

Civil Code of the People's Republic of China

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The Civil Code of the People's Republic of China, as adopted at the 3rd Session of the Thirteenth National People's Congress of the People's Republic of China on May 28, 2020, is hereby issued, and shall come into force on January 1, 2021.

President of the People's Republic of China: Xi Jinping

May 28, 2020

Civil Code of the People's Republic of China

(Adopted at the 3rd Session of the Thirteenth National People's Congress of the People's Republic of China on May 28, 2020)

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Book I General Provisions

Chapter I Basic Provisions

Article 1 This Code is enacted in accordance with the Constitution for the purposes of protecting the lawful rights and interests of the parties to civil legal relations, regulating civil relations, maintaining the social and economic order, meeting the developmental requirements of socialism with Chinese characteristics, and upholding core socialist values.

Article 2 Civil law regulates the personal relationships and property relationships among natural persons, legal persons, and unincorporated organizations, as equal parties.

Article 3 The personal rights, property rights, and other lawful rights and interests of the parties to civil legal relations shall be protected by law, and no organization or individual may infringe upon such rights and interests.

Article 4 All parties to civil legal relations are equal in legal status in civil activities.

Article 5 The parties to civil legal relations shall conduct civil activities under the principle of free will, and create, modify, or terminate civil legal relations according to their own wills.

Article 6 The parties to civil legal relations shall conduct civil activities under the principle of fairness, and rationally determine the rights and obligations of each party.

Article 7 The parties to civil legal relations shall conduct civil activities under the principle of good faith, adhere to honesty, and fulfill their promises.

Article 8 The parties to civil legal relations shall not conduct civil activities in violation of the law, nor contrary to public order and good morals.

Article 9 The parties to civil legal relations shall conduct civil activities contributing to the conservation of resources and protection of environment.

Article 10 Civil disputes shall be resolved in accordance with the law; or if the law is silent, customs may apply, but not contrary to public order and good morals.

Article 11 Where there are any special provisions on civil relations in any other law, such special provisions shall apply.

Article 12 The law of the People's Republic of China shall apply to civil activities within the territory of the People's Republic of China, except as otherwise provided for by any law.

Chapter II Natural Persons

Section 1 Capacity for Civil Rights and Capacity for Civil Conduct

Article 13 A natural person has the capacity for civil rights from the moment of birth to the moment of death, enjoying civil rights and assuming civil obligations in accordance with the law.

Article 14 All natural persons are equal in capacity for civil rights.

Article 15 The time of birth and the time of death of a natural person shall be the ones recorded on his or her birth certificate or death certificate; or in the absence of a birth certificate or death certificate, the time shall be the one recorded in the household registration or any other valid identity registration. If there is any other evidence sufficient to overturn the aforesaid time, the time proved by such evidence shall prevail.

Article 16 Where the protection of the interests of a fetus is involved in, among others, a succession or acceptance of a gift, the fetus shall be presumed to have capacity for civil rights. However, in case of a stillborn, the fetus's capacity for civil rights has never existed.

Article 17 A natural person attaining the age of eighteen is an adult. A natural person under the age of eighteen is a minor.

Article 18 An adult has full capacity for civil conduct, and may perform juridical acts independently. A minor attaining the age of sixteen and primarily relying on his or her own labor income in living is deemed a person with full capacity for civil conduct.

Article 19 A minor attaining the age of eight is a person with limited capacity for civil conduct, who shall be represented by his or her statutory agent in performing juridical acts or whose performance of juridical acts shall be consented to or ratified by his or her statutory agent, but may alone perform juridical acts which purely benefit the minor or are commensurate with his or her age and intelligence.

Article 20 A minor under the age of eight is a person without capacity for civil conduct, who shall be represented in performing civil juridical acts by his or her statutory agent.

Article 21 An adult incapable of discerning his or her conduct is a person without capacity for civil conduct, who shall be represented by his or her statutory agent in performing juridical acts.

The provision of the preceding paragraph shall also apply to a minor attaining the age of eight without the power of discernment of his or her conduct.

Article 22 An adult incapable of fully discerning his or her conduct shall be a person with limited capacity for civil conduct, who shall be represented by his or her statutory agent in performing juridical acts or whose performance of juridical acts shall be consented to or ratified by his or her

statutory agent, but may perform alone juridical acts which purely benefit the adult or are commensurate with his or her intelligence and mental health.

Article 23 The guardian of a person without capacity for civil conduct or with limited capacity for civil conduct shall be the statutory agent of the person.

Article 24 For an adult incapable of discerning or fully discerning his or her conduct, an interested party or a relevant organization may apply to a people's court for determining the adult as a person without capacity for civil conduct or a person with limited capacity for civil conduct.

After the adult is determined by a people's court as a person without capacity for civil conduct or a person with limited capacity for civil conduct, the people's court may, based on the recovery of his or her intelligence or mental health, determine the adult as a person with limited capacity for civil conduct or a person with full capacity for civil conduct, upon his or her application or application of an interested party or a relevant organization.

For the purposes of this article, the relevant organizations include but are not limited to: an urban residents' committee, a villagers' committee, a school, a medical institution, a women's federation, a disabled persons' federation, an organization legally formed for seniors, and a civil affairs department, among others.

Article 25 The domicile of a natural person shall be his or her residence recorded in the household registration or any other valid identity registration; but if his or her habitual residence is different from the domicile, the habitual residence shall be deemed his or her domicile.

Section 2 Guardianship

Article 26 Parents have the obligations of maintenance, education, and protection of their minor children.

Adult children have the obligations of supporting, assistance, and protection of their parents.

Article 27 The parents of a minor are his or her guardians.

Where both parents of a minor are dead or incapable of acting as a guardian, one of the following persons capable of acting as a guardian shall act as the guardian of the minor in the following order:

- (1) Paternal or maternal grandparents of the minor.
- (2) Elder brothers or sisters of the minor.
- (3) Other individuals or organizations willing to act as the guardian, provided that it is approved by the urban residents' committee, villagers' committee, or civil affairs department of the place of the minor's domicile.

Article 28 One of the following persons capable of acting as a guardian shall, in the following order, act as the guardian of an adult without capacity for civil conduct or with limited capacity for civil conduct:

- (1) Spouse of the adult.
- (2) Parents or children of the adult.
- (3) Other close relatives of the adult.
- (4) Other individuals or organizations willing to act as the guardian, provided that it is approved by the urban residents' committee, villagers' committee, or civil affairs department of the place of the adult's domicile.

Article 29 Where the parents of a ward are his or her guardians, they may designate the guardian by a will.

Article 30 Persons legally qualified for guardianship may, by agreement, determine the guardian. The true will of the ward shall be respected in the determination of guardian by agreement.

Article 31 In case of any dispute over the determination of guardian, the urban residents' committee, villagers' committee, or civil affairs department of the place of the ward's domicile may designate the guardian, and against the aforesaid designation, the relevant parties may apply to the people's court for designating the guardian; and the relevant parties may, notwithstanding, directly apply to the people's court for designating the guardian.

The urban residents' committee, villagers' committee, civil affairs department, or people's court shall respect the true will of the ward, and designate the guardian from among persons legally qualified for guardianship under the principle of most benefiting the ward.

Before the guardian is designated under paragraph 1 of this article, if the personal rights, property rights, and other lawful rights and interests of the ward are under no protection, the urban residents' committee, villagers' committee, relevant organization prescribed by the law, or civil affairs department of the place of the ward's domicile shall act as the provisional guardian.

After designation, the guardian shall not be replaced without permission; and in case of replacement without permission, the designated guardian is not relieved of his or her responsibilities.

Article 32 Where there is no person legally qualified for guardianship, the civil affairs department may or the urban residents' committee or villagers' committee of the place of the ward's domicile satisfying the conditions for performing the duty of guardianship may act as the guardian.

Article 33 An adult with full capacity for civil conduct may, by consulting in advance with his or her close relatives or other individuals or organizations willing to act as a guardian, determine his or her guardian in writing. When the adult loses all or part of capacity for civil conduct, the guardian shall perform the duty of guardianship of the adult.

Article 34 The duties of a guardian include but are not limited to representing the ward in performing juridical acts and protecting the personal rights, property rights, and other lawful rights and interests of the ward.

The guardian's rights arising from performance of the duty of guardianship in accordance with the law shall be protected by law.

A guardian failing to perform the duty of guardianship or infringing upon the ward's lawful rights and interests shall assume legal liability.

In case of emergency or under any other emergency circumstance, the guardian is temporarily unable to perform the duty of guardianship and the ward's life is unattended, the urban residents' committee, villagers' committee, or civil affairs department of the place of the ward's domicile shall arrange for necessary daily care for the ward.

Article 35 A guardian shall perform the duty of guardianship under the principle of most benefiting the ward. The guardian shall not dispose of the ward's property unless for safeguarding the ward's interests.

The guardian of a minor shall, in the performance of the duty of guardianship, respect the ward's true will when making decisions related to the ward's interests according to the ward's age and intelligence.

The guardian of an adult shall, in the performance of the duty of guardianship, respect the ward's true will to the fullest extent, safeguard and assist the ward in performing juridical acts that are commensurate with the ward's intelligence and mental health. The guardian shall not interfere with any affairs that the ward is capable of handling alone.

Article 36 Where a guardian falls under any of the following circumstances, the people's court shall, upon application of the relevant individual or organization, disqualify the guardian, arrange necessary provisional guardianship measures, and designate another guardian in accordance with the law under the principle of most benefiting the ward:

(1) Committing any conduct seriously detrimental to the ward's physical and mental health.

(2) Being slack in performing the duty of guardianship, or being incapable of performing the duty of guardianship but refusing to delegate part or all of the duty of guardianship to another person, which causes distress of the ward.

(3) Otherwise seriously infringing upon the ward's lawful rights and interests.

For the purposes of this article, the relevant individuals and organizations include but are not limited to: any other person legally qualified for guardianship, an urban residents' committee, a villagers' committee, a school, a medical institution, a women's federation, a disabled persons' federation, an organization for the protection of minors, an organization legally formed for seniors, and a civil affairs department.

Where the individuals and organizations except the civil affairs department as prescribed in the preceding paragraph fail to apply for the disqualification of the guardian to the people's court in a timely manner, the civil affairs department shall file such an application with the people's court.

Article 37 Parents, children, and spouses who support the wards in the form of child support, support for elderly parents, or spousal support in accordance with the law shall continue to perform such obligations after they are disqualified by the people's courts as guardians.

Article 38 Where the ward's parent or child shows true repentance after being disqualified from guardianship by the people's court, except one having committed an intentional crime on the ward, the people's court may, by respecting the ward's true will and according to the circumstances, reinstate his or her guardianship upon his or her application, and the guardianship between the guardian designated by the people's court and the ward shall terminate concurrently.

Article 39 Under any of the following circumstances, the guardianship shall terminate:

- (1) The ward obtains or regains full capacity for civil conduct.
- (2) The guardian becomes incapable of guardianship.
- (3) The ward or the guardian dies.
- (4) The guardian relationship otherwise terminates as determined by a people's court.

If the ward still needs guardianship after the guardianship terminates, another guardian shall be determined in accordance with the law.

Section 3 Declaration of Absence and Declaration of Death

Article 40 Where a natural person has disappeared for two years, an interested party may apply to a people's court for a declaration of absence of the natural person.

Article 41 The period of disappearance of a natural person shall be counted from the day when he or she is not heard from. If a person disappears during a war, the period of disappearance shall be counted from the day when the war ends or from the date of absence as confirmed by the relevant authority.

Article 42 The property of an absentee shall be under the custody of his or her spouse, adult children, parents, or any other person willing to act as custodian of the property.

If there is any dispute over custody or the persons as mentioned in the preceding paragraph do not exist or are incapable of custody, the property shall be under the custody of a person designated by a people's court.

Article 43 The property custodian shall appropriately manage the absentee's property, and protect the property rights and interests of the absentee.

Any taxes and debts owed and other expenses payable by the absentee shall be paid by the property custodian out of the absentee's property.

Where the property custodian causes damage to the absentee's property intentionally or with gross negligence, the custodian shall assume compensatory liability.

Article 44 Where the property custodian fails to perform the duty of custody, infringes upon the absentee's property rights and interests, or becomes incapable of custody, an interested party for the absentee may apply to a people's court for replacement of the property custodian.

The property custodian may, for good reason, apply to a people's court for replacement of the property custodian.

Where the people's court decides to replace the property custodian, the replacement custodian shall have the right to request the original custodian to hand over relevant property and report on property custody in a timely manner.

Article 45 Where an absentee reappears, the people's court shall revoke the declaration of absence upon application of the person or an interested party.

Where an absentee reappears, the person shall have the right to request the property custodian to hand over relevant property and report on property custody in a timely manner.

Article 46 Where a natural person falls under any of the following circumstances, an interested party may apply to a people's court for a declaration of death of the natural person:

- (1) The natural person has disappeared for four years.
- (2) The natural person has disappeared for two years from an accident.

Where a person has disappeared from an accident, and it is impossible for the person to survive the accident as certified by the relevant authority, an application for a declaration of death of the person is not subject to the two-year period.

Article 47 Where both an application for a declaration of death and an application for a declaration of absence of the same natural person are filed by the interested parties with a people's court, the people's court shall declare the death of the person if the conditions for a declaration of death as set out in this Code are met.

Article 48 The day when the people's court renders a judgment to declare the death of a person shall be deemed the date of death of the person; but if the person is declared dead for his or her disappearance from an accident, the day when the accident occurred shall be deemed the date of death of the person.

Article 49 Where a natural person declared dead is alive, the validity of the juridical acts performed by the natural person during the period of declared death shall not be affected.

Article 50 Where a person declared dead reappears, the people's court shall revoke the declaration of death upon application of the person or an interested party.

Article 51 The marital relationship of a person declared dead shall be extinguished from the date of declaration of death. If the declaration of death is revoked, the marital relationship shall resume automatically from the date of revocation of the declaration of death, unless his or her spouse has remarried or submits to the marriage registration authority a written statement of refusal to resume marriage.

Article 52 Where a child of a person declared dead is legally adopted by another person during the period of his or her declared death, the person shall not claim nullity of the adoption on the ground that the adoption is without his or her approval after the declaration of death is revoked.

Article 53 Where the declaration of death of a person is revoked, the person shall have the right to reclaim his or her property which has devolved to other parties to civil legal relationships in accordance with Book VI of this Code. If any property cannot be reclaimed, the person shall be indemnified appropriately.

Where an interested party conceals facts, causing another person to be declared dead, and thus obtains any property of the person, the interested party shall, in addition to returning the property, assume compensatory liability for any loss so caused.

Section 4 Individual Industrial and Commercial Households and Rural Usufructuary Households

Article 54 A natural person conducting industrial and commercial operations upon registration in accordance with the law is an individual industrial and commercial household. An individual industrial and commercial household may have a trade name.

Article 55 A member of a rural collective economic organization who has obtained a usufruct on rural land in accordance with the law for farm operations of the household is a rural usufructuary household.

Article 56 Where the business of an individual industrial and commercial household is operated by an individual, the debts of the individual industrial and commercial household shall be assumed by the individual with his or her own property; where that is operated by a family, the debts of the individual industrial and commercial household shall be assumed by the family with family property; or where if it is impossible to ascertain whether that is operated by an individual or a family, the debts of the individual industrial and commercial household shall be assumed by the family with family property.

The debts of a rural usufructuary household shall be assumed by the rural household which operates on the rural land subject to the usufruct with family property or be assumed by some family members with their property who actually operate on the rural land subject to the usufruct.

Chapter III Legal Persons

Section 1 General Rules

Article 57 A legal person is an organization with capacity for civil rights and capacity for civil conduct which independently enjoys civil rights and assumes civil obligations in accordance with the law.

Article 58 A legal person shall be formed in accordance with the law. A legal person shall have its own name, organs, domicile, and property or funding.

The specific conditions and procedures for formation of a legal person shall be governed by laws and administrative regulations.

Where the formation of a legal person is subject to the approval of the relevant authority in accordance with any law or administrative regulation, such a law or administrative regulation shall apply.

Article 59 A legal person's capacity for civil rights and capacity for civil conduct arise when the legal person is formed and cease to exist when the legal person is terminated.

Article 60 A legal person shall assume civil liabilities independently with all of its property.

Article 61 In accordance with the provisions of laws or the bylaws of a legal person, the person in charge who conducts civil activities on behalf of the legal person shall be the legal representative of the legal person.

The legal consequences of civil activities conducted by the legal representative in the name of the legal person shall be assumed by the legal person.

Any restriction on the legal representative's right of representation imposed by the bylaws or the supreme organ of the legal person shall not be set up against bona fide opposite parties.

Article 62 Where the legal representative of a legal person causes damage to any other person in the performance of duties, the legal person shall assume civil liability for such damage.

The legal person may, after assuming such civil liability, claim reimbursement from the legal representative at fault in accordance with the laws or its bylaws.

Article 63 A legal person's domicile shall be the place of its principal office. If a legal person needs to be registered in accordance with the law, it shall register the place of its principal office as its domicile.

Article 64 Where any registered information on a legal person changes during its existence, the legal person shall apply for modification registration to the registration authority in accordance with the law.

Article 65 The inconsistency between the actual circumstances of a legal person and the registered information on the legal person shall not be set up against bona fide opposite parties.

Article 66 The registration authority shall, in accordance with the law, publish the relevant registration information on a legal person in a timely manner.

Article 67 In case of combination of a legal person, the surviving legal person shall enjoy the rights and assume the obligations of the legal person.

In case of division of a legal person, the surviving legal persons shall jointly and severally enjoy the rights and assume the obligations of the legal person, unless the creditor and the debtor have agreed otherwise.

Article 68 A legal person is terminated upon completion of liquidation and deregistration in accordance with the law for any of the following reasons:

- (1) The legal person is dissolved.
- (2) The legal person is declared bankrupt.
- (3) Any other reason specified by laws.

Where the termination of a legal person is subject to the approval of the relevant authority in accordance with any law or administrative regulation, such a law or administrative regulation shall apply.

Article 69 A legal person shall be dissolved under any of the following circumstances:

- (1) The duration stated in the legal person's bylaws expires, or any other cause of dissolution stated in the legal person's bylaws arises.
- (2) The legal person's supreme organ makes a resolution for dissolution.
- (3) The legal person is dissolved as required by business combination or division.
- (4) The legal person's business license or registration certificate is revoked in accordance with the law, or the legal person is ordered to close down or is abolished.
- (5) Any other circumstances specified by laws.

Article 70 Where a legal person is dissolved, except for business combination or division, the liquidation obligors shall form a liquidation group to conduct liquidation in a timely manner. The members of a legal person's executive organ or decision-making organ, such as directors or council members, are liquidation obligors, except as otherwise provided for by any law or administrative regulation.

Where the liquidation obligors fail to fulfill their liquidation obligation in a timely manner, causing any damage, they shall assume civil liability; and the competent authority or an interested party may apply to a people's court for designating relevant persons to form a liquidation group to conduct liquidation.

Article 71 The liquidation procedures and the powers of the liquidation group of a legal person shall be governed by the provisions of relevant laws; and if there are no such provisions, the relevant provisions of the company's laws shall apply *mutatis mutandis*.

Article 72 In the course of liquidation, a legal person continues to exist, but shall not conduct any activity irrelevant to liquidation.

The residual property after the legal person is liquidated shall be dealt with in accordance with the provisions of the legal person's bylaws or the resolution of the legal person's supreme organ, except as otherwise provided for by any law.

The legal person is terminated upon completion of liquidation and deregistration of the legal person; or if the law does not require the legal person to be registered, it is terminated upon completion of liquidation.

Article 73 Where a legal person is declared bankrupt, it is terminated upon completion of bankruptcy liquidation and deregistration of the legal person in accordance with the law.

Article 74 A legal person may form branch offices in accordance with the law. If any law or administrative regulation requires the branch offices to be registered, such a law or administrative regulation shall apply.

Where a branch office conducts civil activities in its own name, any civil liability arising therefrom shall be assumed by the legal person; but such civil liability may be assumed first with the property managed by the branch office and then by the legal person for any deficit.

Article 75 The legal consequences of civil activities conducted by a promoter or promoters for the formation of a legal person shall be assumed by the legal person; but if the legal person fails to be formed, shall be assumed by the promoter or promoters, and in latter case, the two or more promoters shall jointly and severally enjoy rights and assume debts.

Where a promoter conducts civil activities in the name of the promoter for the formation of a legal person, a third party shall have the right to require the legal person or the promoter to assume civil liability arising therefrom.

Section 2 For-Profit Legal Persons

Article 76 A legal person formed for the purpose of making profits and distributing profits to its shareholders or other investors is a for-profit legal person.

For-profit legal persons include limited liability companies, joint stock limited companies, and other enterprise legal persons.

Article 77 A for-profit legal person is formed upon registration in accordance with the law.

Article 78 The registration authority shall issue a for-profit legal person business license to a for-profit legal person legally formed. The issue date of the business license shall be the date of formation of the for-profit legal person.

Article 79 For the formation of a for-profit legal person, the bylaws of the legal person shall be developed in accordance with the law.

Article 80 A for-profit legal person shall have a supreme organ.

The supreme organ exercises the powers of amending the bylaws of the legal person and electing or replacing members of the executive organ and supervisory organ and other powers stated in the bylaws of the legal person.

Article 81 A for-profit legal person shall have an executive organ.

The executive organ exercises the powers of convening the meetings of the supreme organ, deciding the legal person's business plans and investment proposals, and deciding the internal management structure of the legal person and other powers stated in the bylaws of the legal person.

Where the executive organ is a board of directors or is an executive director, the chairman of the board of directors, the executive director, or a manager shall serve as the legal representative in accordance with the provisions of the bylaws of the legal person; or where the legal person has no board of directors or executive director, the primary person in charge stated in the bylaws of the legal person shall be the executive organ and legal representative of the legal person.

Article 82 Where a for-profit legal person has a supervisory organ such as the board of supervisors or a supervisor, the supervisory organ shall, in accordance with the law, exercise the powers of inspecting the legal person's financial affairs and overseeing the performance of duties by the members of the executive organ and the senior executives of the legal person and the powers stated in the bylaws of the legal person.

Article 83 An investor of a for-profit legal person shall not damage the interests of the legal person or any other investor by abusing the rights of an investor. If the investor abuses the rights of an investor, causing any loss to the legal person or any other investor, the investor shall assume civil liability in accordance with the law.

An investor of a for-profit legal person shall not damage the interests of a creditor of the legal person by abusing the independent status of the legal person and the limited liability of the investor. If the investor abuses the legal person's independent status or the investor's limited liability to evade debts, causing serious damage to the interests of a creditor of the legal person, the investor shall be jointly and severally liable for the legal person's debts.

Article 84 The controlling investor, actual controller, directors, supervisors, and senior executives of a for-profit legal person shall not damage the interests of the legal person through affiliations. One that causes damage to the legal person through affiliations shall assume compensatory liability.

Article 85 Where a for-profit legal person's supreme organ or executive organ adopts a resolution under a convening procedure or in a voting mode that violates any law or administrative regulation or the bylaws of the legal person or any content of the resolution violates the bylaws of the legal person, an investor of the for-profit legal person may request a people's court to revoke the resolution, without prejudice to the civil legal relations formed between the for-profit legal person and bona fide opposite parties based on such a resolution.

Article 86 In business activities, a for-profit legal person shall comply with business ethics, maintain the safety of transactions, receive government supervision and public scrutiny, and assume social responsibilities.

Section 3 Non-profit Legal Persons

Article 87 A non-profit legal person is a legal person formed for public welfare or any other non-profit purpose without distribution of profits to its investors, promoters, or members.

Non-profit legal persons include but are not limited to public institutions, social groups, foundations, and social service organizations.

Article 88 A public institution satisfying the conditions for a legal person and to be formed for meeting the needs of economic and social development and providing public welfare services obtains the status of a public institution legal person upon formation through registration in accordance with the law; or if the law does not require it to undergo legal person registration, obtains the status of a public institution legal person from the date of formation.

Article 89 Where a public institution legal person has a council, the council shall be its decision-making organ, except as otherwise provided for by any law. The legal representative of a public institution legal person shall be determined in accordance with laws, administrative regulations, or its bylaws.

Article 90 A social group satisfying the conditions for a legal person and to be formed based on the common will of its members for public welfare, common interests of its members, or any other non-profit purpose obtains the status of a social group legal person upon formation through registration in accordance with the law; or if the law does not require it to undergo legal person registration, obtains the status of a social group legal person from the date of formation.

Article 91 For the formation of a social group legal person, the bylaws of the legal person shall be developed in accordance with the law.

A social group legal person shall have a supreme organ such as the congress of members or the congress of representatives of members.

A social group legal person shall have an executive organ such as a council. The person in charge of the council, such as the chairman or president, shall serve as the legal representative in accordance with the bylaws of the legal person.

Article 92 A foundation or a social service organization, among others, satisfying the conditions for a legal person and to be formed with donated property for public welfare purposes obtains the status of a donation-based legal person upon formation through registration in accordance with the law. A venue for holding religious activities formed in accordance with the law and satisfying the conditions for a legal person may apply for legal person registration and obtain the status of a donation-based legal person, subject to any provisions of laws and administrative regulations relating to the venues for holding religious activities.

Article 93 For the formation of a donation-based legal person, the bylaws of the legal person shall be developed in accordance with the law.

The donation-based legal person shall have a decision-making organ, such as a council or a democratic governing body, and an executive organ. The person in charge of the decision-making organ such as the chairman shall serve as the legal representative in accordance with the bylaws of the legal person.

The donation-based legal person shall have a supervisory organ such as a board of supervisors.

Article 94 Donors shall be entitled to ask the donation-based legal person about the use and management of donated property and give their opinions and recommendations, and the donation-based legal person shall give honest replies in a timely manner.

Where a donation-based legal person's decision-making organ, executive organ, or legal representative makes a decision under a procedure that violates any law or administrative regulation or the bylaws of the legal person or the content of the decision violates the bylaws of the legal person, a donor or any other interested party or the competent authority may request the people's court to revoke the decision, without prejudice to the civil legal relationship formed between the donor-based legal person and bona fide opposite parties based on the decision.

Article 95 When a non-profit legal person formed for public welfare purposes is terminated, it shall not distribute any residual property to its investors, promoters, or members. The residual property shall be used for public welfare purposes in accordance with the provisions of its bylaws or a resolution of its supreme organ; or if the residual property cannot be dealt with in accordance with the provisions of its bylaws or the resolution of its supreme organ, the competent authority shall cause the transfer of such residual property to other legal persons with the same or a similar vision, and announce it to the public.

Section 4 Special Legal Persons

Article 96 The state organ legal persons, rural collective economic organization legal persons, urban and rural cooperative economic organization legal persons, and basic self-governing mass organization legal persons as provided for in this section are special legal persons.

Article 97 An independently funded state organ or a statutory institution assuming administrative functions shall have the status of a state organ legal person from the date of formation of it, and may conduct civil activities necessary for performing its functions.

Article 98 Where a state organ legal person is abolished, the legal person is terminated, and its civil rights shall be enjoyed and its obligations shall be assumed by the state organ legal person as its successor; or if there is no such a successor, its rights shall be enjoyed and its obligations shall be assumed by the state organ legal person making the abolition decision.

Article 99 A rural collective economic organization shall obtain the status of a legal person in accordance with the law.

Where any laws and administrative regulations provide for rural collective economic organizations, such laws and administrative regulations shall apply.

Article 100 An urban or rural cooperative economic organization shall obtain the status of a legal person in accordance with the law.

Where any laws and administrative regulations provide for urban or rural cooperative economic organizations, such laws and administrative regulations shall apply.

Article 101 An urban residents' committee or a villagers' committee has the status of a basic self-governing mass organization legal person, and may conduct civil activities necessary for performing its functions.

Where no village collective economic organization is formed, a villagers' committee may instead perform the functions of a village collective economic organization in accordance with the law.

Chapter IV Unincorporated Organizations

Article 102 An unincorporated organization is an organization without the status of a legal person but able to conduct civil activities in its own name in accordance with the law.

Unincorporated organizations include but are not limited to sole proprietorships, partnerships, and professional service organizations without the status of a legal person.

Article 103 An unincorporated organization shall be registered as required by laws.

Where the formation of an unincorporated organization shall be subject to the approval of the relevant authority in accordance with any law or administrative regulation, such law or administrative regulation shall apply.

Article 104 Where the property of an unincorporated organization is insufficient for paying its debts, its investors or promoters shall assume unlimited liability for such debts, except as otherwise provided for by any law.

Article 105 An unincorporated organization may choose one or more persons to conduct civil activities on its behalf.

Article 106 An unincorporated organization shall be dissolved under any of the following circumstances:

- (1) The duration stated in the bylaws expires, or any other cause of dissolution stated in the bylaws arises.
- (2) Its investors or promoters decide to dissolve it.
- (3) Any other circumstances specified by laws.

Article 107 Where an unincorporated organization is dissolved, its liquidation shall be conducted in accordance with the law.

Article 108 In addition to the provisions of this Chapter, the relevant provisions of Section 1 of Chapter III of this Book shall apply, *mutatis mutandis*, to unincorporated organizations.

Chapter V Civil Rights

Article 109 The personal freedom and human dignity of a natural person shall be protected by law.

Article 110 A natural person enjoys the rights of life, inviolability and integrity of person, health, name, likeness, reputation, honor, privacy, and marital autonomy, among others.

A legal person or an unincorporated organization enjoys the rights of name, reputation, and honor.

Article 111 The personal information of a natural person shall be protected by law. Any organization or individual needing to obtain the personal information of other persons shall legally obtain and ensure the security of such information, and shall not illegally collect, use, process, or transmit the personal information of other persons, nor illegally buy, sell, provide, or publish the personal information of other persons.

Article 112 The personal rights of a natural person arising from marriage or family relations, among others, shall be protected by law.

Article 113 The property rights of the parties to civil legal relations shall be equally protected by law.

Article 114 The parties to civil legal relations enjoy real rights in accordance with the law.

A real right is the right holder's exclusive right to directly dominate a specific thing in accordance with the law, including ownership, usufruct, and security interest.

Article 115 Things include immovables and movables. If rights are the objects of any real rights in accordance with any laws, such laws shall apply.

Article 116 The types and contents of real rights shall be prescribed by laws.

Article 117 Fair and reasonable indemnification shall be made if any immovable or movable is expropriated or requisitioned for public interest according to the authority and procedures prescribed by laws.

Article 118 The parties to civil legal relations enjoy a creditor's rights in accordance with the law.

A creditor's right is the right holder's right to request that a specific obligor perform or not perform certain conduct, arising from contracts, torts, management of the business of another under no obligation, unjust enrichment, and other provisions of laws.

Article 119 A contract entered into in accordance with the law shall be legally binding upon the parties to the contract.

Article 120 In case of infringement upon civil rights and interests, the victim shall have the right to request that the tortfeasor assume tort liability.

Article 121 A person who, under no statutory or contractual obligation, manages the business of another to prevent damage to the interest of another shall have the right to request that the beneficiary of such management reimburse the manager for necessary expenses incurred.

Article 122 Where a person is unjustly enriched without any legal basis, the person who so suffers a loss shall have the right to request that the person unjustly enriched return the amount to the extent of the unjust enrichment.

Article 123 The parties to civil legal relations enjoy intellectual property rights in accordance with the law.

Intellectual property rights are the proprietary rights enjoyed by right holders in accordance with the law in respect of the following objects:

- (1) Works.
- (2) Inventions, utility models, and designs.

- (3) Trademarks.
- (4) Geographic indications.
- (5) Trade secrets.
- (6) Layout designs of integrated circuits.
- (7) New varieties of plants.
- (8) Other objects specified by laws.

Article 124 Natural persons enjoy the right of succession in accordance with the law.

The lawful private property of natural persons may be inherited in accordance with the law.

Article 125 The parties to civil legal relations enjoy stock rights and other investment rights in accordance with the law.

Article 126 The parties to civil legal relations enjoy other civil rights and interests prescribed by laws.

Article 127 Where any laws provide for the protection of data and network virtual property, such laws shall apply.

Article 128 Where any laws have special provisions on the protection of civil rights of the minors, the elderly, the disabled, women, and consumers, among others, such special provisions shall apply.

Article 129 Civil rights may be obtained by juridical acts, factual behaviors, events prescribed by laws, or other means prescribed by laws.

Article 130 The parties to civil legal relations shall, based on their free will, exercise civil rights in accordance with the law without any interference.

Article 131 The parties to civil legal relations shall perform the obligations imposed by laws and obligations agreed upon by the parties while exercising their rights.

Article 132 The parties to civil legal relations shall not abuse civil rights to damage the national interest, public interest, or the lawful rights and interests of any other person.

Chapter VI Juridical Acts

Section 1 General Rules

Article 133 Juridical acts are acts of the parties to civil legal relations to create, modify, or terminate civil legal relationships through a declaration of will.

Article 134 Juridical acts may be formed based on the unanimous declaration of will by two or more parties or based on the declaration of will by a single party.

Where a legal person or an unincorporated organization makes a resolution according to the mode of deliberation and voting procedures prescribed by laws or its bylaws, the act of resolution is formed.

Article 135 Juridical acts may be made in written, verbal, or other forms; but if any law or administrative regulation requires or the parties agree upon a particular form, such a particular form shall be adopted.

Article 136 A juridical act shall become valid upon its formation, except as otherwise provided for by any law or agreed upon by the parties.

The actor shall not modify or rescind the juridical act at will, except in accordance with any law or as permitted by the other party.

Section 2 Declaration of Will

Article 137 A declaration of will made by dialog shall become valid at the time when the opposite party knows the content of will.

A declaration of will not made by dialog shall become valid at the time when it reaches the opposite party. If a declaration of will not made by dialog is in the form of data message, and the opposite party has designated a specific system to receive the data message, the declaration of will shall become valid at the time when the data message enters the specific system designated; or in the absence of such designation, the declaration of will shall become valid at the time when the opposite party knows or should have known that the data message has entered its system. If the parties have otherwise agreed upon the time when a declaration of will made in the form of data message becomes valid, such an agreement shall apply.

Article 138 A declaration of will made without any opposite party shall become valid upon completion of declaration, except as otherwise provided for by any law.

Article 139 A declaration of will made in the form of publishing an announcement shall become valid at the time when the announcement is published.

Article 140 An actor may expressly or tacitly declare his or her will.

Will may be deemed tacitly declared only when it is in accordance with any law, is agreed upon by the parties, or conforms to the trading practices between the parties.

Article 141 An actor may withdraw his or her declaration of will. The notice of withdrawing his or her declaration of will shall reach the opposite party before his or her declaration of will reaches the opposite party or at the same time when his or her declaration of will reaches the opposite party.

Article 142 The meaning of a declaration of will made to an opposite party shall be interpreted according to the words used as well as considering the relevant clauses, nature and purpose of the act, customs, and the principle of good faith.

In the interpretation of a declaration of will made without an opposite party, the true will of the actor shall be determined by considering the relevant clauses, nature and purpose of the act, customs, and the principle of good faith, rather than a total confinement to the words used.

Section 3 Validity of Juridical Acts

Article 143 A juridical act satisfying all of the following conditions shall be valid:

- (1) The actor has corresponding capacity for civil conduct.
- (2) The will expressed is true.
- (3) It neither violates the imperative provisions of laws and administrative regulations, nor is contrary to public order and good morals.

Article 144 A juridical act performed by a person without capacity for civil conduct shall be void.

Article 145 A juridical act performed by a person with limited capacity for civil conduct shall be valid if the act purely benefits the person or is commensurate with his or her age, intelligence, and mental health; and any other juridical acts performed by the person may become valid after they are consented to or ratified by his or her statutory agent.

The opposite party may, by a notice, prompt the statutory agent to ratify within 30 days of receipt of the notice. If the statutory agent fails to respond, ratification shall be deemed denied. Before the ratification of a juridical act, a bona fide opposite party shall be entitled to revoke the act. The revocation shall be made by a notice.

Article 146 A juridical act performed by an actor and the opposite party based on false declaration of will shall be void.

The validity of a juridical act hidden behind a false declaration of will shall be dealt with in accordance with the relevant provisions of laws.

Article 147 The actor shall be entitled to request a people's court or an arbitral institution to revoke a juridical act performed based on gross misunderstanding.

Article 148 Where a juridical act is performed by a party against his or her true will as a result of fraud by the other party, the defrauded party shall have the right to request a people's court or an arbitral institution to revoke the act.

Article 149 Where a juridical act is performed by a party against his or her true will as a result of fraud by a third party, the defrauded party shall have the right to request a people's court or an arbitral institution to revoke the act if the other party knows or should have known the fraud.

Article 150 Where a juridical act is performed by a party against his or her true will as a result of coercion by the other party or a third party, the coerced party shall have the right to request a people's court or an arbitral institution to revoke the act.

Article 151 Where a juridical act is evidently unfair when it is formed as a result of one party taking advantage of the other party's distress or lack of judgment, among others, the aggrieved party shall have the right to request a people's court or an arbitral institution to revoke the act.

Article 152 Under any of the following circumstances, the right of revocation shall be extinguished:

(1) A party fails to exercise its right of revocation within one year from the day when the party knows or should have known the cause of revocation, or a party with gross misunderstanding fails to exercise its right of revocation within 90 days from the day when the party knows or should have known the cause of revocation.

(2) A coerced party fails to exercise its right of revocation within one year from the day when coercion terminates.

(3) A party renounces its right of revocation, expressly or by its conduct, after knowing the cause of revocation.

Where a party fails to exercise its right of revocation within five years from the day when the juridical act occurs, the right of revocation shall be extinguished.

Article 153 A juridical act violating the imperative provisions of any law or administrative regulation shall be void, unless the imperative provisions do not result in the nullity of the juridical act.

A juridical act contrary to public order and good morals shall be void.

Article 154 A juridical act by which an actor maliciously colludes with the opposite party to damage any other person's lawful rights and interests shall be void.

Article 155 A void or revoked juridical act is not legally binding from the outset.

Article 156 Where the partial invalidity of a juridical act does not affect the validity of the other part, the other part shall remain valid.

Article 157 After a juridical act is void, revoked, or determined as having no binding force, the property obtained by the actor as a result of the act shall be restituted; if restitution is impossible or

unnecessary, indemnification shall be made at an estimated price. The party at fault shall compensate the other party for any loss suffered as a result of the act; or if both parties are at fault, they shall assume corresponding liabilities respectively, except as otherwise provided for by any law.

Section 4 Juridical Acts Subject to Conditions or Terms

Article 158 A juridical act may be subject to a condition, unless such a condition is not allowed according to the nature of the juridical act. A juridical act subject to a condition for becoming valid shall become valid when the condition is fulfilled. A juridical act subject to a condition for rescission shall cease to be valid when the condition is fulfilled.

Article 159 For a juridical act subject to a condition, if a party prevents the fulfillment of the condition by improper means for its own benefits, the condition shall be deemed fulfilled; or if a party hastens the fulfillment of a condition by improper means, the condition shall not be deemed fulfilled.

Article 160 A juridical act may be subject to a term, unless such a term is not allowed according to the nature of the juridical act. A juridical act subject to a term for becoming valid shall become valid upon expiration of the term. A juridical act subject to a term for termination shall become invalid upon expiration of the term.

Chapter VII Agency

Section 1 General Rules

Article 161 The parties to civil legal relations may conduct juridical acts through agents. A juridical act that shall be performed in person in accordance with the provisions of laws, an agreement between the parties, or the nature of the juridical act shall not be performed by an agent.

Article 162 A juridical act performed by an agent in the name of the principal within the power conferred on the agent shall be binding on the principal.

Article 163 Agency includes agency by mandate and statutory agency.

An agent under a mandate shall exercise the power conferred by the principal. A statutory agent shall exercise the power conferred by laws.

Article 164 Where an agent fails to perform or fully perform its duties, causing damage to the principal, the agent shall assume civil liability.

Where an agent and the opposite party in malicious collusion damages the principal's lawful rights and interests, the agent and the opposite party shall be jointly and severally liable.

Section 2 Agency by Mandate

Article 165 Where the power is conferred by a mandate in a written form, the power of attorney shall clearly state the agent's name and the object of, power conferred by, and term of the mandate, to which the signature or seal of the principal shall be affixed.

Article 166 Where the object of a mandate is to be performed by several agents, they shall jointly exercise the power conferred, except as otherwise agreed upon by the parties.

Article 167 Where an agent knows or should have known that the object of the mandate is illegal but still performs it, or the principal knows or should have known that an agent's performance is illegal but fails to raise any objection, the principal and the agent shall be jointly and severally liable.

Article 168 An agent shall not perform any juridical act with itself in the name of the principal, unless it is consented to or ratified by the principal.

An agent shall not perform any juridical act in the name of one principal with any other principal represented by it at the same time, unless it is consented to or ratified by both principals.

Article 169 Where an agent needs to appoint a third party to perform the object of the mandate in its place, the agent shall obtain the consent or ratification of the principal.

With the principal's consent to or ratification of the appointment, the principal may directly instruct the third party appointed by the agent regarding the object of the mandate, and the agent shall only be liable for the selection of the third party and its instructions to the third party.

Without the principal's consent to or ratification of the appointment, the agent shall be liable for the acts of the third party appointed by the agent, unless it is necessary for the agent to appoint the third party in case of emergency to safeguard the interests of the principal.

Article 170 Where a person who performs tasks for a legal person or an unincorporated organization conducts juridical acts related to matters within his or her scope of powers in the name of the legal person or the unincorporated organization, such acts shall have binding force on the legal person or unincorporated organization.

Any restrictions imposed by a legal person or an unincorporated organization on the scope of powers of the person performing tasks for the legal person or unincorporated organization shall not be set up against bona fide opposite parties.

Article 171 Where an actor still performs an act of agency without a power of attorney, beyond his or her power of attorney, or after his or her power of attorney terminates, the act shall not be binding on the principal without the principal's ratification.

The opposite party may, by a notice, urge the principal to ratify within 30 days from the date of receipt of the notice. If the principal fails to respond, ratification shall be deemed denied. Before the ratification of the act, the bona fide opposite party shall be entitled to revoke the act. The revocation shall be made by a notice.

Where ratification of the act is denied, the bona fide opposite party shall be entitled to request that the actor perform obligations or compensate it for any injury suffered by it, but such compensation shall not exceed the interest that could have been obtained by the opposite party if the act were ratified by the principal.

Where the opposite party knows or should have known that the actor has no power of attorney, the opposite party and the actor shall assume liability according to their respective faults.

Article 172 Where an actor still performs an act of agency without a power of agency, beyond his or her power of attorney, or after his or her power of attorney terminates, the act shall be valid if the opposite party has reason to believe that the actor has the power of attorney.

Section 3 Termination of Agency

Article 173 Agency by mandate shall terminate under any of the following circumstances:

- (1) The term of agency expires or the object of the mandate is fulfilled.
- (2) The principal cancels the mandate or the agent surrenders the mandate.
- (3) The agent loses capacity for civil conduct.
- (4) The agent or the principal dies.
- (5) The legal person or unincorporated organization as the agent or the principal is terminated.

Article 174 After the principal dies, the acts of agency performed by an agent under a mandate shall be valid under any of the following circumstances:

- (1) The agent does not know and should not have known that the principal died.
- (2) The successors of the principal recognize such acts.
- (3) The power of attorney expressly states that the power of agency shall terminate upon fulfillment of the object of the mandate.
- (4) Such acts have been conducted before the principal dies and continue for the benefits of the principal's successors.

The provision of the preceding paragraph shall apply, *mutatis mutandis*, where a legal person or an unincorporated organization as the principal is terminated.

Article 175 Statutory agency shall terminate under any of the following circumstances:

- (1) The principal obtains or regains full capacity for civil conduct.
- (2) The agent loses capacity for civil conduct.
- (3) The agent or the principal dies.
- (4) Any other circumstance specified by laws.

Chapter VIII Civil Liability

Article 176 The parties to civil legal relations shall perform their civil obligations and assume civil liabilities in accordance with the provisions of laws or the agreements of the parties.

Article 177 Where two or more persons share liability in accordance with the law, they shall assume corresponding liability respectively if their respective liabilities can be determined; or evenly assume liability if it is difficult to determine their respective liabilities.

Article 178 Where two or more persons are jointly and severally liable in accordance with the law, the obligee is entitled to request assumption of liability by part or all of the persons jointly and severally liable.

The shares of liability of persons jointly and severally liable shall be determined based on the gravity of liability of each person; or the liability shall be evenly shared if it is difficult to determine the gravity of liability of each person. If the liability actually assumed by a person jointly and severally liable exceeds the person's share of liability, the person shall be entitled to claim indemnities from other persons jointly and severally liable.

The joint and several liability shall be governed by the provisions of laws or the agreements of the parties.

Article 179 Civil liability shall be assumed primarily in the following manners:

- (1) Cessation of infringement.
- (2) Removal of obstacles.
- (3) Elimination of danger.
- (4) Restitution of property.
- (5) Restoration to the original condition.
- (6) Repair, reworking, or replacement.
- (7) Continued performance.
- (8) Compensation for loss.
- (9) Payment of liquidated damages.
- (10) Elimination of adverse effects and rehabilitation of reputation.

(11) Making an apology.

Where any law provides for punitive damages, such a law shall apply.

The manners of assuming civil liability as set forth in this article may be applied alone or by a combination.

Article 180 Where the non-performance of civil obligations is caused by a force majeure, no civil liability shall arise therefrom, except as otherwise provided for by any law.

A force majeure means any objective circumstance that is unforeseeable, inevitable, and insurmountable.

Article 181 Where any harm is caused by self-defense, no civil liability shall arise therefrom.

Where self-defense exceeds the limit of necessity and causes undue harm, the person in self-defense shall assume appropriate civil liability.

Article 182 Where any damage is caused by necessity to avoid a danger in emergency, the person causing the danger shall assume civil liability.

Where the danger arises from any natural cause, the person acting to avoid the danger shall not assume civil liability, but may make appropriate indemnification.

Where the act of avoiding a danger in emergency is inappropriate or exceeds the limit of necessity and causes undue harm, the person acting to avoid the danger shall assume appropriate civil liability.

Article 183 Where a person suffers any harm in order to protect any other person's civil rights and interests, the tortfeasor shall assume civil liability, and the beneficiary may make appropriate indemnification. If there is no tortfeasor or the tortfeasor has fled or is unable to assume civil liability, the beneficiary shall make appropriate indemnification if the victim claims indemnification.

Article 184 A person who voluntarily provides emergency assistance and causes harm to the recipient of assistance shall not assume civil liability.

Article 185 A person who infringes upon the name, likeness, reputation, or honor of a hero or a martyr, among others, causing damage to the public interest, shall assume civil liability.

Article 186 Where a party breaches a contract, causing damage to the other party's personal or property rights and interests, the aggrieved party shall be entitled to request the party to assume liability for breach of contract or assume tort liability.

Article 187 Where a party to civil legal relations shall be held civilly, administratively, and criminally liable for the same act, the assumption of administrative liability or criminal liability does

not affect the assumption of civil liability; and if the party's property is insufficient for payment, the property shall be used first for assumption of civil liability.

Chapter IX Extinctive Prescription

Article 188 An action instituted in a people's court for protection of civil rights is prescribed by three years, except as otherwise prescribed by any law.

The prescriptive period shall be calculated from the day when the obligee knows or should have known that his or her right has been infringed upon and who the obligor is, except as otherwise provided for by any law. The people's court shall not offer protection if 20 years have elapsed since the infringement; but under special circumstances, the people's court may decide to extend the prescriptive period upon application of the obligee.

Article 189 Where the parties have agreed on the installment performance of a debt, the prescriptive period shall be calculated from the day when the time limit for the last installment expires.

Article 190 The prescriptive period of a claim of a person without or with limited capacity for civil conduct against his or her statutory agent shall be calculated from the day when the agency by operation of law is terminated.

Article 191 The prescriptive period of a claim for damages of a minor who has suffered sexual assault shall be calculated from the day when the victim attains the age of eighteen.

Article 192 When the prescriptive period expires, the obligor may use it as a defense for non-performance of obligations.

Where the obligor agrees to perform after the prescriptive period expires, the obligor may not defend on the ground that the prescriptive period has expired; and if the obligor has voluntarily performed, no request for restitution may be made.

Article 193 A people's court shall not apply the provisions on extinctive prescription of its own motion.

Article 194 The prescriptive period shall be suspended if during the last six months of the period, a claim cannot be filed for any of the following obstacles:

- (1) A force majeure.
- (2) The person without or with limited capacity for civil conduct has no statutory agent, or his or her statutory agent dies, loses capacity for civil conduct, or loses the power conferred by laws.
- (3) The successor or legacy administrator has not been determined after the commencement of succession.

(4) The obligee is controlled by the obligor or any other person.

(5) Any other obstacle resulting in the obligee's failure to file a claim.

The prescriptive period shall expire six months after the day when the obstacle causing the suspension is eliminated.

Article 195 The prescriptive period interrupted under any of the following circumstances shall be recalculated from the time of interruption or conclusion of the relevant procedure:

(1) The obligee requests the obligor's performance.

(2) The obligor agrees to perform.

(3) The obligee institutes an action or applies for arbitration.

(4) Any other circumstance with equal effects as instituting an action or applying for arbitration.

Article 196 The provisions on prescriptive period shall not apply to the following claims:

(1) A claim for cessation of infringement, removal of obstacles, or elimination of danger.

(2) The claim of a holder of a real right in an immovable or a registered real right in a movable for restitution of property.

(3) A claim for payment of child support, support for elderly parents, or spousal support.

(4) Any other claim to which the prescriptive period does not apply in accordance with the law.

Article 197 The period, calculation method, and causes of suspension or interruption of extinctive prescription shall be provided for by laws, and any agreement between the parties in this respect shall be void.

A party's prior renouncement of the benefit of prescription shall be void.

Article 198 Where any law prescribes arbitration, such a law shall apply; otherwise, the provisions on extinctive prescription for actions shall apply.

Article 199 Except as otherwise provided for by any law, the duration of rights such as the right of revocation and the right of rescission as granted by laws or agreed upon by the parties shall be calculated from the day when a right holder knows or should have known that such a right has arisen, and the provisions on the suspension, interruption, and extension of extinctive prescription shall not apply to the above duration. The right of revocation, right of rescission, and other rights shall be extinguished upon expiration of such duration.

Chapter X Calculation of Time Periods

Article 200 For the purposes of the civil law, a time period shall be calculated according to the Gregorian calendar by year, month, day, and hour.

Article 201 Where a time period is calculated by year, month, and day, the first day of the period shall not be counted, and the period shall be counted from the next day.

Where a time period is calculated by hour, the period shall be counted from the time specified by laws or agreed upon by the parties.

Article 202 Where a time period is calculated by year and month, the corresponding date of the expiry month shall be the last day of the time period; or if there is no corresponding date, the last day of the expiry month shall be the last day of the time period.

Article 203 Where the last day of a time period falls on a legal holiday, the day after the legal holiday shall be the last day of the time period.

The last day of a time period shall end at 24:00; or if business hours are applicable, the last day shall end at the closing hour.

Article 204 Time periods shall be calculated in methods specified by this Code, except as otherwise provided for by any law or agreed upon by the parties.

Book II Real Rights

Title I General Provisions

Chapter I General Rules

Article 205 This Book regulates civil relations arising from the attribution and use of things.

Article 206 The state upholds and improves the basic socialist economic system under which public ownership plays a dominant role and diversified forms of ownership develop side by side, distribution according to work is dominant and diverse modes of distribution coexist, and the socialist market economy is built, among others.

The state consolidates and develops the public sector of the economy, and encourages, supports, and guides the development of the non-public sectors of the economy.

The state implements the socialist market economy system and safeguards the equal legal status and development rights of all market players.

Article 207 The real rights of the state, collectives, individuals, and other right holders shall be equally protected by law, and shall not be infringed upon by any organization or individual.

Article 208 The establishment, modification, transfer, or extinction of a real right in an immovable shall be registered in accordance with the provisions of laws. A real right in a movable shall be established or transferred upon delivery in accordance with the provisions of laws.

Chapter II Establishment, Modification, Transfer and Extinction of Real Right

Section 1 Registration of Immovables

Article 209 The establishment, modification, transfer, or extinction of a real right in an immovable shall become valid after it is registered in accordance with the law; it shall have no binding force if it is not registered in accordance with the law, except as otherwise provided for by any law.

The ownership of natural resources belonging to the state in accordance with the law is not required to be registered.

Article 210 An immovable shall be registered at the registration authority at the place where the immovable is located.

The state implements the rules for the unified registration of immovables. The scope of unified registration, registration authorities and the measures for registration shall be provided for by laws and administrative regulations.

Article 211 A party that applies for the registration of an immovable shall, based on different registration items, provide the certificate of ownership of the immovable and required materials such as those on the boundary and area of the immovable.

Article 212 The registration authority shall perform the following duties:

- (1) Examining the certificate of ownership and other required materials provided by the applicant.
- (2) Inquiring the applicant about the relevant registration items.
- (3) Registering the relevant items based on facts and in a timely manner.
- (4) Performing other duties provided for by laws and administrative regulations.

Where it is necessary to further prove the relevant situation of the immovable involved in the application for registration, the registration authority may require the applicant to submit additional materials, and may conduct on-site inspection when necessary.

Article 213 The registration authority may not commit any of the following conduct:

- (1) Requiring the assessment of the immovable.
- (2) Conducting repeated registration in the name of annual inspection, among others.
- (3) Any other conduct beyond the scope of registration duties.

Article 214 The establishment, modification, transfer, or extinction of the real right in an immovable shall, if it shall be registered in accordance with the provisions of laws, become valid from the time when it is recorded in the register of immovables.

Article 215 A contract entered into by the parties on the establishment, modification, transfer, or extinction of the real right in an immovable shall become valid from the date when the contract is

entered into, unless it is otherwise provided for by any law or agreed upon by the parties; and if the real right has not been registered, it shall not affect the validity of the contract.

Article 216 The register of immovables is the basis for determining the attribution and content of the real right.

The register of immovables shall be managed by the registration authority.

Article 217 The certificate of ownership of an immovable is the certificate proving that the right holder is entitled to the real right in the immovable. The items recorded in the certificate of ownership of the immovable shall be consistent with those recorded in the register of immovables; in the case of any discrepancy, the item recorded in the register of immovables shall prevail, except that there is any evidence to prove that there is any error in the item.

Article 218 The right holder or the interested party may apply for consulting or duplicating immovable registration materials, and the registration authority shall provide such materials.

Article 219 The parties of interest shall not make public or illegally use the right holder's immovable registration materials.

Article 220 The right holder or the interested party may apply for correction registration if it or he is of the opinion that there is any error in the item recorded in the register of immovables. If the right holder recorded in the register of immovables agrees to correction in a written form or has evidence to prove that there is any error in the registration item, the registration authority shall make correction.

Where the right holder recorded in the register of immovables disagrees to the correction, the interested party may apply for dissidence registration. If the registration authority approves the dissidence registration, but the applicant fails to file a lawsuit within 15 days from the date of dissidence registration, the dissidence registration shall cease to be effective. If the dissidence registration is inappropriate and causes any damage to the right holder, the right holder may claim compensation for damages from the applicant.

Article 221 Where a party enters into a house purchase agreement or an agreement on a real right in any other immovable, the party may, as agreed upon, apply to the registration authority for advance notice registration so as to guarantee the exercise of the real right in the future. After the advance notice registration, any disposal of the immovable without the consent of the right holder recorded in the advance notice registration shall produce no effect of real right.

Where, after the advance notice registration, the creditor's right is extinguished or no application for the registration of the immovable is filed within 90 days from the date when the immovable can be registered, the advance notice registration shall cease to be effective.

Article 222 Any party that provides false application materials for registration, thus causing any damage to another person, shall assume compensatory liability.

Where the registration authority causes any damage to another person due to any error in registration, it shall assume compensatory liability. After making the compensation, the registration authority may recover the amount from the person causing the error in registration.

Article 223 Immovable registration fees shall be collected on each piece, and may not be collected on the basis of the area or size of the immovable or in proportion to the price.

Section 2 Delivery of Movable

Article 224 The establishment or transfer of the real right in a movable shall become valid upon delivery, except as otherwise provided for by any law.

Article 225 The establishment, modification, transfer, or extinction of the real right in a vessel, aircraft, or motor vehicle, among others, if it is not registered, shall not be set up against a bona fide third party.

Article 226 Where the right holder has possessed a movable before the real right in the movable is established or transferred, the real right shall have binding force when the juridical act becomes valid.

Article 227 Where a third party has possessed a movable before the real right in the movable is established or transferred, the person who is obliged to deliver the movable may transfer the right to request a third party to return the original property to replace the delivery.

Article 228 Where it is agreed upon by the parties that the transferor continues to possess the movable when the real right in the movable is transferred, the real right shall have binding force from the time when the agreement becomes valid.

Section 3 Other Provisions

Article 229 Where a real right is established, modified, transferred, or extinguished in accordance with the legal document of a people's court or an arbitration institution or an expropriation decision made by a people's government, among others, it shall have binding force from the time when the legal document or expropriation decision, among others, becomes valid.

Article 230 Where a real right is acquired through succession, it shall have binding force from the time of succession.

Article 231 Where a real right is established or extinguished due to such factual behaviors as lawful construction and demolition of houses, it shall have binding force at the time when the factual behavior is committed.

Article 232 Any disposal of the real right in an immovable enjoyed in accordance with the provisions of this Section shall produce no effect of real right if it is not registered as required by laws.

Chapter III Protection of Real Right

Article 233 Where a real right is infringed upon, the right holder may have the matter settled by such means as conciliation, mediation, arbitration, and litigation.

Article 234 Where any dispute arises over the attribution or content of a real right, the interested parties may claim the confirmation of the right.

Article 235 With respect of the untitled possession of an immovable or movable, the right holder may claim the return of the original property.

Article 236 Where a real right has been or may be obstructed, the right holder may claim the removal of obstacles or elimination of danger.

Article 237 Where an immovable or movable is damaged, the right holder may claim the repair, rebuilding, replacement, or restoration to the original condition in accordance with the law.

Article 238 Where the infringement upon a real right causes any damage to the right holder, the right holder may claim the compensation for damages in accordance with the law, and may also claim the assumption of any other civil liability in accordance with the law.

Article 239 The ways for the protection of a real right as provided for in this Chapter may be applied either separately or jointly, depending on the circumstance of the infringement upon the real right.

Title II Ownership

Chapter IV General Rules

Article 240 The owner of an immovable or movable has the right to possess, use, enjoy, and dispose of such an immovable or movable in accordance with the law.

Article 241 The owner of an immovable or movable has the right to establish usufruct and security interest on such an immovable or movable. The usufructuary or security interest holder may not damage the owner's rights and interests in exercising the right.

Article 242 No organization or individual may acquire the ownership of an immovable or movable exclusively owned by the state as provided for by laws.

Article 243 Land owned by a collective, a house or any other immovable of an organization or individual may be expropriated in the interest of the public within the limits of power according to the procedures provided for by laws.

Where land owned by the collective is expropriated, land compensation, resettlement subsidies, and compensation for rural villagers' houses, other fixtures on land, and young crops, among others, shall be paid in full amount in accordance with law, and social security expenses for the farmers whose land is expropriated shall be arranged for, in order to guarantee the farmers' daily lives and safeguard their lawful rights and interests.

Where the house or any other immovable of any organization or individual is expropriated, indemnities for expropriation shall be given in accordance with the law, and the lawful rights and interests of the person whose land is expropriated shall be protected; and if the residential house of any individual is expropriated, the individual's residential conditions shall also be guaranteed.

No organization or individual may embezzle, misappropriate, privately divide, withhold, or default on the payment of indemnities for expropriation and other expenses.

Article 244 The state provides special protection for arable land, strictly restricts the repurposing of farmland as land for construction, and controls the total amount of land for construction. No land owned by the collective may be expropriated beyond the limits of power or in violation of the procedures provided for by any law.

Article 245 In order to meet such urgent needs as dealing with emergencies and disasters and providing relief, and epidemic containment, the immovable or movable of an organization or individual may be requisitioned within the limits of power under the procedures as provided for by laws. After use, the requisitioned immovable or movable shall be returned to the organization or individual of which/whom the immovable or movable is requisitioned. If the immovable or movable of the organization or individual is requisitioned, or if it is damaged or lost after the requisition thereof, an indemnity shall be given.

Chapter V State Ownership, Collective Ownership and Private Ownership

Article 246 The properties owned by the state as provided for by laws belong to the state, that is, the entire people.

The State Council exercises the ownership of state-owned properties on behalf of the state, except as otherwise provided for by any law.

Article 247 All mineral resources, waters and sea areas belong to the state.

Article 248 Uninhabited sea islands belong to the state, and the State Council exercises the ownership of uninhabited sea islands on behalf of the state.

Article 249 Urban land belongs to the state. Land in rural areas and suburban areas owned by the state as provided for by laws belongs to the state.

Article 250 Natural resources such as forests, mountains, grassland, waste land, and intertidal zones belong to the state, except that they are owned collectively as provided for by laws.

Article 251 The wildlife resources owned by the state as provided for by laws belong to the state.

Article 252 Radio-frequency spectrum resources belong to the state.

Article 253 The cultural relics owned by the state as provided for by laws belong to the state.

Article 254 Assets for national defense belong to the state.

Infrastructures such as railways, highways, electric power facilities, telecommunications facilities, and oil and gas pipelines that are owned by the state as provided for by laws belong to the state.

Article 255 State organs are entitled to possess and use the immovables and movables directly under their control and to dispose of them in accordance with laws and the relevant provisions of the State Council.

Article 256 The public institutions sponsored by the state are entitled to possess and use the immovables and movables directly under their control and to enjoy and dispose of them in accordance with laws and the relevant provisions of the State Council.

Article 257 With respect to the enterprises invested by the state, the State Council and local people's governments shall, in accordance with the provisions of laws and administrative regulations, perform the duties of investors on behalf of the state, and enjoy the rights and interests of investors.

Article 258 The properties owned by the state shall be protected by law, and no organization or individual may embezzle, loot, privately divide, withhold, or destroy them.

Article 259 The institutions performing the duties of administration and supervision of state-owned properties and their staff members shall, in accordance with the law, strengthen the administration and supervision of state-owned properties, promote the value preservation and increment of state-owned properties, and prevent the loss of state-owned properties; and whoever abuses power or

neglects duty, causing any loss of state-owned properties, shall assume legal liability in accordance with the law.

Whoever, in violation of the provisions on the management of state-owned properties, causes any loss of state-owned property by transferring it at a low price, privately dividing it in collusion with others, using it as security without approval or by other means in the course of enterprise restructuring, business combination or division, or affiliated transaction, among others, shall assume legal liability in accordance with the law.

Article 260 The immovables and movables owned by a collective include:

- (1) land, forests, mountains, grassland, waste land and intertidal zones owned by the collective as provided for by laws;
- (2) buildings, production facilities, and water conservancy facilities of farmland that are owned by the collective;
- (3) educational, scientific, cultural, public health, sports, and other facilities that are owned by the collective; and
- (4) other immovables and movables owned by the collective.

Article 261 The immovables and movables owned by a farmers' collective belong to all the members of the collective.

The following matters shall be subject to decision-making by the members of the collective under statutory procedures:

- (1) Land contracting plan, and offering land to organizations or individuals for agricultural operations other than those belonging to the collective.
- (2) Adjustment of the contracted land among the holders of a conventional usufruct on rural land for agricultural operations.
- (3) Measures for the use and distribution of land compensation and other expenses.
- (4) Such matters as change in the ownership of any enterprise invested by the collective.
- (5) Other matters provided for by laws.

Article 262 The ownership of collectively-owned land, forest, mountain, grassland, waste land or intertidal zone, among others, shall be exercised in accordance with the following provisions:

- (1) If it is owned by a farmers' collective of a village, the ownership shall be exercised by a collective economic organization or the villagers' committee of the village on behalf of the collective in accordance with the law.

(2) If it is owned by two or more farmers' collectives of a village, the ownership shall be exercised by all the collective economic organizations or the villagers' groups of the village on behalf of the collective in accordance with the law.

(3) If it is owned by a farmers' collective of a township or town, the ownership shall be exercised by a collective economic organization of the township or town on behalf of the collective.

Article 263 An urban collective has the right to possess, use, enjoy, and dispose of any immovable or movable owned by it in accordance with the provisions of laws and administrative regulations.

Article 264 A rural collective economic organization, villager's committee or villagers' group shall publicize the status of the properties owned by the collective to the members of the collective in accordance with laws, administrative regulations, its articles of association, village rules and villagers' agreements. Members of the collective have the right to consult and duplicate the relevant materials.

Article 265 The properties owned by a collective shall be protected by law, and no organization or individual may encroach upon, loot, privately divide, or destroy such property.

Where a decision made by a rural collective economic organization, or a villagers' committee or by the person in charge thereof infringes upon the lawful rights and interests of any member of the collective, such a member may request the people's court to revoke such a decision.

Article 266 An individual is entitled to the ownership of his or her lawfully earned income, houses, articles for daily use, means of production, raw materials, and other immovables and movables.

Article 267 An individual's lawful property shall be protected by law, and no organization or individual may encroach upon, loot, or destroy it.

Article 268 The state, any collective or individual may, in accordance with the law, make investment to form a limited liability company, a joint stock company, or any other enterprise. If the immovable or movable owned by the state, the collective or an individual is invested in an enterprise, the investor shall enjoy such rights as obtaining asset returns, making major decisions and selecting business managers, and shall perform duties as agreed upon or in proportion to the amount of investment.

Article 269 A for-profit legal person has the right to possess, use, enjoy, and dispose of its immovables and movables in accordance with laws and administrative regulations as well as its bylaws.

The rights enjoyed by a legal person other than for-profit legal persons over its immovables and movables shall be governed by the provisions of relevant laws and administrative regulations as well as its bylaws.

Article 270 The immovables and movables legally owned by social organization legal persons and legal persons making donations shall be protected by law.

Chapter VI Owners' Separate Ownership in a Common Interest Development

Article 271 The owners have the ownership of private portions within a building, such as housing units and commercial units, and have the right to co-own and jointly manage the common portions other than the private portions.

Article 272 The owners have the right to possess, use, enjoy, and dispose of the private portions of a building. No owner may, in exercising rights, endanger the safety of the building or infringe upon the lawful rights and interests of any other owner.

Article 273 An owner shall enjoy the rights and fulfill the obligations over the common portions other than the private portions of a building, and may not refuse to fulfill the obligations on the excuse of forfeiting rights.

When an owner transfers its housing unit or commercial unit within a building, the owner's right to co-own and jointly manage the common portions shall be transferred along with it.

Article 274 The roads within a building area shall be co-owned by owners, except the public roads belonging to a city or town. The green land within a building area shall be co-owned by owners, except that the public green land belongs to a city or town or belongs to an individual, as it is clearly indicated. Other public spaces, public facilities and houses for property management service use within the building area shall be co-owned by owners.

Article 275 In the building area, the ownership of the designed parking spaces and garages shall be decided as agreed upon by the parties by such means as sale, additional donation, and lease.

The roads or other spaces co-owned by the owners, which are used for parking vehicles, shall belong to all the owners.

Article 276 In a building area, the designed parking spaces and garages shall first be used to meet the needs of the owners.

Article 277 The owners may establish an owners' assembly and elect an owners' committee. The specific conditions and procedures for the establishment of the owners' assembly and owners' committee shall be governed by the provisions of laws and regulations.

The relevant departments of local people's governments and neighborhood committees shall provide guidance and assistance for the establishment of the owners' assembly and the election of the owners' committee.

Article 278 The following matters shall be decided on by all the owners:

- (1) Developing and amending the rules of procedures of the owners' assembly.
- (2) Developing and amending management rules and agreements.
- (3) Electing the owners' committee or replacing members of the owners' committee.
- (4) Selecting or dismissing the property management service enterprise or any other manager.
- (5) Using funds for the maintenance of a building and its ancillary facilities.
- (6) Raising funds for the maintenance of a building and its ancillary facilities.
- (7) Transforming and reconstructing a building and its ancillary facilities.
- (8) Changing the use of common portions or using common portions to conduct business activities.
- (7) Other major matters relating to co-ownership and joint management rights.

The matters to be decided on by all the owners shall be voted on by two-thirds or more of all the owners, provided that the area of private portions owned by such owners accounts for two-thirds or more of the total area. The decisions on the matters set out in subparagraphs (6) through (8) of the preceding paragraph shall be subject to the consent of three quarters or more of the owners participating in the voting, provided that the area of private portions owned by such owners accounts for three quarters or more of the total area. The decisions on other matters set out in the preceding paragraph shall be subject to the consent of over a half of the owners participating in the voting, provided that the area of private portions owned by such owners accounts for over a half of the total area.

Article 279 No owner may change a housing unit into a commercial unit in violation of any law, regulation or management rule or agreement. If an owner intends to change a housing unit into a commercial unit, the owner shall, in addition to observing laws, regulations and management rules and agreements, obtain the consent of the owner as a party of interest.

Article 280 The decisions made by an owners' assembly or an owners' committee are legally binding upon all the owners.

Where any decision made by the owners' assembly or the owners' committee infringes upon the lawful rights and interests of any owner, such an owner may request a people's court to revoke the decision.

Article 281 The funds for the maintenance of a building and its ancillary facilities are co-owned by owners, which, upon their common decision, may be used for maintaining, renovating and reconstructing the common portions such as elevators, roofs, outer walls, and barrier-free facilities. The information on the raising and use of funds for the maintenance of a building and its ancillary facilities shall be announced on a periodical basis.

Where a building and its ancillary facilities need to be repaired in an emergency, the owners' assembly or the owners' committee may apply for the use of funds for the maintenance of a building and its ancillary facilities in accordance with the law.

Article 282 The income derived from the use of common portions of the owners by the project owner, property management service enterprise or any other manager, among others, after the deduction of reasonable costs, shall belong to all the owners.

Article 283 Where there is an agreement on such matters as the apportioning of expenses for a building and its ancillary facilities and the distribution of proceeds therefrom, such an agreement shall prevail; in the absence of such an agreement or if such an agreement is ambiguous, such matters shall be determined based on the proportion of the area of the owners' private portions to the total area of the building.

Article 284 The owners may manage the building and its ancillary facilities by themselves, or entrust a property management service enterprise or any other manager to do so.

The owners have the right to legally replace the property management service enterprise or any other manager retained by the project owner.

Article 285 The property management service enterprise or any other manager shall, upon the entrustment of the owners, manage the building and its ancillary facilities within the building area according to the provisions of Book III of this Code governing property management service contracts, accept the supervision of the owners, and give replies to the inquiries made by the owners on property management services in a timely manner.

The property management service enterprise or any other manager shall execute the emergency response measures and other management measures legally taken by the government, and actively cooperate in the relevant work.

Article 286 The owners shall abide by laws, regulations and management rules and agreements, and their relevant acts shall comply with the requirements for the conservation of resources and the protection of ecological environment. The owners shall, in accordance with the law, cooperate in the

property management service enterprise's or any other manager's execution of emergency response measures and other management measures legally taken by the government.

With respect to any act that damages the lawful rights and interests of any other person, such as discarding wastes at will, discharging pollutants, making noises, feeding animals in violation of the relevant provisions, illegally building shelters, occupying passages, and refusing to pay property management fees, the owners' assembly or the owners' committee has the right to request the actor to cease the infringement, remove the obstacles, eliminate the danger, restore to the original conditions, and compensate for the losses in accordance with the relevant laws, regulations, and management rules and agreements.

Where the owner or any actor refuses to fulfill relevant obligations, the relevant party may file a report or complaint with the relevant administrative department, and the relevant administrative department shall handle the complaint in accordance with the law.

Article 287 An owner whose lawful rights and interests are infringed upon by the project owner, a property management service enterprise, any other manager, or any other owner has the right to request the latter to assume civil liability.

Chapter VII Neighboring Relations

Article 288 The right holders of neighboring immovables shall properly handle their neighboring relations under the principles of being conducive to production, convenience for daily life, unity and mutual assistance, and fairness and rationality.

Article 289 Where the handling of neighboring relations is provided for any by law or regulation, the provisions thereof shall prevail; or if the law or regulation is silent, such relations may be handled according to local customs.

Article 290 The right holder of an immovable shall provide necessary convenience for water use and drainage by the right holder of the neighboring immovable.

Natural running water shall be rationally used by the right holders of neighboring immovables. The natural flow shall be observed with respect to the drainage of natural running water.

Article 291 The right holder of an immovable shall provide necessary convenience if the right holder of a neighboring immovable has to use the land thereof for passage or any other purpose.

Article 292 Where the right holder of an immovable has to use the neighboring land or building for constructing or maintaining a building, or laying wires, cables, water pipes, heating pipelines, or fuel

gas pipelines, among others, the right holder of such land or building shall provide necessary convenience.

Article 293 In the construction of a building, ventilation, light and sunshine of the neighboring building shall not be blocked in violation of the relevant engineering construction standards of the state.

Article 294 The right holder of an immovable shall not, in violation of the provisions of the state, discard solid waste, discharge air, water, or soil pollutants, make noise, produce optical or electromagnetic radiation, or discharge other hazardous substances.

Article 295 The right holder of an immovable shall not endanger the safety of the neighboring immovable when excavating land, constructing a building, laying pipelines, or installing equipment, among others.

Article 296 Where the right holder of an immovable uses the neighboring immovable for water use, drainage, passage, laying pipelines, or any other purpose, the right holder shall do the best to avoid causing any damage to the right holder of the neighboring immovable.

Chapter VIII Co-ownership

Article 297 Immovables or movables may be co-owned by two or more organizations or individuals. Co-ownership consists of divided co-ownership and undivided co-ownership.

Article 298 Co-owners in divided co-ownership have the ownership of a co-owned immovable or movable in proportion to their shares.

Article 299 Co-owners in undivided co-ownership jointly enjoy the ownership of a co-owned immovable or movable.

Article 300 Co-owners shall manage the co-owned immovable or movable as agreed upon; in the absence of such an agreement or if such an agreement is ambiguous, all co-owners have the management rights and obligations.

Article 301 The disposal or major repair, or modification of nature or use of a co-owned immovable or movable shall be subject to the consent of co-owners in divided co-ownership holding two-thirds or more of shares or all co-owners in undivided co-ownership, unless it is otherwise agreed upon by the co-owners.

Article 302 Where the co-owners have agreed upon the fees for managing the co-owned property and other expenses, such an agreement shall apply; in the absence of such an agreement or if such an

agreement is ambiguous, such expenses shall be borne by co-owners in divided co-ownership in proportion to their shares, or be jointly borne by co-owners in undivided co-ownership.

Article 303 Where the co-owners have agreed not to partition the co-owned immovable or movable in order to maintain the co-ownership, such an agreement shall prevail; however, a co-owner that has any material reason for partition may request partition; in the absence of such an agreement or if the agreement is ambiguous, a co-owner in divided ownership may request partition at any time, while a co-owner in undivided ownership may request partition only if the basis for co-ownership has ceased to exist or partition is justified by any material reason. If the partition causes any damage to any other co-owner, compensation shall be made.

Article 304 Co-owners may determine the way of partition through consultation. If no agreement is reached and the co-owned immovable or movable may be partitioned without reducing its value, the property shall be partitioned; if it is difficult to partition the property or the partition will decrease its value, the proceeds obtained from the conversion into money, auction or sell-off of the immovable or movable shall be distributed.

Where the immovable or movable obtained by a co-owner through partition has any defect, other co-owners shall share the losses.

Article 305 A co-owner in divided co-ownership may transfer its or his share of the co-owned immovable or movable. Other co-owners have the preemptive right under equal conditions.

Article 306 A co-owner in divided co-ownership that transfers its or his share of a co-owned immovable or movable shall notify other co-owners of the conditions for transfer in a timely manner. Other co-owners shall exercise the preemptive right within a reasonable period.

Where two or more other co-owners claim the exercise of the preemptive right, they shall determine their respective purchase ratio through consultation; if such consultation fails, they shall exercise the preemptive right in proportion to their respective shares at the time of transfer.

Article 307 In external relations, the co-owners shall have joint and several rights and obligations arising from the co-owned immovable or movable, unless it is otherwise provided for by any law or a third party knows that the co-owners do not have joint and several rights and obligations; in internal relations among the co-owners, unless it is otherwise agreed upon by the co-owners, the co-owners in divided co-ownership shall have joint and several rights and obligations in proportion to their shares, while the co-owners in undivided ownership shall jointly have rights and obligations. A co-

owner in divided ownership that pays the debt in excess of its or his share has the right to recover the overpaid amount from other co-owners.

Article 308 Where the co-owners fail to agree that the co-owned immovable or movable is subject to divided co-ownership or undivided co-ownership, or such an agreement is ambiguous, the ownership shall be deemed as divided ownership, unless the co-owners are of a family or have other relations.

Article 309 Where the co-owners in divided co-ownership fail to agree on the shares of the co-owned immovable or movable or such an agreement is ambiguous, the shares shall be determined based on their amount of investment. If the amount of investment cannot be determined, it shall be deemed that they have equal shares.

Article 310 The provisions of this Chapter shall apply, mutatis mutandis, to usufruct or security interest enjoyed by two or more organizations or individuals.

Chapter IX Special Provisions on the Obtainment of Ownership

Article 311 Where a person transfers to the transferee an immovable or movable which such a person has no right to dispose of, the owner has the right to recover the immovable or movable; except as otherwise provided for by any law, the transferee shall obtain the ownership of the immovable or movable under any of the following circumstances:

- (1) The transferee is in good faith when accepting the transferred immovable or movable.
- (2) The transfer is made at a reasonable price.
- (3) The transferred immovable or movable has been registered as provided for by laws, or has been delivered to the transferee if no registration is required.

Where the transferee obtains the ownership of the immovable or movable in accordance with the provisions of the preceding paragraph, the original owner has the right to claim compensation for damages from the person that has no right to dispose of the immovable or movable.

The preceding two paragraphs shall apply, mutatis mutandis, to a party's obtainment of any other real right in good faith.

Article 312 The owner or any other right holder has the right to recover a lost thing. If the lost thing is possessed by any other person through transfer, the holder has the right to claim compensation for damages from the person that has no right to dispose of the lost thing, or request the transferee to return the original thing within two years from the date when he knows or should have known the transferee; however, if the lost thing is purchased by the transferee through auction or from a qualified trader, the right holder shall, when requesting the transferee to return the original thing,

compensate the transferee for the expenses the latter has paid for the thing. After compensating the transferee for the expenses the latter has paid for the thing, the holder has the right to recover the amount from the person that has no right to dispose of the thing.

Article 313 After the transferee in good faith obtains a movable, the original rights on the movable shall be extinguished, unless the transferee in good faith knows or should have known such rights at the time of transfer.

Article 314 A person who finds a lost thing shall return it to the right holder. The finder shall, in a timely manner, notify the right holder to take the thing back, or deliver it to the public security organ or any other relevant department.

Article 315 Where the relevant department that receives a found thing knows the right holder of the thing, it shall, in a timely manner, notify the right holder to take the thing back; otherwise, it shall publish a notice on the finding of the lost thing in a timely manner.

Article 316 A lost thing shall be properly kept by the finder before it is handed over to the relevant department and by the relevant department before it is taken back. Whoever causes any damage to or loss of the lost thing intentionally or for gross negligence shall assume the civil liability.

Article 317 The right holder shall, when taking back the found thing, pay to the finder or the relevant department the necessary expenses such as the cost for the safekeeping of the thing.

The right holder that offers a reward to find the lost thing shall fulfill his or her obligation as promised when taking the thing back.

A finder that illegally possesses a found thing shall have no right to claim the expenses paid for the safekeeping of the thing, among others, or to request the right holder to fulfill the obligation as promised.

Article 318 A lost thing shall belong to the state if it is not claimed within one year from the date when the notice of the finding of the lost thing is published.

Article 319 The provisions on the finding of lost things shall apply, mutatis mutandis, to the finding of drifting things, or buried or hidden things, except as otherwise provided for by any law.

Article 320 Where the principal thing is transferred, the second thing shall be transferred along with it, unless it is otherwise agreed upon by the parties.

Article 321 Natural fruits shall be obtained by the owner; if there are both the owner and the usufructuary, natural fruits shall be obtained by the usufructuary. If it is otherwise agreed upon by the parties, their agreement shall prevail.

Where the parties have agreed on legal fruits, the fruits shall be obtained as agreed upon; in the absence of such an agreement or if such an agreement is ambiguous, the fruits shall be obtained according to trading habits.

Article 322 Where there is an agreement on the ownership of a thing arising from processing, attachment or mixing, such an agreement shall prevail; in the absence of such an agreement or if such an agreement is ambiguous, the ownership shall be determined in accordance with the provisions of laws; if it is not provided for by laws, the ownership shall be determined under the principles of maximum use of the thing and protection of innocent parties. If one party's fault or the determination of ownership of the property has caused any damage to the other party, compensation shall be made.

Title III Usufruct

Chapter X General Rules

Article 323 A usufructuary shall, in accordance with the law, have the right to possess, use and enjoy the immovable or movable owned by any other person.

Article 324 An organization or individual may, in accordance with the law, possess, use and enjoy the natural resources that are owned by the state, or owned by the state but are used by the collective, or owned by the collective as provided for by laws.

Article 325 The state implements the rules for the compensated use of natural resources, except as otherwise provided for by any law.

Article 326 A usufructuary exercising rights shall comply with the provisions of laws on the protection, reasonable exploitation and utilization of resources, and the protection of ecological environment. The owner shall not interfere with the exercise of rights by the usufructuary.

Article 327 Where an immovable or movable is expropriated or requisitioned, which results in the extinction of the usufruct or affects the use of usufruct, the usufructuary has the right to compensation according to Articles 243 and 245 of this Code.

Article 328 The right to use sea areas that is obtained in accordance with law shall be protected by law.

Article 329 The mineral exploration right, the mining right, the water intake right and the right to use water areas or intertidal zones for aquaculture or fishery, which are obtained in accordance with the law, shall be protected by law.

Chapter XI Conventional Usufruct on Rural Land for Agricultural Operations

Article 330 Rural collective economic organizations shall implement the two-level management system characterized by the combination of centralized operation with decentralized operation on the basis of household contracted management.

The system of land contracting for agricultural operations shall, in accordance with the law, be applied to arable land, forest land, grassland and other land for agricultural use, which are owned by farmers collectively or owned by the state but are used by farmers collectively.

Article 331 The holder of a conventional usufruct on rural land for agricultural operations shall, in accordance with the law, have the right to possess, use, and enjoy the arable land, forest land, grassland, among others, which are under their contracting for agricultural operations, and shall have the right to engage in agricultural production, including but not limited to crop cultivation, forestry and animal husbandry.

Article 332 The term of a usufruct on arable land shall be 30 years. The term of a usufruct on grassland shall range from 30 years to 50 years. The term of a usufruct on forest land shall range from 30 years and 70 years.

The term of a usufruct set out in the preceding paragraph may be renewed upon expiration by the holder of a conventional usufruct on rural land for agricultural operations in accordance with the provisions of laws on the contracting of rural land.

Article 333 A conventional usufruct on rural land for agricultural operations shall be established from the date when the contract on the conventional usufruct on rural land for agricultural operations becomes valid.

The registration authority shall issue to the holder of a conventional usufruct on rural land for agricultural operations the certificate of a conventional usufruct on rural land for agricultural operations, a certificate of a forest right, or any other certificate for such a purpose, and register it in archives to confirm the conventional usufruct on rural land for agricultural operations.

Article 334 The holder of a conventional usufruct on rural land for agricultural operations shall have the right to exchange and transfer the conventional usufruct on rural land for agricultural operations in accordance with the provisions of laws. No contracted land may be used for non-agricultural construction without approval in accordance with the law.

Article 335 In case of the exchange or transfer of the conventional usufruct on rural land for agricultural operations, the party may apply to the registration authority for registration; and if it is not registered, it shall not be set up against a bona fide third party.

Article 336 During the term of a usufruct, the landowner shall not adjust the contracted land.

When the contracted arable land or grassland needs to be adjusted appropriately due to special circumstances, such as serious damage to the contracted land or grassland caused by a natural disaster, the matter shall be handled in accordance with the provisions of laws on the contracting of rural land.

Article 337 During the term of a usufruct, the landowner may not recover the contracted land, except as otherwise provided for by any law.

Article 338 Where the contracted land is expropriated, the holder of a conventional usufruct on rural land for agricultural operations has the right to compensation in accordance with Article 243 of this Code.

Article 339 The holder of a conventional usufruct on rural land for agricultural operations may, at its or his own discretion, circulate the conventional usufruct on rural land for agricultural operations to others by leasing, contribution for shares, or other means in accordance with the law.

Article 340 The holder of a usufruct on rural land for agricultural operations has the right to occupy rural land, carry out agricultural production and operation independently, and obtain proceeds within the term agreed upon in the contract.

Article 341 A usufruct on rural land for agricultural operations with a circulation period of five years or more shall be established when the circulation contract becomes valid. A party may apply to the registration authority for the registration of the usufruct on rural land for agricultural operations; and if it is not registered, it shall not be used to set up against a bona fide third party.

Article 342 Where rural land is contracted by bidding, auction, open consultation, or other means, and the certificate of ownership has been obtained upon registration in accordance with the law, the usufruct on land for agricultural operations may be legally circulated by leasing, contribution for shares, mortgage, or other means.

Article 343 The relevant provisions of this Book shall apply, mutatis mutandis, to the contracting of land for agricultural use owned by the state for agricultural operations.

Chapter XII Right to Use Land for Construction

Article 344 The holder of the right to use land for construction shall, in accordance with the law, have the right to possess, use and enjoy the land owned by the state, and shall have the right to use such land to construct buildings, structures and their ancillary facilities.

Article 345 The right to use land for construction may be established separately on the surface of, above or under the ground.

Article 346 The right to use land for construction shall be established in compliance with the requirements for the conservation of resources and protection of ecological environment, and the provisions of laws and administrative regulations on land use, and shall not damage the usufruct that has already been established.

Article 347 The right to use land for construction may be established by assignment, allocation, or other means.

Where land is used for industrial, commercial, tourist, or entertaining purposes, constructing commercial residential buildings, or for other profit-making purposes, or two or more persons are willing to use the same tract of land, the right to use land for construction shall be assigned through bidding, auction, or other open bidding methods.

The establishment of the right to use land for construction by means of allocation shall be strictly controlled.

Article 348 Where the right to use land for construction is established through bidding, auction, agreement, or by other means of assignment, the parties shall enter into a written contract on the assignment of the right to use land for construction.

The contract on the assignment of the right to use land for construction shall generally include the following clauses:

- (1) Names and domiciles of the parties.
- (2) The boundary and area, among others, of the land.
- (3) The space occupied by buildings, structures and their ancillary facilities.
- (4) Use of the land and conditions for planning.
- (5) Term of the right to use land for construction.
- (6) Land transaction fees and other expenses and the methods for the payment thereof.
- (7) Methods for the resolution of disputes.

Article 349 For the establishment of the right to use land for construction, an application for the registration of the right to use land for construction shall be filed with the registration authority. The right to use land for construction shall be established at the time of registration. The registration authority shall issue a certificate of ownership to the holder of the right to use land for construction.

Article 350 The holder of the right to use land for construction shall make rational use of the land, and shall not change the use of the land; and if the use of the land needs to be changed, it shall be subject to the approval of the relevant administrative department in accordance with the law.

Article 351 The holder of the right to use land for construction shall pay land transaction fees and other expenses according to the provisions of laws and as agreed upon in the contract.

Article 352 The ownership of the buildings, structures and their ancillary facilities constructed by the holder of the right to use land for construction shall belong to the holder of the right to use land for construction, unless it is otherwise proved by contrary evidence.

Article 353 The holder of the right to use land for construction has the right to transfer, exchange, contribute as capital, gift, or mortgage the right to use land for construction, except as otherwise provided for by any law.

Article 354 Where the right to use land for construction is transferred, exchanged, contributed as capital, gifted, or mortgaged, the parties shall enter into a corresponding contract in a written form. The use term shall be agreed upon by the parties, provided that it shall not exceed the remaining term of the right to use land for construction.

Article 355 Where the right to use land for construction is transferred, exchanged, contributed as capital, or gifted, an application for modification registration shall be filed with the registration authority.

Article 356 Where the right to use land for construction is transferred, exchanged, contributed as capital, or gifted, the buildings, structures and their ancillary facilities on the land shall be disposed of along with the right.

Article 357 Where buildings, structures and their ancillary facilities are transferred, exchanged, contributed as capital, or gifted, the right to use land for construction within the area occupied by such buildings, structures and their ancillary facilities shall be disposed of along with them.

Article 358 Where, before the expiration of the term of the right to use land for construction, the land needs to be recovered in advance in the interest of the public, indemnities for the houses and other immovables on the land shall be given in accordance with Article 243 of this Code, and the corresponding land transaction fees shall be refunded.

Article 359 The term of the right to use land for the construction of residential houses shall be automatically renewed upon expiration. The payment, reduction or exemption of the renewal fee shall be handled in accordance with the provisions of laws and administrative regulations.

The term of the right to use land not for the construction of residential houses shall be renewed upon expiration in accordance with the provisions of laws. If there is an agreement on the ownership of houses and other immovables on the aforesaid land, such an agreement shall prevail; in the absence of such an agreement or if such an agreement is ambiguous, the ownership shall be determined in accordance with the provisions of laws and administrative regulations.

Article 360 Where the right to use land for construction is extinguished, the assignor shall undergo deregistration in a timely manner. The registration authority shall take back the ownership certificate.

Article 361 Where a tract of land owned by the collective is to be used for construction, the matter shall be handled according to the provisions of laws on land administration.

Chapter XIII Right to Use Rural Land as a Residential Lot

Article 362 The holder of the right to use rural land as a residential lot shall, in accordance with the law, have the right to possess and use collectively-owned land, and to use the land for constructing houses and their ancillary facilities.

Article 363 The laws on land administration and the relevant provisions of the state shall apply to the acquisition, exercise and transfer of the right to use rural land as a residential lot.

Article 364 When residential lots are destroyed or lost due to a natural disaster or any other reason, the right to use rural land as a residential lot is extinguished. New residential lots shall be allocated in accordance with the law to the villagers who have lost them.

Article 365 Where the registered right to use rural land as a residential lot is transferred or extinguished, modification registration or deregistration shall be undergone in a timely manner.

Chapter XIV Right of Habitation

Article 366 As agreed upon in a contract, a person having a right of habitation enjoys the usufruct to occupy and use another's residential house so as to meet the needs of living.

Article 367 To establish a right of habitation, the parties shall enter into a contract on the right of habitation in a written form.

The contract on the right of habitation shall generally include the following clauses:

- (1) Names or titles, and domiciles of the parties.
- (2) Location of the residential house.
- (3) The conditions and requirements for habitation.
- (4) Term of the right of habitation.
- (5) Methods for the resolution of disputes.

Article 368 The right of habitation shall be established free of charge, unless it is otherwise agreed upon by the parties. If the right of habitation is established, an application for the registration of the right of habitation shall be filed with the registration authority. The right of habitation is established at the time of registration.

Article 369 The right of habitation may not be transferred or inherited. A residential house with the right of habitation established shall not be leased, unless it is otherwise agreed upon by the parties.

Article 370 The right of habitation is extinguished when the term of the right of habitation expires or the person having the right of habitation dies. If the right of habitation is extinguished, deregistration shall be undergone in a timely manner.

Article 371 The relevant provisions of this Chapter shall apply, *mutatis mutandis*, to the establishment of the right of habitation by testament.

Chapter XV Servitude

Article 372 The owner of the land to which the servitude is owed has the right to use another's immovable as agreed upon in the contract, so as to enhance the benefits of its or his immovable. For the purposes of the preceding paragraph, another's immovable is the servient land, and the immovable of the owner of the land to which the servitude is owed is the dominant land.

Article 373 To establish servitude, the parties shall enter into a servitude contract in a written form. The servitude contract shall generally include the following clauses:

- (1) Names or titles, and domiciles of the parties.
- (2) Locations of the servient land and dominant land.
- (3) Purposes and methods of use.
- (4) Term of servitude.
- (5) Fees and methods for the payment thereof.
- (6) Methods for the resolution of disputes.

Article 374 Servitude is established when the servitude contract becomes valid. If the parties request registration, they may apply to the registration authority for the registration of servitude; and if it is not registered, it shall not be used to set up against a bona fide third party.

Article 375 The owner of the servient land shall, as agreed upon in the contract, allow the owner of the land to which the servitude is owed to use its or his immovable, and shall not obstruct the latter's exercise of servitude.

Article 376 The owner of the land to which the servitude is owed shall use the servient land according to the purposes and methods of use as agreed upon in the contract and to reduce as much as possible the restrictions on the real right of the owner of the servient land.

Article 377 The term of servitude shall be agreed upon by the parties, provided that it shall not exceed the remaining term of usufruct, such as the conventional usufruct on rural land for agricultural operations and the right to use land for construction.

Article 378 Where the landowner enjoys or is burdened by servitude, when the conventional usufruct on rural land for agricultural operations, the right to use house sites, or any other usufruct is established, the usufructuary shall continue to enjoy or be burdened by the established servitude.

Article 379 Where the conventional usufruct on rural land for agricultural operations, the right to use land for construction, the right to use house sites, or any other usufruct has been established on land, the landowner shall not establish servitude without the consent of the usufructuary.

Article 380 Servitude shall not be transferred separately. If the conventional usufruct on rural land for agricultural operations, or the right to use land for construction, among others, is transferred, servitude shall be transferred along with it, unless it is otherwise agreed upon in the contract.

Article 381 Servitude shall not be mortgaged separately. If the usufruct on rural land for agricultural operations, or the right to use land for construction, among others, is mortgaged, servitude shall be transferred along with it when mortgage is exercised.

Article 382 When the dominant land and the conventional usufruct on rural land for agricultural operations or the right to use land for construction thereon, among others, is partially transferred, if servitude is involved in the transferred part, the transferee shall enjoy the servitude at the same time.

Article 383 When the servient land and the conventional usufruct on rural land for agricultural operations or the right to use land for construction thereon, among others, is partially transferred, if servitude is involved in the transferred part, the servitude shall be legally binding upon the transferee.

Article 384 Where the owner of the land to which the servitude is owed falls under any of the following circumstances, the owner of the servient land has the right to rescind the servitude contract, and servitude is extinguished.

- (1) Abusing servitude in violation of the provisions of any law or those agreed upon in the contract.
- (2) Failing to pay fees for the compensated use of the servient land after being urged to do so for two times within a reasonable period, after the expiration of the agreed term for payment.

Article 385 Where a registered servitude is modified, transferred, or extinguished, modification registration or deregistration shall be undergone in a timely manner.

Title IV Security Interests

Chapter XVI General Rules

Article 386 The security interest holder shall, in accordance with the law, have the priority of compensation made from the property posted as security if the debtor fails to pay the due debt or falls under any circumstance where security interest shall be exercised as agreed upon by the parties, except as otherwise provided for by any law.

Article 387 The creditor may, in loans, sales or other civil activities, establish security interest in accordance with the provisions of this Code and other laws, if security is required to guarantee the performance of obligation.

A third party that provides security to the creditor for the debtor may require the debtor to provide counter guarantee. The relevant provisions of this Code and other laws shall apply to counter guarantee.

Article 388 For the establishment of security interest, a contract on the provision of security shall be entered into in accordance with the provisions of this Code and other laws. Contracts on the provision of security include mortgage contracts, pledge contracts and other contracts with security functions. A contract on the provision of security is a collateral contract of the master contract on obligations. When the master contract on obligations ceases to be effective, the contract on the provision of security shall cease to be effective accordingly, except as otherwise provided for by any law.

After a contract on the provision of security is confirmed null and void, if the debtor, the guarantor and the creditor are at fault, they shall assume corresponding civil liability in light of their respective fault.

Article 389 The scope of security interest covers the principal claim and the interest therefrom, default fine, compensation for damages, and the expenses for keeping the property posted as security and for exercising security interest. If it is otherwise agreed upon by the parties, such an agreement shall prevail.

Article 390 Where the property posted as security is damaged, lost, or expropriated, among others, during the term of provision of security, the security interest holder has the priority of compensation made with the insurance money, compensatory damages, or indemnity, among others. The insurance

money, compensatory damages, or indemnity, among others, may also be set aside before the term for performing the obligation as secured expires.

Article 391 Where a security is provided by a third party, if the creditor permits the debtor's transfer of all or part of its or his obligations without the written consent of the third party, the guarantor shall no longer assume the corresponding suretyship.

Article 392 Where both property posted as security and suretyship are provided to secure a creditor's right, if the debtor fails to pay the due debt or falls under any circumstance where security interest shall be exercised as agreed upon by the parties, the creditor shall exercise the creditor's right as agreed; in the absence of such an agreement or if such an agreement is ambiguous, if the debtor itself or himself provides a property as security, the creditor shall first exercise the creditor's right with such a property; if a third party provides a property as security, the creditor may either exercise the creditor's right with such a property or claim the guarantor's assumption of suretyship. The third party has the right of recourse against the debtor after performing the suretyship.

Article 393 Security interest is extinguished under any of following circumstances:

- (1) The principal claim is extinguished.
- (2) The security interest is exercised.
- (3) The creditor waives the security interest.
- (4) Any other circumstance where security interest shall be extinguished as provided for by any law.

Chapter XVII Mortgage

Section 1 Ordinary Mortgage

Article 394 Where, for securing the performance of an obligation, the debtor or a third party mortgages a property to the creditor instead of transferring the possession of such a property, if the debtor fails to pay the due debt or falls under any circumstance where mortgage shall be exercised as agreed upon by the parties, the creditor shall have the priority of compensation made from such a property.

For the purposes of the preceding paragraph, the debtor or the third party is the mortgagor, the creditor is the mortgagee, and the property posted as security is the mortgaged property.

Article 395 The following properties which the debtor or a third party has the right to dispose of may be mortgaged:

- (1) Buildings and other fixtures on land.
- (2) The right to use land for construction.

- (3) The right to use sea areas.
- (4) Production equipment, raw materials, semi-finished products, and products.
- (5) Buildings, vessels, and aircrafts under construction.
- (6) Means of transportation.
- (7) Any other property that is not prohibited from being mortgaged by any law or administrative regulation.

The mortgagor may mortgage all the properties set out in the preceding paragraph at the same time.

Article 396 An enterprise, industrial and commercial household, or agricultural producer or trader may mortgage its existing and anticipated production equipment, raw materials, semi-finished products, and products, and if the debtor fails to pay the due debt or falls under any circumstance where mortgage shall be exercised as agreed upon by the parties, the creditor shall have the priority of compensation made with the movable determined as the mortgaged property.

Article 397 Where a building is mortgaged, the right to use land for construction within the area occupied by the building shall be mortgaged along with the building. If the right to use land for construction is mortgaged, the buildings on the land shall be mortgaged along with such a right.

Where the mortgagor fails to mortgage as provided for in the preceding paragraph, the property not mortgaged shall be deemed to have been mortgaged along with the mortgaged property.

Article 398 The right to use land for construction enjoyed by a township (town) or village enterprise may not be mortgaged separately. If the workshop or any other building of a township (town) or village enterprise is mortgaged, the right to use land for construction within the area occupied by the workshop or building shall be mortgaged along with the workshop or building.

Article 399 The following properties may not be mortgaged:

- (1) Land ownership.
- (2) The right to use the land owned by the collective, such as house sites, private plots and hilly land allotted for private use, except that it may be mortgaged as provided for by any law.
- (3) Educational, medical and health, and other public welfare facilities of schools, kindergartens, medical institutions, and other non-profit legal persons formed for public welfare purposes.
- (4) Property of which the ownership or the right to use is ambiguous or controversial.
- (5) Property seized, detained, or overseen in accordance with the law.
- (6) Any other property which may not be mortgaged as provided for by laws and administrative regulations.

Article 400 To establish mortgage, the parties shall enter into a mortgage contract in a written form. The mortgage contract shall generally include the following clauses:

- (1) The type and amount of the secured claim.
- (2) The term for the debtor to perform the obligation.
- (3) The name, quality and other information of the mortgaged property.
- (4) The scope of security.

Article 401 Where, before the expiration of the term for performing obligations, the mortgagee agree with the mortgagor that the mortgaged property shall belong to the creditor when the debtor fails to pay the due debt, the creditor may only have the priority of compensation made from the mortgaged property.

Article 402 Where a property set out in subparagraphs (1) through (3) or a building under construction set out in subparagraph (5), paragraph 1 of Article 395 of this Code is mortgaged, mortgage registration shall be undergone. Mortgage is established at the time of registration.

Article 403 Where a movable is mortgaged, mortgage is established at the time when the mortgage contract becomes valid; and if it is not registered, it shall not be set up against a bona fide third party.

Article 404 Where a movable is mortgaged, it shall not be set up against the buyer that has paid reasonable price and obtained the mortgaged property in ordinary business activities.

Article 405 Where the mortgaged property has been leased and the possession thereof has been transferred before the establishment of mortgage, the original lease relations shall not be affected by the mortgage.

Article 406 The mortgagor may transfer the mortgaged property during the mortgage term. If it is otherwise agreed upon by the parties, their agreement shall prevail. Mortgage is not affected if the mortgaged property is transferred.

The mortgagor that transfers the mortgaged property shall notify the mortgagee in a timely manner. If the mortgagee is able to prove that mortgage may be damaged due to the transfer of the mortgaged property, the mortgagee may request the mortgagor to pay off the debt with the proceeds obtained from such transfer to the mortgagee in advance or set aside the proceeds. The part of proceeds obtained from transfer exceeding the amount of claim shall belong to the mortgagor, and if the proceeds are insufficient to pay the debt, the shortfall shall be paid off by the debtor.

Article 407 Mortgage may not be separated from the creditor's right and transferred alone, or be used as a security for any other creditor's right. If the creditor's right is transferred, the mortgage to secure

the creditor's right shall be transferred along with it, unless it is otherwise provided for by any law or agreed upon by the parties.

Article 408 Where the mortgagor's act is sufficient to decrease the value of the mortgaged property, the mortgagee has the right to request the mortgagor to cease such an act. If the value of the mortgaged property decreases, the mortgagee has the right to claim the restoration of the original value of the mortgaged property or the provision of security corresponding to the amount of the value reduced. If the mortgagor fails to restore the original value of the mortgaged property or to provide security, the mortgagee has the right to request the debtor to pay off the debt in advance.

Article 409 The mortgagee may waive the mortgage or its place in the order of mortgage. The mortgagee and the mortgagor may, upon agreement, modify such content as the place in the order of mortgage and the amount of secured claim, provided that such modification shall not have any adverse effect on any other mortgagee without the written consent of any other mortgagee.

Where the debtor establishes mortgage with the property thereof, if the mortgagee waives the mortgage or place in the order of mortgage or makes any modification in respect of the mortgage thereof, other guarantors shall be exempted from the suretyship to the extent that the mortgagee forfeits the priority of compensation, unless other guarantors are still committed to the suretyship.

Article 410 Where the debtor fails to pay the due debt or falls under any circumstance where mortgage shall be exercised as agreed upon by the parties, the mortgagee may agree with the mortgagor that it has priority of compensation made with the money into which the mortgaged property is converted or the proceeds obtained from the auction or sell-off of the property. If such an agreement damages the interests of any other creditor, the other creditor may request the people's court to revoke the agreement.

Where the mortgagee and the mortgagor fail to reach an agreement on the means of exercising mortgage, the mortgagee may request the people's court to have the mortgaged property auctioned or sold off.

Where the mortgaged property is converted into money or sold off, its market price shall be taken as the reference.

Article 411 Where mortgage is established in accordance with Article 396 of this Code, the mortgaged property shall be determined under any of the following circumstances:

- (1) The creditor's right is not exercised upon the expiration of the term for performing the obligation.
- (2) The mortgagor is declared bankrupt or dissolved.

(3) Any circumstance where mortgage shall be exercised as agreed upon by the parties.

(4) Any other circumstance that seriously affects the exercise of the creditor's right.

Article 412 Where the mortgaged property is detained by a people's court in accordance with law since the debtor fails to pay the due debt or falls under any circumstance where mortgage shall be exercised as agreed upon by the parties, from the date when the property is detained, the mortgagee has the right to collect the natural or legal fruits accrued from the mortgaged property, except that the mortgagee fails to notify the obligor to pay off the legal fruits.

The fruits as mentioned in the preceding paragraph shall first be used to pay the expenses for collecting such fruits.

Article 413 After the mortgaged property is converted into money, or auctioned or sold off, the part of proceeds therefrom exceeding the amount of claim shall belong to the mortgagor; and if the proceeds are insufficient to cover the claim, the shortfall shall be paid off by the debtor.

Article 414 Where a same property is mortgaged to two or more creditors, the proceeds from the auction or sell-off of the mortgaged property shall be used for payment according to the following provisions:

(1) If mortgage has been registered, payments shall be made in the order of the registration of the mortgage.

(2) The claim secured by a registered mortgage shall be satisfied prior to the unregistered ones.

(3) For unregistered mortgage, payment shall be made in proportion to the amount of claims.

The provisions of the preceding paragraph shall apply, mutatis mutandis, to the order of payment with respect to any other security interest that may be registered.

Article 415 Where both mortgage and pledge are established on a same property, the order of payment made with the proceeds obtained from the auction or sell-off of such a property shall be determined according to the time of registration and delivery.

Article 416 Where the principal claim secured by mortgage on a movable is the price of the mortgaged property, and mortgage registration is undergone within 10 days after the delivery of the subject matter, the mortgagee has the priority of compensation over other security interest holders of the buyer of the mortgaged property, except the lienor.

Article 417 After the right to use land for construction is mortgaged, the new building constructed on the land is not mortgaged property. If the right to use land for construction shall be disposed of so as to exercise mortgage, the new building constructed on the land shall be disposed of together with

the right to use land for construction. However, the mortgagee has no priority of compensation made with the proceeds obtained from the new building.

Article 418 Where the right to use land owned by the collective is mortgaged in accordance with the law, the nature of the land ownership and the land use purpose may not be changed without undergoing statutory procedures after mortgage is exercised.

Article 419 The mortgagee shall exercise mortgage within the prescriptive period of the principal claim, failing which the mortgagee will not be protected by the people's court.

Section 2 Maximum Mortgage

Article 420 Where, for securing the performance of an obligation, the debtor or a third party provides a property as security for the debts to be incurred consecutively within a given period of time, if the debtor fails to pay the due debt or falls under any circumstance where mortgage shall be exercised as agreed upon by the parties, the mortgagee has the priority of compensation made with the mortgaged property to the extent of the maximum amount of claim.

A creditor's right that exists before the establishment of maximum mortgage may be included in the creditor's rights secured by the maximum mortgage with the consent of the parties.

Article 421 Where part of the creditor's right is transferred before the creditor's right secured by the maximum mortgage is determined, the maximum mortgage may not be transferred, except as otherwise agreed upon by the parties.

Article 422 Before the creditor's right secured by the maximum mortgage is determined, the mortgagee and the mortgagor may modify the term for determining the creditor's right, the scope of creditor's right and the maximum amount of claim through agreement, provided that such modification shall not have any adverse effect on any other mortgagee.

Article 423 The creditor's right of the mortgagee is determined under any of the following circumstances:

- (1) The agreed term for determining the creditor's right expires.
- (2) In the absence of an agreement on the term for determining the creditor's right or such an agreement is ambiguous, the mortgagee or the mortgagor claims the determination of the creditor's right after the lapse of two years from the date of establishment of the maximum mortgage.
- (3) No new creditor's right will be established.
- (4) The mortgagee knows or should have known that the mortgaged property is seized or detained.
- (5) The debtor or the mortgagor is declared bankrupt or is dissolved.

(6) Any other circumstance provided for by any law where the creditor's right is determined.

Article 424 In addition to the provisions of this Section, the relevant provisions of Section 1 of this Chapter shall apply to maximum mortgage.

Chapter XVIII Pledge

Section 1 Pledge of Movable

Article 425 Where, for securing the performance of an obligation, the debtor or a third party pledges the movable thereof to the creditor for possession, if the debtor fails to pay the due debt or falls under any circumstance where pledge shall be exercised as agreed upon by the parties, the creditor shall have the priority of compensation made from such a movable.

For the purposes of the preceding paragraph, the debtor or the third party is the pledgor, the creditor is the pledgee, and the delivered movable is the pledged property.

Article 426 The movables prohibited from transfer by any law or administrative regulation shall not be pledged.

Article 427 To establish pledge, the parties shall enter into a pledge contract in a written form.

The pledge contract shall generally include the following clauses:

- (1) The type and amount of the secured claim.
- (2) The term for the debtor to perform the obligation.
- (3) The name, quantity and other conditions of the pledged property.
- (4) The scope of security.
- (5) The time and methods for the delivery of the pledged property.

Article 428 Where, before the expiration of the term for the performance of an obligation, the pledgee agrees with the pledgor that the pledged property shall belong to the creditor if the debtor fails to pay the due debt, the pledgee may only have the priority of compensation made with the pledged property in accordance with the law.

Article 429 Pledge is established when the pledged property is delivered by the pledgor.

Article 430 The pledgee has the right to collect the fruits accrued from the pledged property, except otherwise agreed upon in the contract.

The fruits as mentioned in the preceding paragraph shall first be used to pay the expenses for collecting the fruits.

Article 431 Where, during the existence of pledge, the pledgee uses or disposes of the pledged property without the consent of the pledgor, thus causing any damage to the pledgor, the pledgee shall assume compensatory liability.

Article 432 The pledgee is obliged to properly keep the pledged property; and shall assume compensatory liability if the pledged property is damaged or lost due to inappropriate safekeeping. Where any act of the pledgee may cause the damage or loss of the pledged property, the pledgor may request the pledgee to set aside the pledged property, or request the advance payment of the debt and the return of the pledged property.

Article 433 Where any cause not attributable to the fault of the pledgee may result in the damage or an evident decrease of the value of the pledged property, which is sufficient to damage the rights of the pledgee, the pledgee has the right to request the pledgor to provide the corresponding security. If the pledgor refuses to do so, the pledgee may auction or sell off the pledged property, and may enter into an agreement with the pledgor to pay off the debt with the money obtained from auction or sell-off in advance or set aside the proceeds.

Article 434 Where, during the existence of the pledge, the pledgee transfers the property posted as pledge to a third party without the consent of the pledgor, thus causing the damage or loss of the pledged property, the pledgee shall assume compensatory liability.

Article 435 The pledgee may waive the pledge. If the debtor pledges the property thereof and the pledgee waives the pledge, other guarantors are exempted from suretyship to the extent that the pledgee forfeits the priority of compensation, unless other guarantors are still committed to the suretyship.

Article 436 Where the debtor performs obligations or the pledgor pays off the secured claim in advance, the pledgee shall return the pledged property.

Where the debtor fails to pay the due debt or falls under any circumstance where pledge shall be exercised as agreed upon by the parties, the pledgee may enter into an agreement with the pledgor to convert the pledged property into money, or may have the priority of compensation made with the proceeds obtained from the auction or sell-off of the pledged property.

Where the pledged property is converted into money or sold off, market price shall be taken as the reference.

Article 437 The pledgor may request the pledgee to exercise the pledge in a timely manner upon the expiration of the term for the performance of the obligation. If the pledgee fails to exercise the pledge, the pledgor may request the people's court to have the pledged property auctioned or sold off. Where the pledgor requests the pledgee's exercise of pledge in a timely manner, but the pledgee is slack in exercising the pledge, thus causing any damage to the pledgor, the pledgee shall assume compensatory liability.

Article 438 After the pledged property is converted into money, auctioned or sold off, the part of the proceeds therefrom exceeding the amount of the claim shall belong to the pledgor, and if they are insufficient to repay the debt, the shortfall shall be paid off by the debtor.

Article 439 The pledgor and the pledgee may establish the maximum pledge by agreement. In addition that the relevant provisions of this Section shall apply to the maximum pledge, the relevant provisions of Section 2, Chapter XVII of this Book shall apply *mutantis mutandis*.

Section 2 Pledge of Rights

Article 440 The following rights that the debtor or a third party is entitled to dispose of may be pledged:

- (1) Bills of exchange, promissory notes and cheques.
- (2) Bonds and certificates of deposit.
- (3) Warehouse receipts and bills of lading.
- (4) Transferable fund shares and stock rights.
- (5) Transferable property rights among intellectual property rights, such as the right to the exclusive use of registered trademarks, patents and copyrights.
- (6) Existing and anticipated accounts receivable.
- (7) Other property rights which may be pledged as provided for by laws and administrative regulations.

Article 441 Where a bill of exchange, promissory note, cheque, bond, certificate of deposit, warehouse receipt or bill of lading is pledged, pledge is established at the time when the right certificate is delivered to the pledgee; in the absence of such a right certificate, pledge is established at the time when pledge is registered, except as otherwise provided for by any law.

Article 442 Where the date of payment or of delivery of goods in respect of a pledged bill of exchange, promissory note, cheque, bond, certificate of deposit, warehouse receipt or bill of lading is matured prior to the date of maturity of the principal claim, the pledgee may accept the payment or

the goods delivered, and may enter into an agreement with the pledgor to use the payment or the goods accepted to pay off the debt in advance or set aside them.

Article 443 Where fund shares or stock rights are pledged, pledge is established at the time when pledge is registered.

Fund shares or stock rights cannot be transferred after they are pledged, except as otherwise agreed upon by the pledgor and the pledgee upon consultation. The proceeds obtained by the pledgor from the transfer of fund shares or stock rights shall be used to pay off the debt to the pledgee in advance or be set aside.

Article 444 Where property rights among intellectual property rights, such as the right to the exclusive use of registered trademarks, patents and copyrights, are pledged, pledge is established at the time when pledge is registered.

The pledgor may not transfer or license another's use of property rights among intellectual property rights after they are pledged, unless it is agreed upon by the pledgor and the pledgee through consultation. The proceeds obtained by the pledgor from the transfer or licensing of another's use of property rights among intellectual property rights shall be used to pay off the debt to the pledgee in advance or be set aside.

Article 445 Where accounts receivable are pledged, pledge is established at the time when pledge is registered.

The pledged accounts receivable may not be transferred, unless it is agreed upon by the pledgor and the pledgee through consultation. The proceeds obtained by the pledgor from the transfer of the accounts receivable shall be used to pay off the debt to the pledgee in advance or be set aside.

Article 446 In addition to the provisions of this Section, the relevant provisions of Section 1 of this Chapter shall apply to the pledge of rights.

Chapter XIX Lien

Article 447 Where the debtor fails to pay the due debt, the creditor may exercise a lien over the legally possessed movable of the debtor, and has the priority of compensation made with such a movable.

For the purposes of the preceding paragraph, the creditor is the lienor, and the possessed movable is the property under lien.

Article 448 The movable on which the creditor exercises a lien shall fall under the same legal relationship with the creditor's right, except in the case of a lien between enterprises.

Article 449 No lien shall be exercised over the movable if it is prohibited by any law or the parties agree not to do so.

Article 450 Where the property under lien is divisible, the value of the property under lien shall be equivalent to the amount of the debt.

Article 451 The lienor is obliged to properly keep the property under lien; and shall assume compensatory liability if the property under lien is damaged or lost due to inappropriate safekeeping.

Article 452 The lienor has the right to collect the fruits accrued from the property under lien.

Fruits as mentioned in the preceding paragraph shall first be used to pay the expenses for collecting the fruits.

Article 453 The lienor and the debtor shall agree on the term for the performance of the obligation after lien is exercised on the property. In the absence of such an agreement or if such an agreement is ambiguous, the lienor shall allow the debtor to perform the obligation within the term of 60 days or longer, except that the movable is fresh, perishable or hard to keep. If the debtor fails to perform the obligation within the prescribed time limit, the lienor may agree upon with the debtor to have the property under lien converted into money, or may have the priority of compensation made from the auction or sell-off of the property.

Where the property under lien is converted into money or sold off, its market price shall be taken as the reference.

Article 454 The debtor may claim the lienor's exercise of lien after the expiration of the term for the performance of obligation. If the lienor fails to exercise the lien, the debtor may request a people's court to have the property under lien auctioned or sold off.

Article 455 After the property under lien is converted into money, auctioned or sold off, the part of proceeds therefrom exceeding the amount of claim shall belong to the debtor, and if they are insufficient to pay the debt, the shortfall shall be paid off by the debtor.

Article 456 Where a lien is exercised on a movable already subject to mortgage or pledge, the lienor shall have the priority of compensation.

Article 457 Where the lienor forfeits the possession of the property under lien or accepts other security separately provided by the debtor, lien shall be extinguished.

Title V Possession

Chapter XX Possession

Article 458 With respect to possession arising from contractual relations, among others, the use of the relevant immovable or movable, the proceeds therefrom and liability for the breach of contract, among others, shall be subject to those agreed upon in the contract. In the absence of such an agreement in the contract or if such an agreement is ambiguous, the provisions of relevant laws shall apply.

Article 459 Where the possessor causes any damage to the possessed immovable or movable due to the use thereof, the possessor in bad faith shall assume compensatory liability.

Article 460 Where an immovable or movable is possessed by the possessor, the right holder may claim the return of the original thing and the fruits therefrom; however, the holder shall pay necessary expenses arising from the maintenance of the immovable or movable to the possessor in good faith.

Article 461 Where a possessed immovable or movable is damaged or lost, and the right holder of such an immovable or movable claims compensation, the possessor shall return the insurance money, compensatory damages, or indemnity, among others, as compensation for the damage or loss, to the right holder. If the damage to the right holder is not fully covered thereby, the possessor in bad faith shall also compensate for the uncovered part.

Article 462 Where a possessed immovable or movable is encroached upon, the possessor has the right to claim the return of the original property. If possession is obstructed, the possessor has the right to claim the removal of obstacles or elimination of danger. If any damage is caused by encroachment or obstruction, the possessor has the right to claim the compensation for damages in accordance with the law.

Where the possessor fails to exercise the right to claim the return of the original property within one year from the date of encroachment, such a right of claim shall be extinguished.

Book ThreeContracts

Title One General Provisions

Chapter I General Rules

Article 463 This Book shall regulate the civil relations arising from contracts.

Article 464 A contract refers to an agreement between the parties to civil legal relations for the establishment, modification, termination of a civil legal relation.

Agreements concerning personal relations such as marriage, adoption, and guardianship shall be governed by the provisions of the law on the personal relations; or absent such provisions, this Book may apply mutatis mutandis according to their nature.

Article 465 A contract formed according to the law is protected by law.

A contract so formed is legally binding only on the parties, except as otherwise provided by law.

Article 466 If any dispute arises between the parties over the understanding of any clause of the contract, the meaning of the clause in dispute shall be determined in accordance with paragraph 1, Article 142 of this Code.

Where a contract is in two or more languages and it is agreed that all versions are equally authentic, the words and sentences in each version are construed to have the same meaning. In case of any discrepancy in the words or sentences used in the different language versions, they shall be construed in light of the relevant terms, nature and purpose of the contract and the principle of good faith.

Article 467 For a contract not expressly provided for in this Code or any other law, the General Provisions of this Book shall apply, and the provisions on the most similar contracts in this Book or any other law may apply mutatis mutandis.

The law of the People's Republic of China applies to any contract for a Chinese-foreign equity joint venture, a Chinese-foreign contractual joint venture or Chinese-foreign cooperative exploration and exploitation of natural resources performed in the People's Republic of China

Article 468 For a creditor-debtor relation not arising from a contract, the provisions of the law on the creditor-debtor relation shall apply; or absent such provisions, the relevant provisions of the General Provisions of this Book shall apply, unless its nature precludes the application.

Chapter II Contracting

Article 469 The parties may contract in written, oral, or any other form.

"Written form" means a written contract, letter, telegram, telex, facsimile, or any other form that can tangibly express the contents contained therein.

A data message that tangibly expresses the contents contained therein by electronic data interchange, e-mail, or any other means and is readily available for access and inspection shall be treated as a written form.

Article 470 The contents of a contract shall be agreed upon by the parties, and shall generally contain the following clauses:

(1) Titles or names and domiciles of the parties.

- (2) Subject matter.
- (3) Quantity.
- (4) Quality.
- (5) Price or remuneration.
- (6) Time limit, place and method of performance.
- (7) Liability for breach of contract.
- (8) Method to settle disputes.

The parties may contract by referring to the model text of various contracts.

Article 471 The parties may contract by offer and acceptance or any other means.

Article 472 An offer is a declaration of will to contract with another person, and the declaration of will shall comply with the following conditions:

- (1) Its contents shall be specific and definite.
- (2) It indicates that the offeror will be bound by the declaration of will in case of acceptance by the offeree.

Article 473 An invitation for offer is a declaration to invite other parties to make offers thereto.

Auction announcements, tender announcements, prospectuses, bond prospectuses, fund prospectuses, commercial advertisements and publicity, and mailed price lists, etc. are invitations for offer.

Where the contents of commercial advertisements and publicity meet the conditions for an offer, it constitutes an offer.

Article 474 The effective time of an offer shall be governed the provisions of Article 137 of this Code.

Article 475 An offer may be withdrawn. The withdrawal of an offer shall be governed the provisions of Article 141 of this Code.

Article 476 An offer may be revoked, except under any of the following circumstances:

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

Article 477 Where a declaration of will to revoke an offer is made by means of dialog, the contents of the declaration of will shall come to the offeree's knowledge before the offeree accepts; and a

declaration of will to revoke an offer made by means other than dialog shall reach the offeree before the offeree accepts.

Article 478 An offer lapses under any of the following circumstances:

- (1) The offer is rejected.
- (2) The offer is revoked according to the law.
- (3) The offeree fails to accept before the expiration of the time limit for acceptance.
- (4) The offeree makes a substantial modification to the contents of the offer.

Article 479 An acceptance is the declaration of will by the offeree to assent to the offer.

Article 480 An acceptance shall be made in the form of a notice, except where acceptance may be made by an act on the basis of transaction practices or as expressed in the offer.

Article 481 An acceptance shall reach the offeror within the time limit prescribed in the offer.

Where no time limit is prescribed in the offer, the acceptance shall reach the offeror in accordance with the following provisions:

- (1) If the offer is made in dialog, the acceptance shall be made immediately.
- (2) If the offer is made in forms other than a dialog, the acceptance shall reach the offeror within a reasonable time limit.

Article 482 Where an offer is made by letter or telegram, the time limit for acceptance shall accrue from the date shown in the letter or from the date on which the telegram is handed in for dispatch. If no such date is shown in the letter, it shall accrue from the postmark date on the envelope. Where an offer is made by means of instantaneous communication, such as telephone, facsimile or email, the time limit for acceptance shall accrue from the moment that the offer reaches the offeree.

Article 483 A contract is formed when the acceptance becomes effective, except as otherwise provided by law or agreed by the parties.

Article 484 The effective time of an acceptance made in the form of a notice shall be governed by the provisions of Article 137 of this Code.

If notice of acceptance is not required, the acceptance shall become effective when an act of acceptance is performed in accordance with transaction practices or as required in the offer.

Article 485 An acceptance may be withdrawn. The withdrawal of an acceptance shall be governed by the provisions of Article 141 of this Code.

Article 486 Where an offeree makes an acceptance beyond the time limit for acceptance, or makes an acceptance within the time limit for acceptance, which is unable to reach the offeror in a timely

manner under normal circumstances, the acceptance shall be a new offer, unless the offeror promptly notifies the offeree that the acceptance is effective.

Article 487 If the offeree makes an acceptance within the time limit specified for acceptance, and under normal circumstances the acceptance would have reached the offeror in due time, but due to other reasons the acceptance reaches the offeror after the time limit for acceptance has expired, such acceptance shall be effective, unless the offeror notifies the offeree in a timely manner that it does not accept the acceptance due to the failure of the acceptance to arrive within the time limit.

Article 488 The contents of an acceptance shall correspond to those of the offer. If the offeree makes a substantial modification to the contents of the offer, the acceptance shall constitute a new offer. The modification relating to the subject matter, quality, quantity, price or remuneration, time or place or method of performance, liabilities for breach of contract and method of dispute resolution, etc. shall constitute the substantial modification of an offer.

Article 489 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 indicated in the offer that an acceptance may not modify the offer at all.

Article 490 Where the parties contract in the form of a written contract, the contract is formed when each party affixes its signature, seal, or fingerprint. If a party has performed its principal obligation before the signature, seal or fingerprint is affixed, the contract is formed when the other party accepts.

If any law or administrative regulation requires, or the parties agrees on contracting in written form, and the parties fail to contract in written form, but one party has performed the principal obligation, the contract is formed when the other party accepts.

Article 491 Where the parties contract by letter, data message, or any other form and require a written confirmation to be signed, the contract is formed when the written confirmation is signed. If the information on goods or service released by one party on an information network such as the Internet meets the conditions for an offer, the contract is formed when the other party selects the goods or service and submits the order successfully, unless the parties agree otherwise.

Article 492 The place of effectiveness of an acceptance shall be the place of the formation of the contract.

In the case of contracting in the form of a data message, the place of formation of the contract shall be the main business place of the recipient, or absent a main business place, the place of its domicile, unless the parties agree otherwise.

Article 493 Where the parties contract in the form of a written contract, the place of formation of the contract shall be the last place where the signature, seal, or fingerprint is affixed, unless the parties agree otherwise.

Article 494 Where the state has issued a state purchasing order or a mandatory plan as needed for emergency rescue, disaster relief, outbreak prevention and control, or the like, the relevant parties to civil legal relations shall contract in accordance with the rights and obligations as provided by the relevant laws and administrative regulations.

A party subject to an obligation to make an offer under the laws and administrative regulations shall promptly make a reasonable offer.

A party subject to an obligation to make an acceptance under the laws and administrative regulations shall not reject the reasonable request for contracting from the other party.

Article 495 A purchase offer, purchase order, subscription book, or the like that the parties agree to contract within a certain time limit shall constitute a preliminary agreement.

If one party fails to perform the obligation to contract as agreed in the preliminary agreement, the other party may request it to be liable for breach of the preliminary agreement.

Article 496 Standard terms are terms drawn up by one party in advance for repeated use and not negotiated with the other party at the time of contracting.

Where standard terms are adopted for contracting, the party furnishing the standard terms shall define the rights and obligations between the parties abiding by the principle of fairness, so inform in a reasonable manner as to enable the other party to note the terms excluding or limiting its liability or otherwise related to the material interest of the other party, and explain the terms upon request of the other party. If the party furnishing the standard terms fails to perform the informing or explanation obligation, resulting in the other party failing to note or understand the terms in which it has a material interest, the other party may argue that the terms are not a part of the contract.

Article 497 Under any of the following circumstances, standard terms shall be void:

(1) Under the voidness circumstances set forth in Section 3, Chapter VI, Book One of this Code and Article 506 of this Code.

(2) The party furnishing the standard terms unreasonably excludes or limits its liability, aggravates the liability of the other party, or restricts the main rights of the other party.

(3) The party furnishing the standard terms excludes the main rights of the other party.

Article 498 If a dispute over the understanding of standard terms occurs, interpretation shall be made in accordance with common understanding. Where there are two or more kinds of interpretation, an interpretation unfavorable to the party furnishing the standard terms shall prevail. Where the standard terms are inconsistent with non-standard terms, the latter shall prevail.

Article 499 Where an offeror of a reward states in a public manner that remunerations will be paid to a person who performs a specific act, the person who has so performed may request the offeror to pay.

Article 500 The party shall be liable for damage if it is under one of the following circumstances in contracting and thus causing losses to the other party:

- (1) Pretending to contract, and negotiating in bad faith.
- (2) Deliberately concealing important facts relating to contracting or providing false information.
- (3) Performing other acts which violate the principle of good faith.

Article 501 A trade secret or any other confidential information the parties learn in contracting shall not be disclosed or improperly used, no matter the contract is formed or not; and if the party discloses or improperly uses such trade secret or information, causing loss to the other party, it shall be liable for damages.

Chapter III Validity of Contracts

Article 502 A contract formed according to the law becomes effective upon its formation, except as otherwise provided by law or agreed by the parties.

With regard to contracts that are subject to approval as stipulated by relevant laws or administrative regulations, the provisions thereof shall be followed. If the approval and other procedures fail to be performed, precluding the contract from becoming effective, the validity of the terms of the obligation to apply for approval and related terms of the contract is not affected. If the party obligated to apply for approval and other procedures fails to perform the obligation, the other party may request it to be liable for breach of the obligation.

If any law or administrative regulation requires that the modification, assignment, termination, and other circumstances of a contract are subject to approval and other procedures, the provisions of the preceding paragraph shall apply.

Article 503 Where an unauthorized agent contracts in the name of the principal, and the principal commences to perform contractual obligations or accepts the performance from the other party, the principal shall be treated as having ratified the contract.

Article 504 Where the legal representative of a legal person or the person in charge of an unincorporated organization oversteps its power and contracts, the representation shall be effective, and the contract shall be effective against the legal person or unincorporated organization except that the other party knows or should know that he or she oversteps its power.

Article 505 The validity of a contract entered into by a party in excess of its scope of business shall be determined in accordance with the relevant provisions of Section 3, Chapter VI, Book One of this Code and this Book, and the contract shall not be determined as void only on the grounds of exceeding the scope of business.

Article 506 The following exception clauses in a contract shall be void:

- (1) Those that cause personal damage to the other party.
- (2) Those that cause property damages to the other party as result of deliberate intent or gross negligence.

Article 507 If a contract is not effective yet or is null and void, revoked or terminated, it shall not affect the validity of the dispute settlement clause of the contract.

Article 508 If this Book is silent on the validity of contracts, the relevant provisions of Chapter VI, Book One of this Code shall apply.

Chapter IV Performance of Contracts

Article 509 Each party shall fully perform its own obligations as agreed.

The parties shall abide by the principle of good faith, and perform obligations of notification, assistance, and confidentiality, etc. in accordance with the nature and purpose of the contract and the transaction practice.

When performing a contract, the parties shall avoid wasting resources, polluting the environment, and destroying the ecology.

Article 510 Where, after the contract becomes effective, there is no agreement in the contract between the parties on such contents as quality, price or remuneration, or place of performance etc., or such agreement is ambiguous, the parties may agree upon supplementary terms through consultation; if a supplementary agreement cannot be reached, such terms shall be determined in accordance with the relevant provisions of the contract or transaction practices.

Article 511 Where certain contents agreed upon by the parties in the contract are ambiguous and cannot be determined in accordance with the provisions in the preceding article, the following provisions shall be applied:

- (1) If quality requirement is not clear, performance shall be rendered in accordance with the state mandatory standard; absent any state mandatory standard, performance shall be rendered in accordance with the state voluntary standard; absent any state voluntary standard, performance shall be rendered in accordance with the industry voluntary standard; or absent any state or industry standard, performance shall be rendered in accordance with the customary standard or any particular standard consistent with the purpose of the contract.
- (2) If price or remuneration is not clear, performance shall be in accordance with the prevailing market price at the place of performance at the time the contract was concluded, and if adoption of a price commissioned by the government or based on government issued pricing guidelines is required by law, such requirement applies.
- (3) When the place of performance is not clear, if the obligation is payment of money, performance shall be at the place where the payee is located; if the obligation is delivery of an immovable, performance shall be at the place where the immovable is located; for any other subject matter, performance shall be effected at the place where the party performing the obligations is located.
- (4) If the time limit for performance is not clear, the creditor may perform, and the debtor may request performance at any time, provided that the other party shall be given the time required for preparation.
- (5) If the method of performance is not clear, performance shall be rendered in a manner which is conducive to realizing the purpose of the contract.
- (6) If the apportionment of the expenses of performance is not clear, the party performing the obligations shall bear the expenses; and any additional expenses of performance incurred by the creditor shall be borne by the creditor.

Article 512 Where the subject matter of an electronic contract entered into through an information network such as the Internet is to deliver goods, and the delivery is made by means of express shipping service, the time of delivery shall be the time when the consignee acknowledges receipt. If the subject matter of an electronic contract is to provide services, the time of providing services shall be the time specified in the generated electronic document or paper document; or if the said

document specifies no time, or the specified time is inconsistent with the time of actually providing the services, the time of actually providing the services shall prevail.

If the subject matter of an electronic contract is delivered by means of online transmission, the time of delivery shall be the time when the subject matter of the contract enters the specific system designated by the other party and becomes susceptible to search and identification.

If the parties to an electronic contract otherwise agree on the method and time of delivering goods or providing services, such agreement shall prevail.

Article 513 Where the government-fixed price or government-directed price is followed in a contract, if the said price is adjusted 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. Where a party delays in delivering the subject matter, the original price shall be adopted if the price rises; and the new price shall be adopted if the price falls. Where a party delays in taking delivery of the subject matter or making payment, the new price shall be adopted if the price rises, and the original price shall be adopted if the price falls.

Article 514 For an obligation to pay money, the creditor may request the debtor to pay in legal tender in the place of actual performance, unless otherwise provided by law or agreed by the parties.

Article 515 Where an obligation has multiple subject matters, only one of which the debtor is required to perform, the debtor shall have the choice, unless otherwise provided by law, the parties, or transaction practices.

If the party having the choice fails to exercise the choice within the agreed time limit or the time limit for performance, and fails to do so within a reasonable time limit after a demand, the choice shall pass to the other party.

Article 516 A party exercising its choice shall notify the other party in a timely manner, and when the notice is received by the other party, the subject matter is determined. The subject matter so determined may not be modified, except with the consent of the other party.

If any of the alternative subject matters of an obligation becomes impossible to perform, the party having the choice shall not choose the subject matter, unless the performance is made impossible by the other party.

Article 517 A joint obligation for creditors is an obligation between not less than two creditors with subject matter divisible in such a manner that each creditor is owed the obligation to the extent of its share; and a joint obligation for debtors is an obligation between not less than two debtors with

subject matter divisible in such a manner that each debtor owes the obligation to the extent of its share.

If the shares of joint creditors or joint debtors are difficult to determine, the shares shall be treated as being equal.

Article 518 A joint and several obligation for creditors is an obligation between not less than two creditors the performance of which part or all of the creditors may request from the debtor; and a joint and several obligation for debtors is an obligation between not less than two debtors the whole performance of which the creditor may request from part or all of the debtors.

A joint and several obligation for creditors or debtors shall be provided by law or agreed upon by the parties.

Article 519 Where the shares of joint and several debtors are difficult to determine, the shares shall be treated as being equal.

A joint and several debtor who actually pays the obligation in excess of its share shall have the right to recover the excess from the other joint and several debtors to the extent of the shares not performed and be subrogated to the right of the creditor accordingly without prejudice to the interest of the creditor. The other joint and several debtors may raise against the debtor defenses against the creditor.

Where a joint and several debtor against which recovery is exercised is unable to perform its share, the other joint and several debtors shall share the share in proportion, to the corresponding extent.

Article 520 Where a joint and several debtor performs, sets off the obligation, or tenders and deposits the subject matter, the obligation owed by the other debtors to the creditor shall be extinguished to the corresponding extent; and the debtor may exercise recovery against the other debtors in accordance with the provisions of the preceding article.

If the obligation owed by a joint and several debtor is remitted by the creditor, the obligation owed by the other debtors to the creditor shall be extinguished to the extent of the share to which the joint and several debtor is subject.

If the obligation owed by a joint and several debtor and the obligation owed to the creditor pass to the same person, the obligation owed by the other debtors to the creditor shall subsist, less the share to which the joint and several debtor is subject.

If a creditor delays accepting the performance from a joint and several debtor, the effect shall attach to the other joint and several debtors.

Article 521 Where the shares of joint and several creditors are difficult to determine, the shares shall be treated as being equal.

A joint and several creditor who actually accepts performance of obligation shall make restitution to the other joint creditors in proportion.

The provisions on joint and several obligations for debtors in this Chapter shall apply mutatis mutandis to joint and several obligations for creditors.

Article 522 Where the parties agree that the debtor shall perform the obligation to a third party, and the debtor fails to perform its obligations to such third party or the performance of the obligations is not in conformity with the agreement, the debtor shall be liable to the creditor for breach of contract. When the law requires or the parties agree that a third party may directly request the debtor to perform the obligation to it, if the third party fails to expressly refuse within a reasonable time limit, and the debtor fails to perform the obligation to the third party, or the performance of the obligation is not in conformity with the agreement, the third party may request the debtor to be liable for breach of contract; and the debtor may raise against the third party defenses against the creditor.

Article 523 Where the parties agree that a third party performs the obligation to the creditor, and the third party fails to perform the obligation, or the performance is not in conformity with the agreement, the debtor shall be liable to the creditor for breach of contract.

Article 524 Where a debtor fails to perform the debt, and a third party has a lawful interest in performing the debt, the third party shall have the right to perform the obligation to the creditor on its behalf, unless the nature of the debt, the parties, or the law requires that only the debtor may perform. After the creditor has accepted the performance from the third party, the obligation owed by the debtor to it shall be assigned to the third party, unless otherwise agreed by the debtor and the third party.

Article 525 Where both parties have obligations toward each other and there is no order of priority in respect of the performance, the parties shall perform the obligations simultaneously. Each party has the right to reject any demand by the other party for performance prior to the performance by the other party. If the performance of the obligations of the party who is to perform first is not in conformity with the agreement, the party who is perform later has the right to reject the other party's demand for corresponding performance.

Article 526 Where both parties have obligations toward each other and there is an order of priority in respect of the performance, and the party required to perform the obligation first fails to do so, the

party who is to perform later has the right to reject the other party's demand for performance. If the performance of the obligations of the party who is to perform first is not in conformity with the agreement, the party who is to perform later has the right to reject the other party's demand for corresponding performance.

Article 527 The party required to perform first may suspend its performance if he or she has conclusive evidence that the other party is under any of the following circumstances:

- (1) Its business has seriously deteriorated.
- (2) It has engaged in transfer of assets or withdrawal of funds for the purpose of evading obligations.
- (3) It has lost its business creditworthiness;
- (4) It is in any other circumstance which will or may cause it to lose its ability to perform.

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

Article 528 If a party suspends its performance in accordance with the provisions of the preceding article, it shall promptly notify the other party. If the other party provides appropriate assurance for its performance, the party shall resume performance. After performance has been suspended, if the other party fails to regain its ability to perform and fails to provide appropriate assurance within a reasonable time, the other party shall be treated as repudiating main obligations by its act, and the suspending party may terminate the contract and request the other party to be liable for breach of contract.

Article 529 Where the creditor fails to notify the debtor of its split, combination, or modification of its domicile, rendering the perform of obligations difficult, the debtor may suspend its performance or tender and deposit the subject matter.

Article 530 The creditor may reject the debtor's advance performance of its obligations, except that the advance performance does not harm the creditor's interests.

Any additional expense incurred by the creditor due to the debtor's advance performance of its obligations shall be borne by the debtor.

Article 531 A creditor may reject the debtor's partial performance, except that the partial performance of its obligations does not harm the creditor's interests.

Any additional expense incurred by the creditor due to the debtor's partial performance of its obligations shall be borne by the debtor.

Article 532 Once a contract becomes effective, a party may not refuse to perform its obligations thereunder due to a change in its name, or its legal representative, the person in charge, or the person handling the contract.

Article 533 Where the basic conditions of a contract undergoes a material change unforeseeable by the parties at the time of contracting which is not a commercial risk after the formation of the contract, rendering the continuation of the performance of the contract unconscionable for either party, the adversely affected party may renegotiate with the other party; and if the renegotiation fails within a reasonable time limit, the party may request the people's court or an arbitration institution to modify or terminate the contract.

The people's court or arbitration institution shall change or terminate the contract based on the actual circumstances of the case, in accordance with the principle of fairness.

Article 534 Where a party uses a contract to endanger the national interest and public interest, the market regulation and other relevant authorities shall be responsible for supervision and punishment in accordance with the laws and administrative regulations.

Chapter V Preservation of Contracts

Article 535 Where a debtor is remiss in exercising the obligation owed to the debtor or any right accessory thereto, affecting the realization of the due obligation owed to the creditor, the creditor may request from the people's court its exercise of the rights of the debtor in place of the debtor against the opposite party in its own name, unless the right is strictly personal to the debtor.

The right of oblique action shall be exercised to the extent of the due obligation owed to the creditor. The expenses necessary for the creditor to exercise the right of oblique action shall be borne by the creditor.

The opposite party may raise against the creditor defenses against the debtor.

Article 536 Where, before an obligation owed to the creditor becomes due, the debtor has circumstances such as the pending prescription of any obligation or any accessory right related thereto and failure to declare a bankruptcy creditor's right, affecting the realization of the obligation owed to the creditor, the creditor may, in place of the debtor, request the party opposite to the debtor to render performance to the debtor, make a declaration to the bankruptcy administrator, or perform any other necessary act.

Article 537 Where the people's court determines that there is a right of oblique action, the party opposite to the debtor shall perform the obligation to the creditor, and after the creditor has accepted

the performance, the corresponding rights and obligations between the creditor and the debtor and between the debtor and the opposite party shall terminate. If any obligation or any accessory right related thereto of the debtor against the opposite party are subject to preservation and enforcement measures, or the debtor is bankrupt, the relevant laws shall apply.

Article 538 Where a debtor gratuitously disposes of its property rights by waiving an obligation owed to the debtor, waiving security for an obligation, gratuitously transferring property, and other means, or maliciously extends the time limit for performance of an obligation owed to the debtor, affecting the realization of the obligation owed to the creditor, the creditor may request the people's court to cancel the act of the debtor.

Article 539 Where an debtor transfers its property at a low price which is manifestly unreasonable, acquires by transfer the property of another person at a high price which is manifestly unreasonable, or gives security for an obligation owed by another person, affecting the realization of the obligation owed to the creditor, and the party opposite to the debtor knows or should know the circumstances, the creditor may request the people's court to cancel the act of the debtor.

Article 540 The right of revocatory action shall be exercised to the extent of the obligation owed to the creditor. The expenses necessary for the creditor to exercise the right of revocatory action shall be borne by the debtor.

Article 541 The right of revocatory action shall be exercised within one year from the date the creditor knows or should know the cause of cancellation. If the right of revocatory action is not exercised within five years from the date of the act of the debtor, the right of revocatory action is extinguished.

Article 542 Where the act of a debtor that affects the realization of the obligation owed to the creditor is canceled, the act shall be without legal binding force from the beginning.

Chapter VI Modification and Assignment of Contracts

Article 543 A contract may be modified if the parties reach a consensus through consultation.

Article 544 Where an agreement by the parties on the contents of a modification is ambiguous, the contract shall be presumed as not having been modified.

Article 545 A creditor may assign its claim, in whole or in part, to a third party, except under the following circumstances:

- (1) The claim may not be assigned in light of the nature of the contract.
- (2) The claim may not be assigned according to the agreement between the parties.

(3) The claim may not be assigned according to the provisions of the laws.

If the parties agree that a non-monetary claim shall not be assigned, the agreement shall not be effective against a third party in good faith. If the parties agree that a monetary claim shall not be assigned, the agreement shall not be effective against a third party.

Article 546 Where a creditor assigns its claim without giving the debtor notice, such assignment will have no effect on the debtor.

A notice by the creditor to assign the claim shall not be revoked, unless such revocation is consented to by the assignee.

Article 547 Where a creditor assigns its claim, the assignee shall acquire any accessory right related to the claim, unless the accessory right is strictly personal to the creditor.

The assignee's acquisition of the accessory right shall not be affected by the failure to initiate transfer registration procedures or the non-transfer of possession with respect to the accessory right.

Article 548 Upon receipt of the notice of assignment of the claim, a debtor may raise against the assignee any defenses against the assignor.

Article 549 Under any of the following circumstances, a debtor may set up set-off against the assignee:

(1) When the debtor receives a notice of assignment of the claim, the debtor is owed an obligation by the assignor, which is due before or at the same time as the claim assigned.

(2) The obligation owed to the debtor and the claim assigned arise from the same contract.

Article 550 Any additional expenses of performance caused by the assignment of the claim shall be borne by the assignor.

Article 551 Where a debtor delegates its obligation in whole or in part to a third party, such delegation shall be subject to the consent of the creditor.

The debtor or the third party may demand that the creditor give its consent within a reasonable time limit, and the silence of the creditor shall be treated as disagreement.

Article 552 Where a third party and the debtor agree on its joining the debtor in the obligation and notify the creditor, or the third party notifies the creditor of its willingness to join the debtor in the obligation, and the creditor fails to explicitly refuse within a reasonable time limit, the creditor may request the third party, to the extent of the obligation that it is willing to assume, and the debtor to assume the obligation jointly and severally.

Article 553 Where a debtor delegates its obligation, the new debtor may raise defenses the original debtor had against the creditor; and if the original debtor is owed an obligation by the creditor, the new debtor may not set up set-off against the creditor.

Article 554 Where a debtor delegates its obligation, the new debtor shall assume any accessory obligation related to the principal obligation, unless the accessory obligation is strictly personal to the original debtor.

Article 555 With the consent of the other party, one party may transfer its rights together with its obligations under contract to a third party.

Article 556 Where contractual rights and obligations are transferred together, the provisions on the assignment of claims and delegation of obligations shall apply.

Chapter VII Termination of Contractual Rights and Obligations

Article 557 An obligation shall be terminated under any of the following circumstances:

- (1) The obligation has been performed.
- (2) The obligations are set off against each other.
- (3) The debtor tenders and deposits the subject matter in accordance with the law.
- (4) The creditor remits the obligation.
- (5) The claim and the obligation pass to the same person.
- (6) Any other circumstances for termination as stipulated by the laws or agreed upon by the parties.

When a contract is terminated, the rights and obligations under the contract shall be terminated.

Article 558 After the termination of an obligation, the parties shall observe the principles such as good faith and perform obligations such as notification, assistance, confidentiality, and recycling of used things in accordance with the relevant transaction practices.

Article 559 When an obligation is terminated, any right accessory to the obligation shall be extinguished, except as otherwise provided by law or agreed upon by the parties.

Article 560 Where a debtor owes several obligations of the same type to the same creditor, and the payment by the debtor is insufficient to over all the obligations, the debtor may impute the payment to the obligation it intends to perform, unless otherwise agreed by the parties.

If the debtor fails to do so, performance shall be first imputed to the obligation that is due; if several obligations are due, performance shall be first imputed to the obligation that is not secured or is secured the least in favor of the creditor; if none is secured, or the security is equal, performance shall be first imputed to the obligation that is relatively burdensome to the debtor; if the burdens are

equal, performance shall be imputed to the obligations in the order of their due time; and if the due time is the same, performance shall be imputed to the obligations in proportion.

Article 561 Where a debtor is required, in addition to performing the principal obligation, to pay interest and the costs associated with the realization of the obligation, and its payment is not sufficient to cover all the obligations, performance shall imputed in the following order, unless otherwise agreed by the parties:

- (1) The costs associated with the realization of the obligation.
- (2) Interest.
- (3) Principal obligation

Article 562 The parties may terminate a contract if they reach a consensus through consultation. The parties may agree upon the cause of termination of the contract by either party. Upon the cause occurs, the party who has the right to termination may terminate the contract.

Article 563 The parties to a contract may terminate the contract under any of the following circumstances:

- (1) It is rendered impossible to achieve the purpose of contract due to an event of force majeure;
- (2) Prior to the expiration of the period of performance, the other party expressly states, or indicates through its conduct, that it will not perform its main obligation.
- (3) The other party delays performance of its main obligation after such performance has been demand, and fails to perform within a reasonable period.
- (4) The other party delays performance of its obligations, or breaches the contract in some other manner, rendering it impossible to achieve the purpose of the contract.
- (5) Other circumstance as provided by law.

A contract without a term requiring the successive performance of the obligation may be terminated by a party any time, provided that the other party is notified within a reasonable time.

Article 564 Where the law stipulates or the parties agree upon the time limit to exercise the right to terminate the contract, and no party exercises it when the time limit expires, the said right shall be extinguished.

Where neither the law stipulates nor the parties make an agreement upon the time limit to exercise the right to terminate the contract, the said right shall be extinguished by non-exercise within one year from the day when the party who has the right to termination knows or should know the cause of termination, or within a reasonable period after the other party makes a demand.

Article 565 A party demanding termination of a contract in accordance with the law shall notify the other party. The contract shall be terminated upon the receipt of the notice by the other party; and if the notice states that the contract will be automatically terminated by the debtor's failure to perform the obligation within a time limit, and the debtor fails to do so, the contract shall be terminated at the expiration of the time limit stated in the notice. If the other party objects to such termination, either party may petition the people's court or an arbitration institution to adjudicate the validity of the termination of the contract.

When one party fails to notify the other party and directly claims the termination of the contract by means of filing an action or applying for arbitration, if the people's court or arbitration institution confirms the claim, the contract shall be terminated when a copy of the written complaint or a copy of the arbitration application is served on the other party.

Article 566 After the termination of a contract, performance shall cease if the contract has not been performed; if the contract has been performed, a party may, in accordance with the circumstances of performance or the nature of the contract, request the other party to restore such party to its original state or adopt other remedial measures, and such party shall have the right to demand compensation for damages.

If a contract is terminated because of breach of contract, the party who has the right to termination may request the party in breach to be liable for breach of contract, unless otherwise agreed by the parties.

After the termination of the principal contract, the guarantor shall remain subject to the security liability for the civil liability to which the debtor is subject, except as otherwise stipulated in the security contract.

Article 567 The termination of a relation of rights and obligations under a contract shall not affect the validity of clauses that related to the final settlement of accounts and winding-up.

Article 568 Where the parties are liable to one another for obligations, and if the type and nature of the subject matter of such obligations are the same, any party may set off its own obligation against the due obligation of the other party, unless such set-off is not allowed by the nature of the obligations, as agreed upon by the parties, according to the laws and regulations.

A party who claims set-off shall notify the other party. The notice shall become effective when it reaches the other party. The set-off shall not be subject to any condition or time limit.

Article 569 Where the parties have obligations towards one another, and the type and nature of such obligations are different, the obligations may also be set off upon consensus between the parties after consultation.

Article 570 A debtor may tender and deposit the subject matter under any of the following circumstances which render performance of the obligations difficult:

- (1) The creditor refuses to accept it without justified reasons.
- (2) The whereabouts of the creditor are unknown.
- (3) The creditor is deceased and the successor or administrator of its estate has not been determined, or the creditor has lost civil capacity and a guardian has not been appointed.
- (4) Other circumstance as provided for in the laws.

Where the subject matter is not fit for tender and deposit, or the tender and deposit costs are excessively high, the debtor may auction or sell the subject matter according to law, and tender and deposit the proceeds therefrom.

Article 571 Deposit and tender are made when a debtor delivers the subject matter or the proceeds of the auction or sale of the subject matter as legally required to the depositary.

In such a case, the debtor shall be treated as having delivered the subject matter to the extent of the tender and deposit.

Article 572 A debtor shall notify the creditor, or the successor, administrator of the estate, guardian, or administrator of the property of the creditor promptly after the subject matter has been tendered and deposited.

Article 573 Once the subject matter has been tendered and deposited, the risk of damage to, destruction or loss of the subject matter shall be borne by the creditor. The creditor shall be entitled to any fruits of the subject matter during the tender and deposit period. Tender and deposit costs shall be borne by the creditor.

Article 574 A creditor may claim the subject matter tendered and deposited at any time, unless the creditor has any due obligations toward the debtor, prior to the creditor's performance of its obligations or the creditor's provision of security for its performance, the depositary shall, at the request of the debtor, refuse the creditor's claim of the tendered and deposited property.

The right of the creditor to claim the tendered and deposited property shall lapse if it is not exercised within five years from the tender and deposit date, and the tendered and deposited property shall revert to the national treasury after the deduction of the tender and deposit costs. However, if the

creditor fails to perform the due obligation owed to the debtor, or notifies the depositary in writing of waiving its right to claim the tendered and deposited property, the debtor shall have the right to recover the tendered and deposited property after paying the tender and deposit costs.

Article 575 Where a creditor remits part or whole of the obligation owed by the debtor, the obligation shall terminate in whole or in part, unless the debtor refuses within a reasonable time limit.

Article 576 If the claim and the obligation pass to the same person, the claim and the obligation shall terminate, without prejudice to the interests of a third party.

Chapter VIII Liability for Breach of Contract

Article 577 If a party fails to perform its obligations under a contract, or its performance fails to satisfy the terms of the contract, it shall be liable for breach of contract such as to continue to perform its obligations, to take remedial measures, or to make compensation for losses.

Article 578 Where one party expresses explicitly or indicates by its conduct that it will not perform its obligations under a contract, the other party may request it to bear the liability for breach of contract before the expiry of the time limit for performance.

Article 579 If a party fails to pay the price, remuneration, rent, or interest, or fails to perform any other monetary obligation, the other party may request it to make the payment.

Article 580 Where a party fails to perform the non-monetary obligations, or fails to perform the non-monetary obligations as agreed, the other party may request it to perform except under any of the following circumstances:

- (1) It is unable to be performed in law or in fact.
- (2) The subject matter of the obligation is unfit for compulsory performance or the performance expenses are excessively high;
- (3) The creditor does not request performance within a reasonable time limit.

If any of the foregoing circumstances defeats the purpose of contract, the people's court or arbitration institution may terminate the relation of contractual obligations and rights at the request of either party, without affecting the assumption of the liability for breach.

Article 581 Where one party fails to perform the obligation, or fails to perform the obligation as agreed, and the nature of the obligation precludes the enforcement of performance, the other party may request it to bear the costs of substitute performance by the third party.

Article 582 Where performance fails to satisfy the agreement, the liability for breach of contract shall be borne as agreed upon by the parties. Where there is no agreement in the contract on the liability for breach of contract or such agreement is not clear, nor can it be determined in accordance with the provisions of Article 510 of this Code, the aggrieved party may, in light of the nature of the subject matter and the degree of loss, reasonably choose to request the other party to bear the liability for breach of contract such as repairing, remaking, replacing, returning the goods, or reducing the price or remuneration.

Article 583 Where a party fails to perform its obligations under the contract or fails to perform the obligations as agreed, and the other party still suffers from other damages after the performance of the obligations or adoption of remedial measures, such party shall compensate the other party for such damages.

Article 584 Where a party fails to perform its obligations under the contract or its performance fails to conform to the agreement and cause 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 the performance of the contract, provided not exceeding the probable losses caused by the breach of contract which was foreseen or should have been foreseen when the party in breach concludes the contract.

Article 585 The parties may agree that if one party breaches the contract, it shall pay a certain sum of liquidated damages to the other party in light of the circumstances of the breach, and may also agree on a method for the calculation of the amount of compensation for the damages incurred as a result of the breach.

Where the amount of liquidated damages agreed upon is lower than the damages incurred, the people's court or an arbitration institution may, at the request of a party, to make an increase; where the amount of liquidated damages agreed upon are significantly higher than the damages incurred, the people's court or an arbitration institution to make an appropriate reduction at the request of a party.

Where the parties agree upon liquidated damages in respect to the delay in performance, the party in breach shall perform the obligations after paying the liquidated damages.

Article 586 The parties may agree that one party pays a deposit to the other party as security for the obligation. The deposit contract shall be formed when the deposit is actually delivered.

The amount of the deposit shall be agreed upon by the parties, but shall not exceed 20% of the value of the subject matter of the principal contract, and the excess shall be without the effect of deposit. If the amount of the deposit actually delivered is more or less than the agreed amount, the agreed amount of the deposit shall be treated as being modified.

Article 587 Where the debtor performs its obligation, the deposit shall be set off against the price or refunded to the debtor. If the party that pays the deposit fails to perform the obligation, or fails to perform the obligation as agreed resulting in the frustration of the contractual purpose, such party has no right to request the refunding of the deposit; where the party accepting the deposit fails to perform its obligations, or fails to perform the obligation as agreed resulting in the frustration of the contractual purpose, such party shall refund twice the value of the deposit.

Article 588 If the parties agree on both liquidated damages and a deposit, and one party is in breach, the other party may choose to apply either the provisions for liquidated damages or that for the deposit.

If the agreed deposit is insufficient to compensate for the losses caused by breach of contract on the part of one party, the other party may request compensation for excess losses over the amount of the deposit.

Article 589 Where a debtor performs the obligation as agreed, and the creditor refuses to accept without justification, the debtor may request compensation for additional expenses from the creditor. During the creditor's delay in acceptance, the debtor is not required to pay interest.

Article 590 Where a party is unable to perform the contract due to force majeure, the party shall be exempt from liability in part or in whole based on the impact of force majeure, except as otherwise provided by law. In such a case, the party shall promptly notify the other party to mitigate the loss possibly caused to the other party and provide proof within a reasonable time limit.

If force majeure occurs after a party delays performance, the party shall not be exempt from liability for breach.

Article 591 Where a party is in breach of contract, the other party shall take appropriate measures to prevent the aggravation of losses; and if the failure to do so results in the aggravation of losses, the other party may not request compensation for the aggravation of losses.

The reasonable expenses incurred by the other party to prevent the aggravation of losses shall be borne by the party in breach.

Article 592 If both parties are in breach of contract, each party shall be correspondingly liable.

If one party causes loss to the other party by breach of contract, and the fault on the part of the other party contributes to the occurrence of the loss, the damages may be reduced correspondingly.

Article 593 Where a party is in breach because of a third party, it shall be liable to the other party for breach in accordance with the law. Any dispute between the party and such third party shall be handled in accordance with the law or as agreed.

Article 594 For a dispute arising from a contract for the international sale of goods or a technology import or export contract, the time limit for bringing a suit or applying for arbitration is four years

Title Two Nominate Contracts

Chapter IX Sales Contracts

Article 595 A sales contract is a contract whereby the seller transfers the ownership of a subject matter to the buyer, and the buyer pays the price for it.

Article 596 A sales contract shall generally include the name, quantity, quality, and price of the subject matter; the time limit, place, and method for performance; and packaging method, inspection standards and methods, settlement method, the language employed in the contract, and its validity.

Article 597 Where a seller fails to acquire the right to dispose, rendering the transfer of ownership of the subject matter impossible, the buyer may terminate the contract and request the seller to be liable for breach of contract.

Where the transfer of a subject matter is prohibited or restricted by any law or administrative regulation, the law or administrative regulation shall prevail.

Article 598 A seller shall perform the obligation to deliver the subject matter or a document for taking delivery of the subject matter and transfer the ownership to the buyer.

Article 599 In addition to the document for taking delivery of the subject matter, the seller shall deliver to the buyer the relevant documents and information in accordance with the agreement or transaction practices.

Article 600 In a sale of any subject matter subject to intellectual property rights, the intellectual property rights in the subject matter does not belong to the buyer, except as otherwise provided by law or agreed upon by the parties.

Article 601 The seller shall deliver the subject matter by the time agreed upon. Where a period for delivery is agreed upon, the seller may deliver at any time within the said period.

Article 602 Where the time limit for delivery of the subject matter is not agreed upon between the parties or the agreement is not clear, the provisions of Articles 510 and 511(4) of this Code shall be applied.

Article 603 The seller shall deliver the subject matter at the agreed place.

Where there is no agreement between the parties as to a place for delivery, or such agreement is not clear, nor can it be determined according to the provisions of Article 510 of this Code, the following provisions shall be applied:

(1) If the subject matter needs carriage, the seller shall deliver the subject matter to the first carrier so as to hand it over to the buyer.

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

Article 604 The risk of damage to or loss of a subject matter shall be borne by the seller prior to the delivery of the subject matter and by the buyer after delivery, except as otherwise stipulated by law or agreed upon by the parties.

Article 605 Where a subject matter fails to be delivered within the agreed time limit because of the buyer, the buyer shall bear the risk of damage to or loss of the subject matter as from the date it breaches the agreement.

Article 606 Where the seller sells a subject matter delivered to a carrier for carriage and is in transit, unless otherwise agreed upon by the parties, the risk of damage to or loss of the subject matter shall pass to the buyer at the time of formation of the contract.

Article 607 After the seller has the subject matter transported to the place designated by the buyer and delivered to the carrier in accordance with the agreement, the risk of damage to or loss of the subject matter shall be borne by the buyer.

Where there is no agreement between the parties as to the place for delivery or such agreement is not clearly, and the subject matter needs carriage according to the provisions of paragraph 2(1), Article 603 of this Code, the risk of damage to or loss of the subject matter shall be borne by the buyer after the seller has delivered the subject matter to the first carrier.

Article 608 Where the seller has placed the subject matter at the place of delivery in accordance with the agreement or in accordance with the provisions of paragraph 2(2), Article 603 of this Code, while

the buyer fails to take delivery in breach of the agreement, the risk of damage to or loss of the subject matter shall pass to the buyer on the date of breach of the agreement.

Article 609 The failure of the seller to deliver the documents and information relating to the subject matter as agreed upon shall not affect the passing of the risk of damage to or loss of the subject matter.

Article 610 Where the quality of the subject matter does not conform to the quality requirements, making it impossible to achieve the purpose of the contract, the buyer may refuse to accept the subject matter or may terminate the contract. If the buyer refuses to accept the subject matter or terminate the contract, the risk of damage to or loss of the subject matter shall be borne by the seller.

Article 611 Where the risk of damage to or loss of the subject matter is borne by the buyer, the buyer's right to demand the seller to bear liability for breach of contract because the seller's performance of its obligations is not in conformity with the agreement shall not be affected.

Article 612 Unless otherwise provided by law, the seller shall have the obligation to warrant that no third party has any right to the delivered subject matter.

Article 613 Where the buyer knows or should know, at the time of contracting, that a third party has rights to the subject matter for sale, the seller shall have no obligation prescribed in the preceding article.

Article 614 Where the buyer has conclusive evidence that a third party has rights to the subject matter, it may stop paying the corresponding price, except where the seller provides appropriate security.

Article 615 The seller shall deliver the subject matter in compliance with the agreed quality requirements. Where the seller gives the quality specifications for the subject matter, the subject matter delivered shall comply with the quality requirements set forth therein.

Article 616 Where the quality requirements for the subject matter is not agreed between parties or such agreement is not clear, nor can it be determined according to the provisions of Article 510 of this Code, the provisions of Article 511(1) of this Code shall be applied.

Article 617 If the subject matter delivered by the seller fails to comply with the quality requirements, the buyer may request the seller to bear liability for breach of contract in accordance with Articles 582 through 584 of this Code.

Article 618 Where the parties agree to limit or exclude the liability for any defect in the subject matter, and the seller fails to notify the buyer of the defect in the subject matter intentionally or due to gross negligence, the seller shall have no right to claim limitation or exclusion of the liability.

Article 619 The seller shall deliver the subject matter packed in the agreed manner. Where there is no agreement on package manner in the contract or the agreement is not clear, nor can it be determined according to the provisions of Article 510 of this Code, the subject matter shall be packed in a general manner, and if no general manner, a package manner enough to protect the subject matter and favorable to conserving resources and protecting the ecology and environment shall be adopted.

Article 620 Upon receipt of the subject matter, the buyer shall inspect it within the agreed inspection period. Where no inspection period is agreed, the buyer shall promptly inspect the subject matter.

Article 621 Where the parties have agreed upon an inspection period, the buyer shall notify the seller of any non-compliance in quantity or quality of the subject matter within such inspection period. Where the buyer is remiss in notifying the seller, the quantity or quality of the subject matter is deemed to comply with the contract.

Where no inspection period is agreed, the buyer shall notify the seller within a reasonable period, commencing on the date when the buyer discovered or should have discovered the quantity or quality non-compliance. If the buyer fails to notify within a reasonable period or fails to notify within 2 years, commencing on the date when it received the subject matter, the quantity or quality of the subject matter is deemed to comply with the contract, except that if there is a warranty period in respect of the subject matter, the warranty period applies and supersedes such two year period. Where the seller knows or should know the non-compliance of the subject matter, the buyer is not subject to the time limits for notification prescribed in the preceding two paragraphs.

Article 622 Where the inspection period agreed upon by the parties is so short that, based on the nature of the subject matter and transaction practices, it is difficult for the buyer to complete a comprehensive inspection during the inspection period, the period shall be treated only as a period for the buyer to raise an objection to an apparent defect.

If the agreed inspection period or warranty period is shorter than that prescribed by the laws and administrative regulations, the period prescribed by the laws and administrative regulations shall prevail.

Article 623 Where the parties fail to agree on an inspection period, and the delivery note, acknowledgment, and the like signed by the buyer state the quantity, model, and specifications of the subject matter, the buyer shall be presumed to have made an inspection in respect of quantity and apparent defects, in the absence of sufficient evidence to the contrary.

Article 624 Where a seller delivers the subject matter to a third party on the buyer's instructions, and the inspection standards agreed upon by the seller and the buyer are inconsistent with those agreed upon by the buyer and the third party, the inspection standards agreed upon by the seller and the buyer shall prevail.

Article 625 Where any law or administrative regulation requires, or the parties agree, that the subject matter should be recovered after the expiration of its useful life, the seller shall have the obligation to recover the subject matter in person or authorize a third party to do so.

Article 626 The buyer shall pay the price according to the agreed amount and payment method. Where the price and payment method are not agreed or the agreement is not clear, the provisions of Article 510 and Article 511(2) and (5) of this Code shall be applied.

Article 627 The buyer shall pay the price at the agreed place. Where the place of payment is not agreed or the agreement is not clear, nor can it be determined according to the provisions of Article 510 of this Code, the buyer shall make payment at the seller's place of business, provided that if the parties agreed that payment shall be conditional upon delivery of the subject matter or the document for taking delivery thereof, payment shall be made at the place where the subject matter, or the document for taking delivery thereof, is delivered.

Article 628 The buyer shall pay the price at the agreed time. Where the time for payment is not agreed or the agreement is not clear, nor can it be determined in accordance with Article 510 of this Code, the buyer shall make payment at the same time it receives the subject matter or the document for taking delivery thereof.

Article 629 Where the seller delivers the subject matter in a quantity greater than that agreed in the contract, the buyer may accept or reject the excess quantity. Where the buyer accepts the excess quantity, it shall pay the price as agreed; where the buyer rejects the excess quantity, it shall promptly notify the seller.

Article 630 The fruits of the subject matter belong to the seller if accrued before delivery, and to the buyer if accrued after delivery, unless otherwise agreed by the parties.

Article 631 Where a contract is terminated due to non-compliance of any main component of the subject matter, the effect of termination extends to the ancillary components. Where the contract is terminated due to non-compliance of any ancillary component of the subject matter, the effect of termination does not extend to the main components.

Article 632 Where the subject matter comprises of a number of components, one of which does not comply with the contract, the buyer may terminate the portion of the contract in respect of such component, provided that if severance of such component with the other components will significantly diminish the value of the subject matter, the buyer may terminate the contract in respect of such number of components.

Article 633 Where the seller is to deliver the subject matter in installments, if the seller fails to deliver one installment of the subject matter or the delivery fails to satisfy the terms of the contract so that the said installment cannot realize the contract purpose, the buyer may terminate the portion of the contract in respect thereof.

If the seller fails to deliver one installment of the subject matter or the delivery fails to satisfy the terms of the contract so that the delivery of the subsequent installments of subject matter cannot realize the contract purpose, the buyer may terminate the portion of the contract in respect of such installment as well as any subsequent installment.

If the buyer is to terminate the contract in respect of a particular installment which is interdependent with all other installments, it may terminate the contract in respect of all delivered and undelivered installments.

Article 634 In a sale by installment payment, where the buyer fails to make payments as they became due, if the delinquent amount has reached one fifth of the total price, and the payments due fail to be made within a reasonable time limit after a demand, the seller may request payment of the full price from the buyer or terminate the contract.

If the seller terminates the contract, it may request the buyer to pay a fee for its use of the subject matter.

Article 635 In a sale by sample, the parties shall place the sample under seal, and may specify the quality of the sample. The subject matter delivered by the seller shall comply with the sample as well as the quality specifications.

Article 636 In a sale by sample, if the buyer is not aware of a latent defect in the sample, the subject matter delivered by the seller shall nevertheless comply with the normal quality standard for a like item, even though the subject matter delivered complies with the sample.

Article 637 In a sale by trial, the parties may agree the trial period. Where a trial period is not agreed or the agreement is not clear, nor can it be determined in accordance with Article 510 of this Code, it shall be determined by the seller.

Article 638 In a sale by trial, the buyer may either purchase or reject the subject matter during the trial period. At the end of the trial period, the buyer is deemed to have made the purchase if it fails to demonstrate its intent to purchase or reject the subject matter.

If the buyer in a sale by trial pays part of the price, or performs an act such as selling, leasing, or creating a security interest on the subject matter during the trial period, the buyer shall be treated as having consented to purchase.

Article 639 Where the parties to a sale by trial fails to make an agreement on the expenses of use of the subject matter, or the agreement is not clear, the seller shall have no right to request the buyer to pay.

Article 640 The risk of damage to or loss of the subject matter during the trial period shall be borne by the seller.

Article 641 The parties may agree in the sales contract that the ownership remains with the seller if the buyer fails to pay the price or perform other obligations.

The ownership of the subject matter retained by the seller shall not be effective against a third party in good faith without registration.

Article 642 Where the parties agree that the seller retains the ownership of the subject matter of the contract, and before the ownership of the subject matter is transferred, the buyer has any of the following circumstances that causes damage to the seller, the seller shall have the right to reclaim the subject matter, unless otherwise agreed by the parties:

- (1) Failing to pay the price in accordance with the agreement and failing to pay within a reasonable time limit after a demand.
- (2) Failing to fulfill specific conditions as agreed.
- (3) Selling, pledging, or otherwise improperly disposing of the subject matter.

The seller may negotiate with the buyer for reclaiming the subject matter; and if the negotiation fails, the realization procedure for security interests may apply *mutatis mutandis*.

Article 643 Where after a seller has reclaimed the subject matter in accordance with the provisions of paragraph 1, the preceding article, the buyer removes the cause for which the seller reclaims the subject matter within a reasonable redemption period agreed by the parties or specified by the seller, the seller may request redemption of the subject matter.

If the buyer fails to redeem the subject matter within the redemption period, the seller may sell the subject matter to a third party at a reasonable price, recover the price due by the buyer and necessary expenses out of the proceeds of resale, and refund the remainder to the buyer, if any, or request the buyer to cover the shortfall.

Article 644 In a sale by tender, matters such as the rights and obligations of the parties and the tendering procedure, etc. are governed by the relevant laws and administrative regulations.

Article 645 In a sale by auction, matters such as the rights and obligations of the parties and the auctioning procedure, etc. are governed by the relevant laws and administrative regulations.

Article 646 If there are provisions in the law for other onerous contracts, such provisions shall apply; in the absence of such provisions, the provisions on sales contract shall apply mutatis mutandis.

Article 647 Where the parties agree on a barter transaction involving transfer of ownership of the subject matter, the relevant provisions on sales contracts shall apply mutatis mutandis.

Chapter X Contracts for Supply of Power, Water, Gas, or Heat

Article 648 A power supply contract is a contract whereby the power supplier supplies power to the power customer, and the power consumer pay an electricity fee.

A power supplier who supplies power to the public shall not reject a user's reasonable request for contracting.

Article 649 The contents of a power supply contract generally include terms such as the method, quality, and time of power supply, and the capacity, location and nature of power use, and the metering method, electricity rate, the method of settlement of electricity fees, and the responsibility for maintenance of the power supply and use facilities, etc..

Article 650 The place of performance of a power supply contract shall be the place agreed upon by the parties, and if there is no agreement or the agreement is not clear, the place of performance shall be the boundary where ownership of the power supply facilities is divided.

Article 651 The power supplier shall supply power in a safe manner in accordance with the standards for power supply stipulated by the State and with the terms of the contract. Where the power supplier fails to supply power in a safe manner in accordance with the standards for power

supply stipulated by the State and with the terms of the contract, thereby causing losses to the power customer, it shall be liable for damages.

Article 652 Where the power supplier needs to suspend the power supply due to reasons such as planned maintenance or provisional inspection and repair of the power supply facilities, legally restriction on power, or illegal use of power by the power customer, etc., it shall notify the power customer in advance in accordance with relevant provisions issued by the state. Where the power supplier suspends power supply without notifying the power customer in advance, thereby causing losses to the power customer, it shall be liable for damages.

Article 653 Where the power supply is suspended due to a natural disaster or other causes, the power supplier shall make prompt repairs in accordance with relevant provisions issued by the state; and where the power supplier fails to make prompt repair, thereby causing loss to the power customer, it shall be liable for damages.

Article 654 The power customer shall promptly pay the electricity fees in accordance with relevant provisions issued by the state and with the terms of the contract. Where the power customer delays in paying the electricity fees, it shall pay breach of contract damages in accordance with the contract. Where the power customer fails to pay the electricity fees and breach of contract damages within a reasonable time limit after receiving demand for payment, the power supplier may shut off the power supply in accordance with the procedure prescribed by the state.

If a power supplier suspends power supply in accordance with the preceding paragraph, it shall notify the power customer in advance.

Article 655 The power customer shall use power in a safe, conservative, and planned manner in accordance with the relevant provisions issued by the state and with the terms of the contract. Where the power customer fails to use power in accordance with relevant provisions issued by the state and with the terms of the contract, thereby causing losses to the power supplier, it shall be liable for damages.

Article 656 The provisions on power supply contracts shall apply mutatis mutandis to a contract for the supply of water, gas or heat.

Chapter XI Gift Contracts

Article 657 A gift contract is a contract whereby the donor conveys his property to the donee gratuitously and the donee expresses his acceptance of the gift.

Article 658 Prior to the transfer of rights to the gift property, the donor may revoke the gift.

The provisions of the preceding paragraph do not apply to any gift contract which has been notarized, or any gift contract in the nature of disaster relief, poverty alleviation, disability assistance, or any other public interest or moral obligation of which the law precludes revocation.

Article 659 Where conveyance of the gifted property is subject to such procedures as registration according to the law, the relevant procedures shall be performed.

Article 660 In the case of a gift contract which has been notarized, or a gift contract in the nature of disaster relief, poverty alleviation, disability assistance, or any other public interest or moral obligation of which the law precludes revocation, if the donor fails to deliver the gift property, the donee may request delivery.

Where the gifted property required to be delivered by the provisions of the preceding paragraph is damaged or lost due to any intention or gross negligence of the donor, the donor shall be liable for damages.

Article 661 A gift may be conditional on an obligation.

Where the gift is conditional on an obligation, the donee shall perform his obligations in accordance with the contract.

Article 662 The donor is not liable for any defect in the gifted property. Where the gift is conditional on an obligation, and the gifted property is defective, the donor has the same warranty obligations as a seller to the extent of the prescribed obligations.

Where the donor intentionally fails to notify the donee of the defect or warrants the absence of any defect, thereby causing losses to the donee, he or she shall be liable for damages.

Article 663 Where the donee has any of the following circumstances, the donor may revoke the gift:

- (1) Seriously harming the lawful rights and interests of the donor or any of his or her close relatives.
- (2) Failing to perform support obligations owed to the donor.
- (3) Failing to perform the obligations under the gift contract.

The donor shall exercise its revocation right within one year after he or she knows, or should know, the cause of revocation.

Article 664 Where the donor is deceased or incapacitated due to the donee's illegal act, his successor or legal representative may revoke the gift.

The successor or legal representative of the donor shall exercise the right of revocation within six months after he or she knows, or should know, the cause of revocation.

Article 665 Upon revocation of the gift, the person with the revocation right may request restitution of the gifted property from the donee.

Article 666 If the donor's economic situation is deteriorated significantly, thereby seriously impacting on his business operation or family life, he or she may no longer perform the gift obligations.

Chapter XII Contracts for Loan of Money

Article 667 A contract for loan of money is a contract whereby the borrower borrows a sum of money from the lender, and repays the borrowed money with interest thereon when it becomes due.

Article 668 A contract for loan of money shall be in written form, except where the loan is between natural persons who have agreed otherwise.

The contents of a contract for loan of money generally include the terms such as the loan's type, currency, purpose, amount, interest rate, term, and method of repayment, etc.

Article 669 In entering into a contract for loan of money, the borrower shall provide true information concerning its business operation and financial condition in connection with the loan as required by the lender.

Article 670 No interest shall be deducted from the principal in advance. Where any interest amount is deducted from the principal in advance, the repayment of principal and calculation of interest shall be based on the actual amount borrowed.

Article 671 Where the lender fails to make the loan amount available on the agreed date and in the agreed amount, thereby causing losses to the borrower, it shall pay damages.

Where the borrower fails to draw down on the agreed date and in the agreed amount, it shall nevertheless pay the interest on the agreed date and in the agreed amount.

Article 672 The lender may examine and monitor the application of the proceeds in accordance with the contract. The borrower shall periodically provide the lender with related financial statements or other materials in accordance with the contract.

Article 673 Where the borrower fails to use the proceeds for the prescribed purpose, the lender may withhold funding, call the loan, or terminate the contract.

Article 674 The borrower shall pay the interest within the agreed time limit. Where the time limit for interest payment is not agreed or the agreement is not clear, nor can it be determined in accordance with Article 510 of this Code, if the loan period is less than one year, the interest shall be paid together with the principal at the time of repayment; if the loan period is one year or longer, the

interest shall be paid at the end of a year, and where the remaining period is less than one year, the interest shall be paid together with the principal at the time of repayment.

Article 675 The borrower shall repay the principal within the agreed time limit. Where the loan term is not agreed or the agreement is not clear, nor can it be determined in accordance with Article 510 of this Code, the borrower may repay at any time; and the lender may demand repayment from the borrower within a reasonable time limit.

Article 676 Where the borrower fails to repay the loan at the agreed time limit, it shall pay delayed repayment interest in accordance with the contract or the relevant provisions of the State.

Article 677 Where the borrower prepays the loan, unless otherwise agreed by the parties, the interest shall be calculated based on the actual period of loan.

Article 678 The borrower may apply to the lender for extension of the loan term before its maturity. Upon consent by the lender, the loan term may be extended.

Article 679 A contract for loan of money between natural persons is formed at the time the lender makes the loan amount available.

Article 680 Usury shall be prohibited, and the interest rate on a loan shall not contravene the relevant provisions issued by the state.

The absence of a stipulation about payment of interest in a contract for loan of money shall be treated as charging no interest.

If a contract for loan of money is not clear in terms of payment of interest, and the parties are unable to reach a supplementary agreement, the interest shall be determined in accordance with local or the parties' transaction methods, transaction practices, market interest rates, and other factors; and a loan between natural persons shall be treated as bearing no interest.

Chapter XIII Contracts of Suretyship

Section 1 General Rules

Article 681 "Contract of suretyship" means a contract by which a surety performs the obligation or assumes the responsibility under an agreement between the surety and the creditor in order to protect the realization of the obligation, in case the debtor fails to perform the obligation due, or the circumstances agreed upon by the parties occur.

Article 682 A contract of suretyship is a contract accessory to the principal obligation contract. If the principal obligation contract is void, the contract of suretyship is void, except as otherwise provided by law.

After a contract of suretyship is nullified, the debtor, the surety, and the creditor, if at fault, shall respectively bear civil liability according to their fault.

Article 683 A state organ legal person may not be a surety, except for sub-lending of loans from foreign governments or international economic organizations approved by the State Council. A non-profit legal person or unincorporated organization in public interest shall not be a surety.

Article 684 The contents of a contract of suretyship shall generally include the category and amount of the principal obligation secured by the suretyship; the time limit for the debtor to pay the obligation; and the method, scope, and period of the suretyship.

Article 685 A contract of suretyship may be a separate written contract, or a suretyship clause in the principal obligation contract.

If a third party unilaterally gives suretyship to the creditor in written form, and the creditor receives the writing without raising an objection, the contract of suretyship is formed.

Article 686 Suretyship shall be divided into ordinary suretyship and joint and several suretyship according to methods.

If the parties fail to agree on the method of suretyship in the contract of suretyship, or the agreement is not clear, the suretyship shall be treated as ordinary suretyship.

Article 687 Ordinary suretyship takes place where the parties agree in the contract of suretyship that the surety assumes suretyship liability when the debtor fails to perform the obligation.

A surety under ordinary suretyship shall have the right to refuse to assume suretyship liability to the creditor before the dispute over the principal contract goes to trial or arbitration, and before the obligation fails to be performed despite enforcement against the property of the debtor as legally required, except under any of the following circumstances.

- (1) The whereabouts of the debtor are unknown, and no property is available for enforcement.
- (2) The people's court has accepted the debtor bankruptcy case.
- (3) The creditor has evidence that the debtor has insufficient property to perform the whole obligation or becomes insolvent.
- (4) The surety states the waiver of the right under this paragraph in written form.

Article 688 Joint and several suretyship takes place where the parties agree in the contract of suretyship that the surety and the debtor are jointly and severally liable for the obligation.

When a debtor under joint and several suretyship fails to perform the obligation due, or the circumstances agreed upon by the parties occur, the creditor may request the debtor to perform the obligation, or request the surety to assume suretyship liability to the extent of its suretyship.

Article 689 A surety may require the debtor to provide counter security.

Article 690 A surety and the creditor may negotiate a contract of maximum-amount suretyship, agreeing on providing suretyship for the obligations arising successively within a certain period to the extent of the maximum amount of obligations.

The provisions on maximum-mortgages in Book Two of this Code shall apply mutatis mutandis to maximum-amount suretyship in addition to their being governed by the provisions of this Chapter.

Section 2 Suretyship Liability

Article 691 The scope of suretyship covers the principal obligation and its interest, liquidated damages, damages, and the cost of realizing the obligation, unless otherwise agreed by the parties.

Article 692 The period for suretyship is a period to determine that the surety is subject to suretyship liability, without suspension, interruption, or extension.

A creditor and the surety may agree on a period for suretyship, but if the agreed period for suretyship precedes, or expires at the same time as, the time limit for performance of the principal obligation, the period shall be treated as having never been agreed; and absent agreement, or if the agreement is not clear, the period for suretyship shall be six months from the expiration of the time limit for performance of the principal obligation.

If a creditor and the debtor fail to agree on a time limit for performance of the principal obligation, or the agreement is not clear, the period for suretyship shall be counted from the expiration of the grace period when the creditor requests the debtor to perform the obligation.

Article 693 Where a creditor secured by ordinary suretyship fails to sue or apply for arbitration against the debtor within the period for suretyship, the surety shall cease to assume the suretyship liability.

If a creditor secured by joint and several suretyship fails to request the surety to assume suretyship liability during the period for suretyship, the surety shall cease to assume the suretyship liability.

Article 694 Where a creditor secured by ordinary suretyship sues or applies for arbitration against the debtor before the expiration of the period for suretyship, the period of limitation for the suretyship obligation shall commence to run from the date when the right of the surety to refuse to assume the suretyship liability is extinguished.

If a creditor secured by joint and several suretyship requests the surety to assume the suretyship liability before the expiration of the period for suretyship, the period of limitation for the suretyship obligation shall commence to run from the date when the creditor so requests.

Article 695 When a creditor and the debtor negotiate the modification of the principal obligation contract without the written consent of the surety, the surety shall remain subject to suretyship liability for the obligation as modified, if the obligation is reduced, or be exempt from suretyship liability for the aggravation, if the obligation is aggravated.

If a creditor and the debtor modify the time limit for performance of the principal obligation contract, without the written consent of the surety, the period for suretyship is not affected.

Article 696 Where a creditor assigns all or part of the claim without notifying the surety, the assignment shall be without effect against the surety.

When a surety and the creditor agree on prohibiting the assignment of the claim, if the creditor assigns the claim without the written consent of the surety, the surety shall cease to assume suretyship liability to the assignee.

Article 697 Where the creditor allows the debtor to delegate all or part of the obligation without the written consent of the surety, the surety shall cease to assume suretyship liability for the obligation so delegated, unless otherwise agreed by the creditor and the surety.

If a third party joins in the obligation, the suretyship liability to which the surety is subject is not affected.

Article 698 Where a surety under ordinary suretyship provides the creditor with authentic information on the property of the debtor available for enforcement after the expiration of the time limit for performance of the principal obligation, and the creditor waives or is remiss in exercising its right resulting in impossibility of enforcement against the property, the surety shall cease to assume suretyship liability to the extent of the value of the property on which it provides information.

Article 699 Where there are not less than two sureties for the same obligation, the sureties shall assume suretyship liability in accordance with the share of suretyship agreed in the contract of suretyship; and absent agreement on the share of suretyship, the creditor may request any surety to assume suretyship liability to the extent of its suretyship.

Article 700 Unless otherwise agreed by the parties, a surety who has assumed the suretyship liability shall have the right to reimbursement from the debtor to the extent of the suretyship liability it has

assumed and be subrogated to the rights of the creditor against the debtor, without prejudice to the interests of the creditor.

Article 701 A surety may raise defenses the debtor would have raised against the creditor. If the debtor renounces the defenses, the surety shall nevertheless have the right to raise the defenses against the creditor.

Article 702 Where the debtor has the right to set-off or revocatory action against the creditor, the surety may refuse to assume suretyship liability to the corresponding extent.

Chapter XIV Leasing Contracts

Article 703 A leasing contract is a contract whereby the lessor delivers to the lessee the leased property for it to use or accrue benefit from, and the lessee pays the rent.

Article 704 The contents of a leasing contract generally include terms such as the name, quantity and purpose of the leased property, lease term, amount of rent, time and method of rent payment, as well as maintenance and repair of the leased property, etc.

Article 705 The lease term may not exceed twenty years. If the lease term exceeds twenty years, the excess is void.

At the end of the lease term, the parties may renew the lease, provided that the renewed term may not exceed twenty years commencing on the date of renewal.

Article 706 Where the parties fail to perform the registration and filing procedures for the leasing contract in accordance with the laws and administrative regulations, the validity of the contract is not affected.

Article 707 Where the lease term is six months or longer, the lease shall be in writing. If the parties fail to adopt a writing form, rendering the determination of a lease term impossible, the lease is deemed an indeterminate-term lease.

Article 708 The lessor shall deliver the leased property to the lessee in accordance with the contract and shall, during the lease term, keep the leased property fit for the agreed purpose.

Article 709 The lessee shall use the leased property in the agreed manner. Where the manner of use of the leased property is not agreed or the agreement is not clear, nor can it be determined in accordance with Article 510 of this Code, the leased property shall be used in a manner consistent with its nature.

Article 710 Where the lessee uses the leased property in the agreed manner or in a manner consistent with its nature, thereby causing wear and tear to the leased property, it is not liable for damages.

Article 711 Where the lessee fails to use the leased property in the agreed manner or in a manner consistent with its nature, thereby causing damage to it, the lessor may terminate the contract and claim damages.

Article 712 The lessor shall perform the obligations of maintenance and repair of the leased property, except otherwise agreed by the parties.

Article 713 Where the leased property needs maintenance or repair, the lessee may require the lessor to perform maintenance or repair within a reasonable time limit. If the lessor fails to fulfill its obligations of maintenance or repair, the lessee may maintain or repair the leased property on its own at the lessor's expense. Where the lessee's use of the leased property is impaired due to maintenance or repair thereof, the rent shall be reduced or the lease term shall be extended accordingly.

If the leased property needs repairing through the fault of the lessee, the lessor shall be exempt from the repair obligation specified in the preceding paragraph.

Article 714 The lessee shall keep the leased property with due care and shall be liable for damages if the leased property is damaged or lost due to improper care.

Article 715 Subject to consent of the lessor, the lessee may make improvement on or addition to the leased property.

If the lessee makes improvement on or addition to the leased property without consent of the lessor, the lessor may request the lessee to restore the leased property to its original condition or claim compensation for the losses.

Article 716 Subject to consent of the lessor, the lessee may sublease the leased property to a third party. Where the lessee subleases the leased property, the leasing contract between the lessee and the lessor remains valid, and if the third party causes damage to the leased property, the lessee shall compensate for the losses.

Where the lessee subleases the leased property without the consent of the lessor, the lessor may terminate the contract.

Article 717 Where a lessee subleases the leased property to a third party with the consent of the lessor under a sublease term in excess of the remaining lease term in favor of the lessee, the agreement in connection with the excess shall be without legal binding force on the lessor, unless otherwise agreed by the lessor and the lessee.

Article 718 Where a lessor knows or should know the sublease by the lessee without raising an objection within six months, the lessor shall be treated as giving consent to the sublease.

Article 719 Where a lessee is in default on rent, the sublessee may pay the rent and liquidated damages owed on behalf of the lessee, unless the sublease contract is without legal binding force on the lessor.

The rent and liquidated damages so paid may be set off against the rent payable by the sublessee to the lessee; and the excess over the rent payable by the sublessee may be recovered from the lessee.

Article 720 During the lease term, any benefit accrued from the possession or use of the leased property belongs to the lessee, except otherwise agreed by the parties.

Article 721 The lessee shall pay the rent at the agreed time. Where the time of payment is not agreed or the agreement is not clear, nor can it be determined in accordance with Article 510 of this Code, the rent shall be paid at the end of the lease term if it is less than one year; if the lease term is one year or longer, the rent shall be paid at the end of each annual period, and where the remaining period is less than one year, the rent shall be paid at the end of the lease term.

Article 722 Where the lessee fails to pay or delays in paying the rent without any reason, the lessor may request the lessee to pay the rent within a reasonable time limit; and if the lessee fails to pay the rent at the end of such time limit, the lessor may terminate the contract.

Article 723 If due to any claim by a third party, the lessee is unable to use or accrue benefit from the leased property, the lessee may require reduction in rent or refuse to pay rent.

In case of any claim by a third party, the lessee shall promptly notify the lessor.

Article 724 Under any of the following circumstances, a lessee may terminate the contract if the leased property is rendered unusable not by the lessee:

- (1) The leased property is seized or detained by the judicial or administrative authority according to the law.
- (2) The ownership of the leased property is in dispute.
- (3) The leased property has circumstances in violation of the mandatory conditions for use required by the laws and administrative regulations.

Article 725 Any change to the ownership of the leased property when the lessee is in possession under the leasing contract does not affect the validity of the leasing contract.

Article 726 Where the lessor is to sell a leased property, it shall give the lessee a notice within a reasonable time limit before the sale, and the lessee has the right of first refusal under the same conditions, unless a divided co-owner of the property exercises the right of first refusal, or the lessor sells the property to any of its close relative.

If a lessee fails to explicitly state its intention to buy within fifteen days after the lessor performs its obligation to give notice, the lessee shall be treated as having waived the right of first refusal.

Article 727 Where a lessor entrusts an auctioneer with the auction of the leased property, the lessor shall notify the lessee five days before the auction. If the lessee fails to participate in the auction, the lessee shall be treated as having waived the right of first refusal.

Article 728 Where a lessor fails to notify the lessee or otherwise interferes with the lessee exercising the right of first refusal, the lessee may request the lessor to be liable for compensation. However, the validity of the property sale contract entered into between the lessor and a third party is not affected.

Article 729 Where the leased property is damaged or lost in part or in whole due to any reason not attributable to the lessee, the lessee may request reduction in rent or refuse to pay rent; where the purpose of the contract cannot be achieved due to damage to or loss of the leased property in part or in whole, the lessee may terminate the contract.

Article 730 Where the term of a lease is not agreed or the agreement is not clear, nor can it be determined in accordance with Article 510 of this Code, such lease is deemed an indeterminate-term lease. Either party may terminate the contract at any time, giving the other party a reasonable notice.

Article 731 Where the leased property endangers the safety or health of the lessee, the lessee may terminate the contract at any time even if the lessee knows the leased property does not meet the quality requirements when concluding the contract.

Article 732 Where the lessee is deceased during the lease term of the leased property, the person living with the lessee, or the lessee's co-owner of the business, while the lessee is alive may continue leasing it on the terms of the original leasing contract.

Article 733 The lessee shall return the leased property at the end of the lease term. The returned leased property shall be in a condition resulting from its use in the agreed manner or in a manner consistent with its nature.

Article 734 Upon expiration of the lease term, if the lessee continues to use the leased property without objection by the lessor, the original leasing contract remains effective, provided that it becomes an indeterminate-term lease.

Upon the expiration of the lease term, the lessee of a property shall have a preference in a lease on equal terms.

Chapter XV Financial Leasing Contracts

Article 735 A financial leasing contract is a contract whereby the lessor, upon purchase of the lessee-selected leased property from a lessee-selected seller, provides the leased property to the lessee for its use, and the lessee pays the rent.

Article 736 The contents of a financial leasing contract generally include terms such as the name, quantity, specifications, technical performance, and method of inspection of the leased property, the lease term, the rental components and the time, method and currency of payment, as well as the ownership of the leased property at the end of the lease term, etc.

A financial leasing contract shall be in written form.

Article 737 A financial leasing contract concluded by the parties by means of fabricating leased property shall be void.

Article 738 Where any law or administrative regulation requires a lessee to obtain administrative license for the operation and use of the leased property, the failure of the lessor to obtain administrative license does not affect the validity of the financial leasing contract.

Article 739 Under the sales contract concluded by the lessor according to the lessee's selection of the seller and the leased property, the seller shall deliver the subject matter to the lessee in accordance with the contract, and the lessee enjoys the rights of the buyer in respect of taking delivery of the subject matter.

Article 740 Where a seller in breach of the obligation to deliver the subject matter to the lessee has any of the following circumstances, the lessee may refuse to accept the subject matter delivered to it by the seller:

- (1) The subject matter seriously does not conform to the agreement.
- (2) The subject matter fails to be delivered as agreed, and delivery fails to be made within a reasonable time limit after a demand from the lessee or the lessor.

If the lessee refuses to accept the subject matter, it shall promptly notify the lessor.

Article 741 The lessor, the seller and the lessee may agree that any claim arising from the seller's failure in the performance of its obligations under the sales contract will be made by the lessee.

Where the lessee makes such a claim, the lessor shall provide assistance.

Article 742 The exercise of the right to claims against a seller by the lessee does not affect the performance of its obligation to pay rent. However, if the lessee relies on the skills of the lessor to determine leased property, or the lessor intervenes in selecting leased property, the lessee may request a reduction or remission of the corresponding rent.

Article 743 Where a lessor has any of the following circumstances, frustrating the lessee's exercise of the right to claims against the seller, the lessee shall have the right to request the lessor to assume corresponding liability:

- (1) Knowing that the leased property is defective in quality and failing to notify the lessee.
- (2) Failing to provide necessary assistance in a timely manner when the lessee exercises the right to claims.

If the lessor is remiss in exercising the right to claims that may be exercised only by the lessor against the seller, causing loss to the lessee, the lessee shall have the right to request the lessor to be liable for compensation.

Article 744 Without the consent of the lessee, the lessor may not modify any lessee-related term in the sales contract concluded by it according to the lessee's selection of the seller and the leased property.

Article 745 A lessor's ownership of leased property shall not be effective against a good faith third party without registration.

Article 746 Unless otherwise agreed by the parties, the rent under a financial leasing contract shall be determined based on the major portion of or full costs of purchasing the leased property and the lessor's reasonable profit.

Article 747 Where the leased property does not comply with the contract or is not fit for the intended purpose, the lessor is not liable, except where the lessee relies on the skills of the lessor in selecting the leased property or the lessor interferes with the selection thereof.

Article 748 The lessor shall give warranty in respect of the lessee's possession and use of the leased property.

If a lessor has any of the following circumstances, the lessee shall have the right to request the lessor to make compensation for its loss:

- (1) Recovering the leased property without justification.
- (2) Obstructing or interfering with the lessee's possession and use of the leased property without justification.
- (3) A third party claims rights to the leased property because of the lessor.
- (4) Otherwise improperly affecting the lessee's possession and use of the leased property.

Article 749 If in the possession of the lessee, the leased property causes personal injury or property damage to a third party, the lessor is not liable.

Article 750 The lessee shall keep and use the leased property with due care.

While in possession of the leased property, the lessee shall perform the obligations of maintenance and repair thereof.

Article 751 Where leased property is damaged or lost in the possession of the lessee, the lessor shall have the right to request the lessee to continue paying the rent, except as otherwise provided by law or agreed by the parties.

Article 752 The lessee shall pay the rent in accordance with the contract. Where the lessee fails to pay the rent within a reasonable time limit after receiving the demand for payment from the lessor, the lessor may require payment of the full rent; or it may terminate the contract and take back the leased property.

Article 753 Where a lessee transfers, mortgages, pledges, invests for capital stock, or otherwise disposes of the leased property without the consent of the lessor, the lessor may terminate the financial leasing contract.

Article 754 Under any of the following circumstances, a lessor or lessee may terminate the financial leasing contract:

(1) The sales contract entered into between the lessor and the seller is terminated, nullified, or revoked, and a new sales contract fails to be concluded.

(2) The leased property is damaged or lost for reasons not attributable to the parties, and is beyond repair or irreplaceable.

(3) The purpose of the financial leasing contract is defeated because of the seller.

Article 755 When a financial leasing contract is terminated because the sales contract is terminated, nullified, or revoked, if the seller and the leased property are selected by the lessee, the lessor shall have the right to request the lessee to make compensation for the corresponding loss, unless the sales contract is terminated, nullified, or revoked because of the lessor.

If the lessor is compensated for its loss when the sales contract is terminated, nullified, or revoked, the lessee shall cease to bear the corresponding liability for compensation.

Article 756 Where a financial leasing contract is terminated for the accidental damage to or loss of the leased property or other reasons not attributable to the parties after the leased property has been delivered to the lessee, the lessor may request the lessee to make compensation according to the depreciation of the leased property.

Article 757 The lessor and the lessee may agree on the ownership of the leased property at the expiry of the lease term. Where ownership of the leased property is not agreed or the agreement is not clear, nor can it be determined in accordance with Article 510 of this Code, the ownership of the leased property shall belong to the lessor.

Article 758 Where the parties agree 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 terminates the contract for this reason and recovers the leased property, if the value of the leased property recovered exceeds the rent and other expenses which the lessee owes to the lessor, the lessee may request corresponding return from the lessor.

When the parties agree that the leased property belongs to the lessor at the expiry of the lease term, if the lessee is unable to return the leased property because the leased property is damaged, lost, attached to, or incorporated into another property, the lessor shall have the right to request the lessee to make reasonable compensation.

Article 759 Where the parties agree that the lessee is required only to pay a nominal price to the lessor at the expiry of the lease term, the ownership of the leased property shall be treated as passing to the lessee after the agreed obligation to pay rent has been performed.

Article 760 When a financial leasing contract is void, if the parties agree on the ownership of the leased property under the circumstances, the agreement shall prevail; or absent such agreement, or if the agreement is not clear, the leased property shall be returned to the lessor. However, if the contract becomes void because of the lessee, and the lessor fails to request return, or the return is to significantly reduce the effectiveness of the leased property, the ownership of the leased property shall pass to the lessee, and the lessee shall give the lessor reasonable compensation.

Chapter XVI Factoring Contracts

Article 761 A factoring contract is a contract by which an accounts receivable creditor assigns existing or future accounts receivable to a factor, who provides financial facilities, management or collection of accounts receivable, assurance of payment from accounts receivable debtors, and other services.

Article 762 The contents of a factoring contract generally include business type, service scope, service term, information on underlying transaction contracts, information on accounts receivable, proceeds of factoring financing or service remunerations, and payment method.

A factoring contract shall be in written form.

Article 763 Where an accounts receivable creditor and debtor fabricate accounts receivable as the subject matter of assignment and enter into a factoring contract with a factor, the accounts receivable debtor shall not set up the nonexistence of accounts receivable against the factor, unless the factor knows the fabrication.

Article 764 A factor shall state its identity as a factor and attach necessary documents when issuing a notice of assignment of accounts receivable to the accounts receivable debtor.

Article 765 Where after an accounts receivable debtor receives a notice of assignment of accounts receivable, the accounts receivable creditor and debtor negotiate the modification or termination of the underlying transaction contract without justification, which adversely affects the factor, the modification or termination shall be without effect against the factor.

Article 766 Where the parties agree on recourse factoring, the factor may claim the return of the principal and interest of factoring financing or buyback of the accounts receivable against the accounts receivable creditor, or claim the accounts receivable against the accounts receivable debtor. In the latter case, the remainder, if any, after the deduction of the principal and interest of factoring financing and related expenses shall be returned to the accounts receivable creditor.

Article 767 Where the parties agree on non-recourse factoring, the factor shall claim accounts receivable against the accounts receivable debtor and is not required to return to the accounts receivable creditor any excess acquired by the factor over the principal and interest of factoring financing and related expenses.

Article 768 Where an accounts receivable creditor enters into multiple factoring contracts for the same accounts receivable, causing multiple factors to assert their rights, the factor that has made registration shall acquire the accounts receivable in preference to the factor that has not made registration; if each factor has made registration, the accounts receivable shall be acquired in the order of the time of registration; if none has made registration, the factor stated in the notice of assignment that first reaches the accounts receivable debtor shall acquire the accounts receivable; and absent registration and notice, the accounts receivable shall be acquired in proportion to the proceeds of factoring financing or service remunerations.

Article 769 Where this Chapter is silent, the provisions on assignment of claims in Chapter VI of this Book shall apply.

Chapter XVII Contracts for Work

Article 770 A contract for work is a contract whereby the contractor shall, in light of the requirements of the ordering party, complete certain work and deliver the results therefrom, and the ordering party pays the remuneration therefor.

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

Article 771 The contents of a contract for work shall generally contain such clauses as the subject matter, quantity, quality, remuneration, method of the work, supply of materials, term of performance, standards and method of acceptance inspection.

Article 772 The contractor shall use its own equipment, skills and labor to complete the main part of the work, except as otherwise agreed upon by the parties.

Where the contractor delegates the main contracted work to a third party for completion, the contractor shall be responsible to the ordering party in respect of the work results completed by the third party; however, if the assignment is not approved by the ordering party, the ordering party may terminate the contract.

Article 773 The contractor may delegate some ancillary work contracted to a third party for completion. Where the contractor delegates some ancillary work to a third party for completion, the contractor shall be responsible to the ordering party for the work result completed by a third party.

Article 774 Where the contractor is to supply the materials, the contractor shall select the materials in accordance with the contract and shall make such materials available for inspection by the ordering party.

Article 775 Where the ordering party is to supply the materials, it shall supply the materials in accordance with 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 replace the materials supplied by the ordering party without authorization, and may not replace any components which do not need to be repaired.

Article 776 Where the contractor discovers that the drawings or technical requirements provided by the ordering party are unreasonable, it shall promptly notify the ordering party. Where any losses are caused to the contractor due to the indolent reply of the ordering party and other reasons, the ordering party shall be liable for making compensation.

Article 777 Where the ordering party changes its requirements for the contracted work while the work is under way, thereby causing losses to the contractor, the ordering party shall be liable for making compensation.

Article 778 Where the performance of the contracted work requires assistance of the ordering party, the ordering party shall have the obligation to provide assistance. Where the contracted work is unable to be completed due to the ordering party's failure in fulfilling its obligation of assistance, the contractor may urge the ordering party to perform its obligation within a reasonable time limit and may extend the term of its performance; where the ordering party fails to perform such obligation within the time limit, the contractor may terminate the contract.

Article 779 In the period of working, the contractor shall accept the necessary supervision over and inspection of the work by the ordering party. The ordering party may not obstruct the normal work of the contractor with the supervision and inspection.

Article 780 Upon the completion of the contracted work, the contractor shall deliver the work results to the ordering party and shall submit necessary technical materials and the relevant quality certificate. The ordering party shall conduct acceptance inspection of the work results.

Article 781 Where the work results delivered by the contractor fail to meet the quality requirements, the ordering party may reasonably choose to request the contractor to bear the liabilities for the breach of contract by way of repairing, remaking, reducing remuneration, or making compensation.

Article 782 The ordering party shall pay the remuneration at the agreed time limit. Where the time limit of payment is not agreed or the agreement is not clear, nor can it be determined in accordance with Article 510 of this Code, the ordering party shall pay it at the time when the contractor delivers the work results; where the work results are partially delivered, the ordering party shall make payment accordingly.

Article 783 Where the ordering party fails to pay the remuneration or cost for the materials, etc. to the contractor, the contractor is entitled to lien upon the work results or refuse to make delivery, except as otherwise agreed upon by the parties.

Article 784 The contractor shall keep the materials supplied by the ordering party and the completed work results with due care, and shall be liable for compensation in case of any damage or losses due to improper care.

Article 785 The contractor shall keep the relevant information confidential as required by the ordering party, and may not retain any replica or technical material without permission of the ordering party.

Article 786 Joint contractors are jointly and severally liable to the ordering party, except as otherwise agreed upon by the parties.

Article 787 The ordering party may terminate the contract at any time before the contractor completes the work, but it shall bear the liability for making compensation for losses, if the contractor suffers losses therefrom.

Chapter XVIII Contracts for Construction Projects

Article 788 A contract for construction project is a contract whereby the contractor performs project construction, and the developer pays the price.

Contracts for construction projects include contracts for survey, design, and construction.

Article 789 A contract for construction project shall be in written form.

Article 790 Tendering for a construction project shall be conducted in an open, fair and impartial manner in accordance with the relevant laws.

Article 791 The developer may enter into a contract for construction project with a prime contractor, or enter into contracts for survey, design, and construction with the surveyor, designer, and constructor respectively. The developer may not divide a construction project which should be completed by one contractor into several parts and contract them out to several contractors.

Subject to consent by the developer, the prime contractor or the contractor for survey, design, or construction may delegate part of the contracted work to a third party. The third party and the prime contractor or the contractor for survey, design, or construction shall be jointly and severally liable to the developer in respect of the work product completed by such third party. The contractor may not assign in whole to any third party the contracted construction project, or divide the whole contracted construction project into several parts and separately assign each part to a third party under the guise of sub-contracting.

The contractor is prohibited from sub-contracting any part of the project to an entity not appropriately qualified. A sub-contractor is prohibited from further sub-contracting its contracted work. The main structure of the construction project must be constructed by the contractor itself.

Article 792 A contract for a major state construction project shall be concluded in accordance with the procedure prescribed by the state and in compliance with the state-approved documents such as the investment plan and feasibility studies report, etc.

Article 793 Where a contract for construction of a construction project is void, and the construction project passes the acceptance inspection, the contractor may be compensated by liquidation with reference to the stipulation about the project price in the contract.

If a contract for construction of a construction project is void, and the construction project fails the acceptance inspection, action shall be taken according to the following circumstances:

(1) If the construction project as repaired passes the acceptance inspection, the developer may request the contractor to bear the repair costs.

(2) If the construction project as repaired fails the acceptance inspection, the contractor has no right to request equivalent-value compensation with reference to the stipulation about the project price in the contract.

If the developer is at fault for the loss caused by the nonconformity of the construction project, the developer shall be correspondingly liable.

Article 794 A contract for survey or design generally includes terms such as the time limit for submission of the relevant basic information, budget estimate, and other documents, quality requirements, fees, and other conditions of cooperation, etc.

Article 795 A construction contract includes terms such as the scope of the project, the construction period, the time for commencement and completion of any work to be commissioned in the interim, the quality of the project, the cost of the project, the time for delivery of technical materials, the responsibilities for the supply of materials and equipment, the appropriation of funds and settlement of account, inspection upon completion of the project, the scope and period of quality warranty, and cooperation, etc.

Article 796 Where the construction project is subject to supervision, the developer shall enter into a commission contract of project supervision with a project supervisor in writing. The rights, obligations and associated legal liability of the developer and supervisor shall be prescribed in accordance with the provisions of this Book concerning commission contracts and the provisions of other relevant laws and administrative regulations.

Article 797 Provided that the developer does not interfere with the normal operation of the contractor, it may inspect the progress and quality of the work at any time.

Article 798 In the case of concealed work, the contractor shall give the developer notice for inspection prior to concealment. Where the developer fails to promptly conduct inspection, the contractor may extend the relevant project milestones, and is entitled to claim damages for work stoppage or work slowdown, etc.

Article 799 Upon completion of the construction project, the developer shall conduct acceptance inspection according to the construction drawings and specifications, and in accordance with the rules of construction inspection and quality inspection standard prescribed by the state. Once the construction project has passed the acceptance inspection, the developer shall pay the prescribed price and accept the construction project.

The completed construction project may be put into use only after it has passed the acceptance inspection; if the construction project has not been inspected or has failed the inspection, it may not be put into use.

Article 800 Where the developer sustains any loss from construction delay due to non-compliance of the survey or design or due to delayed delivery of the survey or design documents, the surveyor or the designer shall continue to improve the survey or design, reduce or forgo the survey fee or design fee, and pay damages.

Article 801 Where the construction project fails to meet the prescribed quality requirements due to any reason attributable to the constructor, the developer is entitled to require the constructor to repair, re-construct or make alteration gratuitously within a reasonable time. Where delivery of the project is delayed due to such repair, re-construction or alteration, the constructor shall be liable for breach of contract.

Article 802 Where the construction project caused personal injury and property damage during its reasonable usage period due to any reason attributable to the contractor, the contractor shall be liable for damages.

Article 803 Where the developer fails to provide raw materials, equipment, site, funds, or technical information at the prescribed time and in accordance with the contractual requirements, the contractor may extend the relevant project milestones, and is entitled to claim damages for work stoppage or slowdown, etc.

Article 804 If an ongoing project is stopped or delayed due to any reason attributable to the developer, the developer shall take the appropriate measures to make up or mitigate the loss, and shall indemnify the contractor for its loss and out-of-pocket expenses arising from resulting work

stoppage, slowdown, reshipment, re-dispatch of mechanical equipment, and excess inventory of materials and assemblies, etc.

Article 805 Where in the course of survey or design, any repeating work, work stoppage or change of design occurs due to the developer's change of plan, the incorrect information provided by it, or its failure to provide the working conditions necessary for the survey or design at the prescribed time, the developer shall pay additional fees in light of the actual amount of work done by the surveyor or designer.

Article 806 Where a contractor assigns the whole or illegally subcontracts any part of the construction project, the developer may terminate the contract.

If a developer furnishes main building materials, building components, and equipment not conforming to mandatory standards, or fails to perform its obligation to assist, rendering the contractor unable to perform construction, and fails to perform the corresponding obligation within a reasonable time limit after demand, the contractor may terminate the contract.

After the contract is terminated, if the completed construction project is conforming in quality, the developer shall pay the corresponding project price as agreed; and if the completed construction project is nonconforming in quality, the provisions of Article 793 of this Code shall apply *mutatis mutandis*.

Article 807 If the developer failed to pay the price in accordance with the contract, the contractor may demand payment from the developer within a reasonable period. Where the developer fails to pay the price at the end of such period, the contractor may enter into an agreement with the developer to liquidate the project, and may also petition the people's court to auction the project in accordance with the law, unless such project is not fit for liquidation or auction in light of its nature. The construction project price shall be paid in priority out of proceeds from the liquidation or auction of the project.

Article 808 Where this Chapter is silent, the provision on contracts for work shall apply.

Chapter XIX Transportation Contracts

Section 1 General Rules

Article 809 A transportation contract is a contract whereby the carrier carries passengers or cargoes from the starting place of carriage to the agreed destination, and the passenger, consignor or consignee pays for the ticket-fare or freight.

Article 810 A carrier engaged in public transportation may not refuse the normal and reasonable carriage request of a passenger or consignor.

Article 811 The carrier shall safely carry the passengers or cargoes to the agreed destination within the agreed time or within a reasonable time.

Article 812 The carrier shall carry the passengers or cargoes to the agreed destination via the agreed route or the customary carriage route.

Article 813 A passenger, a consignor or a consignee shall pay the ticket-fare or freight. Where the carrier fails to carry the passengers or the cargoes via the agreed or customary carriage route, thereby increasing the ticket-fare or freight, the passenger, consignor or consignee may refuse to pay any increased portion thereof.

Section 2 Passenger Transportation Contracts

Article 814 A passenger transportation contract is established upon the carrier's issuance of the passenger ticket to the passenger, except as otherwise agreed upon by the parties or there are other transaction practices.

Article 815 A passenger shall board according to the time, service, and seat number stated in his valid passenger ticket. If the passenger boards without a ticket, exceeds the distance paid for, takes a higher class or higher berth than booked, or boards with a concessional ticket lacking eligibility for concession, he or she shall make up the payment for an appropriate ticket, and the carrier may charge an additional payment in accordance with the relevant provisions. Where the passenger fails to pay the ticket-fare, the carrier may deny transportation.

If a passenger under a non-anonymous passenger transportation contract loses his ticket, he or she may request loss registration and a replacement from the carrier, and the carrier shall not further charge a fare or any other unreasonable fee.

Article 816 Where the passenger is unable to board the means of transportation at the time stated on the passenger ticket due to any reason attributable to himself, he or she shall undergo the formalities for ticket cancellation and refund or for ticket modification within the agreed period. Where the passenger fails to do so within the period, the carrier may refuse to refund the ticket-fare, and no longer bear the obligation of carriage.

Article 817 A passenger's carry-on luggage shall conform to the agreed quantity limit and category requirements; and in the case of non-conformity, luggage check-in procedures shall be performed.

Article 818 The passenger may not bring with him or pack in the luggage flammable, explosive, toxic, corrosive, or radioactive, and dangerous articles that might endanger the life and property on board the means of transportation or contraband.

Where the passenger violates the provisions of the preceding paragraph, the carrier may unload, destroy or turn over to the relevant authority the dangerous articles or contraband articles. Where the passenger insists on carrying in person or placing in his luggage the dangerous articles or contraband articles, the carrier shall deny transportation.

Article 819 A carrier shall strictly perform its obligations of safe transportation and promptly notify passengers of the matters that should be noted for safe transportation. A passenger shall actively assist and cooperate with the carrier in the reasonable arrangements made for safe transportation.

Article 820 The carrier shall carry a passenger according to the time, service, and seat number stated on his valid passenger ticket. Where the carrier delays in carriage or is otherwise unable to normally perform carriage, it shall notify and caution the passenger, take necessary accommodating measures, and, upon request by the passenger, either arrange the passenger to use another service or refund the ticket-fare; and if the passenger sustains loss as a result, the carrier shall be liable for compensation, except through no fault of the carrier.

Article 821 Where the carrier unilaterally lowers the standards of service, it shall, upon request by the passenger, refund the ticket-fare or lower the price of the ticket; where the service standards are enhanced, no additional ticket-fare shall be charged.

Article 822 In the course of carriage, the carrier shall give its best efforts to assist the passenger who is seriously ill, or who is giving birth to a child or whose life is at risk.

Article 823 The carrier shall be liable for compensation in case of injury or death of the passenger in the course of carriage, except where such injury or death is attributable to the passenger's own health, or the carrier proves that such injury or death is caused by the passenger's intentional misconduct or gross negligence.

The provisions in the preceding paragraph apply to a passenger who is exempted from buying a ticket or holds a preferential ticket pursuant to the relevant provisions, or who is permitted by the carrier to be on board without a ticket.

Article 824 Where an article that the passenger takes with him on board is damaged or destroyed during the period of carriage, the carrier shall be liable for compensation if it has committed faults.

Where the passenger's check-in luggage is damaged or lost, the relevant provisions on the carriage of cargoes shall be applied.

Section 3 Cargo Transportation Contracts

Article 825 In undergoing the formalities for cargoes, the consignor shall precisely indicate to carrier the name of the consignee or the consignee by order, the name, nature weight, amount and the place for taking delivery of the cargoes, and other information necessary for cargo carriage.

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

Article 826 Where carriage of the cargo is subject to such procedures as examination and approval or inspection, the consignor shall submit to the carrier the documents of fulfillment of the relevant procedure.

Article 827 The consignor shall pack the cargo in the agreed manner. Where the packing manner is not agreed or the agreement is not clear, the provisions of Article 619 of this Code shall be applied. Where the consignor violates the provisions of the preceding paragraph, the carrier may refuse to carry.

Article 828 In consigning any dangerous articles which are inflammable, explosive, toxic, corrosive, or radioactive, the consignor shall, in accordance with the provisions of the state on the carriage of dangerous articles, properly pack the dangerous articles and affix thereon signs and labels for dangerous articles, and shall submit the written papers relating to the number and measures of precaution to the carrier.

If the consignor violates the provisions of the preceding paragraph, the carrier may refuse to carry, and may also take corresponding measures to avoid losses, expenses thus caused shall be borne by the consignor.

Article 829 Prior to carrier's delivery of the cargoes to the consignee, the consignor may request the carrier to suspend the carriage, return the cargoes, change the destination or deliver the cargoes to another consignee, but it shall compensate the carrier for any losses thus caused.

Article 830 Upon arrival of the cargoes, if the carrier has the knowledge of the consignee, it shall promptly notify the consignee and the consignee shall promptly take delivery. Where the consignee takes delivery exceeding the time limit, it shall pay such expenses as storage of the goods, etc.

Article 831 Upon taking delivery of the cargoes, the consignee shall inspect the cargoes at the agreed time. Where the time for inspection is not agreed or the agreement is not clear, nor can it be

determined in accordance with Article 510 of this Code, the consignee shall inspect the cargo within a reasonable time limit. The consignee's failure to raise any objection on the quantity of, or any damage to, the cargoes within the agreed time limit or within a reasonable time limit is deemed prima facie evidence of delivery by the carrier in compliance with the description in the transportation documents.

Article 832 The carrier is liable for compensation in case of damage to or loss of the cargoes in the course of carriage, provided that it is not liable for compensation if it proves that such damage to or loss of the cargoes is caused by force majeure, the intrinsic characteristics of the cargoes, reasonable depletion, or the fault of the consignor or consignee.

Article 833 Where the parties agree on the amount of damages in case of damage to or loss of the cargoes, the damages payable is the agreed amount; if the amount of damages is not agreed or the agreement is not clear, nor can it be determined in accordance with Article 510 of this Code, it shall be calculated on the basis of the prevailing market price at the destination when the cargoes are or ought to be delivered. Where a law or administrative regulation provides otherwise for the measures for the calculation of damages and of the ceiling of the amount of damages, these provisions shall be applied.

Article 834 Where two or more carriers jointly carry the cargoes using the same means of transportation, the carrier contracting with the consignor shall be responsible for the whole course of carriage. Where the losses occurred at a particular segment, the carrier contracting with the consignor and the carrier for such segment are jointly and severally liable.

Article 835 Where the cargoes are lost in the course of carriage due to force majeure, if the freight has not been collected, the carrier may not request the payment thereof; if the freight has been collected, the consignor may request the refund of the freight, unless otherwise provided by law.

Article 836 Where the consignor or consignee fails to pay the freight, storage fees or other expenses, the carrier is entitled to lien on the relevant carried cargoes, except as otherwise agreed upon by the parties.

Article 837 Where the consignee is not clear or refuses to take delivery of the cargoes without justified reasons, the carrier may tender and deposit the cargo according to the law.

Section 4 Multimodal Transport Contracts

Article 838 A multimodal carriage operator is responsible for performing, or arranging for performance of, the multimodal transportation contract, and it enjoys the rights and assumes the obligations of a carrier throughout the course of carriage.

Article 839 The multimodal carriage operator and the segment carriers may enter into agreements on their respective duties concerning each segment, provided that the obligations of the multimodal carriage operator with respect to the entire course of carriage are not affected by any such agreement.

Article 840 Upon receipt of the cargo delivered by the consignor, the multimodal carriage operator shall issue thereto a multimodal carriage document. The multimodal carriage document may either be assignable or non-assignable as required by the consignor.

Article 841 Where the multimodal carriage operator sustains any loss due to the fault of the consignor in the course of consigning the cargo, the consignor shall be liable for compensation notwithstanding its subsequent assignment of the multimodal carriage document.

Article 842 Where damage to or loss of the cargo occurred within a particular segment of the course of a multimodal carriage, the multimodal carriage operator's liability for damages and any limitation thereon are governed by the applicable transportation law of the jurisdiction which such segment is under. Where the segment in which the cargo is damaged or lost cannot be determined, the liability for compensation shall be borne in accordance with the provisions of this Chapter.

Chapter XX Technology Contracts

Section 1 General Rules

Article 843 A technology contract is a contract the parties conclude for establishing their rights and obligations in respect of the development, transfer, or licensing of technology, or in respect of technical consulting or service.

Article 844 The conclusion of a technology contract shall be conducive to the protection of intellectual property rights and advancement of science and technology, and promote the research and development, conversion, application and dissemination of scientific and technological achievements.

Article 845 The contents of a technology contract shall generally contain the name, content of the subject matter, scope, and requirements of the project; the plan, place, and method for performance; confidentiality of technical information and materials; ownership of the technology and methods for allocating benefits accrued therefrom; standards and method for acceptance inspection; definition of terms and phrases.

The parties may agree to include the following materials relating to the performance of the contract as an integral part thereof: technical background information, feasibility studies and technical evaluation report, project task matrix and project plan, technical standard, technical specifications, original design and technique documents, as well as other technical documentation.

Where the technology contract involves any patent, it shall set forth the name of the invention-creation, the patent applicant and the patentee, the date of application, the application number, patent number and the term of the patent.

Article 846 The method for payment of the price, remuneration or licensing fee under a technology contract shall be agreed upon by the parties, who may agree upon lump-sum payment based on one-time calculation or installment payment based on one-time calculation, and may also agree upon royalty payment or royalty payment plus advance payment of initial fee.

Where a royalty payment method is agreed upon, the royalty may be calculated as a percentage of the product price, any increase in product value resulting from exploitation of the patent or use of the know-how, profit, or product sales, and may also be calculated by any other method agreed upon by the parties. The royalty rate may be fixed or subject to annual increase or decrease.

Where a royalty payment is agreed, the parties may agree a method for inspection of the relevant accounting books.

Article 847 Where the right to use and the right to transfer job-related technology belong to a legal person or an unincorporated organization, the legal person or unincorporated organization may enter into a technology contract in respect of such job-related technology. Where the legal person or unincorporated organization is to enter into a technology contract for the transfer of the job-related technology, the individual who accomplished this technological achievement shall have the priority to be the transferee under the same conditions.

A job-related technology is a technology developed in the course of completing a task assigned by a legal person or an unincorporated organization, or developed by primarily utilizing the material and technical resources thereof.

Article 848 The right to use and the right to transfer non-job-related technology belong to the individual developer, who may enter into a technology contract in respect thereof.

Article 849 The individual who developed the technology is entitled to identify himself as the developer in the documentation related thereto, and to receive honor certificate and reward.

Article 850 A technology contract which illegally monopolizes technology or infringes on the technology of a third party is void.

Section 2 Technology Development Contracts

Article 851 A technology development contract is a contract concluded in respect of the development of a new technology, product, technique, variety, or material and the associated system. Technology development contracts include commissioned development contracts and cooperative development contracts.

A technology development contract shall be in written form.

The provisions on technology development contracts shall apply mutatis mutandis to a contract between parties on the conversion of a scientific and technological achievement of practical value.

Article 852 The commissioning party under a commissioned development contract shall, in accordance with the contract, pay development funds and remuneration, supply technical materials, propose requirements for research and development, complete its tasks of cooperation, and accept the developed technology.

Article 853 The developer under a commissioned development contract shall, in accordance with the contract, prepare and implement the development plan, use development funds in a reasonable manner, promptly complete the development and deliver the developed technology, as well as provide the relevant technical materials and necessary technical guidance so as to help the commissioning party master the technology developed.

Article 854 Where a party to the commissioned development contract violates the agreement, resulting in the stoppage of, delay in, or failure of the research and development work, the party shall be liable for breach of contract.

Article 855 Parties to a cooperative development contract shall, in accordance with the contract, make investment, including investment in the form of technology, participate in the development by performing their respective tasks, and cooperate with each other in the development.

Article 856 Where a party to a cooperative development contract breaches the contract, thereby causing stoppage, delay or failure of the development, it shall be liable for the breach of contract.

Article 857 Where the technology which is the subject matter of a technology development contract is made public by a third party, thereby making the performance of the technology development contract meaningless, the parties may terminate the contract.

Article 858 If, in the course of implementing a technology development contract, the development is failed in whole or in part due to any insurmountable technical difficulty, allocation of the responsibility for such risk shall be agreed upon by the parties. Where the allocation of responsibility for such risk is not agreed upon or the agreement is not clear, nor can it be determined in accordance with Article 510 of this Code, it shall be shared by the parties in a reasonable manner.

Where a party discovers any circumstance which may lead to the failure of the development in whole or in part as described in the preceding paragraph, it shall promptly notify the other party and take the appropriate measures to mitigate loss; where the party fails to promptly notify the other party and take the appropriate measures, thereby aggravating the losses, it shall be liable for the aggravation.

Article 859 Unless otherwise provided by the law or agreed upon by the parties, the right to apply for patent on the invention-creation resulting from a commissioned development belongs to the developer. Where the developer is granted a patent, the commissioning party may exploit such patent gratuitously.

Where the developer is to assign the right to apply for patent on the Invention or innovation resulting from the commissioned development, the commissioning party shall have the right to priority in acquiring such right under the same conditions.

Article 860 Unless otherwise agreed upon by the parties, the right to apply for patent on the invention-creation resulting from a cooperative development belongs to the parties therein jointly; and where a party is to assign its joint patent application right, the other parties shall have the right to priority in acquiring such right under the same conditions.

Where a party in the cooperative development states a waiver of its joint patent application right, the other party may apply by itself, or the other parties may jointly apply, as the case may be, unless otherwise agreed upon by the parties. Where the applicant acquires patent, the party waiving its patent application right may exploit such patent gratuitously.

If a party in the cooperative development does not consent to the application for patent, the other party or parties may not apply for patent.

Article 861 The right to use and transfer the know-how resulting from a commissioned or cooperative development, and the method for allocation of income shall be agreed upon by the parties. Where such matters are not agreed or the agreement is not clear, nor can they be determined in accordance Article 510 of this Code, each party is entitled to use and transfer the technology, before a patent is granted on the same technical solution, provided that the developer in a

commissioned development may not transfer the technology to a third party before it delivers the technology to the commissioning party.

Section 3 Technology Transfer Contracts and Technology License Contracts

Article 862 A technology transfer contract is a contract by which a right holder that legally owns technology assigns rights related to an existing specific patent, patent application, or know-how to another person.

A technology licensing contract is a contract by which a right holder who legally owns technology licenses another person to exploit and use rights related to an existing specific patent and know-how. The stipulations in a technology transfer contract or technology licensing contract regarding the provision of special equipment and raw materials for the exploitation of the technology, or that of related technical consulting and technical services are an integral part of the contract.

Article 863 Technology transfer contracts include contracts for the assignment of patent, assignment of patent application right, and transfer of know-how, among others.

Technology licensing contracts include patent licensing, know-how licensing, and other contracts. Technology transfer contracts and technology licensing contracts shall be in written form.

Article 864 A technology transfer contract or technology licensing contract may set forth the scope of exploitation of the patent or the use of the know-how by the transferor and the transferee, provided that it may not restrict technological competition and technological development.

Article 865 A patent licensing contract is valid only when the patent subsists. Where the term of the patent expires or the patent is invalidated, the patentee may not enter into a patent licensing contract with any other person in respect thereof.

Article 866 The licensor under a patent licensing contract shall, in accordance with the contract, license the licensee to exploit the patent, deliver the technical materials related to the exploitation of the patent, and provide the necessary technical guidance.

Article 867 The licensee under a patent licensing contract shall exploit the patent in accordance with the contract and may not license the patent to any third party except as provided for in the contract; and shall pay the licensing fee in accordance with the contract.

Article 868 A transferor under a contract for transfer of know-how, or a licensor under a know-how licensing contract, shall, in accordance with the contract, supply the technical materials, provide technical guidance, and warrant the practical applicability and reliability of the technology, and shall abide by its confidentiality obligations.

For the purpose of the preceding paragraph, the confidentiality obligation does not restrict the licensor from applying for a patent, unless otherwise agreed by the parties.

Article 869 The transferee under a contract for transfer of know-how, or a licensee under a know-how licensing contract, shall, in accordance with the contract, use the technology, pay the proceeds of transfer, licensing fee and abide by its confidentiality obligations.

Article 870 The transferor under a technology transfer contract or licensor under a technology licensing contract shall warrant that it is the lawful owner of the technology provided, and shall warrant that the technology provided is complete, free from error, effective, and capable of achieving the prescribed goals.

Article 871 The transferee under a technology transfer contract or licensee under a technology licensing contract shall, in conformity with the scope and the period as agreed upon in the contract, abide by its confidentiality obligations in respect of the non-public and secret portion of the technology provided by the transferor or licensor.

Article 872 Where the licensor fails to license technology in accordance with the contract, it shall refund the licensing fee in part or in whole, and shall be liable for the breach of contract; where the licensor exploits the patent or uses the know-how beyond the agreed scope, or unilaterally allows the patent to be exploited or the know-how to be used by a third party in breach of the contract, it shall cease the breach and be liable for the breach of contract; where the licensor breaches any agreed confidentiality obligation, it shall be liable for the breach of contract.

If a transferor is liable for breach of contract, the provisions of the preceding paragraph shall apply *mutatis mutandis*.

Article 873 Where the licensee fails to pay the agreed licensing fee, it shall pay the overdue licensing fee and pay breach of contract damages in accordance with the contract; where it fails to pay the overdue licensing fee and breach of contract damages, it shall cease exploitation of the patent or use of the know-how, return the technical materials, and be liable for the breach of contract; where the licensee exploits the patent or uses the know-how beyond the agreed scope, or allows the patent to be exploited or the know-how to be used by a third party without consent of the licensor in breach of the contract, it shall cease the breach and be liable for the breach of contract; where the licensee breaches any agreed confidentiality obligation, it shall be liable for the breach of contract.

If a transferee is liable for breach of contract, the provisions of the preceding paragraph shall apply *mutatis mutandis*.

Article 874 Where the exploitation of the patent or the use of the know-how by a transferee or licensee in accordance with the contract infringes on the lawful interests of any other person, the liability shall be borne by the transferor or licensee, except as otherwise agreed upon by the parties.

Article 875 The parties may, on the basis of mutual benefit, provide in the contract for the method of sharing any subsequent improvement resulting from the exploitation of the patent or use of the know-how. If such method is not agreed or the agreement is not clear, nor can it be determined in accordance with Article 510 of this Code, neither party is entitled to share any subsequent improvement made by the other party.

Article 876 The relevant provisions of this Section shall apply mutatis mutandis to the assignment and licensing of other intellectual property rights such as exclusive rights of integrated circuit layout design, rights to new plant varieties, and copyright of computer software.

Article 877 Where the relevant laws or administrative regulations provide otherwise in respect of technology import or export contracts or in respect of patent contracts or contracts for patent application, such provisions shall prevail.

Section 4 Technical Consulting Contracts and Technical Service Contracts

Article 878 A technical consulting contract is a contract by which a party with technical knowledge provides the other party with feasibility studies, technical forecast, specialized technical investigation, and analysis and evaluation report, among others, in respect of a particular technical project.

A technical service contract is a contract whereby one party solves a particular technical problem for the other party by utilizing its technical knowledge, other than a contract of work or contract for construction project.

Article 879 The client under a technical consulting contract shall, in accordance with the contract, describe the problem on which consultancy is sought, provide the technical background information as well as related technical materials, and accept the work product from, and pay the remuneration to, the consultant.

Article 880 The consultant under a technical consulting contract shall complete the consulting report or answer the question within the agreed period, and the consulting report submitted shall comply with the requirements set forth in the contract.

Article 881 Where the client under a technical consulting contract fails to provide the necessary materials in accordance with the contract, thereby impairing the progress and quality of the work, or

fails to accept or delays in accepting the work result, it may not claim refund of the remuneration paid, and shall pay any unpaid remuneration.

Where the consultant under the technical consulting contract fails to provide the consulting report within the agreed period or the consulting report submitted does not comply with the contract, it shall be liable for the breach of contract by way of reducing or foregoing the remuneration, etc.

The client under a technical consulting contract shall be liable for the loss resulting from any decision made by it based on the complying consulting report and opinion provided by the consultant, except as otherwise agreed upon by the parties.

Article 882 The client under a technical service contract shall, in accordance with the contract, provide the working conditions and complete its tasks of cooperation, and accept the work results and pay the remuneration.

Article 883 The service provider under a technical service contract shall, in accordance with the contract, complete the service project, solve the technical problem, warrant the quality of its work, and communicate the knowledge for solving the technical problem.

Article 884 Where the client under a technical service contract fails to perform its contractual obligations, or the performance is not in conformity with the contract, thereby impairing the progress and quality of the work, or fails to accept or delays in accepting the work results, it may not claim refund of the remuneration paid, and shall pay any unpaid remuneration.

Where the service provider under a technical service contract fails to provide services as agreed, it shall be liable for the breach of contract by way of forgoing the remuneration, etc.

Article 885 In the course of performing a technical consulting contract or a technical service contract, any new technology developed by the consultant or service provider utilizing the technical materials and working conditions provided by the client belongs to the consultant or service provider. Any new technology developed by the client utilizing the work results provided by the consultant or service provider belongs to the client. If the parties agree otherwise, such agreement shall prevail.

Article 886 Where a technical consulting contract or technical service contract is silent on, or is not clear in, the payment of the expenses necessary for the consultant or service provider to normally conduct work, the consultant or service provider shall pay the expenses.

Article 887 Where a relevant law or administrative regulation provides otherwise in respect of technology intermediary service contracts or technical training contracts, such provisions shall prevail.

Chapter XXI Deposit Contracts

Article 888 A deposit contract is a contract whereby the depositary keeps the deposited property delivered by the depositor and eventually restores it thereto.

If a depositor engages in activities such as shopping, dining, and accommodation at the depositary and deposit its property in the designated place, deposit shall be treated as taking place, subject to the agreement between the parties or transaction practices.

Article 889 The depositor shall pay a deposit fee to the depositary as agreed.

Where the deposit fee is not agreed or the agreement is not clear, nor can it be determined in accordance with Article 510 of this Code, the deposit shall be treated as being gratuitous.

Article 890 A deposit contract is formed upon delivery of the deposited property, except as otherwise agreed upon by the parties.

Article 891 Upon the depositor's delivery of the deposited property to the depositary, the depositary shall issue a deposit document thereto, subject to transaction practices.

Article 892 The depositary shall keep the deposited property with due care.

The parties may agree the place and manner of deposit. The place and manner of deposit may not be changed without authorization, except in an emergency situation or for the purpose of protecting the depositor's interests.

Article 893 Where the deposited property delivered by the depositor is defective or requires special deposit measures in light of its nature, the depositor shall inform the depositary of the relevant situation. Where the depositor fails to do so, thereby causing damage to the deposited property, the depositary shall be exempt from liability for compensation; where the depositary sustains any loss as a result, the depositor shall be liable for compensation, except where the depositary knows or should know the situation and fails to take remedial measures.

Article 894 The depositary may not delegate deposit of the deposited property to a third party, except as otherwise agreed upon by the parties.

Where the depositary delegated deposit of the deposited property to a third party in violation of the provisions of the preceding paragraph, thereby causing damage to the deposited property, the depositary shall be liable for compensation.

Article 895 The depositary may neither use nor permit a third party to use the deposited property, except as otherwise agreed upon by the parties.

Article 896 Where a third party makes a claim on the deposited property, the depositary shall perform its obligation of restoring the deposit to the depositor, except where preservation or enforcement measures are taken against the deposited property in accordance with the law.

Where a third party brings a lawsuit against the depositary or applies for attachment of the deposited property, the depositary shall promptly notify the depositor.

Article 897 If the deposited property is damaged or lost due to improper keeping by the depositary during the deposit period, the depositary shall be liable for compensation, but if a depositary by gratuitous title proves the absence of its intention or gross negligence, it shall be exempt from liability for compensation.

Article 898 Where the depositor deposits money, denominated securities, or any other valuable property, it shall make a declaration to the depositary on such property, which shall be inspected or sealed by the depositary. Where the depositor fails to make such declaration and the property is damaged, destroyed or lost afterwards, the depositary may make compensation as if it were ordinary property.

Article 899 The depositor may reclaim the deposited property at any time.

Where a deposit period is not agreed or the agreement is not clear, the depositary may request the depositor to reclaim the deposited property at any time; where a deposit period is agreed, without special reason, the depositary may not request the depositor to reclaim the deposited property before the expiry of the deposit period.

Article 900 At the expiry of the deposit period, or if the depositor reclaims the deposited property before the expiry of the deposit period, the depositary shall restore the original property together with any fruit thereof to the depositor.

Article 901 Where the depositary keeps custody of money, it may restore money of the same type and quantity. Where the depositary keeps any other fungible property, it may restore any property of the same type, quality and quantity in accordance with the contract.

Article 902 Under an onerous deposit contract, the depositor shall pay to the depositary the deposit fee at the agreed time.

Where the time of payment of the deposit fee is not agreed or the agreement is not clear, nor can it be determined in accordance with Article 510 of this Code, the deposit fee shall be paid at the same time the deposit is retrieved.

Article 903 Where the depositor fails to pay the deposit fee or other expenses, the depositary is entitled to lien on the deposited property, unless as otherwise agreed upon by the parties.

Chapter XXII Warehousing Contracts

Article 904 A warehousing contract is a contract whereby the depositary stores the warehoused property delivered by the depositor, and the depositor pays the warehousing fee.

Article 905 A warehousing contract is formed when the depositary and the depositor agree by declaration of will.

Article 906 Where the depositor intends to store any dangerous article which is inflammable, explosive, toxic, corrosive, or radioactive, etc., or any material susceptible to deterioration, it shall indicate the nature of the property and provide the relevant information.

Where the depositor violates the provisions of the preceding paragraph, the depositary may reject the warehoused property and may also take the appropriate measures to avoid losses, the cost consequently incurred shall be borne by the depositor.

Where the depositary is to store any dangerous article that is inflammable, explosive, toxic, corrosive, or radioactive, etc., it shall be equipped with the appropriate safekeeping conditions.

Article 907 The depositary shall inspect the received warehoused property as agreed. Where in the course of such inspection, the depositary discovers that the warehoused property is not in conformity with the agreement, it shall promptly notify the depositor. After acceptance inspection by the depositary, if it is discovered that the category, quantity or quality of the warehoused property is not in conformity with the agreement, the depositary shall be liable for compensation.

Article 908 Upon the depositor's delivery of the warehouse property, the depositary shall issue a warehouse receipt, property received note, and other documents.

Article 909 The depositary shall sign its name or seal the warehouse receipt. The warehouse receipt shall contain the following:

- (1) Name and domicile of the depositor.
- (2) Category, quantity, quality, and package, number of pieces and marks of the warehoused property.
- (3) Standards of spoilage of the warehoused property.

- (4) Place of storage.
- (5) Warehousing period.
- (6) Warehousing fee.
- (7) If the warehoused property has been insured, the insured amount, term of insurance and the name of the insurer.
- (8) Name of the person issuing the warehouse receipt, the place and the date of issuance.

Article 910 The warehouse receipt is the voucher for taking delivery of the warehoused property.

Where the depositor or holder of the warehouse receipt has endorsed the warehouse receipt and the depositary has signed its name or sealed thereon, the right to take delivery of the warehoused property may be assigned.

Article 911 Upon request of the depositor or the holder of the warehouse receipt, the depositary shall allow the person to inspect the warehoused property or take samples therefrom.

Article 912 Where the depositary discovers that the warehoused property is deteriorating or are otherwise damaged, it shall promptly notify the depositor or holder of the warehouse receipt.

Article 913 Where the depositary discovers that the warehoused property is deteriorating or are otherwise damaged, thereby endangering the safety and normal safekeeping of other warehoused property, it shall demand disposal of the warehoused property by the depositor or the holder of the warehouse receipt as necessary. In an emergency situation, the depositary may dispose of the warehoused property as necessary, but shall promptly notify the depositor or holder of the warehouse receipt of the situation.

Article 914 Where the warehousing period is not agreed or the agreement is not clear, the depositor or holder of the warehouse receipt may take delivery of the warehoused property at any time, and the depositary may request the depositor or holder of the warehouse receipt to take delivery of the warehoused property at any time, provided that the other party shall be given the time required for preparation.

Article 915 At the expiry of the warehousing period, the depositor or holder of the warehouse receipt shall take delivery of the warehoused property by presenting the warehouse receipt and property received note, among others, to the depositary. Where the depositor or holder of the warehouse receipt fails to take delivery of the warehoused property, additional warehousing fees shall be charged; where delivery of the warehoused property is taken before the expiry the warehousing period, the warehousing fee shall not be reduced.

Article 916 At the expiry of the warehousing period, if the depositor or holder of the warehouse receipt fails to take delivery of the warehoused property, the depositary may demand delivery taken within a reasonable period, and if the delivery of the warehoused property is not taken at the expiry of such period, the depositary may tender and deposit the warehoused property.

Article 917 Where the warehoused property is damaged or lost during the warehousing period due to improper keeping by the depositary, it shall be liable for compensation. If the warehoused property is deteriorated or damaged because the warehoused property does not conform to the agreement in terms of its natural nature and packing, or passes its expiration date for storage, the depositary shall be exempt from liability for compensation.

Article 918 Matters not provided for in this Chapter shall be governed by the relevant provision on deposit contracts.

Chapter XXIII Contracts of Mandate

Article 919 A contract of mandate is a contract whereby the mandator and the mandatary agree that the mandatary handle the affairs of the mandator.

Article 920 The mandator may specifically mandate the mandatary to handle one or more of its affairs, or generally mandate the mandatary to handle all of its affairs.

Article 921 The mandator shall advance the expenses for handling the affairs under the mandate. For any expense necessary for handling the affairs under the mandate advanced by the mandatary, the mandator shall make reimbursement for the expense with interest.

Article 922 The mandatary shall handle the affairs under the mandate in accordance with the instruction of the mandator. Any required deviation from the mandator's instruction is subject to consent by the mandator; in an emergency where the mandatary has difficulty in contacting the mandator, the mandatary shall properly handle the affair under the mandate, provided that thereafter the mandatary shall promptly notify the mandator of the situation.

Article 923 The mandatary shall personally handle the affair under the mandate. Subject to consent by the mandator, the mandatary may delegate the mandate to a third party. If the delegation is approved or ratified, the mandator may issue instructions concerning the affair under the mandate directly to the delegatee, and the mandatary is only responsible for its selection of the delegatee or its own instruction thereto. Where the mandate is delegated without consent or ratification, the mandatary shall be liable for any act of the delegatee, except in an emergency where the mandatary needs to delegate the mandate to a third party in order to safeguard the interests of the mandator.

Article 924 Upon request by the mandator, the mandatary shall report on the progress of the affair under the mandate. Upon termination of the contract of mandate, the mandatary shall render an account of the affair under the mandate.

Article 925 Where the mandatary, acting within the scope of authority granted by the mandator, enter into a contract in its own name with a third party who is aware of the mandate relationship between the mandator and mandatary, the contract is directly binding upon the mandator and such third party, except where there is conclusive evidence that the contract is only binding upon the mandatary and such third party.

Article 926 Where the mandatary contracts in its own name with a third party who is not aware of the mandate relationship between the mandatary and the mandator, if the mandatary fails to perform its obligation toward the mandator due to any reason attributable to such third party, the mandatary shall disclose the third party to the mandator, allowing it to exercise the mandatary's rights against such third party, except where the third party would not have contracted with the mandatary if he or she knew the mandator at the time of contracting.

Where the mandatary fails to perform its obligation toward the third party because of the mandator, the mandatary shall disclose the mandator to the third party, allowing the third party to select in alternative either the mandator or the mandatary as the other contract party against whom rights are asserted, provided that the third party may not subsequently modify its selection of the opposite party.

Where the mandator exercises the rights of the mandatary against the third party, the third party may avail itself of any defense it has against the mandatary. Where the third party selects the mandator as the other party to the contract, the mandator may avail itself of any defense it has against the mandatary as well as any defense the mandatary has against the third party.

Article 927 Any property acquired by the mandatary in the course of handling the affair under the mandate shall be turned over to the mandator.

Article 928 Upon completion of the affair under the mandate by the mandatary, the mandator shall pay the remuneration thereto as agreed.

Where the contract of mandate is terminated or the affair under the mandate is not capable of being completed due to any reason not attributable to the mandatary, the mandator shall pay to the mandatary an appropriate amount of remuneration. If the parties agree otherwise, such agreement shall prevail.

Article 929 Under an onerous contract of mandate, if the mandator sustains any loss through the fault of the mandatary, the mandator may claim damages. Under a gratuitous contract of mandate, if the mandator sustains any loss due to the mandatary's intention or gross negligence, the mandator may claim damages.

Where the mandatary acts beyond its power, thereby causing loss to the mandator, it shall pay compensation for the loss.

Article 930 In the course of handling the affair under the mandate, if the mandatary sustains any loss due to a reason not attributable to itself, the mandatary may request compensation for the loss from the mandator.

Article 931 Subject to consent by the mandatary, the mandator may, in addition to mandating the mandatary, mandate a third party to handle the affair under the mandate. If such mandate results in loss to the mandatary, it may request compensation for the loss from the mandator.

Article 932 Where two or more mandataries jointly handle the affair under the mandate, they are jointly and severally liable to the mandator.

Article 933 Either the mandator or the mandatary may terminate the contract of mandate at any time. When the other party sustains any loss due to termination of the contract, the terminating party shall make compensation for the direct loss caused by the improper timing of the termination, as in the case of a gratuitous contract of mandate, or compensate the other party for the direct loss and the interests acquirable if the contract were performed, as in the case of an onerous contract of mandate, except for a cause not attributable to the terminating party.

Article 934 Where a mandator is deceased or terminated, or a mandatary is deceased, incapacitated, or terminated, the contract of mandate is terminated, except where the parties agree otherwise, or where the termination is inappropriate in light of the nature of the affair under the mandate.

Article 935 Where the mandator dies, or is declared bankrupt or dissolved, resulting in the termination of the contract of mandate which will harm the mandator's interests, the mandatary shall continue to handle the affair under the mandate before the successor, administrator of estate, or liquidator of the mandator takes over the affair under the mandate.

Article 936 Where a contract of mandate is terminated because the mandatary dies or is incapacitated, declared bankrupt, or dissolved, the successor, legal representative, or liquidator of the mandatary shall promptly notify the mandator. Where the termination of a contract of mandate is to

harm the mandator's interests, before the mandator makes any remedial measures, the successor, legal representative, or liquidator of the mandatory shall take necessary measures.

Chapter XXIV Property Management Service Contracts

Article 937 A property management service contract is a contract by which a property management service provider provides an owner with property management services such as maintenance of buildings and auxiliary facilities, environmental cleaning, and management and maintenance of related order in the property management service area, and the owner pays a management fee.

Property management service providers include property management enterprises and other managers.

Article 938 The contents of a property management service contract generally include services, service quality, service fee rates and collection methods, use of maintenance funds, management and use of service premises, service term, and service handover.

A service commitment made publicly by a property management service provider in favor of the owner is an integral part of the property management service contract.

A property management service contract shall be in written form.

Article 939 The preliminary property management service contract entered into between a construction employer and a property management service provider according to the law, or the property management service contract entered into between an owners' committee and a property management service provider selected by the owners' meeting according to the law, shall be legally binding on owners.

Article 940 Where, prior to the expiration of the service term stipulated in the preliminary property management service contract entered into between a construction employer and a property management service provider according to the law, the property management service contract entered into by the owners' committee or owners and a new property management service provider becomes effective, the preliminary property management service contract shall be terminated.

Article 941 Where a property management service provider delegates some specialized services in the property management service area to a specialized service organization or any other third party, the property management service provider shall be responsible to owners for the specialized services. A property management service provider shall not delegate to a third party all the property management services it should provide, or delegate all property management services as divided to third parties respectively.

Article 942 A property management service provider shall, in accordance with the agreement and the nature of the use of property, properly maintain, service, clean, green, and manage the part of the property management service area held in co-ownership by the owners, maintain the basic order in the property management service area, and take reasonable measures to protect the person and property of owners.

For any violation of the relevant laws and regulations on public security, environmental protection, and fire protection, among others, in the property management service area, the property management service provider shall promptly take reasonable measures to stop the violation, make a report to the relevant authority, and assist in handling.

Article 943 A property management service provider shall regularly disclose to owners and report to the owners' meeting and the owners' committee on services, responsible personnel, quality requirements, chargeable items, fee rates, performance, the use of maintenance funds, and the management and income of the part held in co-ownership by owners, among others, in a reasonable manner.

Article 944 An owner shall pay a management fee to the property management service provider as agreed. If the property management service provider has provided services in accordance with the agreement and relevant provisions, the owner shall not refuse to pay the management fee on the grounds that it has not accepted or need not accept relevant property management services.

If the owner fails to pay the management fee overdue in breach of the agreement, the property management service provider may demand its payment within a reasonable time limit; and if no payment is made within the reasonable time limit, the property management service provider may sue or apply for arbitration.

The property management service provider may not collect the management fee by shutting off power, water, heat, or gas supply or any other means.

Article 945 When an owner remodels a property, he or she shall notify the property management service provider in advance, follow the reasonable matters to note given by the property management service provider, and cooperate with it in necessary on-site inspection.

If an owner transfers or leases the part of the property held in exclusive ownership, creates a right of habitation, or changes the use of the part held in co-ownership in accordance with the law, he or she shall promptly inform the property management service provider of the relevant circumstances.

Article 946 Where owners jointly decide to expel the property management service provider in accordance with legal procedures, the property management service contract may be terminated. In such a case, the property management service provider shall be notified in writing 60 days in advance, unless otherwise stipulated by contract.

If the termination of the contract under the preceding paragraph causes loss to the property management service provider, the owners shall make compensation for the loss, except for reasons not attributable to the owners.

Article 947 Where owners jointly decide in favor of further employment before the expiration of the term of property management services, they shall renew the property management service contract with the original property management service provider before the expiration of the contractual term. If the property management service provider does not consent to further employment before the expiration of the term of property management services, the owners or the owners' committee shall be notified in writing 90 days before the expiration of the contractual term, unless otherwise stipulated by contract.

Article 948 Where, after the expiration of the term of property management services, owners fail to make a decision in favor of further employment or of the employment of another property management service provider according to the law, and the property management service provider continues to provide property management services, the original property management service contract continues to be with effect, but with an indeterminate term.

Either party may terminate the indeterminate-term property management service contract at any time, but shall notify the other party in writing 60 days in advance.

Article 949 Where the property management service contract is terminated, the original property management service provider shall vacate the property management service area within an agreed or reasonable time limit, surrender the property management service premises, related facilities, and relevant information necessary for property management services, among others, to the owners' committee, owners who decide to exercise management themselves, or the person designated by them, cooperate with the new property management service provider in effectively conducting handover work, and truthfully state the use and management status of property.

If the original property management service provider violates the provisions of the preceding paragraph, he or she shall not request the owners to pay the management fee after the termination of

the property management service contract; and if loss is caused to the owners, he or she shall make compensation for the loss.

Article 950 Between the termination of a property management service contract and the handover to the new property management service provider selected by owners or the owners' meeting or to the owners who decide to exercise management themselves, the original property management service provider shall continue to provide property management services, and may request the owners to pay the management fee for the period.

Chapter XXV Commission Agent Contracts

Article 951 A contract of commission agency is a contract whereby the commission agent conducts trading activities in its own name for the principal, and the principal pays the remuneration.

Article 952 The expenses incurred by the commission agent in the course of handling the commissioned affair shall be borne by the commission agent, except as otherwise agreed upon by the parties.

Article 953 Where the commission agent is in possession of the entrusted item, it shall keep the entrusted item with due care.

Article 954 If an entrusted item is defective, perishable or susceptible to deterioration at the time it was delivered to the commission agent, upon consent by the principal, the commission agent may dispose of the item; where the trustee-trader is unable to contact the principal in time, it may dispose of the entrusted item in a reasonable manner.

Article 955 Where the commission agent is to sell the entrusted item below, or buy the entrusted item above, the price designated by the principal, it shall obtain consent from the principal. If such sale is effected without consent by the principal, and the commission agent makes up the deficiency on its own, it is binding on the principal.

Where the commission agent sells the entrusted item above, or purchases the entrusted item below, the price designated by the principal, the remuneration may be increased in accordance with the contract; and where such matter is not agreed or the agreement is not clear, nor can it be determined in accordance with Article 510 of this Code, the benefit belongs to the principal.

Where the principal gives special pricing instruction, the commission agent may not make any sale or purchase in contravention thereof.

Article 956 Where the commission agent is to sell or purchase a commodity the price of which is fixed by the market, the commission agent may act as the purchaser or seller itself, unless the principal expresses otherwise.

Where the commission agent is under the situation prescribed in the preceding paragraph, it may still request payment of remuneration from the principal.

Article 957 Once the commission agent purchases the entrusted item in accordance with the contract, the principal shall promptly take delivery. Where after receiving demand from the commission agent, the principal refuses to take delivery without cause, the commission agent may tender and deposit the entrusted item in accordance with the law.

Where the entrusted item fails to be sold or the principal withdraws it from sale, the commission agent may tender and deposit the entrusted item according to the law if the principal fails to claim or dispose of it after receiving such demand from commission agent.

Article 958 Where the commission agent enters into a contract with a third party, it directly enjoys the rights and assumes the obligations thereunder.

Where the third party fails to perform its obligations, thereby causing damage to the principal, the commission agent shall be liable for compensation, except as otherwise agreed upon by the commission agent and the principal.

Article 959 Where the commission agent has completed the entrusted matter or has partially completed the entrusted matter, the principal shall pay the appropriate remuneration thereto. Where the principal fails to pay the remuneration within the prescribed period, the commission agent is entitled to lien on the entrusted item, except as otherwise agreed upon by the parties.

Article 960 Where this Chapter is silent, the provisions on contracts of mandate shall apply mutatis mutandis.

Chapter XXVI Intermediary Contracts

Article 961 An intermediary contract is a contract whereby the intermediary presents to the client an opportunity for entering into a contract or provides the client with intermediary services in connection with the conclusion thereof, and the client pays the remuneration.

Article 962 The intermediary shall faithfully report to the client on matters concerning contracting. Where the intermediary intentionally conceals any material fact or provided false information on contracting, thereby harming the client's interests, it may not request payment of any remuneration and shall be liable for compensation.

Article 963 Once the intermediary facilitates the formation of the proposed contract, the client shall pay the remuneration in accordance with the intermediary contract. Where remuneration to the intermediary is not agreed or the agreement is not clear, nor can it be determined in accordance with Article 510 of this Code, it shall be reasonably fixed in light of the amount of labor expended by the broker. Where the intermediary facilitates the formation of a contract by providing intermediary services in connection with contracting, the remuneration paid to the intermediary shall be equally borne by parties thereto.

Where the intermediary facilitates the formation of the proposed contract, the intermediary expenses shall be borne by itself.

Article 964 Where the intermediary fails to facilitate the formation of a contract, it may not request payment of remuneration, provided that it may request the client to reimburse the necessary expenses incurred as agreed.

Article 965 Where a client uses the trading opportunity or intermediary services provided by the intermediary to bypass the intermediary and directly contract after accepting the services from the intermediary, the client shall pay remunerations to the intermediary.

Article 966 Where this Chapter is silent, the provisions on contracts of mandate shall apply *mutatis mutandis*.

Chapter XXVII Contracts of Partnership

Article 967 A contract of partnership is an agreement between not less than two partners to share benefits at mutual risk for a joint enterprise.

Article 968 A partner shall perform its obligation to contribute capital in accordance with the agreed capital contribution method, amount, and time limit for payment.

Article 969 The capital contributions made by partners and the proceeds and other property acquired in accordance with the law because of partnership business are partnership property.

A partner may not request the division of partnership property until the termination of the contract of partnership.

Article 970 A partner shall make a decision on partnership business with the unanimous consent of all the partners, unless otherwise agreed in the contract of partnership.

Partnership business shall be jointly managed by all partners. As agreed in the contract of partnership or decided by all partners, one or more partners may be mandated to manage partnership business;

and the other partners shall cease to manage partnership business, but have the right to supervise the management.

If partners manage partnership business separately, the managing partner may raise objections to the business managed by other partners, in which case, the other partners shall suspend the management of the business.

Article 971 A partner may not request remuneration for management of partnership business, except as otherwise stipulated in the contract of partnership.

Article 972 The allocation of the profits and sharing of losses of a partnership shall be governed by the contract of partnership; if the contract of partnership is silent or not clear, the partners shall negotiate a decision; if the negotiation fails, the partners shall receive allocations and shares in proportion to the paid-in capital; and if the proportions of paid-in capital cannot be determined, the partners shall receive allocations and shares equally.

Article 973 Partners shall be jointly and severally liable for partnership obligations. A partner who performs a partnership obligation in excess of its share shall be entitled to reimbursement from the other partners.

Article 974 Unless the contract of partnership provides otherwise, a partner shall transfer all or part of its share of property to a person other than a partner with the unanimous consent of the other partners.

Article 975 Any creditor of a partner shall not exercise any right of the partner under this Chapter and the contract of partnership in the place of the partner, unless the partner has a claim for allocation of benefits.

Article 976 Where partners fail to agree or fail to clearly agree on the term of the partnership, and the term cannot be determined according to the provisions of Article 510 of this Code, the partnership shall be treated as being with an indeterminate term.

If a partner continues to manage partnership business at the expiration of the term of the partnership, and the other partners fail to raise any objection, the original contract of partnership shall continue to be with effect, but with an indeterminate term.

A partner may terminate a contract of partnership with an indeterminate term at any time, but shall give a reasonable notice to the other partners.

Article 977 Where a partner is deceased, incapacitated, or terminated, the contract of partnership is terminated, unless the contract of partnership otherwise stipulates, or the termination is inappropriate based on the nature of partnership business.

Article 978 When a contract of partnership terminates, the remainder of partnership property, if any, after the payment of the expenses incurred as a result of the termination and the performance of partnership obligations shall be allocated in accordance with the provisions of Article 972 of this Code.

Title Three Quasi-contracts

Chapter XXVIII Management of the Business of Another

Article 979 Where a manager, under no statutory or agreed obligation, manages the business of another in order to avoid the damage to the interests of another, the manager may request the beneficiary to make reimbursement for the necessary expenses of the management of the business; and if the manager sustains losses because of the management of the business, the manager may request the beneficiary to make appropriate compensation.

If the management of the business is contrary to the true will of the beneficiary, the manager has no rights under the preceding paragraph, unless the true will of the beneficiary violates the law, or is contrary to public order and good customs.

Article 980 Where the management of business by the manager is not the circumstances under the preceding article, but the beneficiary has the benefit of the management, the beneficiary shall be subject to the obligation under paragraph 1, the preceding article towards the manager to the extent of the benefit it gains.

Article 981 A manager shall manage the business of another in a manner favorable to the beneficiary. If the interruption of management is to put the beneficiary at a disadvantage, the management may not be interrupted without justification.

Article 982 Where the manager of the business of another is able to do so, the manager shall notify the beneficiary in a timely manner. If the business under management need not to be handled urgently, the instructions of the beneficiary shall be awaited.

Article 983 After management, a manager shall report the management of business to the beneficiary. The property acquired by the manager in the management of business shall be surrendered to the beneficiary in a timely manner.

Article 984 Where the management of business by a manager is subsequently ratified by the beneficiary, the provisions on contracts of mandate shall apply from the commencement of the management of business, unless the manager declares will otherwise.

Chapter XXIX Unjust Enrichment

Article 985 Where a person is enriched without a legal basis, the person impoverished may request the person enriched to make restitution of the enrichment, except under any of the following circumstances:

- (1) Payment made for the performance of a moral obligation.
- (2) Payment of an obligation not due.
- (3) Payment of an obligation knowing that there is no obligation to pay.

Article 986 Unless a person enriched knows or should know that the enrichment is without a legal basis, and the enrichment exists, the person shall be under no obligation to make restitution of the enrichment.

Article 987 Where a person enriched knows or should know that the enrichment is without a legal basis, the person impoverished may request the person enriched to make restitution of the enrichment and make compensation for the losses in accordance with the law.

Article 988 Where a person enriched has transferred the enrichment to a third party gratuitously, the person impoverished may request the third party to assume the obligation to make restitution to the corresponding extent.

Book IV Personality Rights

Chapter I General Rules

Article 989 This Book adjusts the civil relations arising from the enjoyment and protection of personality rights.

Article 990 Personality rights are the rights of life, inviolability and integrity of person, health, name, likeness, reputation, honor, and privacy, among others, enjoyed by parties to civil legal relations.

Besides the personality rights prescribed in the preceding paragraph, a natural person enjoys other personality rights based on personal freedom and personal dignity.

Article 991 The personality rights of parties to civil legal relations are protected by law and shall not be infringed upon by any organization or individual.

Article 992 The personality rights shall not be waived, transferred, or inherited.

Article 993 A party to civil legal relations may license another person to use his name and likeness, among others, except those prohibited to be licensed according to the law or the nature.

Article 994 Where the name, likeness, reputation, honor, privacy, or body of a deceased person is infringed upon, his spouse, children, and parents have the right to request the actor to assume the civil liability according to the law; and where the deceased has no spouse or children, and his parents are dead, other close relatives have the right to request the actor to assume the civil liability according to the law.

Article 995 Where the personality rights are infringed upon, a victim has the right to request the actor to assume civil liability in accordance with this Law and other laws. The provisions on the statutes of limitation shall not apply to any request of a victim for cessation of infringement, removal of obstacles, elimination of danger, elimination of adverse effects, rehabilitation of reputation, or extending a formal apology.

Article 996 Where a party breaches a contract, causing damage to the other party's personality rights and causing serious mental distress, the aggrieved party's choice of requesting the party to assume liability for breach of contract shall not affect the aggrieved party's request for compensation for mental distress.

Article 997 Where a party to civil legal relations has evidence to prove that an actor is committing or will commit an illegal act of infringing upon his personality rights, and, if failing to guard his lawful rights and interests in a timely manner will lead to irreparable damages, he has the right to apply to the people's court in accordance with the law for taking the measure of ordering the actor to cease the relevant behavior.

Article 998 To determine that an actor assumes civil liability for infringing upon personality rights other than the rights of life, inviolability and integrity of person, and health, the occupation, scope of influence, degree of fault, purpose, methods, and consequences of the behavior, and other factors of the actor and aggrieved party shall be considered.

Article 999 Whoever conducts such acts as news reporting and supervision over public opinions, among others, for public interests, may properly use the name, likeness, and personal information, among others, of a party to civil legal relations; and whoever uses them improperly and infringes upon the personality rights of a party to civil legal relations shall assume civil liability according to the law.

Article 1000 An actor that assumes civil liabilities of elimination of adverse effects, rehabilitation of reputation, and extending a formal apology, among others, for infringing upon the personality rights shall assume liabilities equivalent to the specific manner of the acts and the scope of influence.

Where an actor refuses to assume the civil liability prescribed in the preceding paragraph, the people's court may adopt such methods as issuing an announcement or announcing an effective judgment document in such media as newspapers, periodicals, and the Internet for enforcement, at the cost of the actor.

Article 1001 The protection of a natural person's right of identity arising from marital and family relations, among others, shall be governed by Book I and Book V of this Law, and the relevant provisions of other laws; and where there are no such provisions, the relevant provisions of this book on the protection of personality rights shall apply mutatis mutandis according to its nature.

Chapter II Rights of Life, Inviolability and Integrity of Person, and Health

Article 1002 A natural person enjoys the right of life. The safety and dignity of life of natural persons shall be protected by law. No organization or individual may infringe upon any other's right of life.

Article 1003 A natural person enjoys the right of inviolability and integrity of person. The physical integrity and freedom of movement of natural persons shall be protected by law. No organization or individual may infringe upon any other's right of inviolability or integrity of person.

Article 1004 A natural person enjoys the right of health. The physical and mental health of natural persons shall be protected by law. No organization or individual may infringe upon any other's right of health.

Article 1005 Where a natural person's right of life, inviolability and integrity of person, or health is infringed upon or under other situations of danger, the organization or individual with the legal obligation of rescue shall conduct rescue activities in a timely manner.

Article 1006 A person with full capacity for civil conduct has the autonomy to decide to donate his human cells, human tissues, human organs, and remains in accordance with the law. No organization or individual may force or induce any person to make donation or deceive any person into making donation.

A person with full capacity for civil conduct agreeing to make donation in accordance with the provisions of the preceding paragraph shall adopt the written form and may make a will.

The spouse, grownup children or parents of a natural person who has not expressed dissent from the donation may jointly decide on the donation in writing after his death.

Article 1007 Trading in human cells, human tissues, human organs, and remains in any form is prohibited.

Any sale or purchase in violation of the provisions of the preceding paragraph is invalid.

Article 1008 Where clinical experiments need to be conducted for the development of new drugs and medical devices or the development of new prevention and treatment methods, with the approval of the competent department and the consent of the ethics committee upon examination, the subjects or their guardians shall be notified of the experiment purpose, use, possible risks and other details according to the law, and their written consent shall be obtained.

For clinical experiments, no experiment fee shall be collected from any subject.

Article 1009 Medical and scientific research activities concerning human genes and human embryos, among others, shall be carried out according to the laws and administrative regulations, and relevant provisions issued by the state, without endangering human health, violating moral principles, or damaging public interests.

Article 1010 In the event of sexual harassment against another person's will by words, characters, images, or physical acts, the victim has the right to request the actor to assume civil liability according to the law.

Organs, enterprises, schools and other entities shall take reasonable measures of prevention, acceptance of complaints, investigation and handling, so as to prevent and cease sexual harassment conducted by violators by making use of their powers and affiliation relationship.

Article 1011 In the event of deprivation or restriction of another person's freedom of movement by illegal detention, or illegal body search of another person, the victim has the right to request the actor to assume civil liability according to the law.

Chapter III Right of Name

Article 1012 A natural person has the right of name and to determine, use, change or permit another person's use of his own name according to the law, without being contrary to public order and good morals.

Article 1013 Legal persons and unincorporated organizations have the right of name and have the right to decide, use, change, transfer or license others' use of their names in accordance with the law.

Article 1014 No organization or individual may infringe upon any other's right of name by interference, misappropriation, or counterfeiting, among others.

Article 1015 A natural person shall take the surname of either the father or mother. Under one of the following circumstances, he may adopt a surname other than that of the father or mother:

- (1) Adoption of the surname of a senior lineal relative by blood.
- (2) Adoption of the surname of a supporter, since the citizen is supported by a supporter other than the statutory one.
- (3) Any other justified reason not being contrary to public order and good morals.

A natural person of ethnic minority may adopt the surname based on the cultural traditions and customs of his ethnic minority.

Article 1016 A natural person deciding or changing his own name, or a legal person or unincorporated organization deciding, changing, or transferring its own name shall undergo the registration formalities with the relevant authority according to the law, except as otherwise prescribed by law.

Where a party to civil legal relations changes his name, the civil legal acts conducted before the change shall be legally binding upon him or it.

Article 1017 Pseudonyms, stage names, net names, translated names, identifiers, and abbreviations of names, among others, with certain social popularity, whose use by others is sufficient to cause public confusion shall be governed, mutatis mutandis, by the applicable provisions on the protection of rights of names.

Chapter IV Right of Likeness

Article 1018 A natural person has the right of likeness and has the right to make, use, publish or permit another person's use of his own likeness according to the law.

A likeness is an external image reflected on a certain carrier by means of video, sculpture, and painting, among others, through which a specific natural person can be identified.

Article 1019 No organization or individual may infringe upon any other's right of likeness by defaming, defacing, or forgery by information technology, and other means. Without consent of the likeness right holder, no likeness of any likeness right holder shall be made, used, or published, except as otherwise prescribed by law.

Without consent of the likeness right holder, the right holder of likeness works shall not use or publish the likeness of the likeness right holder by publication, reproduction, issuance, leasing, exhibition, or any other means.

Article 1020 The following acts, if conducted properly, can be without the consent of the likeness right holder:

- (1) Using a likeness of a likeness right holder that has been published, for personal study, art appreciation, classroom teaching or scientific research within a necessary scope.
- (2) Inevitably producing, using, or publishing a likeness of a likeness right holder, for news reporting.
- (3) Producing, using, or publishing a likeness of a likeness right holder within a necessary scope, for lawful fulfillment of duties.
- (4) Inevitably producing, using, or publishing a likeness of a likeness right holder, for displaying a specific public environment.
- (5) Other acts of producing, using, or publishing a likeness of a likeness right holder, for protecting the public interests or the lawful rights and interests of the likeness right holder.

Article 1021 Where the parties have disputes on the understanding of the clauses in a contract on the licensed use of a likeness concerning the use of a likeness, an explanation in favor of the likeness right holder shall be made.

Article 1022 Where the parties have not agreed on the time limit for licensed use of likeness or the agreement is undefined, either party may terminate the contract on the licensed use of a likeness at any time, but shall notify the other party prior to a rational time limit.

Where the parties have expressly agreed on the time limit for licensed use of a likeness, a likeness right holder may, with justified reasons, terminate the contract on the licensed use of a likeness, but shall notify the other party prior to a rational time limit. Where losses are caused to the other party due to the termination of a contract, the losses shall be compensated for by the likeness right holder, except for matters not attributable to the likeness right holder.

Article 1023 The licensed use of a name, etc., shall be governed by the relevant provisions on the licensed use of likeness, *mutatis mutandis*.

The protection of a natural person's voice shall be governed by the relevant provisions on the protection of the right of likeness, *mutatis mutandis*.

Chapter V Right of Reputation and Right of Honor

Article 1024 A party to civil legal relations enjoys the right of reputation. No organization or individual may infringe upon any other's right of reputation by insulting, defaming or any other means.

Reputation is the social evaluation of a party to civil legal relations in terms of moral character, prestige, talent, and credit, among others.

Article 1025 An actor affecting any other's reputation by news reporting, supervision over public opinions, or any other behavior conducted for public interests shall not assume civil liability, except under one of the following circumstances:

- (1) Fabricating and distorting the fact.
- (2) Failing to fulfill the obligation of rational verification for the seriously false content provided by any other.
- (3) Degrading any other's reputation with insulting words.

Article 1026 To determine whether an actor has fulfilled the obligation of rational verification prescribed in item (2) of the preceding article, the following factors shall be considered:

- (1) The credibility of the source.
- (2) Whether necessary investigations have been conducted into the content that may obviously cause dispute.
- (3) The timeliness of the content.
- (4) The relevance between the content and the public order and good morals.
- (5) The possibility of degrading the victim's reputation.
- (6) The verification capability and verification costs.

Article 1027 Where the literary and artistic works which are published by an actor and which describe a real person, a real event or a specific person, contain insulting or defamatory content, and infringe upon the right of reputation of another person, the victim has the right to request the actor to assume the civil liability according to the law.

Where the literary and artistic works published by an actor do not describe a specific person, and only have plots similar to that of the specific person, the actor shall not assume any civil liability.

Article 1028 A party to civil legal relations that has evidence to prove that the contents reported in the newspaper, periodicals, network, and other media are inconsistent with the facts and infringe upon his right of reputation has the right to request the media to take such necessary measures as making corrections or deletion in a timely manner.

Article 1029 A party to civil legal relations may check his own credit rating according to the law; and upon discovery of any inappropriateness in credit rating, he or it has the right to raise an objection and request taking of necessary measures such as making corrections and deletion. Credit raters shall conduct inspection in a timely manner, and take necessary measures in a timely manner, where it is verified to be true.

Article 1030 The relationship between the parties to civil legal relations and credit information handlers such as credit rating agencies shall be governed by the provisions of this Book on the protection of personal information and other relevant laws and administrative regulations.

Article 1031 A party to civil legal relations enjoys the right of honor. No organization or individual may illegally deprive any other of his honorary title, or denigrate or degrade any other's honor. Where an honorary title obtained should be recorded but is not recorded, a party to civil legal relations may request that it be recorded; and where an honorary title obtained is incorrectly recorded, the party to civil legal relations may request correction.

Chapter VI Right of Privacy and Protection of Personal Information

Article 1032 A natural person enjoys the right of privacy. No organization or individual may infringe upon any other's right of privacy by spying, intrusion, disclosure, publishing, or any other means.

Privacy is the tranquility of the private life of a natural person, and the private space, private activities, and private information that he is unwilling to be known to others.

Article 1033 Except as otherwise prescribed by law or with the express consent of the right holder, no organization or individual may conduct the following acts:

- (1) Invading the tranquility of the private life of any other by phone calls, SMS, instant messaging tools, emails, leaflets, or any other means.
- (2) Entering, photographing, or peeping at any other's residence, hotel room, or any other private space.
- (3) Photographing, peeping at, eavesdropping on, or publishing the private activities of any other.
- (4) Photographing or peeping at any private part of any other's body.
- (5) Handling the private information of any other.
- (6) Infringing upon the right of privacy of any other by other means.

Article 1034 The personal information of natural persons is protected by law.

Personal information is various information recorded electronically or in other forms that can identify a specific natural person separately or in combination with other information, including a natural person's name, date of birth, identity card number, biological recognition information, address, telephone number, e-mail address, health information, and whereabouts information, among others.

Private information in personal information shall be governed by the provisions on privacy right; where there are no provisions, the provisions on the protection of personal information shall apply.

Article 1035 The personal information of a natural person shall be handled under the principles of lawfulness, justification and necessity, shall not be excessively handled, and shall meet the following conditions:

- (1) With consent of the natural person or his guardian, unless as otherwise prescribed by laws and administrative regulations.
- (2) The rules for publicly handling information.
- (3) Expressly indicating the purpose, method and scope of handling information.
- (4) Not violating the provisions of laws or administrative regulations or the agreement between the both parties.

The handling of personal information includes the collection, storage, use, handling, transmission, provision, and disclosure, among others, of personal information.

Article 1036 For the handling of personal information, an actor shall not assume any civil liability under one of the following circumstances:

- (1) The acts properly conducted within the scope agreed by the natural person or his guardian.
- (2) Properly handling the information that the natural person has published or other information that has been legally published, except the case that it is explicitly refused by the natural person or when handling of the information infringes upon his significant interests.
- (3) Other acts properly conducted for protecting the public interests or the lawful rights and interests of the natural person.

Article 1037 A natural person may consult or reproduce his personal information from the information handler according to the law; and upon discovery of any error in the information, he has the right to raise an objection and request to make corrections and take other necessary measures in a timely manner.

A natural person finding an information handler's handling of his personal information in violation of the laws and administrative regulations or the agreement between the two parties has the right to request the information handler to delete it in a timely manner.

Article 1038 An information handler shall not disclose or tamper with any personal information collected or stored thereby; and without consent of a natural person, no personal information shall be illegally provided for any other person, except the information through which the specific individual cannot be identified after processing and which cannot be restored.

An information controller shall take technical measures and other necessary measures to ensure the security of the personal information collected and stored thereby and prevent information leakage, tampering, and loss; and for any personal information leakage, tampering, or loss that occurs or is likely to occur, remedy measures shall be taken in a timely manner, the natural person shall be notified according to the provisions, and it shall be reported to the competent department.

Article 1039 The state organs, statutory institutions assuming administrative functions, and their staff members shall keep confidential the privacy and personal information of natural persons known in the course of fulfilling duties, and shall not disclose it or illegally provide it for others.

Book V Marriage and Family

Chapter I General Rules

Article 1040 This Book governs civil relations arising out of marriage and family.

Article 1041 Marriage and family are protected by the state.

A marriage system based on freedom of marriage, monogamy and equality between man and woman is applied.

The lawful rights and interests of women, minors, the elderly and the disabled are protected.

Article 1042 Arranged marriage, mercenary marriage and any other act of interference in freedom of marriage are prohibited. The exaction of money or gifts in connection with marriage is prohibited.

Bigamy is prohibited. Cohabitation of a married person with any third party is prohibited.

Domestic violence is prohibited. Maltreatment or desertion of any family member is prohibited.

Article 1043 Families shall establish good family values, promote family virtues, and pay close attention to cultural and ethical advancement in families.

Husband and wife shall be faithful to, respect and care for each other. Family members shall respect the elderly, take good care of children, help each other, and maintain equal, harmonious and civilized marriage and family relations.

Article 1044 Adoption shall follow the principle of serving the best interest of the adopted person, and protect the lawful rights and interests of the adopter and the adopted person.

It is prohibited to buy or sell a minor under the cloak of adoption.

Article 1045 Relatives include spouses, blood relations, and relations by marriage.

Spouses, parents, children, siblings, paternal and maternal grandparents, and paternal and maternal grandchildren are close relatives.

Spouses, parents, children and other close relatives living together are family members.

Chapter II Contract of Marriage

Article 1046 Marriage shall be based on the complete willingness of both man and woman, and compulsion used by either party on the other and interference by any organization or individual are prohibited.

Article 1047 No marriage may be contracted before the man has reached 22 years of age and the woman 20 years of age.

Article 1048 The marriage between lineal relatives by blood or between collateral relatives by blood up to the third degree of kinship is prohibited.

Article 1049 Both the man and the woman desiring to contract a marriage shall apply for marriage registration in person at the marriage registration office. If the proposed marriage is found to conform with the provisions of this Code, the couple shall be granted registration and issued marriage certificates. The marriage relationship shall be established as soon as the marriage registration is completed. A couple shall go through marriage registration if it has not done so.

Article 1050 After a marriage has been registered, the woman may become a member of the man's family or vice versa, depending on the agreed wishes of the two parties.

Article 1051 A marriage shall be invalid under any of the following circumstances:

- (1) Either of the married parties commits bigamy.
- (2) There is prohibited degree of kinship between the married parties.
- (3) The legally marriageable age is not attained.

Article 1052 Where marriage is contracted by coercion, the coerced party may make a request to the people's court for annulment of such marriage.

Such a request for annulment of marriage shall be made within one year from the day on which coercion terminates.

Where the party concerned whose personal freedom has been illegally restricted makes a request for annulment of marriage, such a request shall be made within one year from the date of restoration of personal freedom.

Article 1053 Where one of the parties suffers from a serious illness, he or she shall truthfully inform the other party before marriage registration. In the case of failure to do so, the other party may make a request to the people's court for annulment of marriage.

Such a request for annulment of marriage shall be made within one year from the day on which the party knows or should have known the cause of annulment.

Article 1054 An invalid or annulled marriage is not legally binding from the outset, and the parties concerned are devoid of any rights or duties of a husband and a wife. The property acquired by them during their cohabitation shall be disposed of by both parties upon agreement; if they fail to reach an agreement, the people's court shall make a judgment under the principle of favoring the no-fault party. The disposition of the property in respect of the invalid marriage caused by bigamy may not be to the detriment of the property rights and interests of the party concerned to the lawful marriage.

With regard to the children born of the parties concerned, the provisions governing parents and children as set out in this Code shall apply.

If a marriage is invalid or annulled, the no-fault party shall have the right to claim compensation.

Chapter III Family Relations

Section 1 Husband-and-Wife Relationship

Article 1055 Husband and wife have equal status in marriage and family.

Article 1056 Both husband and wife are entitled to keep their original names.

Article 1057 Both husband and wife have the freedom to engage in production and other work, to study and to participate in social activities; neither party may restrict or interfere with the other party.

Article 1058 Both husband and wife equally enjoy the rights to support, educate and protect their minor children, and shall jointly assume the duties to support, educate, and protect their minor children.

Article 1059 Husband and wife have the duty to support each other.

If one party fails to perform this duty, the party in need of support shall have the right to demand spousal support from the other party.

Article 1060 A juridical act performed by one of the spouses to meet the needs of the family's daily life shall be binding on both of them, except as otherwise agreed between one spouse and an opposite party.

The restrictions agreed upon by the spouses on the scope of juridical acts that one spouse may perform shall not be set up against bona fide opposite parties.

Article 1061 Husband and wife are entitled to inherit the property of each other.

Article 1062 The following property acquired by the husband and the wife during the marriage shall be considered as community property and be in their joint possession:

- (1) Wages, bonuses, and remuneration for personal services.
- (2) Earnings from production, operation, and investment.
- (3) Earnings from intellectual property.
- (4) Property acquired from inheritance or gift, except as provided in subparagraph 3 of Article 1,063 of this Code.
- (5) Other property that should be in their joint possession.

Husband and wife enjoy equal rights in the disposition of their community property.

Article 1063 The following property shall be considered as the separate property of one of the spouses:

- (1) Prenuptial property that belongs to one spouse.
- (2) Compensation or indemnification received by one spouse for personal injuries.
- (3) The property going only to one spouse as specified in a will or a gift contract.
- (4) Private articles for daily use of one spouse.
- (5) Other property that should be in the possession of one spouse.

Article 1064 The debts incurred by the husband and wife through a common declaration of will such as the joint signatures of husband and wife or the subsequent ratification by the other spouse and the debts incurred by the husband or wife in his or her own name to meet the needs of the family's daily life during the marriage shall be considered as community debts.

The debt incurred by the husband or wife in his or her own name beyond the needs of the family's daily life during the marriage shall not be considered as community debt, except if the creditor can prove that the debt is used to meet the joint needs of life or production or operation of husband and wife, or based on common declaration of will of the husband and wife.

Article 1065 So far as the property acquired during the marriage and the prenuptial property are concerned, husband and wife may agree as to whether they should be in the separate possession, joint possession or partly separate possession and partly joint possession. The agreement shall be made in writing. In the absence of such an agreement or of an express agreement, the provisions of Articles 1,062 and 1,063 of this Code shall apply.

The agreement reached between husband and wife on the property acquired during the marriage and on their prenuptial property shall be legally binding on both parties.

If husband and wife agree to separately possess the property acquired by them during the marriage, the debt owed by the husband or the wife to any other person shall be paid off out of his or her separate property, if such other person knows that there is such an agreement.

Article 1066 During the marriage, the husband or wife may make a request to the people's court for the partition of their community property under any of the following circumstances:

(1) One spouse conceals, transfers, sells off, destroys or squanders community property, fabricates community debts, or commits any other conduct that seriously damages the interests of the community property.

(2) A person towards whom a spouse has a statutory duty of support suffers from a serious illness and needs medical treatment, while the other spouse refuses to pay the relevant medical expenses.

Section 2 Parent-Child Relationship and Relations with Close Relatives

Article 1067 If parents fail to perform their duty of support, minor children or children of full age who are incapable of living on their own shall have the right to demand child support from their parents.

If children of full age fail to perform their duty to support parents, parents who have lost the ability to work or have difficulties in supporting themselves shall have the right to demand support for elderly parents from their children.

Article 1068 Parents have the rights and duties to educate and protect their minor children. Where minor children cause damage to others, their parents shall assume civil liability in accordance with the law.

Article 1069 Children shall have respect for their parents' marital rights, and shall not interfere in their parents' divorce, remarriage and their life after remarriage. Children's duty to support their parents shall not terminate with the change in their parents' marriage relationship.

Article 1070 Parents and children are entitled to inherit each other's property.

Article 1071 Children born out of wedlock enjoy the same rights as children born in wedlock. No organization or individual may harm or discriminate against them.

The natural father or the natural mother who does not have custody of his or her child born out of wedlock shall pay the child support of the minor child or the child of full age who is incapable of living on his or her own.

Article 1072 No maltreatment or discrimination is allowed between stepparents and stepchildren. The relevant provisions governing parent-child relationship as set out in this Code shall apply to the rights and duties between stepfathers or stepmothers and their stepchildren who are supported and educated by them.

Article 1073 If an objection to maternity or paternity is justifiably raised, the father or mother may file a lawsuit with the people's court for affirmation or denial of the maternity or paternity.

If an objection to maternity or paternity is justifiably raised, a child of full age may file a lawsuit with the people's court for determination of the maternity or paternity.

Article 1074 Paternal or maternal grandparents who can afford it shall have the duty to support their paternal or maternal grandchildren who are minors and whose parents are dead or have no means to support them.

Paternal or maternal grandchildren who can afford it shall have the duty to support their paternal or maternal grandparents whose children are dead or have no means to support them.

Article 1075 Elder brothers or sisters who can afford it shall have the duty to support their younger brothers or sisters who are minors if their parents are dead or have no means to support them.

Younger brothers or sisters who have been brought up by their elder brothers or sisters and can afford it shall have the duty to support their elder brothers or sisters who have lost the ability to work and have no source of income.

Chapter IV Divorce

Article 1076 If husband and wife both desire divorce, they shall sign a written divorce agreement and apply for divorce registration in person at the marriage registration office for divorce registration.

The divorce agreement shall specify the declaration of will that divorce is desired by both parties and the consensus reached through consultation on matters such as support of children, disposition of property, and debt settlement.

Article 1077 If either spouse is unwilling to divorce, he or she may, within 30 days from the day on which the marriage registration office receives the application for divorce registration, withdraw the application for divorce registration from the marriage registration office

Within 30 days after the expiration of the period as prescribed in the preceding paragraph, both parties shall apply for divorce certificates in person at the marriage registration office. If no application is filed, the divorce registration application shall be deemed to have been withdrawn.

Article 1078 The marriage registration office shall, after finding that divorce is desired by both parties and they have reached a consensus through consultation on matters such as support of children, disposition of property, and debt settlement, grant registration and issue divorce certificates.

Article 1079 Where one spouse alone desires a divorce, the organization concerned may carry out mediation, or the spouse may directly file a divorce action with the people's court.

The people's court shall carry out mediation when trying a divorce case. Where mediation fails because mutual affection no longer exists, a divorce shall be granted.

A divorce shall be granted if mediation fails under any of the following circumstances:

- (1) Either spouse commits bigamy or cohabits with any third party.
- (2) There is domestic violence, or maltreatment or desertion of any family member.
- (3) Either spouse has vicious habits of gambling or drug abuse, and remains incorrigible despite repeated admonition.
- (4) The spouses have been living separate and apart for up to two years due to incompatibility.
- (5) Other circumstances causing alienation of mutual affection.

A divorce shall be granted if one spouse is declared absent and the other spouse thereby files an action for divorce.

Where the spouses have been living separate and apart for another year after the people's court has ruled that a divorce is not granted, a divorce shall be granted if either spouse files a divorce action again.

Article 1080 The completion of divorce registration or the entry into force of the divorce decree or mediation decision shall be considered as the dissolution of marriage.

Article 1081 If the spouse of a soldier in active service desires a divorce, the soldier's consent shall be obtained, unless the soldier commits a serious fault.

Article 1082 A husband may not apply for a divorce when his wife is pregnant, or within one year after his wife gives birth to a child, or within six months after his wife's termination of pregnancy,

except if the wife applies for a divorce or the people's court deems it necessary to accept the divorce application made by the husband.

Article 1083 If, after divorce, both parties desire to resume their marriage relationship, they shall undergo the formalities for re-registration of marriage with the marriage registration office.

Article 1084 The relationship between parents and children shall not come to an end with the parents' divorce. After divorce, regardless of whether the children are directly put in the custody of the father or the mother, they shall remain the children of both parents.

After divorce, both parents shall still have the right and duty to support, educate and protect their children.

In principle, the mother shall have the custody of the children under two years of age after divorce. If the father and the mother fail to reach an agreement on the custody of their child who has reached two years of age, the people's court shall, in light of the specific circumstances of both parties, make a judgment in the best interest of the minor child. If the child has reached eight years of age, his or her true will shall be respected.

Article 1085 If, after divorce, one party has custody of a child, the other party shall pay part or all of the child support. The two parties shall seek agreement regarding the amount and duration of such payment. If they fail to reach an agreement, the people's court shall make a judgment.

The agreement or judgment stipulated in the preceding paragraph shall not preclude the child from making a reasonable request, where necessary, to either parent for an amount exceeding what is decided upon in the said agreement or judgment.

Article 1086 After divorce, the father or the mother who does not have custody of his or her child shall have the right to visit the child, while the other party shall have the duty to provide assistance. The parents shall reach an agreement about how and when to exercise the visitation right. If they fail to reach an agreement, the people's court shall make a judgment.

Where the father or the mother visits his or her child to the detriment of the physical and mental health of the child, the people's court shall suspend the visit according to the law. After the cause of suspension disappears, the visit shall be resumed.

Article 1087 In the case of divorce, the community property shall be disposed of by the two parties upon agreement. If they fail to reach an agreement, the people's court shall make a judgment in light of the actual circumstance of the property and under the principle of caring for the rights and interests of the child or children, the wife, and the no-fault party.

The rights and interests enjoyed by the husband or wife in the operation of land subject to the usufruct on a household basis shall be protected according to the law.

Article 1088 Where one of the spouses performs more duties in bringing up children, taking care of the elderly or assisting the other spouse in his or her work, that spouse shall have the right to claim compensation from the other spouse in the case of divorce, and the other spouse shall make compensation. The specific arrangements shall be agreed upon by both parties. If they fail to reach an agreement, the people's court shall make a judgment.

Article 1089 In the case of divorce, the community debts incurred by the husband and wife shall be paid off jointly by them. If the community property is insufficient to pay off the debts or the items of the property are in their separate possession, the two parties shall work out an agreement on repayment. If they fail to reach an agreement, the people's court shall make a judgment.

Article 1090 If, at the time of divorce, one party has difficulty in supporting himself or herself, the other party who can afford it shall render appropriate assistance. The specific arrangements shall be agreed upon by both parties. If they fail to reach an agreement, the people's court shall make a judgment.

Article 1091 Under any of the following circumstances which leads to a divorce, the no-fault party shall have the right to claim damages:

- (1) Bigamy.
- (2) Cohabitation of a married person with any third party.
- (3) Domestic violence.
- (4) Maltreatment or desertion of any family member.
- (5) Any other major fault.

Article 1092 Where one of the spouses conceals, transfers, sells off, destroys or squanders community property, or fabricates their community debts in an attempt to encroach upon the other spouse's property, that spouse may, in the case of divorce, get a smaller or even no share of property in the partition of community property. If the other party discovers any of the aforementioned acts after divorce, he or she may file a lawsuit with the people's court for repartitioning the community property.

Chapter V Adoption

Section 1 Establishment of an Adoptive Relationship

Article 1093 The following minors may be adopted:

- (1) Orphans bereaved of parents.
- (2) Minors whose natural parents cannot be ascertained or found.
- (3) Children whose natural parents are unable to support them due to unusual difficulties.

Article 1094 The following individuals or organizations are entitled to place out children for adoption:

- (1) Guardians of an orphan.
- (2) Child welfare institutions.
- (3) Natural parents who are unable to support their children due to unusual difficulties.

Article 1095 Where the parents of a minor are both persons without full capacity for civil conduct and may do serious harm to the minor, the guardian of the minor may place out the minor for adoption.

Article 1096 Where a guardian intends to place out an orphan for adoption, the guardian shall obtain the consent of the person who has the duty to support the orphan. If the person who has the duty to support the orphan does not agree to place out the orphan for adoption and the guardian is unwilling to continue the performance of his or her guardianship, another guardian shall be otherwise appointed in accordance with Book I of this Code.

Article 1097 Where the natural parents intend to place out their child for adoption, they shall act in concert. If one parent cannot be ascertained or found, the other parent may place out the child for adoption alone.

Article 1098 An adopter shall satisfy all of the following requirements:

- (1) Having no children or only one child.
- (2) Having the ability to support, educate and protect the adopted person.
- (3) Suffering from no such disease as is medically regarded as unfit for adopting a child.
- (4) Having no illegal and criminal records detrimental to the healthy growth of the adopted person.
- (5) Having reached 30 years of age.

Article 1099 A person may adopt a child of a collateral relative by blood of the same generation and up to third degree of kinship, irrespective of the restrictions specified in subparagraph 3 of Article 1093, subparagraph 3 of Article 1094 and Article 1102 of this Code.

An overseas Chinese, in adopting a child of a collateral relative by blood of the same generation and up to the third degree of kinship is even not required to be subject to in the provisions of subparagraph 1 of Article 1098 of this Code.

Article 1100 A childless adopter may adopt two children; an adopter with one child may adopt only one child.

Orphans, disabled minors or minors whose natural parents cannot be ascertained or found and who are under the care of a child welfare institution may be adopted irrespective of the restrictions specified in the preceding paragraph and subparagraph 1 of Article 1098 of this Code.

Article 1101 Where a person with spouse intends to adopt a child, the husband and wife shall adopt the child in concert.

Article 1102 Where a person without spouse intends to adopt a child of the opposite sex, the adopter shall be not less than 40 years older than the adopted child.

Article 1103 A stepfather or stepmother may adopt the stepchild with the consent of the natural parents of the stepchild, and is not required to be subject to the provisions of subparagraph 3 of Article 1093, subparagraph 3 of Article 1094, Article 1098, and paragraph 1 of Article 1100 of this Code.

Article 1104 Both adoption and the placing out of a child for adoption shall take place on a voluntary basis. In the case of adoption of a minor of eight years of age or over, the consent of the minor shall be obtained.

Article 1105 The adoption shall be registered with the civil affairs department of the people's government at or above the county level. The adoptive relationship shall be established as of the date of registration.

In the case of the adoption of a minor whose natural parents cannot be ascertained or found, the civil affairs department in charge of registration shall make it known to the general public before registration.

If the parties involved in the adoptive relationship wish to enter into an adoption agreement, they may sign such an agreement.

If the parties or one party involved in the adoptive relationship demands that the adoption be notarized, the notarization shall be made accordingly.

The civil affairs department of the people's government at or above the county level shall evaluate the adoption in accordance with the law.

Article 1106 After an adoptive relationship is established, the public security organ shall, in accordance with the relevant provisions issued by the state, handle the household registration for the adopted person.

Article 1107 Orphans or children whose natural parents are unable to support them may be supported by the relatives or friends of their natural parents. The provisions of this Chapter shall not apply to the relationship between the supporter and the supported.

Article 1108 Where a spouse places out a minor child for adoption after the death of the other spouse, the parents of the deceased spouse shall have priority in rearing the child.

Article 1109 A foreigner may, in accordance with the law, adopt a child in the People's Republic of China.

The adoption by a foreigner of a child in the People's Republic of China shall be subject to examination and approval by the competent authorities of the country, in which the foreigner is domiciled, in accordance with the law of that country. The adopter shall provide the papers, as issued by the competent authorities of the country in which the adopter is domiciled, that certify his or her particulars such as age, marital status, profession, property, health and whether ever subjected to criminal punishment. The adopter shall sign a written agreement with the person who places out the child for adoption, and register in person the adoption with the civil affairs department of the people's government of a province, autonomous region, or municipality directly under the Central Government.

The certifying papers as mentioned in the preceding paragraph shall be subject to the authentication by the foreign affairs organ of the country in which the adopter is domiciled or by an agency authorized by the said organ, and the authentication by the embassy or consulate of the People's Republic of China stationed in that country, except as otherwise provided by the state.

Article 1110 If the adopter and the person placing out the child for adoption wish to keep the adoption confidential, others shall respect their wish and shall not make a disclosure thereof.

Section 2 Validity of Adoption

Article 1111 As of the date of establishment of the adoptive relationship, the provisions governing the parent-and-child relationship as set out in this Code shall apply to the rights and duties between adoptive parents and adopted children; the provisions governing the relationship between children and close relatives of their parents as set out in this Code shall apply to the rights and duties between adopted children and close relatives of the adoptive parents.

The rights and duties between an adopted child and his or her natural parents and other close relatives shall terminate with the establishment of the adoptive relationship.

Article 1112 An adopted child may adopt the surname of his or her adoptive father or adoptive mother, or retain his or her original surname, if so agreed through consultation between the parties concerned.

Article 1113 Any act of adoption that involves the circumstances under which a juridical act is void as stipulated in Book I of this Code or that violates the provisions of this Book shall be void.

A void adoption is not legally binding from the outset.

Section 3 Termination of Adoptive Relationship

Article 1114 No adopter may terminate the adoptive relationship before the adopted child comes of age, unless the adopter and the person having placed out the child for adoption agree to terminate such relationship. If the adopted child involved has reached eight years of age, his or her consent shall be obtained.

Where an adopter fails to perform the duty to support the adopted child or commits maltreatment, desertion or other acts of encroachment upon the lawful rights and interests of the minor adopted child, the person having placed out the child for adoption shall have the right to demand termination of the adoptive relationship. Where the person having placed out the child for adoption and the adopter fail to reach an agreement thereon, a lawsuit may be filed with the people's court.

Article 1115 Where the relationship between the adoptive parents and an adopted child of full age deteriorates to such an extent that their living together in the same household becomes impossible, they may terminate the adoptive relationship by agreement. If they fail to reach an agreement, they may file a lawsuit with the people's court.

Article 1116 Where the parties agree to terminate the adoptive relationship, they shall register the termination of the adoptive relationship with the civil affairs department.

Article 1117 Upon termination of an adoptive relationship, the rights and duties between the adopted child and his or her adoptive parents and their close relatives shall terminate accordingly, while the rights and duties between the child and his or her natural parents and their close relatives shall be restored automatically; however, whether to restore the rights and duties between an adopted child of full age and his or her natural parents and their close relatives may be determined through consultation.

Article 1118 Upon termination of an adoptive relationship, an adopted child of full age who has been reared by his or her adoptive parents shall pay the living expenses to his or her adoptive parents who have lost ability to work and have no source of income. If the adoptive relationship is

terminated on account of the maltreatment or desertion of the adoptive parents by the adopted child of full age, the adoptive parents may demand compensation from the adopted child for the child support incurred during the adoption.

If the natural parents of an adopted child request the termination of the adoptive relationship, the adoptive parents may demand appropriate compensation from the natural parents for the child support incurred during the adoption, except if the adoptive relationship is terminated on account of the maltreatment or desertion of the adopted child by the adoptive parents.

Book VI Succession

Chapter I General Rules

Article 1119 This Book adjusts the civil relations arising from successions.

Article 1120 The state protects the right of succession of natural persons.

Article 1121 The succession of a decedent opens at the time of his death.

If several persons with intertwined relationships of succession died in the same event, and it is difficult to determine the time of deaths, it is presumed that the one without any other successor died first. If all of them have successors, the elders are presumed to die earlier if they are of different generations; or they are presumed to die at the same time without any succession to each other if they are of the same generation.

Article 1122 Estate denotes the personal lawful property left by a natural person at the time of his death.

The estate that it is not allowed to be inherited according to the law or based on its nature shall not be inherited.

Article 1123 Succession shall, after its opening, be handled in accordance with the provisions on statutory succession; where a will exists, it shall be handled in accordance with provisions on testamentary succession or as legacy; or where there is an agreement for legacy in return for support, it shall be handled based on the terms of the agreement.

Article 1124 A successor who, after the opening of succession, renounces the succession shall make known his decision to renounce the succession in writing before the disposition of the estate. In the absence of such an indication, he shall be deemed to have accepted the succession.

A legatee shall, within 60 days after he learns of the legacy, make known whether he accepts or renounces it. In the absence of such an indication during the specified period, he shall be deemed to have disclaimed the legacy.

Article 1125 A successor shall be disinherited if he commits any one of the following acts:

- (1) Intentionally killing the decedent.
- (2) Killing any other successor in fighting over the estate.
- (3) Abandoning or mistreating the decedent with serious circumstances.
- (4) Forging, tampering with, concealing or destroying the will with serious circumstances.
- (5) Forcing or hindering by fraud or coercion the establishment, change or revocation of the will by the testator with serious circumstances.

Where the successor who commits any of the acts as mentioned in subparagraphs (3) to (5) of the preceding paragraph does show repentance, and the testator forgives him or lists him as a successor in the will afterwards, the successor shall not be disinherited.

A legatee committing the act as prescribed in paragraph 1 of this article shall be deprived of his right to legacy.

Chapter II Statutory Succession

Article 1126 Males and females are equal in their right of succession.

Article 1127 The estate of a decedent shall be inherited in the following order:

- (1) First in order: Spouse, children, parents.
- (2) Second in order: Brothers and sisters, paternal grandparents, maternal grandparents.

When succession opens, the successor(s) first in order shall inherit to the exclusion of the successor(s) second in order. The successor(s) second in order shall inherit in default of any successor first in order.

For the purpose of this Book, “children” shall include legitimate children, illegitimate children and adopted children, as well as stepchildren who supported or were supported by the decedent.

For the purpose of this Book, “parents” shall include natural parents and adoptive parents, as well as step-parents who supported or were supported by the decedent.

For the purpose of this Book, “brothers and sisters” shall include blood brothers and sisters, brothers and sisters of half blood, adopted brothers and sisters, as well as step-brothers and step-sisters who supported or were supported by the decedent.

Article 1128 Where a decedent survived his child, the direct lineal descendants of the child who has predeceased the decedent shall inherit in subrogation.

Where a decedent survived his brother or sister, the children of the brother or sister who has predeceased the decedent shall inherit in subrogation.

Successors who inherit in subrogation shall generally take only the share of the estate the subrogated successors are entitled to inherit.

Article 1129 Widowed daughters-in-law or sons-in-law who have made the predominant contributions in maintaining their parents-in-law shall, in relationship to their parents-in-law, be regarded as successors first in order.

Article 1130 Successors same in order shall, in general, inherit in equal shares.

At the time of distributing the estate, due consideration shall be given to successors who have special difficulties in life and are unable to work.

At the time of distributing the estate, successors who have made the predominant contributions in maintaining the decedent or have lived with the decedent may be given a larger share.

At the time of distributing the estate, successors who had the ability and were in a position to maintain the decedent but failed to fulfill their duties shall be given no share or a smaller share of the estate.

Successors may take unequal shares if an agreement to that effect is reached among them.

Article 1131 An appropriate share of the estate may be given to a person, other than a successor, who depended on the support of the decedent, or to a person, other than a successor, who was largely responsible for supporting the decedent.

Article 1132 Issues pertaining to succession shall be dealt with through consultation by and among the successors in the spirit of mutual understanding and mutual accommodation, as well as of amity and unity. The time and mode for partitioning the estate and the shares shall be determined by the successors through consultation. If no agreement is reached through consultation, they may apply to a People's Mediation Committee for mediation or institute legal proceedings in a people's court.

Chapter III Testamentary Succession and Legacy

Article 1133 A natural person may, by means of a will made in accordance with the provisions of this Law, dispose of the property he owns and may designate a testamentary executor for the purpose.

A natural person may, by making a will, designate one or more of the statutory successors to inherit his personal property.

A natural person may, by making a will, donate his personal property to the state or a collective, or bequeath it to organizations or individuals other than statutory successors.

A natural person may establish a testamentary trust according to the law.

Article 1134 A testator-written will shall be made in the testator's own handwriting and signed by him, specifying the date of its making.

Article 1135 A will written on behalf of the testator shall be made in the presence of two or more witnesses of whom one writes the will, and the testator, the one who writes the will and other witnesses shall sign and date the will.

Article 1136 A printed will shall be made in the presence of two or more witnesses. The testator and witnesses shall sign and date each page of the will.

Article 1137 A will in the form of a sound or video recording shall be made in the presence of two or more witnesses. The testator and witnesses shall record his name or portrait as well as the date in the sound or video recording.

Article 1138 A testator may, in an emergency situation, make a nuncupative will, which shall be made in the presence of two or more witnesses. Where, after the emergency situation is eliminated, the testator is able to make a will in writing or in the form of a sound or video recording, the nuncupative will he has made shall be invalidated.

Article 1139 A notarial will shall be made by a testator through a notary agency.

Article 1140 None of the following persons shall act as a witness of a will:

- (1) Persons with no capacity for civil conduct or with limited capacity for civil conduct, and other persons without witness capabilities.
- (2) Successors and legatees.
- (3) Persons who are interested parties of successors and legatees.

Article 1141 Reservation of a necessary portion of an estate shall be made in a will for a successor who has neither the ability to work nor a source of income.

Article 1142 A testator may revoke or alter a will he previously made.

After a will is made, a testator who commits a civil legal act contrary to the content of the will shall be deemed to have revoked the relevant content of the will.

Where several wills that have been made conflict with one another in content, the last one shall prevail.

Article 1143 Wills made by persons with no capacity for civil conduct or with limited capacity for civil conduct shall be void.

Wills shall manifest the genuine intention of the testators and those made as a result of fraud or under duress shall be void.

Forged wills shall be void.

Where a will has been tampered with, the affected parts of it shall be void.

Article 1144 Where obligations are attached to testamentary succession or legacy, the successor or legatee shall perform such obligations. Any failure to perform the obligations without a good reason may, upon request by an interested party or a relevant organization, entail nullification of the right of succession to the estate to which obligations are attached by a people's court.

Chapter IV Disposition of the Estate

Article 1145 After the opening of succession, the testamentary executor shall be the estate administrator; in the absence of a testamentary executor, the successor(s) shall recommend an estate administrator in a timely manner; if the successor(s) fails to do so, the successor(s) shall act as the estate administrator; and in the absence of a successor or if all successors renounce the succession, the civil affairs department or villagers' committee at the place of domicile of the decedent before his death shall act as the estate administrator.

Article 1146 Where there is any dispute over the determination of an estate administrator, an interested party may apply to the people's court for designating an estate administrator.

Article 1147 An estate administrator shall perform the following duties:

- (1) Reviewing the estate and making an estate inventory.
- (2) Reporting the estate information to successor(s).
- (3) Taking necessary measures to prevent damages to and loss of the estate.
- (4) Disposing of the creditor's rights and debts of the decedent.
- (5) Partitioning the estate according to the will or according to the law.
- (6) Conducting other necessary acts related to the administration of the estate.

Article 1148 Estate administrators shall perform their duties according to the law, and bear civil liabilities for the damages caused by them to successors, legatees and creditors by intention or due to gross negligence.

Article 1149 Estate administrators may obtain remuneration according to the law or based on agreements.

Article 1150 After the opening of succession, a successor who is aware of the death of the decedent shall notify other successors and the testamentary executor in a timely manner. If none of the successors know about the death of the decedent, or if there is no way to make the notification even

though his death is known, the employer of the decedent before his death or the residents' committee or villagers' committee at his place of domicile before his death shall make the notification.

Article 1151 Whoever has in his possession the estate of the decedent shall take good care of such estate and no organization or individual is allowed to misappropriate it or contend for it.

Article 1152 A successor who, after the opening of succession, died before the partitioning of the estate, and has not renounced the succession, the estate which the successor is entitled to inherit shall devolve to his successors, except as otherwise specified in the will.

Article 1153 When a decedent's estate is partitioned, half of the joint property acquired by the spouses shall, unless otherwise agreed upon, be first allotted to the surviving spouse as his or her own property; and the remainder shall constitute the decedent's estate.

If the decedent's estate is a component part of the common property of his family, that portion of the property belonging to the other members of the family shall first be separated at the time of the partitioning of the decedent's estate.

Article 1154 Under any of the following circumstances, the part of the estate affected shall be dealt with in accordance with provisions on statutory succession:

- (1) Succession is renounced by a testamentary successor or a legacy is disclaimed by a legatee.
- (2) A testamentary successor is disinherited or a legatee is deprived of the right to legacy.
- (3) A testamentary successor or legatee predeceases or terminates before the testator.
- (4) An invalidated portion of the will involves part of the estate.
- (5) Part of the estate is not disposed of under the will.

Article 1155 At the time of the partitioning of the estate, reservation shall be made for the share of an unborn child. The share reserved shall be dealt with in accordance with provisions on statutory succession if the baby is stillborn.

Article 1156 The partitioning of a decedent's estate shall be conducted in a way beneficial to the needs of production and livelihood, and shall not diminish the usefulness of the estate.

If the estate is unsuitable for partitioning, it may be disposed of by means such as price evaluation, appropriate compensation or co-ownership.

Article 1157 A surviving spouse who re-marries is entitled to dispose of the property he or she has inherited, subject to no interference by any other organization or individual.

Article 1158 A natural person may enter into a legacy-support agreement with an organization or individual other than a successor that, in accordance with the agreement, assumes the obligation to

support the former in his or her lifetime and attend to his or her interment after his or her death, in return for the right to legacy.

Article 1159 At the time of partitioning of an estate, the taxes and debts payable by the decedent according to the law shall be paid off. However, a necessary portion of the estate shall be reserved for a successor who has neither the ability to work nor a source of income.

Article 1160 An estate which is left with neither a successor nor a legatee shall belong to the state and be used for public welfare undertakings; and where the decedent was a member of an organization under collective ownership before his or her death, the estate shall be owned by such organization.

Article 1161 The successor to an estate shall pay off the taxes and debts payable by the decedent according to the law within the limit of the actual value of such estate, unless the successor pays voluntarily in excess of the limit.

The successor who renounces the succession may assume no responsibility for paying off the taxes and debts payable by the decedent according to the law.

Article 1162 The execution of a legacy shall not affect the payment of taxes and debts payable by the legator according to the law.

Article 1163 Where statutory succession, testamentary succession and legacy coexist, the statutory successor(s) shall pay off the taxes and debts payable by the decedent according to the law; and the portion in excess of the actual value of the estate that shall be inherited by the statutory successor(s) shall be paid off by the testamentary successor(s) and the legatee(s) with the estate they acquire in proportion.

Book VII Tort Liability

Chapter I General Rules

Article 1164 This Book regulates civil relations arising from infringement on civil rights and interests.

Article 1165 One who is at fault for infringement upon a civil right or interest of another person, causing harm, shall be subject to the tort liability.

One who is at fault as construed in accordance with legal provisions and cannot prove otherwise shall be subject to the tort liability.

Article 1166 One who shall assume the tort liability for infringing upon a civil right or interest of another person, whether at fault or not, as provided for by law, shall be subject to such legal provisions.

Article 1167 Where a tort endangers the personal or property safety of another person, the victim of the tort shall have the right to require the tortfeasor to assume the tort liability including but not limited to cession of infringement, removal of obstruction and elimination of danger.

Article 1168 Where two or more persons jointly commit a tort, causing harm to another person, they shall be liable jointly and severally.

Article 1169 One who abets or assists another person in committing a tort shall be liable jointly and severally with the tortfeasor.

One who abets or assists a person who does not have civil conduct capacity or only has limited civil conduct capacity in committing a tort shall assume the tort liability; the guardian of such a person without civil conduct capacity or with limited civil conduct capacity shall assume the relevant liability if failing to fulfill his guardian duties.

Article 1170 Where two or more persons engage in a conduct that endangers the personal or property safety of another person, if only the conduct of one or several of them causes harm to another person and the specific tortfeasor can be determined, the tortfeasor shall be liable; or if the specific tortfeasor cannot be determined, all of them shall be liable jointly and severally.

Article 1171 Where two or more persons commit torts respectively, causing the same harm, and each tort is sufficient to cause the entire harm, the tortfeasors shall be liable jointly and severally.

Article 1172 Where two or more persons commit torts respectively, causing the same harm, if the seriousness of liability of each tortfeasor can be determined, the tortfeasors shall assume corresponding liability respectively; or if the seriousness of liability of each tortfeasor is hard to be determined, the tortfeasors shall evenly assume the liability.

Article 1173 Where the victim of a tort is at fault as to the occurrence or aggravation of the same harm, the liability of the tortfeasor may be mitigated.

Article 1174 The actor shall not be liable for any harm that is caused intentionally by the victim.

Article 1175 Where any harm is caused by a third party, the third party shall assume the tort liability.

Article 1176 Where a voluntary participant in a recreational or sports activity carrying certain risk sustains harm caused by another participant, the victim may not require the other participant to

assume the tort liability, unless the harm is caused intentionally by, or through gross negligence on the part of, the other participant.

The liability of the organizer of the activity shall be governed by the provisions of Articles 1198 through 1201 of this Code.

Article 1177 Where one whose lawful rights and interests are infringed is unable, under pressing conditions, to receive protection from the state authorities in a timely manner, and his lawful rights and interests would be irreparably damaged unless measures were immediately taken, the victim may take reasonable measures such as distraining the property of the tortfeasor to the necessary extent of protecting the victim's own lawful rights and interests, and shall immediately request the relevant state authorities to take action.

If the victim takes such improper measures as to cause harm to another person, he shall assume the tort liability.

Article 1178 Where this Code or any other law provides otherwise for the circumstances of exemption from or mitigation of liability, this Code or the other law shall prevail.

Chapter II Damages

Article 1179 Where a tort causes any personal injury to another person, the tortfeasor shall compensate the victim for the reasonable costs and expenses for treatment and rehabilitation, such as medical treatment expenses, nursing fees, travel expenses, expenses of dietary supplements, and subsidies for food expenses during hospital stay, as well as the lost wages. If the victim suffers any disability, the tortfeasor shall also pay the costs of assistance equipment and the disability indemnity. If it causes the death of the victim, the tortfeasor shall also pay the funeral service fees and the death compensation.

Article 1180 Where the same tort causes the deaths of several persons, a uniform amount of death compensation may be determined.

Article 1181 Where a tort causes the death to the victim, the close relative of the victim shall be entitled to require the tortfeasor to assume the tort liability. Where the victim of a tort, which is an organization, is split or merged, the organization succeeding to the rights of the victim shall be entitled to require the tortfeasor to assume the tort liability.

Where a tort causes the death to the victim, those who have paid the medical treatment expenses, funeral service fees and other reasonable costs and expenses for the victim shall be entitled to require

the tortfeasor to compensate them for such costs and expenses, except that the tortfeasor has already paid such costs and expenses.

Article 1182 Where any harm caused by a tort to a personal right or interest of another person gives rise to any loss to the property of the victim of the tort, the tortfeasor shall make compensation as per the loss sustained by the victim as the result of the tort or as per any benefit obtained by the tortfeasor from the tort. If the loss sustained by the victim as the result of the tort and the benefit obtained by the tortfeasor from the tort are hard to be determined, the victim and the tortfeasor disagree to the amount of compensation after consultation, and an action is brought to a people's court, the people's court shall determine the amount of compensation based on the actual situations.

Article 1183 Where any harm caused by a tort to a personal right or interest of a natural person inflicts a serious mental distress on the victim of the tort, the victim of the tort shall have the right to require compensation for the infliction of mental distress.

If any harm caused intentionally or grossly negligently by a tort to a specific thing of personal significance of a natural person inflicts a serious mental distress on the victim of the tort, the victim of the tort shall have the right to require compensation for the infliction of mental distress.

Article 1184 Where a tort causes any harm to the property of another person, the amount of loss to the property shall be calculated as per the market price at the time of occurrence of the loss or by any other reasonable means.

Article 1185 Where any harm caused intentionally by a tort to the intellectual property rights of another person has serious circumstances, the victim of the tort shall have the right to require corresponding punitive damages.

Article 1186 Where neither the victim nor the actor is at fault for the occurrence of a damage, both of them may share the damage according to the provisions of the law.

Article 1187 After the occurrence of any harm, the parties may consult each other about the methods to pay for compensations. If the consultation fails, the compensations shall be paid in a lump sum. If it is hard to make the payment in a lump sum, the payment may be made in installments but the victim of the tort shall have the right to require a corresponding security to be provided.

Chapter III Special Provisions on Tortfeasors

Article 1188 Where a person without civil conduct capacity or with limited civil conduct capacity causes any harm to another person, the guardian shall assume the tort liability. If the guardian has fulfilled his guardian duties, his tort liability may be mitigated.

Where a person without civil conduct capacity or with limited civil conduct capacity, who has property, causes any harm to another person, the compensations shall be paid out of his own property. The guardian shall make up any deficit of the compensations.

Article 1189 Where a person without civil conduct capacity or with limited civil conduct capacity causes any harm to another person, and the guardian entrusts his guardian duties to another person, the guardian shall assume the tort liability; and if the entrusted person is at fault, he shall be liable accordingly.

Article 1190 Where a person with full civil conduct capacity causes any harm to another person as the result of his temporary loss of consciousness or control of his conduct, if he is at fault, he shall assume the tort liability; or if he is not at fault, the victim shall be compensated properly according to the economic condition of the person causing the harm.

Where a person with full civil conduct capacity causes any harm to another person as the result of his temporary loss of consciousness or control of his conduct due to alcohol intoxication or abuse of narcotic or psychoactive drug, he shall assume the tort liability.

Article 1191 Where an employee of an employer which is an entity causes any harm to another person in the execution of his work duty, the employer shall assume the tort liability. After the employer assumes the tort liability, it may claim reimbursement from the employee with intent or grossly negligent.

Where, during the period of labor dispatch, a dispatched employee causes any harm to another person in the execution of his work duty, the entity employer receiving the dispatched employee shall assume the tort liability; and the entity employer dispatching the employee, if at fault, shall assume the corresponding liability.

Article 1192 Where, in a labor relationship formed between individuals, the party providing labor services causes any harm to another person as the result of the labor services, the party receiving labor services shall assume the tort liability. After assuming the tort liability, the party receiving labor services may claim reimbursement from the party providing labor services that is with intent or grossly negligent. If the party providing labor services sustains any harm as the result of the labor services, both parties shall assume corresponding liability according to their respective faults.

During the period of providing labor services, if a third party causes harm to the party providing labor services, the party providing labor services shall have the right to require the third party to assume the tort liability or to require the party receiving labor services to pay compensation. After

payment of compensation, the party receiving labor services may claim reimbursement from the third party.

Article 1193 Where a contractor causes any harm to a third party or himself in the course of conducting the work, the ordering party shall be exempt from the tort liability. However, if the ordering party is at fault for the ordering, instruction or election, it shall assume the corresponding liability.

Article 1194 A network user or network service provider who infringes upon the civil right or interest of another person through network shall assume the tort liability, unless otherwise provided by law.

Article 1195 Where a network user commits a tort through the network services, the right holder shall be entitled to notify the network service provider to take such necessary measures as deletion, block or disconnection. The notice shall include the prima facie evidence of the tort and the true identity information of the right holder.

After receiving the notice, the network service provider shall promptly forward the notice to the relevant network user and take necessary measures based on the prima facie evidence of the tort and type of service; and if the network service provider fails to take necessary measures in a timely manner, it shall be jointly and severally liable for any additional harm with the network user.

If the right holder causes harm to the network user or network service provider by erroneous notice, the right holder shall assume the tort liability, unless otherwise provided by law.

Article 1196 After receiving the notice forwarded, the network user may submit a statement of non-existence of tort to the network service provider. The statement shall include the prima facie evidence of non-existence of tort and the authentic identity information of the network user.

After receiving the statement, the network service provider shall forward the statement to the right holder who issues the notice and notify him that he may file a complaint with the relevant authority or file an action with a people's court. If the network service provider fails to receive, within a reasonable period of time after the forwarded statement reaches the right holder, a notice from the right holder that he has filed a complaint or an action, it shall promptly terminate the measures taken.

Article 1197 Where a network service provider knows or should know that a network user is infringing upon a civil right or interest of another person through its network services, and fails to take necessary measures, it shall be jointly and severally liable for any additional harm with the network user.

Article 1198 The operator or manager of a commercial or public venue such as hotel, shopping center, bank, station, airport, sports venue, or entertainment place or the organizer of a mass activity shall assume the tort liability for any harm caused to another person as the result of his failure to fulfill the duty of safety protection.

If the harm to another person is caused by a third party, the third party shall assume the tort liability; and the operator, manager or organizer, if failing to fulfill the duty of safety protection, shall assume the corresponding complementary liability. The operator, manager or organizer that has assumed the complementary liability may claim reimbursement from the third party.

Article 1199 Where a person without civil conduct capacity sustains any personal injury during the period of studying or living in a kindergarten, school or any other educational institution, the kindergarten, school or other educational institution shall assume the tort liability unless it can prove that it has fulfilled its duties of education and management.

Article 1200 Where a person with limited civil conduct capacity sustains any personal injury during the period of studying or living in a school or any other educational institution, the school or other educational institution shall assume the tort liability if failing to fulfill its duties of education and management.

Article 1201 Where, during the period of studying or living in a kindergarten, a school or any other educational institution, a person without civil conduct capacity or with limited civil conduct capacity sustains any personal injury caused by a third party other than those of the kindergarten, school or other education institution, the third party shall assume the tort liability; and the kindergarten, school or other educational institution shall assume the corresponding complementary liability if failing to fulfill its duties of management. The kindergarten, school or other educational institution that has assumed complementary liability may claim reimbursement from the third party.

Chapter IV Product Liability

Article 1202 Where a defective product causes any harm to another person, the manufacturer shall assume the tort liability.

Article 1203 Where any harm is caused to another person by a defective product, the victim may require compensation to be made by the manufacturer of the product or the seller of the product.

If the defect of the product is caused by the manufacturer and the seller has made the compensation for the defect, the seller shall be entitled to be reimbursed by the manufacturer. If the defect of the

product is caused by the fault of the seller and the manufacturer has made the compensation for the defect, the manufacturer shall be entitled to be reimbursed by the seller.

Article 1204 Where any harm is caused to another person by a defective product and the defect is caused by the fault of a third party such as carrier or warehouseman, the manufacturer or seller of the product that has paid the compensation shall be entitled to be reimbursed by the third party.

Article 1205 Where the defect of a product endangers the personal or property safety of another person, the victim shall be entitled to require the manufacturer or seller to assume the tort liability by ceasing infringement, removing the obstruction, or eliminating the danger.

Article 1206 Where any defect of a product is found after the product is put into circulation, the manufacturer or seller shall take such remedial measures as ceasing sale, warning and recall in a timely manner; and the manufacturer or seller who fails to take remedial measures in a timely manner or take sufficient and effective measures and has caused the aggravation of any harm shall also assume the tort liability for the aggravation.

Where recall measures are taken in accordance with the preceding paragraph, the manufacturer or seller shall bear the necessary expenses incurred by the victim.

Article 1207 Where a manufacturer or seller knowing any defect of a product continues to manufacture or sell the product, or fails to take effective remedial measures as required by the preceding Article, and the defect causes a death or any serious damage to the health of another person, the victim shall be entitled to require the corresponding punitive compensation.

Chapter V Liability for Motor Vehicle Traffic Accident

Article 1208 Where a motor vehicle traffic accident causes any harm, the compensatory liability shall be assumed according to the relevant provisions of road traffic safety laws and this Code.

Article 1209 Where the owner, the manager, and the user of a motor vehicle are not the same person due to the relationship of a lease, a borrowing or any other reason and the liability for any harm caused in a traffic accident is attributed to the motor vehicle, the user of the motor vehicle shall assume the compensatory liability; and if the owner and the manager of the motor vehicle are at fault as to the harm, the owner and the manager shall assume the corresponding compensatory liability.

Article 1210 Where a motor vehicle has been transferred and delivered from one party to another through sale or in any other method but the registration has not been conducted, if the liability for any harm caused in a traffic accident is attributed to the motor vehicle, the transferee shall assume the compensatory liability.

Article 1211 Where a motor vehicle intended for road transportation business activities in the form of affiliation is involved in a traffic accident, in which the liability for any harm caused is attributed to the motor vehicle, the affiliate and the entity with which it is affiliated shall be jointly and severally liable.

Article 1212 Where a person drives the motor vehicle of another person without permission and is involved in a traffic accident, in which the liability for any harm caused is attributed to the motor vehicle, the user of the motor vehicle shall assume the compensatory liability; and if the owner and the manager of the motor vehicle are at fault as to the harm, the owner and the manager shall assume the corresponding compensatory liability, except as otherwise provided in this Chapter.

Article 1213 Where a motor vehicle is involved in a traffic accident, in which the liability for any harm caused is attributed to the motor vehicle, the insurer underwriting the mandatory motor vehicle insurance shall first make compensation within the liability limit of the mandatory motor vehicle insurance; for any shortfall, the insurer underwriting the commercial motor vehicle insurance shall make compensation in accordance with the insurance contract; and for a further shortfall, or in the absence of commercial motor vehicle insurance, the tortfeasor shall make compensation.

Article 1214 Where an illegally assembled motor vehicle or a motor vehicle reaching the standard of retirement, which has been transferred through sale or in any other method, causes a traffic accident and a harm, the transferor and the transferee shall be liable jointly and severally.

Article 1215 Where a traffic accident occurs to a motor vehicle that has been obtained by theft, robbery or snatch and causes a harm, the thief, robber or snatcher shall assume the compensatory liability. If the thief, robber or snatcher is not the user of the motor vehicle, and the liability for damage caused by the traffic accident is attributed to the motor vehicle, the thief, robber or snatcher and the user of the motor vehicle shall be jointly and severally liable.

The insurer that makes advances for rescue expenses within the liability limit of the mandatory motor vehicle insurance shall be entitled to be reimbursed by the person liable for the traffic accident.

Article 1216 Where the driver of a motor vehicle flees after a traffic accident occurs to the motor vehicle, if the motor vehicle is covered by the mandatory insurance, the insurer shall make compensation within the liability limit of the mandatory motor vehicle insurance; or if the motor vehicle cannot be identified or is not covered by the mandatory insurance, or rescue expenses exceed the liability limit of the mandatory motor vehicle insurance, and the expenses for the death of or

personal injury to the victim, such as rescue and funeral fees, need to be paid, the advances shall be made out of the Social Assistance Fund for Road Traffic Accidents. After advances are made out of the Social Assistance Fund for Road Traffic Accidents, the governing body of the fund shall be entitled to be reimbursed by the person liable for the traffic accident.

Article 1217 Where a non-commercial motor vehicle is involved in a traffic accident causing harm to a passenger taking the ride gratuitously, for which the liability is attributed to the motor vehicle, the compensatory liability of the motor vehicle user, unless with intent or grossly negligent, shall be mitigated.

Chapter VI Liability for Medical Malpractice

Article 1218 Where a patient sustains any harm during diagnosis and treatment, if the medical institution or any of its medical staff is at fault, the medical institution shall assume the compensatory liability.

Article 1219 During the diagnosis and treatments, the medical staff shall explain the illness condition and relevant medical measures to their patients. If any operation, special examination or special treatment is needed, the medical staff shall specifically explain the medical risks, alternate medical treatment plans and other information to the patient in a timely manner, and obtain an explicit consent of the patient; or, when it is not possible or proper to explain the information to the patient, explain the information to the close relative of the patient, and obtain an explicit consent of the close relative.

Where any medical staff member fails to fulfill the duties in the preceding paragraph and causes any harm to a patient, the medical institution shall assume the compensatory liability.

Article 1220 Where the opinion of a patient or his close relative cannot be obtained in the case of an emergency such as rescue of a patient in critical condition, with the approval of the person in charge of the medical institution or an authorized person in charge, the corresponding medical measures may be taken immediately.

Article 1221 Where any medical staff member fails to fulfill the obligations of diagnosis and treatment up to the standard at the time of the diagnosis and treatment and causes any harm to a patient, the medical institution shall assume the compensatory liability.

Article 1222 Under any of the following circumstances, a medical institution shall be at fault constructively for any harm caused to a patient during diagnosis and treatment:

- (1) violating a law, administrative regulation or rule, or any other provision on the procedures and standards for diagnosis and treatment;
- (2) concealing or refusing to provide the medical history data related to a dispute; or
- (3) losing, forging, tampering with or illegally destroying any medical history data.

Article 1223 Where any harm to a patient is caused by the defect of any drug, medical disinfectant or medical instrument or by the transfusion of substandard blood, the patient may require a compensation from the drug marketing authorization holder, manufacturer or institution providing blood, or require a compensation from the medical institution. If the patient requires a compensation from the medical institution, the medical institution that has paid the compensation shall be entitled to be reimbursed by the liable drug marketing authorization holder, manufacturer or institution providing blood.

Article 1224 Under any of the following circumstances, a medical institution shall not assume compensatory liability for any harm caused to a patient during diagnosis and treatment:

- (1) the patient or his close relative does not cooperate with the medical institution in the diagnosis and treatment in line with the procedures and standards for diagnosis and treatment;
- (2) the medical staff have fulfilled the duty of reasonable diagnosis and treatment in the case of an emergency such as rescue of a patient in critical condition; or
- (3) diagnosis and treatment of the patient is difficult due to the medical level at the time.

Under the circumstance in item 1 of the preceding paragraph, if the medical institution or any of its medical staff is also at fault, the medical institution shall assume the corresponding compensatory liability.

Article 1225 A medical institution and its medical staff shall fill out and properly keep the hospital admission logs, medical treatment order slips, test reports, operation and anesthesia records, pathology records, nurse care records, and other medical history data according to the relevant provisions.

Where a patient files a request for consulting or copying the medical history data in the preceding paragraph, the medical institution shall promptly provide the data.

Article 1226 A medical institution and its medical staff shall keep confidential the privacy and personal information of a patient. If any privacy data and personal information of a patient is divulged or any of the medical history data of a patient is open to the public without the consent of the patient, the medical institution shall assume the tort liability.

Article 1227 A medical institution and its medical staff shall not conduct unnecessary examinations in violation of the procedures and standards for diagnosis and treatment.

Article 1228 The lawful rights and interests of a medical institution and its medical staff shall be protected by law.

Anyone who interrupts the order of the medical system, or obstructs the work or life of medical staff, or causes harm to the lawful rights and interests of medical staff shall be subject to legal liability.

Chapter VII Liability for Environmental Pollution and Ecological Damage

Article 1229 Where any harm is caused to another person by environmental pollution or ecological damage, the tortfeasor shall assume the tort liability.

Article 1230 Where any dispute arises over an environmental pollution or ecological damage, the actor shall assume the burden to prove that it should not be liable or its liability could be mitigated under certain circumstances as provided for by law or to prove that there is no causation between its conduct and the harm.

Article 1231 Where not less than two tortfeasors cause environmental pollution or ecological damage, the shares of liability shall be determined, according to the type, concentration, and quantity of pollutants, the manner, scope, and degree of ecological damage, the role of conduct in causing the harmful consequences, and other factors.

Article 1232 Where a tortfeasor violates the provisions issued by the state and causes environmental pollution or ecological damage, resulting in serious consequences, the victim shall have the right to claim corresponding punitive compensation.

Article 1233 Where environmental pollution or ecological damage is through the fault of a third party, the victim may require a compensation from either the tortfeasor or the third party. After making compensation, the tortfeasor shall be entitled to be reimbursed by the third party.

Article 1234 Where a violation of the provisions issued by the state causes harm to the ecology and environment, and the ecology and environment are capable of remediation, the authority specified by the state or the organization specified by law shall have the right to require the tortfeasor to assume the liability for remediation within a reasonable time limit. If the tortfeasor fails to do so, the authority specified by the state or the organization specified by law may conduct remediation by itself or by entrusting others at the expense of the tortfeasor.

Article 1235 Where a violation of the provisions issued by the state causes harm to the ecology and environment, the authority specified by the state or the organization specified by law shall have the right to require the tortfeasor to make compensation for the following:

- (1) The loss resulting from the privation of service functions from the time when damage is caused to the ecology and environment to the completion of remediation.
- (2) The loss resulting from permanent damage to ecological and environmental functions.
- (3) Expenses of investigation, authentication, and assessment of ecological and environmental damage.
- (4) Expenses of pollution removal and ecological and environmental remediation.
- (5) Reasonable expenses incurred to prevent the occurrence and aggravation of damage.

Chapter VIII Liability for Ultrahazardous Activity

Article 1236 One who causes any harm to another person while engaging in any ultrahazardous operation shall assume the tort liability.

Article 1237 Where a nuclear accident occurs to a civil nuclear facility or the nuclear materials transported into or out of the civil nuclear facility and causes any harm to another person, the operating entity of the civil nuclear facility shall assume the tort liability unless it can prove that the harm is caused by a situation such as war, armed conflict, and riot or by the victim intentionally.

Article 1238 Where a civil aircraft causes any harm to another person, the operator of the civil aircraft shall assume the tort liability unless it can prove that the harm is caused by the victim intentionally.

Article 1239 Where the possession or use of inflammable, explosive, acutely toxic, highly radioactive, highly corrosive, highly disease-causing or any other ultrahazardous materials causes any harm to another person, the possessor or user shall assume the tort liability unless it can prove that the harm is caused by the victim intentionally or by a force majeure. If the victim is grossly negligent for the occurrence of the harm, the liability of the possessor or user may be mitigated.

Article 1240 Where any harm is caused to another person by an aerial, high pressure or underground excavation activity or by the use of high speed rail transport vehicle, the operator shall assume the tort liability unless it can prove that the harm is caused by the victim intentionally or by a force majeure. If the victim is grossly negligent for the occurrence of the harm, the liability of the operator may be mitigated.

Article 1241 Where any harm is caused to another person by the loss or abandonment of ultrahazardous materials, the owner shall assume the tort liability. If the owner has delivered the ultrahazardous materials to another person for management, the person who manages the materials shall assume the tort liability; and if the owner is at fault, he shall be liable jointly and severally with the person who manages the materials.

Article 1242 Where any harm to another person is caused by the illegal possession of ultrahazardous materials, the illegal possessor shall assume the tort liability. If the owner and the manager cannot prove that it has fulfilled its duty of a high degree of care in preventing illegal possession, they shall be liable jointly and severally with the illegal possessor.

Article 1243 Where any harm is caused by the entry into an area of ultrahazardous activities or an area of storing ultrahazardous materials, if the manager can prove that it has taken sufficient safety measures and fulfilled its duty of sufficient warning, its liability may be mitigated or it may assume no liability.

Article 1244 Where any legal provision prescribes a limit of compensation for liability for an ultrahazardous activity, such a provision shall apply, unless the actor is with intent or grossly negligent.

Chapter IX Liability for Harm Caused by Domestic Animal

Article 1245 Where a domestic animal causes any harm to another person, the keeper or manager of the animal shall assume the tort liability, but may assume no liability or assume mitigated liability, if it can prove that the harm is caused by the victim intentionally or by the gross negligence of the victim.

Article 1246 Where safety measures fail to be taken in relation to an animal in violation of administrative provisions, causing any harm to another person, the keeper or manager of the animal shall assume the tort liability, but may assume mitigated liability, if it can prove that the harm is caused by the victim intentionally.

Article 1247 Where any dangerous animal such as a fierce dog that is prohibited from keeping causes any harm to another person, the keeper or manager of the animal shall assume the tort liability.

Article 1248 Where any animal of a zoo causes any harm to another person, the zoo shall assume the tort liability unless it can prove that it has fulfilled its duties of management.

Article 1249 Where an abandoned or fleeing animal causes any harm to another person during the time period of its abandonment or fleeing, the original keeper or manager of the animal shall assume the tort liability.

Article 1250 Where any harm is caused to another person by an animal for the fault of a third party, the victim may require a compensation from the keeper or manager of the animal, or require a compensation from the third party. After making compensation, the keeper or manager of the animal shall be entitled to be reimbursed by the third party.

Article 1251 Animals shall be kept in accordance with the laws and regulations, in the manner of respecting the social morals, and without interference with the life of others.

Chapter X Liability for Harm Caused by Building or Object

Article 1252 Where any building, structure or facility collapses or subsides, causing any harm to another person, the construction employer and contractor shall be liable jointly and severally, unless the construction employer and contractor can prove the non-existence of quality defect. After making compensation, the construction employer or contractor shall be entitled to be reimbursed by other liable persons if any.

Where the collapse or subsidence of any building, structure or facility, which causes any harm to another person, is attributed to the owner, manager, or user, or a third party, the owner, manager, user, or third party shall assume the tort liability.

Article 1253 Where any building, structure or facility or anything laid thereon or suspended therefrom falls off or falls down, causing any harm to another person, if the owner, manager or user cannot prove that he is not at fault, he shall assume the tort liability. After making compensation, the owner, manager or user shall be entitled to be reimbursed by other liable persons if any.

Article 1254 Throwing an object out of a building is prohibited. Where any object thrown out of a building or falling down from a building causes any harm to another person, the tortfeasor shall assume the tort liability according to the law; and if it is hard to determine the specific tortfeasor through investigation, all the users of the building who possibly commit the tort but those who can prove that they are not the tortfeasor shall make indemnity. After making indemnity, the users of the building who possibly commit the tort shall be entitled to be reimbursed by the tortfeasor.

A property management service enterprise or any other building manager shall take necessary security measures to prevent the circumstances specified in the preceding paragraph; and if the property management service enterprise or any other building manager fails to take necessary

security measures, it shall assume the tort liability for failure to perform its security obligations in accordance with the law.

If the circumstances specified in paragraph 1, this Article, public security and other authorities shall investigate in accordance with the law in a timely manner and discover the liable person.

Article 1255 Where a pile of objects collapse, roll down, or slip down, causing any harm to another person, the person making the pile shall assume the tort liability if it cannot prove that it has no fault.

Article 1256 Where any harm is caused to another person by objects piled, dumped or scattered on a public road, which obstruct passage, the actor shall assume the tort liability. The manager of the public road shall assume the corresponding liability unless it can prove that it has performed its duties such as cleaning, protection, and warning.

Article 1257 Where any harm is caused to another person by a broken or fallen tree, a fallen fruit, or the like, the owner or manager of the tree shall assume the tort liability if it cannot prove that it is not at fault.

Article 1258 Where anyone digs, repairs or installs any underground facility, etc. at a public venue or on a public road and causes any harm to another person, if the person cannot prove that it has set up any obvious warning sign or taken any safety measure, the person shall assume the tort liability. Where a manhole or any other underground facility causes any harm to another person, the manager of the manhole or the facility shall assume the tort liability if it cannot prove that it has fulfilled the duties of management.

Supplemental Provisions

Article 1259 For the purposes of the civil law, “not less than,” “not more than,” “within,” and “expire” shall include the figure itself; “under,” “exceed,” and “beyond” shall not include the figure itself.

Article 1260 This Code shall come into force on January 1, 2021, upon which the Marriage Law of the People's Republic of China, the Succession Law of the People's Republic of China, the General Principles of the Civil Law of the People's Republic of China, the Adoption Law of the People's Republic of China, the Guarantee Law of the People's Republic of China, the Contract Law of the People's Republic of China, the Property Law of the People's Republic of China, the Tort Law of the People's Republic of China, and the General Provisions of the Civil Law of the People's Republic of China shall be repealed.

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