating the amount of compensation for losses;
- (10) methods for settlement of disputes; and
- (11) interpretation of technical terms and expressions.

Background materials on the technology, reports on feasibility studies and technological appraisals, project descriptions and plans, technological standards, technological specifications, original designs and documents on technological processes, as well as other technology files relevant to the performance of the contract may be deemed as an integral part of the contract as agreed upon by the parties in the contract.

Where a technology contract involves patents, the title of the invention or creation, the patent applicant and the patentee, the date and number of application, the patent number as well as the valid time period of patent rights shall be indicated.

Article 325 The method of payment of price, remuneration or royalties in the technology contract shall be agreed upon by the parties. The parties may agree on the method of an overall calculation and one time payment, or of an overall calculation and payment by installment. They may also agree on the method of proportionate payment or such payment plus an advance payment of entrance fee.

Where the method of proportionate payment is agreed upon in the contract, the payment may be made according to a specific proportion to the price of the product, to the increased value of output derived from exploitation of the patent or from use of the know-how, to the profit or to the sales. They may also agree on other methods of calculation. The proportion may be a fixed proportion, or a proportion with yearly progressive increase or decrease.

Where the proportionate payment is agreed upon, the parties shall agree in the contract on the relevant accounting books.

Article 326 Where the right to use or to transfer a job-related technological achievement belongs to the legal person or other organization, the legal person or other organization may conclude technology contracts with regard to the job-related technological achievement. The legal person or other organization shall extract a certain proportion from the proceeds acquired from the use and transfer of such job-related technological achievement to reward or remunerate the individual who accomplished this technological achievement. Where a legal person or other organization concludes a technology contract to transfer the job-related technological achievement, the individual who accomplished this technological achievement shall have the priority to be the transferee on equal conditions.

A job-related technological achievement refers to a technological achievement accomplished in the process of carrying out the task of the legal person, or other organization, or mainly through using the materials and technological means thereof.

Article 327 The right to use or transfer a non-job-related technological achievement belongs to the individual who accomplished it. The individual may conclude a technology contract on such non-job-related technological achievement.

Article 328 An individual who has accomplished a technological achievement shall have the right to be named as such in the documents related to the technological achievement and the right to receive certificates of honor and awards.

Article 329 A technology contract which monopolizes the technology or impedes the technological progress, or which infringes upon the technological achievement of others shall be null and void.

Section 2 Contracts for Technology Development

Article 330 A technology development contract refers to a contract concluded between the parties for purpose of conducting research in and development of new technologies, new products, new processes and new materials as well as their systems.

Technology development contracts include commissioned development contracts and cooperative development contracts and cooperative development contracts.

A technology development contract shall be in written form.

A contract concluded between the parties for purpose of application or commercialization of certain technological achievement which has potential value for industrial application shall apply the provision concerning technology development contracts mutatis mutandis.

Article 331 The commissioning party to a commissioned development contract shall pay for the research and development expenses and the remuneration, supply technological materials and original data, accomplish coordinating tasks and accept the result of research and development on time according to the terms of the contract.

Article 332 The party responsible for research and development shall, according to the terms of the contract, formulate and implement a research and development plan, use the research and development budget in a reasonable way, complete the research and development on time, deliver the achievement according to the schedule, provide relevant technological materials and necessary technical guidance and assist the commissioning party in mastering the achievement of the research and development.

Article 333 Where the commissioning party violates the contract and causes a standstill, delay or failure in the research and development work, such party shall be liable for the breach of contract.

Article 334 Where the party responsible for research and development violates the contract and causes a standstill, delay or failure in the research and development work, such party shall be liable for the breach of contract.

Article 335 Parties to a cooperative development contract shall, make the investment according to the terms of the contract including making investment by way of technology contribution, taking part in the research and development in light of the division of labor according to the terms of the contract, and cooperating with other parties to the contract in the research and development work.

Article 336 Where a party to a cooperative development contract violates the contract and causes a standstill, delay or failure in the research and development work..

Article 337 Where the targeted technology in a technology development contract has been made public by others, which makes the performance of this technology development contract meaningless, the parties may rescind the contract.

Article 338 The liability for risks involved in a failure or partial failure in the research and development resulting from insurmountable technical difficulties occurring in the process of performing a technology development contract shall be agreed upon by the parties to the contract. In the absence of such an agreement in the contract or in case of ambiguity of such agreement, nor can it be determined according to the provisions of Article 61 of this Law, such risk liability shall be shared reasonably by the parties.

Where one party discovers that the situation stipulated in the preceding paragraph is likely to result in

a failure or partial failure in the research and development, the party shall promptly inform the other party of the situation and take appropriate measures to reduce losses. Where the party fails in making the notice and taking appropriate measures, and thus enlarging the losses, it shall be liable for the enlarged losses.

Article 339 With respect to inventions and creations achieved in the performance of a commissioned development, the right to apply for a patent belongs to the party that undertakes the research and development, except as otherwise agreed upon by the parties. Where the party that undertakes the research and development is granted a patent right, the commissioning party may exploit the patent for free.

Where the party undertaking the research and development transfers the right to apply for a patent, the commissioning party shall have the right to priority in acquiring such right on equal conditions.

Article 340 With respect to inventions and creations in cooperative development, the right to apply for a patent shall be jointly owned by the parties who participated in the cooperative development, except as otherwise agreed upon by the parties. Where one party transfers its part of the jointly owned right to apply for a patent, the other party or parties may have the right to priority in acquiring such right on equal conditions.

Where one party to the cooperative development contract declares that it renounces its part of the shared right to apply for patent, the other party may apply for it alone or the other parties may apply for it jointly. Where a patent is granted to the applicant, the party that renounced its right to apply for a patent may exploit the patent for free.

Where one party to a cooperative development contract declares that it renounces its part of the shared right to apply for a patent, the other party may apply for it alone or the other parties may apply for it jointly. Where a patent is granted to the applicant, the party that renounced its right to apply for a patent may exploit the patent for free.

Where one party to a cooperative development contract does not agree to apply for a patent, the other party or parties may not apply for it.

Article 341 The right to use or to transfer the know-how achieved in the commissioned development or cooperative development, and the method of distributing the proceeds derived shall be agreed upon by the parties in the contract. In the absence of such agreement or in case of ambiguity of such agreement, nor can it be determined according to the provisions of Article 61 of this Law, either party has the right to use and transfer it. However, the party undertaking the research and development under a commissioned development contract may not transfer the result of the research and development to a third party before delivering them to the commissioning party.

Section 3 Contracts for Technology Transfer

Article 342 Technology transfer contracts include contracts on patent transfer, contracts on transfer of the right to apply for a patent, contracts on transfer of know-how and contracts on the licensing of patent exploitation.

A technology transfer contract shall be in written form.

Article 343 The scope of the exploitation of a patent or the use of the know-how by the transferor and the transferee may be agreed upon in a technology transfer contract provided that no restriction may be imposed on technological competition and technological development.

Article 344 A contract for the licensing of patent exploitation shall be valid only within the valid period of the patent right. Once the patent right expires or it is declared as invalid, the patentee may not conclude any contract with others for licensing of the exploitation of the said patent.

Article 345 The transferor of a patent exploitation licensing contract shall, according to the terms of the contract, permit the transferee to exploit the patent, submit the technological materials relevant to the exploitation of the patent and provide necessary technical guidance.

Article 346 The transferee of a patent exploitation licensing contract shall exploit the patent according to the terms of the contract, and may not permit any third party other than as provided for in the contract to exploit such patent, and shall pay the royalties according to the terms of the contract.

Article 347 The transferor of a know-how transfer contract shall, as agreed upon in the contract, supply technological materials, conduct technical guidance and ensure the practical applicability and reliability of the know-how as well as undertake the obligation of maintaining confidentiality.

Article 348 The transferee of a know-how transfer contract shall use the know-how, pay the royalties and undertake the obligation of maintaining confidentiality according to the terms of the contract.

Article 349 The transferor of a technology transfer contract shall guarantee that he/she is the lawful owner of the supplied technology and that the supplied technology is complete, without mistakes, effective and able to accomplish the agreed goal.

Article 350 The transferee of a technology transfer contract shall, in conformity with the scope and the time period as agreed upon in the contract, assume the obligation of maintaining confidentiality for the undisclosed part of the technology supplied by the transferor.

Article 351 A transferor failing to transfer the technology according to the terms of the contract, shall return part or total of the royalties and be liable for the breach of contract. The party exploiting the patent or know-how exceeding the agreed scope, or unilaterally permit a third party to exploit the patent or use the know-how in violation of the contract, shall cease the act of breach of contract and be liable for the breach of contract. A party violating the agreed obligation of maintaining confidentiality shall be liable for the breach of contract.

Article 352 A transferee failing to pay the royalties according to the terms of the contract shall, make up such payment and pay the breach of contract damages as agreed upon. The transferee refusing to pay the overdue royalties or the breach of contract damages, shall cease the exploitation of the patent or the use of the know-how, return the technological materials and be liable for the breach of contract. A transferee exploiting the patent or using the know-how in a way exceeding the scope as agreed upon in the contract, or permitting a third party to exploit the patent or use the know-how without the consent of the transferor, shall cease the act of breach of contract and be liable for the breach of contract. A transferee violating the agreed obligation for maintaining confidentiality shall be liable for the breach of contract.

Article 353 Where the exploitation of a patent or the use of know-how by a transferee in accordance with the terms of the contract infringes upon the legitimate right and interests of others, the transferor shall be liable, except as otherwise agreed upon by the parties.

Article 354 The parties may stipulate in a technology transfer contract, the method of sharing technological achievements obtained from the follow-up improvements made in the exploitation of a patent or the use of know-how in light of the principle of mutual benefit. Where there is no such agreement in the contract or such agreement is unclear, nor can it be determined according to the provisions of Article 61 of this Law, the other parties shall have no right to share the technological achievements made by one party in the follow-up improvement.

Article 355 Where the laws and administrative regulations stipulate otherwise on the technology import and export contract, or patent contracts or contracts on application for patents, such provisions shall be followed.

Section 4 Contracts for Technical Consultancy and Technical Service

Article 356 Technical consultancy contracts include contracts whereby feasibility studies, technological forecasts, technical investigations and analytical evaluation reports shall be provided in respect of specific projects.

Technical service contracts refer to contracts whereby one party undertakes to solve specific technical problems by using its technical expertise for the other party, excluding contracts for construction projects and contracts for work.

Article 357 The commissioning party of a technical consultancy contract shall, as agreed upon in the contract, state clearly the questions raised for consultancy, supply technological background information and relevant technical materials and data, accept from the commissioned party the result of its work and pay the remuneration.

Article 358 The commissioned party of a technical consultancy contract shall complete the consultancy report or answer the questions raised by the commissioning party according to the agreed time limit. The consultancy report thus submitted shall meet the requirements as agreed upon in the contract.

Article 359 Where the commissioning party of a technical consultancy contract fails to supply the necessary materials and data according to the terms of the contract which consequently affects the progress and quality of the consultancy work, or does not accept the result of the work or accepts it beyond the time limit, the remuneration already paid may not be refunded, and the remuneration unpaid shall be paid in due amount.

Where the commissioned party of a technical consultancy contract fails to submit the consultancy report on time or the report thus submitted does not meet the requirements as agreed upon in the contract, the said party shall bear such Liabilities for breach of contract as reducing or waiving the remuneration, etc.

The losses resulting from decisions made by the commissioning party of a technical consultancy contract on the basis of the consultancy report and of the advice of the commissioned party that meet the requirements as agreed upon in the contract shall be borne by the commissioning party, except as otherwise agreed upon by the parties in the contract.

Article 360 The commissioning party of a technical service contract shall supply the work facilities and accomplish cooperative undertakings according to the terms of the contract, and accept the result of the work and pay the remuneration.

Article 361 The commissioned party of a technical service contract shall complete the services, solve the technical problems, guarantee the quality of its work and convey to the other party the knowledge on the solving of technical problems according to the terms of the contract.

Article 362 Where the commissioning party of a technical service contract fails to perform the contract or the performance is not in conformity with the terms of the contract, which consequently affects the progress and the quality of the work, or does not accept the result of the work or accepts it beyond the time limit, the remuneration already paid may not be refunded, and the remuneration unpaid shall be paid in due amount.

Where the commissioned party fails to complete the service work in conformity with the terms of the contract, the said party shall bear such liabilities for breach of contract as waiving the remuneration, etc.

Article 363 Any new technological achievement accomplished by the commissioned party in the performance of a technical consultancy contract or a technical service contract using the technological materials and work facilities supplied by the commissioning party, shall belong to the commissioned party, while any new technological achievement accomplished by the commissioning party using the results of

the work of the commissioned party, shall belong to the commissioning party, except as otherwise agreed upon by the parties in the contract.

Article 364 Where the laws and regulations stipulate otherwise on technical intermediation contracts and technical training contracts, such provisions shall be followed.

Chapter 19 Contracts for Storage

Article 365 A storage contract refers to a contract whereby the safekeeping party keeps in store the article handed over by the storing party, and returns the said article.

Article 366 The storing party shall, according to the terms of the contract, pay to the safekeeping party the storage fee.

Where there is no agreement in the contract regarding the storage fee, or such agreement is unclear, nor can it be determined according to the provisions of Article 61 of this Law, the storage shall be for free.

Article 367 A storage contract is established at the time when the article to be stored is handed over, except as otherwise agreed upon the parties.

Article 368 When the storing party hands over the article to be stored to the safekeeping party, the safekeeping party shall issue a storage certificate, except as otherwise practised in transactions.

Article 369 The safekeeping party shall keep in appropriate store the articles to be stored.

The parties may agree on the site or method of storage. The site or method of storage may not be unilaterally changed except in case of emergency or for the purpose of protecting the interests of the storing party.

Article 370 Where an article handed over by the storing party for storage has defects, or special measures need to be taken due to the character of the article, the storing party shall inform the safekeeping party of such matters. Where the storing party fails to inform the safekeeping party of such matters and consequently causes damage to the stored article, the safekeeping party shall not be liable for damages. Where the safekeeping party suffers losses therefrom as a consequence, the storing party shall be liable for damages, except in the event the safekeeping party knows the situation or ought to know it but fails to take any remedial measures.

Article 371 The safekeeping party may not turn the article to be stored over to a third party for storage, except as otherwise agreed upon by the parties in the contract.

Where the safekeeping party violates the provisions of the preceding paragraph and turns the article to be stored over to a third party for storage, thus causing damage to the article, the said party shall be liable for damages.

Article 372 The safekeeping party may not use or permit a third party to use the stored article, except as otherwise agreed upon by the parties.

Article 373 Where a third party claims rights on the stored article, the safekeeping party shall perform the obligation to return the article to the storing party, except that a preservative measure or executive measure is taken according to law with regard to the stored article.

Where a third party brings a lawsuit against the safekeeping party or applies for a seizure by the stored article, the safekeeping party shall promptly inform the storing party of the case.

Article 374 Where during the period of storage, the stored article is damaged, destroyed or lost due to improper storage by the safekeeping party, the safekeeping party shall be liable for damages. However, where the storage is provided for free, and the safekeeping party proves that it has not acted with gross fault, it shall not be liable for damages.

Article 375 A storing party depositing currency, securities or other precious articles shall, declare the case to the safekeeping party, and the safekeeping party shall inspect and seal up the article for storage.

Where the storing party fails to declare as such and the article is damaged, destroyed or lost afterwards, the safekeeping party may compensate for it as it is an ordinary article.

Article 376 A storing party may claim and get back the stored article at any time.

Where there is no agreement between the parties in the contract as to the time period of the storage, the safekeeping party may request the storing party to get back the stored article at any time. Where there is such agreement on the time period of the storage, the safekeeping party may not request the storing party to get back the stored article before the time period expires without special causes.

Article 377 On the expiry of the storage time period or when the storing party claims and gets back the article before the expiry, the safekeeping party shall return to the storing party the original article and the fruits generated therefrom.

Article 378 A safekeeping party keeping in store currency may return the currency of the same kind and in the same amount. In case of storing other replaceable articles, the safekeeping party may return to the storing party articles of the same category, quality and quantity according to the terms of the contract.

Article 379 With regard to non-gratuitous storage contracts, the storing party shall pay to the safekeeping party the storage fee according to the time limit as agreed upon by the parties.

Where there is no agreement as to the time limit for the payment in the contract or such agreement is unclear, nor can it be determined according to the provisions of Article 61 of this Law, the storage fee shall be paid at the same time when the stored article is claimed and taken back.

Article 380 Where a storing party fails to pay the storage fee and other expenses according to the terms of the contract, the safekeeping party is entitled to lien on the stored article, except as otherwise agreed upon by the parties.

Chapter 20 Contracts for Warehousing

Article 381 A warehousing contract refers to a contract whereby the safekeeping party keeps in store the goods handed over by the storing party, while the storing party pays the warehousing fee.

Article 382 A warehousing contract comes into effect at the time of its establishment.

Article 383 Where inflammable, explosive, poisonous, corrosive, radioactive and other dangerous or perishable articles are to be kept in store, the storing party shall indicate the character of the goods and provide relevant documents and materials thereof.

Where a storing party violates the provisions of the preceding paragraph, the safekeeping party may refuse to receive the goods, or may take appropriate measures to avoid losses. The cost consequently incurred shall be borne by the storing party.

The safekeeping party shall have appropriate safekeeping facilities for the storage of inflammable, explosive, poisonous, corrosive, radioactive and other dangerous articles.

Article 384 The safekeeping party shall inspect, before letting in, the warehousing goods in conformity with the terms of the contract. A safekeeping party discovering in the inspection that the goods are not in conformity with the terms of the contract shall, inform the storing party of conformity with the terms of the contract shall, inform the storing party of the case promptly. After the inspection and acceptance by the safekeeping party, the safekeeping party shall be liable for damages if it is discovered that the category, quantity or quality of the warehousing goods are not in conformity with the terms of the contract.

Article 385 Upon handing over the goods by the storing party, the safekeeping party shall issue a warehouse voucher.

Article 386 The safekeeping party shall sign on the warehouse voucher or affix a seal on it. A warehouse voucher shall contain the following items:

- (1) title or name and domicile of the storing party;

(2) category, quantity, quality, package, number of pieces and marks of the warehousing goods;

(3) standards of spoilage of the warehousing goods;

(4) place of storage;

(5) time period of storage;

(6) warehousing fee;

(7) where the warehousing goods have been insured, the amount and time period of the insurance and the title of the insurance company; and

(8) name of the person who issues the warehouse voucher, the place and the date of issuance.

Article 387 A warehouse voucher is the certificate for claiming the warehousing goods. The right to claim the warehousing goods may be transferred when the warehouse voucher is endorsed by the storing party or the person who holds the warehouse voucher is endorsed by the storing party or the person who holds the warehouse voucher, and signed or affixed with a seal by the safekeeping party.

Article 388 At the request of the storing party or the person who holds the warehouse voucher, the safekeeping party shall permit the person to check the warehousing goods or take samples.

Article 389 In the event that the safekeeping party discovers that the warehousing goods are deteriorated or otherwise damaged, the said party shall inform the storing party or the holder of the warehouse voucher of the case promptly.

Article 390 In the event that the safekeeping party discovers that the letting in warehousing goods are deteriorated or otherwise damaged, thus endangering the safety and the normal storage of other warehousing goods, the said party shall notify and urge the storing party or the holder of the warehouse voucher make necessary disposal. In case of emergency, the safekeeping party may make the necessary disposal, but shall inform the storing party or the holder of the warehouse voucher of the case promptly afterwards.

Article 391 Where there is no agreement in the contract between the parties as to the time period of the storage or such agreement is unclear, the storing party or the person who holds the warehouse voucher may claim and get back the warehousing goods at any time, the safekeeping party may also at any time request the storing party to claim the warehousing goods, provided that a time period necessary for preparation shall be given.

Article 392 When the storage time period expires, the storing party or the holder of the warehouse voucher shall claim and get back the warehousing goods. Where the storing party or the holder of the warehouse voucher fails to claim the goods on time, additional warehouse fee shall be paid. Where the goods are claimed before the time period expires, the warehouse storage fee shall not be reduced.

Article 393 Where the storing party or the holder of the warehouse voucher does not claim the warehoused goods when the time period expires, the safekeeping party may urge the holder to claim the goods within a reasonable time period. After this additional time period expires, the safekeeping party may have the goods deposited.

Article 394 If, during the time period of storage, the warehousing goods are damaged, destroyed or lost due to improper storage by the safekeeping party, the safekeeping party shall be liable for damages. Where the warehousing goods are perished or damaged due to inconformity of the character of the warehousing goods or of the packing with the terms of the contract, or the fact that the goods exceed the valid storage period, the safekeeping party shall not be liable.

Article 395 Matters not addressed in this Chapter shall apply, the relevant provisions governing storage contracts.

Article 396 A commission contract refers to a contract whereby the principal and the agent agree that the agent shall handle the matters of the principal.

Article 397 A principal may specially entrust an agent to handle one or several items of matters, or generally entrust the agent to handle all matters.

Article 398 The principal shall pay the expenses for handling the entrusted matters in advance. In case that the agent has prepaid the necessary expenses for handling the entrusted matters, the principal shall reimburse the expenses and the interest thereof.

Article 399 The agent shall handle the entrusted matters according to the instruction of the principal. Where the instruction of the principal needs to be modified, consent of the principal shall be obtained; in case of such emergency that it is difficult to contact the principal, the agent shall handle the entrusted matters properly and report to the principal the case promptly afterwards.

Article 400 The agent shall handle the entrusted matters himself/herself. With the consent of the principal, the agent may sub-entrust the matter. If the sub-entrustment has obtained consent, the principal may directly give instructions to the sub-entrusted third party, and the agent shall be liable only for the selection of the third party and his own instructions to the third party. If the sub-entrustment has not obtained the consent, the agent shall be liable for the third party's acts, except that in an emergency the sub-entrustment is necessary for the protection of the interests of the principal.

Article 401 The agent shall report the handling of the entrusted matters according to the requirements of the principal. The agent shall report the result of the entrusted matters when the commission contract is terminated.

Article 402 If within the scope of the power delegated by the principal, the agent, in his/her own name, concludes a contract with a third party, and the third party knows the proxy relationship between the agent and principal at the time of concluding the contract, the contract shall directly bind the principal and the third party, unless there are conclusive evidences to prove that the said contract only binds the agent and the third party.

Article 403 When an agent concludes a contract in his/her own name with a third party, and the third party does not know the proxy relationship between the agent and principal, and if the agent does not perform the obligation in respect of the principal due to causes of the third party, the agent shall disclose the third party to the principal. The principal hence may exercise the agent's rights against the third party, except that the third party will not conclude the contract with the agent if he knows the principal at the time of concluding the contract.

If the agent does not perform the obligations in respect of the third party due to causes of the principal, the agent shall disclose the principal to the third party. The third party hence may choose the agent or the principal as the counterpart to claim its rights, but the third party may not change the chosen counterpart.

Where the principal exercises the agent's rights against the third party, the third party may claim its demer in respect of the agent against the principal. Where the third party chooses the principal as its counterpart, the principal may claim its demer in respect of the third party against the third party.

Article 404 The agent shall hand over to the principal the property obtained from handling the entrusted matters.

Article 405 When the agent has finished the entrusted matters, the principal shall pay remuneration to it. If, due to causes not attributable to the agent, the commission contract is rescinded or the entrusted matters cannot be finished, the principal shall pay the agent corresponding remuneration. If otherwise agreed upon in the contract, the terms of the contract shall be applied.

Article 406 In respect of a non-gratuitous commission contract, where the principal suffers from losses due to the fault of the agent, the principal may claim compensation for the losses. In respect of a gratuitous deliberate intention or gross fault of the agent, the principal may claim compensation for the losses.

Where the agent is ultra vires and causes losses to the principal, the agent shall compensate for the losses.

Article 407 If, in handling the entrusted matters, the agent suffers from losses due to causes not attributable to its own, the agent may request the principal to compensate for the losses.

Article 408 With the consent of the agent, the principal may entrust a third party other than the agent to handle the entrusted matters. In respect of losses thus incurred to the agent, the agent may request the principal to compensate for the losses.

Article 409 Where two or more agents jointly handle the entrusted matters, they shall assume joint and several liabilities to the principal.

Article 410 The principal or agent may rescind the commission contract at any time. The party who causes losses to the other party Due to the rescission of the commission contract shall, compensate for the losses, except for causes not attributable to the said party.

Article 411 A commission contract shall be terminated when the decease of the principal or agent occurs, or the principal or agent losses civil capacity of conduct or goes into bankruptcy, except as otherwise agreed upon by the parties in the contract or except that it is inappropriate to terminate the contract according to the characters of the entrusted matters.

Article 412 If the termination of a commission contract due to the principal's decease, loss of civil capacity of conduct or bankruptcy will harm the principal's interests, the agent shall continue to handle the entrusted matters before the principal's heir, statutory agent or liquidation group take over these matters.

Article 413 If a commission contract is terminated due to the agent's decease, loss of civil capacity of conduct or bankruptcy, the agent's heir, statutory agent or liquidation group shall notify the principal promptly. If the termination of the commission contract will harm the principal's interests, the agent's heir, statutory agent or liquidation group shall notify the principal promptly. If the termination of the commission contract will harm the principal's interests, the agent's heir, statutory agent or liquidation group shall take necessary measures before the principal makes appropriate arrangements in dealing with the situation.

Chapter 22 Contracts for Brokerage

Article 414 A brokerage contract refers to a contract whereby the broker is, in his/her own name, engaged in trade activities for the benefit of the principal, and the principal pays the remuneration.

Article 415 The expenses of the broker occurred in handling the entrusted matters shall be borne by the broker except as otherwise agreed upon by the parties in the contract.

Article 416 When possessing the entrusted articles, the broker shall keep in appropriate store the said articles.

Article 417 If the entrusted articles have defects or are perishable or deteriorative when they are delivered to the broker, the broker may dispose of these articles with the consent of the principal. Where the principal cannot be contacted in time, the broker may dispose of these articles in a reasonable manner.

Article 418 Where the broker sells at a lower price or buys at a higher price than the price fixed by the principal, consent shall be obtained from the principal. Without the principal's consent, the transaction shall be effective to the principal if the broker makes up the price difference.

Where the broker sells at a higher price or buys at a lower price than the price fixed by the principal,

remuneration may be raised according to the terms of the contract. Where there is no such agreement in the contract or such agreement is unclear, nor can it be determined according to the provisions of Article 61 of this Law, the benefits shall belong to principal.

Where the principal has special instructions on price, the broker may not buy or sell violating these instructions.

Article 419 When selling or buying commodities of market fixed price, the broker may act as a buyer or seller, unless the principal expresses oppositely.

The broker may still request the principal under the circumstances stipulated in the preceding paragraph to pay the remuneration.

Article 420 Where the broker buys in the entrusted articles according to the terms of the contract, the principal shall accept the said articles in time. If, after the broker's urging with a notice, the principal refuses to accept the articles without justified reasons, the broker may deposit the entrusted articles according to the provisions of Article 101 of this Law.

If the entrusted articles cannot be sold out or the principal revokes the sale, and the principal does not take back or dispose of the goods after the broker's urging with a notice, the broker may have the entrusted articles deposited according to the provisions of Article 101 of this law.

Article 421 Where a contract is concluded between a broker and a third party, the broker shall directly have the rights and assume obligations under the contract.

If the third party fails in performing its obligations and causes losses to the principal, the broker shall be liable for damages, except as otherwise agreed upon by the parties.

Article 422 The principal shall pay to the broker corresponding remuneration when the broker has finished the whole or part of the entrusted matters. Where the principal fails to pay the remuneration in due time, the broker shall have the right to lien on the entrusted articles, except as otherwise agreed upon by the parties.

Article 423 Matters not addressed in this Chapter shall apply the relevant provisions governing commission contracts.

Chapter 23 Contracts for intermediation

Article 424 An intermediation contract refers to a contract where by the intermediary reports to the principal the opportunity for concluding a contract or provides intermediate service for concluding a contract, and the principal pays the remuneration.

Article 425 The intermediary shall report truthfully to the principal the matters related to the conclusion of a contract.

Where the intermediary intentionally conceals the important facts relating to the conclusion of the contract or provides false information and harms the interests of the principal, the said party may not claim the payment of remuneration and shall be liable for damages.

Article 426 The principal shall pay the intermediary remuneration according to the terms of the contract of the intermediary has facilitated the establishment of the contract. Where there is no such agreement in the contract on remuneration or such agreement is unclear, nor can it be determined according to the provisions of Article 61 of this Law, the remuneration shall be determined reasonably according to the service rendered by the intermediary. If the establishment of a contract has been facilitated by the intermediate service rendered by the intermediary, the remuneration shall be borne equally by the parties to the contract.

Where the intermediary has facilitated the conclusion of the contract, the expenses for the intermediate service shall be borne by the intermediary.

Article 427 Where the intermediary fails in facilitating the conclusion of a contract, the intermediary may not request for the payment of remuneration, but may request the principal to pay the necessary expenses for the intermediate service.

Supplementary Provisions

Article 428 This Law shall come into force as of October 1st, 1999. The Economic Contract Law of the People's Republic of China, the Law of the People's Republic of China on Economic Contracts Involving Foreign Interests and the Law of the People's Republic of China on Technology Contracts shall be invalidated simultaneously.