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The enterprise bankruptcy law of the people's Republic of China, adopted at the 23rd Meeting of the Standing Committee of the Tenth National People's Congress of the people's Republic of China on August 27, 2006, is hereby promulgated and shall come into force as of June 1, 2007.

President Hu Jintao of the people's Republic of China

August 27, 2006

*Law of the People's Republic of China on Enterprise Bankruptcy
(adopted at the 23rd Meeting of the Standing Committee of the Tenth National People's Congress on August 27, 2006)*



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CHAPTER I GENERAL PROVISIONS

Article 1

This law is formulated for the purpose of standardizing the bankruptcy procedures of enterprises, fairly settling claims and debts, protecting the legitimate rights and interests of creditors and debtors, and maintaining the order of the socialist market economy.

Article 2

Where an enterprise as a legal person is unable to pay off its debts as they fall due, and its assets are not sufficient to pay off all its debts, or it obviously lacks the ability to do so, it shall clear up its debts in accordance with the provisions of this law.

If an enterprise as a legal person is in any of the circumstances as prescribed in the preceding paragraph, or has the possibility of obviously losing its ability to repay debts, it may reorganize in accordance with the provisions of this law.

Article 3

Bankruptcy cases shall be under the jurisdiction of the people's Court of the place where the debtor is domiciled.

Article 4

If there are no provisions in this Law in the trial procedure of bankruptcy cases, the relevant provisions of the Civil Procedure Law shall apply.

Article 5

Bankruptcy proceedings commenced in accordance with this Law shall have effect on the property of the debtor outside the territory of the people's Republic of China.

Where a judgment or ruling made by a foreign court in a legally effective bankruptcy case involves the property of the debtor within the territory of the people's Republic of China and applies for or requests the recognition and enforcement of the people's court, the people's court shall, in accordance with the international treaties concluded or acceded to by the people's Republic of China or in accordance with the principle of reciprocity, examine the case and consider that it does not violate the law of the people's Republic of China. If the basic principles do not harm the sovereignty, security and public interests of the state, or the legitimate

rights and interests of creditors within the territory of the people's Republic of China, they shall be recognized and enforced by a written order.

Article 6

When trying bankruptcy cases, the people's court shall protect the legitimate rights and interests of the employees of the enterprise according to law, and investigate the legal responsibilities of the operation and management personnel of the bankrupt enterprise according to law.

CHAPTER II APPLICATION AND ACCEPTANCE

Section 1 Application

Article 7

Where the debtor is in any of the circumstances specified in Article 2 of this law, he may apply to the people's court for reorganization, reconciliation or bankruptcy liquidation.

If the debtor is unable to pay off the debts due, the creditor may apply to the people's court for reorganization or bankruptcy liquidation of the debtor. Where an enterprise as a legal person has been dissolved but has not been liquidated or has not been liquidated, and its assets are insufficient to pay off its debts, the person liable for the liquidation according to law shall apply to the people's court for bankruptcy liquidation.

Article 8

to file an application for bankruptcy with the people's court, a bankruptcy application and relevant evidence shall be submitted.

The bankruptcy application shall set forth the following:

1. Basic information of the applicant and the respondent;
2. Purpose of application;
3. The facts and reasons of the application;
4. Other matters that the people's court deems should be stated.

If the debtor applies, he shall also submit to the people's court a statement of the property status, a detailed list of debts, a detailed list of claims, relevant financial and accounting reports, a plan for the placement of employees, as well as the payment of wages and social insurance premiums.

Article 9 before the people's court accepts the bankruptcy application, the applicant may request to withdraw the application.

Section 2 acceptance

Article 10

If a creditor applies for bankruptcy, the people's court shall notify the debtor within five days from the date of receiving the application. If the debtor has any objection to the application, it shall file it with the people's court within seven days from the date of receiving the notice of the people's court. The people's court shall decide whether to accept or not within ten days from the expiration of the period of objection.

In addition to the circumstances specified in the preceding paragraph, the people's court shall, within 15 days from the date of receiving the bankruptcy application, decide whether to accept it or not.

If, under special circumstances, it is necessary to extend the time limit for accepting the written order prescribed in the preceding two paragraphs, the time limit may be extended by 15 days with the approval of the people's court at the next higher level.

Article 11

If the people's court accepts the bankruptcy application, it shall serve it on the applicant within five days from the date of making the decision.

Where an application is made by a creditor, the people's court shall serve it on the debtor within five days from the date of making the decision. The debtor shall, within 15 days from the date of service of the ruling, submit to the people's court a statement of the property status, a detailed list of debts, a detailed list of claims, relevant financial and accounting reports, as well as the payment of wages and social insurance premiums.

Article 12

If the people's court decides not to accept the bankruptcy application, it shall, within five days from the date of making the decision, serve it on the applicant and state the reasons. If the applicant is not satisfied with the ruling, he may appeal to the people's court at the next higher level within 10 days from the date of service of the ruling.

The people's court may, after accepting the bankruptcy application and before the bankruptcy declaration, rule to reject the application if it finds that the debtor is not in conformity with the provisions of Article 2 of this law after examination. If

the applicant is not satisfied with the ruling, he may appeal to the people's court at the next higher level within 10 days from the date of service of the ruling.

Article 13

If the people's court decides to accept the bankruptcy application, it shall appoint an administrator at the same time.

Article 14

The people's court shall, within 25 days from the date of deciding to accept the bankruptcy application, notify the known creditors and make a public announcement.

The notice and announcement shall state the following:

1. The name of the applicant or the respondent;
2. The time when the people's court accepts the bankruptcy application;
3. Time limit, place and precautions for declaration of creditor's rights;
4. The name or name of the administrator and the address for handling the business;
5. The debtor or property holder of the debtor shall pay off the debt or deliver the property to the administrator;
6. Time and place of the first creditors' meeting;
7. Other matters that the people's court deems necessary to be notified and announced.

Article 15

From the date when the ruling of the people's court accepting the bankruptcy application is served on the debtor to the date when the bankruptcy proceedings are concluded, the relevant personnel of the debtor shall bear the following obligations:

1. Keep properly the property, seals, account books, documents and other materials in his possession and management;
2. Carry out work according to the requirements of the people's court and the administrator, and answer questions truthfully;
3. Attend the creditors' meeting as nonvoting delegates and answer the creditors' inquiries truthfully;
4. Without the permission of the people's court, he shall not leave his domicile;
5. No new directors, supervisors or senior managers of other enterprises may be appointed.

The term “relevant personnel” as mentioned in the preceding paragraph refers to the legal representative of an enterprise. Upon decision of the people’s court, it may include the financial management personnel and other business management personnel of an enterprise.

Article 16

After the people’s court accepts the bankruptcy application, the debtor’s debt repayment to individual creditors is invalid.

Article 17

After the people’s court accepts the bankruptcy application, the debtor or the property holder of the debtor shall pay off the debt or deliver the property to the administrator.

If the debtor or the property holder of the debtor intentionally violates the provisions of the preceding paragraph to pay off the debt or deliver the property to the debtor, thus causing losses to the creditor, he shall not be exempted from the obligation to pay off the debt or deliver the property.

Article 18

After the people’s court accepts the bankruptcy application, the administrator has the right to decide to terminate or continue to perform the contract established before the acceptance of the bankruptcy application and the debtor and the other party have not completed the performance, and notify the other party. If the administrator fails to notify the other party within two months from the date of acceptance of the bankruptcy application, or fails to reply within 30 days from the date of receiving the reminder from the other party, the contract shall be deemed to be terminated.

If the administrator decides to continue to perform the contract, the other party shall perform it; however, the other party has the right to require the administrator to provide security. If the administrator fails to provide guarantee, the contract shall be deemed to be terminated.

Article 19

After the people’s court accepts the bankruptcy application, the preservation measures for the debtor’s property shall be lifted and the execution procedure shall be suspended.

Article 20

After the people’s court accepts the bankruptcy application, the civil litigation or arbitration concerning the debtor that has already started but not yet ended shall be suspended; after the administrator takes over the debtor’s property, the litigation or arbitration shall continue.

Article 21

After the people’s court has accepted the bankruptcy application, the civil litigation concerning the debtor can only be brought to the people’s court that has accepted the bankruptcy application.

CHAPTER III ADMINISTRATOR

Article 22

The administrator shall be appointed by the people’s court.

The creditors’ meeting may apply to the people’s court for replacement if it considers that the administrator is unable to perform his duties in accordance with the law and fairly or is incompetent for other duties.

Measures for the designation of administrators and the determination of their remuneration shall be formulated by the Supreme People’s court.

Article 23

The administrator shall perform his duties in accordance with the provisions of this law, report his work to the people’s court and accept the supervision of the creditors’ meeting and the creditors’ committee.

The administrator shall attend the creditors’ meeting as nonvoting delegates, report the performance of his duties to the creditors’ meeting and answer questions.

Article 24

The administrator may be a liquidation group composed of the personnel of the relevant departments and institutions, or a law firm, accounting firm, bankruptcy liquidation firm and other social intermediary institutions established according to law.

According to the actual situation of the debtor, the people’s court may, after consulting the opinions of the relevant social intermediary institution, appoint a person who has relevant professional knowledge and obtained the qualification of practice as the administrator of the institution.

Under any of the following circumstances, he shall not act as an administrator:

1. Criminal punishment for intentional crime;
2. Has been revoked the relevant professional practice certificate;
3. Having an interest in the case;
4. Other circumstances in which the people's court considers it inappropriate to act as administrator.

If an individual acts as an administrator, he shall take part in professional liability insurance.

Article 25

The administrator shall perform the following duties:

1. Take over the debtor's property, seal, account books, documents and other information;
2. Investigate the debtor's property status and make a property status report;
3. Determine the internal management of the debtor;
4. Determine the daily expenses and other necessary expenses of the debtor;
5. Decide to continue or stop the business of the debtor before the first creditors' meeting;
6. Manage and dispose of the debtor's property;
7. To participate in litigation, arbitration or other legal proceedings on behalf of the debtor;
8. Propose a meeting of creditors;
9. Other duties that the people's court considers the administrator should perform.

Where there are other provisions in this Law on the duties of administrators, such provisions shall apply.

Article 26

Prior to the convening of the first creditors' meeting, if the administrator decides to continue or stop the business of the debtor or commits any of the acts specified in Article 69 of this law, it shall obtain the permission of the people's court.

Article 27

The administrator shall perform his duties diligently and faithfully.

Article 28

The administrator may, with the permission of the people's court, employ necessary staff.

The remuneration of the administrator shall be determined by the people's court. If the creditors'

meeting disagrees with the remuneration of the administrator, it shall have the right to raise an objection to the people's court.

Article 29

The administrator shall not resign without proper reasons. The resignation of the administrator shall be approved by the people's court.

CHAPTER IV DEBTOR'S PROPERTY

Article 30

All the property belonging to the debtor at the time of acceptance of the bankruptcy application and the property acquired by the debtor from the time of acceptance of the bankruptcy application to the end of the bankruptcy proceedings shall be the property of the debtor.

Article 31

Within one year before the people's court accepts the bankruptcy application, the administrator has the right to request the people's court to cancel the following acts involving the debtor's property:

1. Transferring property without compensation;
2. Trading at an obviously unreasonable price;
3. Providing property security for debts without property security;
4. Paying off debts not due in advance;
5. Abandoning the creditor's rights.

Article 32

Within six months before the people's court accepts the bankruptcy application, if the debtor still pays off individual creditors under the circumstances specified in the first paragraph of Article 2 of this law, the administrator has the right to request the people's court to cancel it. However, unless the debtor's property benefits from individual settlement.

Article 33

The following acts involving the debtor's property are invalid:

1. Concealing or transferring property in order to avoid debts;
2. Making up debts or admitting untrue debts.

Article 34

The administrator shall have the right to recover the property of the debtor acquired as a result of

the acts specified in Articles 31, 32 or 33 of this law.

Article 35

After the people's court accepts the bankruptcy application, if the investor of the debtor has not fully fulfilled his obligation of capital contribution, the administrator shall require the investor to pay the subscribed capital contribution, without the limitation of the time limit of capital contribution.

Article 36

The directors, supervisors and senior managers of the debtor shall recover the abnormal income obtained from the enterprise and the misappropriated enterprise property by taking advantage of their functions and powers.

Article 37

After the people's court accepts the bankruptcy application, the administrator may retrieve the pledged property or the retained property by paying off the debts or providing a guarantee acceptable to the creditor. When the value of the pledged or retained property is lower than the amount of the secured creditor's rights, the market value of the pledged or retained property at that time shall be limited.

Article 38

After the people's court accepts the bankruptcy application, the obligee of the property possessed by the debtor that does not belong to the debtor may retrieve it through the administrator. Except as otherwise provided in this law.

Article 39

When the people's court accepts the bankruptcy application, if the seller has shipped the subject matter of the sale to the debtor as the buyer, and the debtor has not yet received and paid the full price, the seller may retrieve the subject matter in transit. However, the administrator may pay the whole price and request the seller to deliver the subject matter.

Article 40

Where the creditor is liable to the debtor before the acceptance of the bankruptcy application, it may claim set off from the administrator. However, under any of the following circumstances, it shall not be set off:

1. The debtor of the debtor obtains the creditor's

rights of others against the debtor after the acceptance of the bankruptcy application;

2. Where the creditor knows that the debtor is unable to pay off the debts due or the fact that the bankruptcy application is filed, the creditor bears the debts to the debtor, except that the creditor bears the debts for reasons prescribed by law or occurring one year before the bankruptcy application;
3. The debtor of the debtor obtains the creditor's rights against the debtor knowing that the debtor is unable to pay off the debts due or has bankruptcy application, except that the debtor of the debtor obtains the creditor's rights for the reasons stipulated by law or one year before the bankruptcy application.

CHAPTER V

Bankruptcy expenses and common interest debts

Article 41

The following expenses incurred after the people's court accepts the bankruptcy application are bankruptcy expenses:

1. Litigation costs of bankruptcy cases;
2. The cost of managing, selling and distributing the debtor's property;
3. Expenses for the performance of duties, remuneration and employment of staff by administrators.

Article 42

The following debts incurred after the people's court accepts the bankruptcy application shall be the common interest debts:

1. Debts arising from the request of the administrator or the debtor for the other party to perform the contract which has not been performed by both parties;
2. Debts arising from the management of the debtor's property;
3. Debts arising from improper enrichment of the debtor;
4. Labor remuneration and social insurance expenses payable for the debtor's continued business and other debts arising therefrom;
5. Debts caused by personal injury caused by the performance of duties by the administrator or relevant personnel;
6. Debts arising from damage caused by the debtor's property.

Article 43

Bankruptcy expenses and debts of common interest shall be paid off by the debtor's property at any time.

If the debtor's property is insufficient to pay off all bankruptcy expenses and debts of common interests, the bankruptcy expenses shall be paid off first. If the debtor's property is not enough to pay off all bankruptcy expenses or debts with common interests, the debts shall be paid off in proportion.

If the debtor's property is insufficient to pay off the bankruptcy expenses, the administrator shall request the people's court to terminate the bankruptcy proceedings. The people's court shall, within 15 days from the date of receiving the request, make a ruling to terminate the bankruptcy proceedings and make a public announcement.

CHAPTER VI DECLARATION OF CREDITOR'S RIGHTS

Article 44

The people's court shall, when accepting the bankruptcy application, exercise its rights in accordance with the procedures prescribed in this law to the creditors who enjoy the creditor's rights against the debtor.

Article 45

After accepting the bankruptcy application, the people's court shall determine the time limit for creditors to declare their claims. The time limit for the declaration of creditor's rights shall be calculated from the date when the people's Court issues the announcement on the acceptance of bankruptcy application, and the minimum time limit shall not be less than 30 days and the maximum time limit shall not be more than three months.

Article 46

Claims that are not due shall be deemed to be due when the bankruptcy application is accepted. The creditor's right with interest shall cease to bear interest from the time when the bankruptcy application is accepted.

Article 47

The creditor may declare the creditor's rights with conditions and time limit and the creditor's rights pending in litigation or arbitration.

Article 48

The creditor shall declare the creditor's rights to the administrator within the time limit for declaration of creditor's rights determined by the people's court.

The wages, medical treatment, disability allowance and pension expenses owed by the debtor to the employees, the basic endowment insurance and basic medical insurance expenses that should be transferred into the personal account of the employees, and the compensation that should be paid to the employees according to the laws and administrative regulations need not be declared. The list shall be made and publicized by the administrator after investigation. If an employee disagrees with the record in the list, he or she may ask the administrator to make a correction; if the administrator does not make a correction, the employee may file a lawsuit with the people's court.

Article 49

When declaring the creditor's rights, the creditor shall state in writing the amount of the creditor's rights and whether there is property guarantee, and submit relevant evidence. If the claims declared are joint and several, it shall be explained.

Article 50

One of the joint and several creditors may, on behalf of all the joint and several creditors, declare their claims, or they may jointly declare their claims.

Article 51

Where the guarantor or other joint and several debtors of the debtor have paid off the debts in place of the debtor, they shall declare their claims with their right of claim against the debtor.

If the guarantor or other joint and several debtors of the debtor have not paid off the debts on behalf of the debtor, they shall declare their claims with their future claims against the debtor. However, unless the creditor has declared all the creditor's rights to the administrator.

Article 52

where several joint and several debtors are adjudicated to apply the procedures prescribed in this law, their creditors shall have the right to declare their claims respectively in each bankruptcy case in respect of all their claims.

Article 53

Where the administrator or the debtor rescinds the contract in accordance with the provisions of this law, the other party shall declare the creditor's rights with the claim for damages arising from the rescission of the contract.

Article 54

Where the debtor is the principal of a contract of entrustment, and it is ruled that the procedures prescribed in this law are applicable, and the agent continues to handle the entrusted affairs without knowing the fact, the agent shall declare the creditor's rights with the resulting claim.

Article 55

Where the debtor is the drawer of a negotiable instrument, and it is ruled that the procedures prescribed in this Law shall apply, and if the drawee of the instrument continues to pay or accept, the drawee shall file a claim with the resulting right of claim.

Article 56

Within the time limit for declaration of creditor's rights determined by the people's court, if the creditor fails to declare his creditor's rights, he may make a supplementary declaration before the final distribution of the bankruptcy property; however, no supplementary distribution shall be made to the distribution that has been made previously. The expenses for examining and confirming the supplementary claims shall be borne by the supplementary filer.

Creditors who fail to declare their claims in accordance with the provisions of this Law shall not exercise their rights in accordance with the procedures prescribed by this law.

Article 57

After receiving the claim declaration materials, the administrator shall register and make a register, examine the claims declared and prepare a claim form.

The creditor's rights form and the creditor's rights declaration materials shall be kept by the administrator for the interested parties to consult.

Article 58

The list of claims prepared in accordance with the provisions of Article 57 of this Law shall be submit-

ted to the first creditors' meeting for verification.

If the debtor or the creditor has no objection to the claims recorded in the schedule of claims, the people's court shall make a written order for confirmation.

If the debtor or the creditor has any objection to the creditor's rights recorded in the creditor's rights list, they may file a lawsuit with the people's court accepting the bankruptcy application.

CHAPTER VII CREDITORS' MEETING

Section 1 General Provisions

Article 59

The creditors who declare their claims according to law shall be members of the creditors' meeting and shall have the right to participate in and vote at the creditors' meeting.

Creditors whose claims have not yet been determined shall not exercise their voting rights unless the people's court is able to temporarily determine the amount of their claims for the purpose of exercising their voting rights.

If the creditor who has a security right in the specific property of the debtor does not give up the priority right to be repaid, he shall not have the right to vote on the matters specified in the seventh and tenth paragraphs of the first paragraph of article sixty-first of this law.

The creditor may entrust an agent to attend the creditors' meeting and exercise the right to vote. When an agent attends the creditors' meeting, he shall submit the power of attorney of the creditor to the people's court or the chairman of the creditors' meeting.

The creditors' meeting shall be attended by the employees of the debtor and representatives of the trade union, who shall express their opinions on relevant matters.

Article 60

The creditors' meeting shall have a chairman, who shall be appointed by the people's court from among the creditors with voting rights.

The chairman of the creditors' meeting shall preside over the creditors' meeting.

Article 61

The creditors' meeting shall exercise the following functions and powers:

1. Verification of claims;

2. Apply to the people's court to replace the administrator and examine the fees and remuneration of the administrator;
3. Supervisor;
4. Election and replacement of members of the creditor Committee;
5. Decide to continue or stop the business of the debtor;
6. Adoption of the reorganization plan;
7. Adoption of settlement agreement;
8. Through the management plan of the debtor's property;
9. Adopt the price change plan of the bankrupt property;
10. Adoption of the distribution scheme of the insolvency estate;
11. Other functions and powers that the people's court considers should be exercised by the creditors' meeting.

The creditors' meeting shall make minutes of the resolutions on the matters discussed.

Article 62

The first creditors' meeting shall be convened by the people's court within 15 days from the expiration of the time limit for declaration of creditor's rights.

Subsequent meetings of creditors shall be held when the people's court deems it necessary, or when the administrator, the creditors' committee or creditors accounting for more than one quarter of the total amount of claims propose to the chairman of the creditors' meeting.

Article 63

When convening a creditors' meeting, the administrator shall notify the known creditors 15 days in advance.

Article 64

The resolution of the creditors' meeting shall be adopted by more than half of the creditors with the right to vote present at the meeting, and the amount of the creditor's rights represented by the resolution shall account for more than half of the total amount of the creditor's rights without property guarantee. Except as otherwise provided in this law.

If the creditors think that the resolution of the creditors' meeting violates the law and damages their interests, they may, within 15 days from the date

when the creditors' meeting makes the resolution, request the people's court to make a ruling to cancel the resolution and order the creditors' meeting to make a new resolution according to law.

The resolution of the creditors' meeting shall be binding on all creditors.

Article 65

If the matters listed in items 8 and 9 of the first paragraph of Article 61 of this law are not passed by the vote of the creditors' meeting, the people's court shall make a ruling.

If the matters listed in item 10 of the first paragraph of Article 61 of this law have not been passed by the second vote of the creditors' meeting, the people's court shall make a ruling.

The people's court may, at the creditors' meeting, announce or otherwise notify the creditors of the ruling provided in the preceding two paragraphs.

Article 66

If a creditor is not satisfied with the ruling made by the people's court in accordance with the first paragraph of Article 65 of this law, or if a creditor whose claim amount accounts for more than one-half of the total amount of claims not secured by property is not satisfied with the ruling made by the people's court in accordance with the second paragraph of Article 65 of this law, he may apply to the people's court for reconsideration within 15 days of the announcement of the ruling or receipt of the notice. The enforcement of the ruling shall not be suspended during the period of reconsideration.

Section 2 creditor Committee

Article 67

The creditors' meeting may decide to establish a creditors' committee. The creditor Committee shall be composed of the representatives of the creditors elected by the creditors' meeting and the representatives of the employees or trade union of the debtor. There shall be no more than nine members of the creditors' committee.

The members of the creditor Committee shall be approved by the written decision of the people's court.

Article 68

The creditor Committee shall exercise the following functions and powers:

1. To supervise the management and disposal of the debtor's property;
2. Supervise the distribution of bankruptcy property;
3. Propose a meeting of creditors;
4. Other functions and powers entrusted by the creditors' meeting.

When performing its duties, the creditor Committee shall have the right to require the relevant personnel of the administrator and the debtor to make explanations or provide relevant documents on the matters within the scope of their functions and powers.

Where the relevant personnel of the administrator or the debtor refuse to accept supervision in violation of the provisions of this law, the creditor Committee shall have the right to request the people's court to make a decision on the supervision matters; the people's court shall make a decision within five days.

Article 69

The administrator shall report to the creditor Committee in a timely manner in case of the following acts:

1. Involving the transfer of land, housing and other real estate rights and interests;
2. Transfer of property rights such as exploration right, mining right and intellectual property right;
3. Transfer of all inventory or business;
4. Borrowings;
5. Creation of property security;
6. Transfer of claims and securities;
7. The performance of a contract which has not been completed by both the debtor and the other party;
8. Waiver of rights;
9. Recovery of collateral;
10. Other acts of disposition of property that have a significant impact on the interests of creditors.

Where no creditors' committee has been established, the administrator shall report to the people's court in a timely manner the acts specified in the preceding paragraph.

CHAPTER VIII REORGANIZATION

Section 1 application for reorganization and period of reorganization

Article 70

The debtor or creditor may, in accordance with the

provisions of this law, directly apply to the people's court for reorganization of the debtor.

Where the creditor applies for bankruptcy liquidation of the debtor, after the people's court accepts the bankruptcy application and before declaring the debtor bankrupt, the debtor or the investor whose capital contribution accounts for more than one tenth of the debtor's registered capital may apply to the people's court for reorganization.

Article 71

If the people's court, upon examination, considers that the reorganization application conforms to the provisions of this law, it shall order the debtor to reorganize and make a public announcement.

Article 72

The period from the date when the people's court orders the debtor to reorganize to the termination of the reorganization procedure is the reorganization period.

Article 73

During the period of reorganization, upon the application of the debtor and the approval of the people's court, the debtor may manage the property and business affairs on its own under the supervision of the administrator.

In case of any of the circumstances as prescribed in the preceding paragraph, the administrator who has taken over the debtor's property and business affairs in accordance with the provisions of this Law shall transfer the property and business affairs to the debtor, and the functions and powers of the administrator as prescribed in this Law shall be exercised by the debtor.

Article 74

Where the administrator is responsible for the management of property and business affairs, he may appoint the business management personnel of the debtor to be responsible for business affairs.

Article 75

During the period of reorganization, the exercise of the security right in the specific property of the debtor is suspended. However, if the collateral is likely to be damaged or its value significantly reduced, which is enough to endanger the rights of the secured party, the secured party may request the

people's court to resume the exercise of the security right.

During the period of reorganization, if the debtor or administrator borrows money for the purpose of continuing business, it may establish a guarantee for the loan.

Article 76

Where the obligee of the property of another person lawfully in the possession of the debtor requests to retrieve it during the period of reorganization, the conditions agreed in advance shall be met.

Article 77

During the period of reorganization, the investor of the debtor shall not request the distribution of investment income.

During the reorganization, the directors, supervisors and senior managers of the debtor shall not transfer the equity of the debtor held by them to a third party. Except with the consent of the people's court.

Article 78

In case of any of the following circumstances during the period of reorganization, the people's court shall, at the request of the administrator or interested party, rule to terminate the reorganization procedure and declare the debtor bankrupt:

1. The debtor's business and property conditions continue to deteriorate, lacking the possibility of rescue;
2. The debtor has fraudulently or maliciously reduced the debtor's property or other behaviors that are obviously detrimental to the creditor;
3. The administrator is unable to perform his duties due to the debtor's actions.

Section 2 formulation and approval of reorganization plan

Article 79

The debtor or the administrator shall, within six months from the date of the people's court's ruling on the debtor's reorganization, submit the draft reorganization plan to the people's court and the creditors' meeting at the same time.

At the expiration of the time limit prescribed in the preceding paragraph, the people's court may, at the request of the debtor or the administrator, extend the time limit for three months if there are justified reasons.

If the debtor or the administrator fails to submit the draft reorganization plan on time, the people's court shall rule to terminate the reorganization procedure and declare the debtor bankrupt.

Article 80

Where the debtor manages the property and business affairs on its own, the debtor shall make a draft reorganization plan.

Where the administrator is responsible for the management of property and business affairs, the administrator shall prepare a draft reorganization plan.

Article 81

The draft reorganization plan shall include the following contents:

1. Business plan of the debtor;
2. Classification of claims;
3. Debt adjustment plan;
4. Debt repayment plan;
5. The implementation period of the reorganization plan;
6. The supervision period for the implementation of the reorganization plan;
7. Other schemes in favor of debtor reorganization.

Article 82

The creditors of the following categories of claims shall participate in the creditors' meeting to discuss the draft reorganization plan, and vote on the draft reorganization plan in groups according to the following categories of claims:

1. Claims that have a security right in the specific property of the debtor;
2. The wages, medical treatment, disability allowance and pension expenses owed by the debtor to the employees, the basic endowment insurance and basic medical insurance expenses that should be transferred into the personal account of the employees, and the compensation that should be paid to the employees according to the laws and administrative regulations;
3. Taxes owed by the debtor;
4. Ordinary claims.

When necessary, the people's court may decide to set up a small claims group in the ordinary claims group to vote on the draft reorganization plan.

Article 83

A reorganization plan shall not provide for the relief

of social insurance expenses other than those provided for in Item 2, paragraph 1, Article 82 of this law that the debtor is in arrears with; the creditors of such expenses shall not participate in the voting on the draft reorganization plan.

Article 84

The People's court shall convene a creditors' meeting to vote on the draft reorganization plan within 30 days after receiving it.

If more than half of the creditors of the same voting group present at the meeting agree to the draft reorganization plan, and the amount of claims represented by them accounts for more than two-thirds of the total claims of the group, then the group shall adopt the draft reorganization plan.

The debtor or the administrator shall explain the draft reorganization plan to the creditors' meeting and answer questions.

Article 85

Representatives of the debtor's investors may attend the creditors' meeting to discuss the draft reorganization plan.

Where the draft reorganization plan involves the adjustment of the rights and interests of the investors, a group of investors shall be set up to vote on the matter.

Article 86

When the draft reorganization plan is adopted by all voting groups, the reorganization plan shall be adopted.

Within ten days after the adoption of the reorganization plan, the debtor or the administrator shall apply to the people's court for approval of the reorganization plan. If the people's court, upon examination, considers that the provisions of this law are met, it shall, within 30 days from the date of receiving the application, make a written order for approval, terminate the reorganization procedure and make a public announcement.

Article 87

If a part of the voting group fails to pass the draft reorganization plan, the debtor or the administrator may consult with the voting group that fails to pass the draft reorganization plan. The voting group may vote again after consultation. The results of the negotiation between the two parties shall not harm the interests of other voting groups.

If the voting group that fails to pass the draft reorganization plan refuses to vote again or fails to pass the draft reorganization plan again, but the draft reorganization plan meets the following conditions, the debtor or the administrator may apply to the people's court for approval of the draft reorganization plan:

1. According to the draft reorganization plan, the creditor's rights listed in the first paragraph of the first paragraph of Article 82 of this law will be paid off in full in respect of the specific property, the losses suffered by the creditor's rights due to the deferred liquidation will be fairly compensated, and the security right of the creditor's rights has not been materially damaged, or the voting group has passed the draft reorganization plan;
2. According to the draft reorganization plan, the creditor's rights listed in Item 2 and item 3 of paragraph 1 of Article 82 of this law will be fully paid off, or the corresponding voting group has passed the draft reorganization plan;
3. According to the draft reorganization plan, the proportion of repayment of ordinary claims shall not be lower than the proportion that they can obtain in accordance with the bankruptcy liquidation procedure when the draft reorganization plan is submitted for approval, or the voting group has passed the draft reorganization plan;
4. The adjustment of the rights and interests of the investors in the draft reorganization plan is fair and just, or the group of investors has passed the draft reorganization plan;
5. The draft reorganization plan fairly treats the members of the same voting group, and the order of payment of claims prescribed does not violate the provisions of article 113 of this law;
6. The debtor's business plan is feasible.
7. If the people's court, upon examination, considers that the draft reorganization plan conforms to the provisions of the preceding paragraph, it shall, within 30 days from the date of receiving the application, make a written order for approval, terminate the reorganization procedure and make a public announcement.

Article 88

If the draft reorganization plan has not been adopted and has not been approved in accordance with the provisions of Article 87 of this law, or the adop-

ted reorganization plan has not been approved, the people's court shall rule to terminate the reorganization procedure and declare the debtor bankrupt. Section 3 implementation of reorganization plan

Article 89

The debtor shall be responsible for the execution of the reorganization plan.

After the people's court decides to approve the reorganization plan, the administrator who has taken over the property and business affairs shall transfer the property and business affairs to the debtor.

Article 90

From the date when the people's court makes an order to approve the reorganization plan, the administrator shall supervise the implementation of the reorganization plan within the supervision period specified in the reorganization plan.

During the supervision period, the debtor shall report the implementation of the reorganization plan and the debtor's financial situation to the administrator.

Article 91

When the supervision period expires, the administrator shall submit a supervision report to the people's court. From the date of submission of the supervision report, the supervision responsibility of the administrator shall be terminated.

The interested parties of the reorganization plan shall have the right to consult the supervision report submitted by the administrator to the people's court.

Upon the application of the administrator, the people's court may extend the supervision period for the implementation of the reorganization plan.

Article 92

The reorganization plan approved by a ruling of the people's court shall be binding on the debtor and all creditors.

Where the creditors fail to declare their claims in accordance with the provisions of this law, they shall not exercise their rights during the implementation of the reorganization plan; after the completion of the implementation of the reorganization plan, they may exercise their rights in accordance with the conditions for the repayment of similar claims as stipulated in the reorganization plan.

The creditor's rights to the debtor's guarantor and

other joint and several debtors shall not be affected by the reorganization plan.

Article 93

If the debtor is unable to or does not execute the reorganization plan, the people's court shall, at the request of the administrator or interested party, rule to terminate the execution of the reorganization plan and declare the debtor bankrupt.

If the people's court decides to terminate the execution of the reorganization plan, the creditor's commitment to adjust the creditor's rights made in the reorganization plan will lose its effect. The repayment received by the creditor due to the execution of the reorganization plan is still valid, and the part of the outstanding creditor's right shall be regarded as the bankruptcy creditor's right.

The creditors mentioned in the preceding paragraph may continue to accept distribution only when the other creditors of the same rank have reached the same proportion of the payments they have received.

In case of the circumstances specified in the first paragraph of this article, the guarantee provided for the implementation of the reorganization plan shall continue to be valid.

Article 94

The debtor shall not be liable for paying off debts that have been reduced or remitted in accordance with the reorganization plan since the completion of the whole plan.

CHAPTER IX RECONCILIATION

Article 95

The debtor may, in accordance with the provisions of this law, directly apply to the people's court for reconciliation, or apply to the people's court for reconciliation after the people's court accepts the bankruptcy application and before declaring the debtor bankrupt.

When applying for reconciliation, the debtor shall submit a draft settlement agreement.

Article 96

If the people's court, upon examination, considers that the application for conciliation conforms to the provisions of this law, it shall make a ruling on conciliation, make a public announcement, and convey

ne a meeting of creditors to discuss the draft conciliation agreement.

The obligee who has a security right over the specific property of the debtor may exercise his right from the date when the people's court makes a ruling on reconciliation.

Article 97

The resolution of a settlement agreement adopted by the creditors' meeting shall be approved by more than half of the creditors with voting rights present at the meeting, and the amount of claims represented by the creditors' meeting shall account for more than two-thirds of the total amount of claims without property security.

Article 98

If the creditors' meeting passes the settlement agreement, the people's court shall make a written order to recognize it, terminate the settlement procedure and make a public announcement. The administrator shall hand over the property and business affairs to the debtor and submit a report on the performance of his duties to the people's court.

Article 99

If the draft settlement agreement has not been adopted by the vote of the creditors' meeting, or the settlement agreement has not been approved by the people's court, the people's court shall rule to terminate the settlement procedure and declare the debtor bankrupt.

Article 100

A settlement agreement approved by a ruling of the people's court shall have binding force on the debtor and all the creditors of the settlement.

Conciliatory creditor refers to the person who has no property guarantee creditor's right to the debtor when the people's court accepts the bankruptcy application. Where the creditors of the settlement fail to declare their claims in accordance with the provisions of this law, they shall not exercise their rights during the period of the execution of the settlement agreement; after the completion of the execution of the settlement agreement, they may exercise their rights in accordance with the conditions for repayment stipulated in the settlement agreement.

Article 101

The rights enjoyed by the conciliating creditor to

the surety and other joint and several debtors of the debtor shall not be affected by the settlement agreement.

Article 102

The debtor shall pay off his debts in accordance with the conditions stipulated in the settlement agreement.

Article 103

The People's court shall make a ruling to invalidate a settlement agreement formed due to the fraud or other illegal acts of the debtor and declare the debtor bankrupt.

In case of any of the circumstances as prescribed in the preceding paragraph, the creditors of the settlement shall not return the debts they have received as a result of the execution of the settlement agreement to the extent that the other creditors have received the same proportion of the debts.

Article 104

If the debtor is unable to or does not execute the settlement agreement, the people's court shall, at the request of the creditors of the settlement, rule to terminate the execution of the settlement agreement and declare the debtor bankrupt.

If the people's court decides to terminate the execution of the settlement agreement, the promise made by the settlement creditor in the settlement agreement to adjust the creditor's rights will lose its effect. The settlement received by the settlement creditor due to the execution of the settlement agreement is still valid, and the part of the settlement creditor's right that has not been paid off shall be regarded as the bankruptcy creditor's right.

The creditors mentioned in the preceding paragraph may continue to accept distribution only when the other creditors have reached the same proportion of the payments they have received.

In case of the circumstances specified in the first paragraph of this article, the guarantee provided for the execution of the settlement agreement shall continue to be valid.

Article 105

After the people's court accepts the bankruptcy application, if the debtor and all the creditors reach an agreement on the handling of the creditor's rights and debts, they may request the people's

court to make a ruling for approval and terminate the bankruptcy procedure.

Article 106

The debtor shall no longer be liable for the discharge of debts that have been reduced or remitted in accordance with the settlement agreement since the completion of the execution of the settlement agreement.

CHAPTER X BANKRUPTCY LIQUIDATION

Section 1 bankruptcy declaration

Article 107

If the people's court declares the debtor bankrupt in accordance with the provisions of this law, it shall serve on the debtor and the administrator within five days from the date of making the decision, notify the known creditors within ten days from the date of making the decision, and make a public announcement.

After the debtor is declared bankrupt, the debtor is called the bankrupt, and the debtor's property is called the bankrupt property. When the people's court accepts the bankruptcy application, the creditor's rights enjoyed by the debtor are called the bankrupt creditor's rights.

Article 108

Before the declaration of bankruptcy, the people's court shall make a ruling to terminate the bankruptcy proceedings and make a public announcement in case of any of the following circumstances:

1. The third party provides full guarantee for the debtor or pays off all debts due for the debtor;
2. The debtor has paid off all debts due.

Article 109

The obligee who has a security right in the specific property of the bankrupt shall have the priority to be paid for the specific property.

Article 110

If a creditor who enjoys the rights prescribed in Article 109 of this law fails to be fully paid when exercising the priority right to be paid, his outstanding creditor's rights shall be deemed as ordinary creditor's rights; if he waives the priority right to be paid, his creditor's rights shall be deemed as ordinary creditor's rights.

Section 2 price change and distribution

Article 111

The administrator shall, in a timely manner, draw up a price change plan for the bankruptcy property and submit it to the creditors' meeting for discussion.

The administrator shall sell the bankruptcy property at a timely price change in accordance with the price change plan adopted by the creditors' meeting or decided by the people's court in accordance with the provisions of the first paragraph of Article 65 of this law.

Article 112

The sale of bankruptcy property at a variable price shall be conducted by auction. Unless otherwise decided by the creditors' meeting.

The bankrupt enterprise may be sold in whole or in part. When an enterprise sells its intangible assets and other properties at a variable price, it may sell them at a separate price.

Property that cannot be auctioned or restricted for transfer in accordance with state regulations shall be disposed of in a manner prescribed by the state.

Article 113

After priority is given to the liquidation of bankruptcy expenses and debts of common interests, the bankruptcy property shall be liquidated in the following order:

1. The wages, medical treatment, disability allowance and pension expenses owed by the bankrupt to the employees, the basic endowment insurance and basic medical insurance expenses that should be transferred into the personal account of the employees, and the compensation that should be paid to the employees according to the laws and administrative regulations;
2. The social insurance expenses and taxes owed by the bankrupt other than those specified in the preceding paragraph;
3. Ordinary bankruptcy claims.
4. If the bankruptcy property is not sufficient to pay off the claims in the same order, it shall be distributed in proportion.

The wages of the directors, supervisors and senior managers of a bankrupt enterprise shall be calculated on the basis of the average wages of the employees of the enterprise.

Article 114

The distribution of the bankruptcy property shall be made in the form of currency. Unless otherwise decided by the creditors' meeting.

Article 115

The administrator shall, in a timely manner, draw up a plan for the distribution of the bankruptcy property and submit it to the creditors' meeting for discussion.

The plan for distribution of the bankruptcy property shall set forth the following:

1. The name or address of the creditor participating in the distribution of the bankruptcy property;
2. The amount of creditor's rights participating in the distribution of bankruptcy property;
3. The amount of the estate available for distribution;
4. (four) the order, proportion and amount of distribution of the bankruptcy property;
5. Methods of distribution of bankruptcy property.

After the creditors' meeting has approved the plan for distribution of the bankruptcy property, the administrator shall submit the plan to the people's court for approval.

Article 116

After the distribution plan of bankruptcy property is approved by the people's court, it shall be executed by the administrator.

Where the administrator makes multiple distributions in accordance with the plan for distribution of bankruptcy property, he shall announce the amount of property and the amount of creditor's rights distributed this time. Where the administrator implements the final distribution, he shall specify it in the announcement, and shall specify the matters specified in the second paragraph of Article 117 of this law.

Article 117

The administrator shall deposit the credits with effective conditions or cancellation conditions according to their quotas.

The amount of distribution deposited by the administrator in accordance with the provisions of the preceding paragraph shall be distributed to other creditors on the date of announcement of the final

distribution, if the effective conditions are not fulfilled or the conditions for cancellation are fulfilled; if the effective conditions are fulfilled or the conditions for cancellation are not fulfilled on the date of announcement of the final distribution, it shall be delivered to the creditor.

Article 118

The administrator shall deposit the amount of distribution of the bankruptcy property that the creditor has not received. If the creditor fails to receive the distribution within two months from the date of the final distribution announcement, it shall be deemed to have waived the right to receive the distribution, and the administrator or the people's court shall distribute the amount of the distribution deposited to other creditors.

Article 119

In the distribution of the bankruptcy property, the administrator shall deposit the outstanding claims in litigation or arbitration according to their respective quotas. If it is still unable to receive the distribution after two years from the end of the bankruptcy proceedings, the people's court shall distribute the amount of the distribution deposited to other creditors.

Section 3 termination of bankruptcy proceedings

Article 120

Where the bankrupt has no property to distribute, the administrator shall request the people's court to make a ruling to terminate the bankruptcy proceedings.

After the final distribution is completed, the administrator shall timely submit the distribution report of the bankruptcy property to the people's court and submit it to the people's court for a ruling to terminate the bankruptcy proceedings.

The people's court shall make a ruling on whether to terminate the bankruptcy proceedings within 15 days after receiving the request of the administrator to terminate the bankruptcy proceedings. If the ruling is terminated, it shall be announced.

Article 121

The administrator shall, within 10 days from the date of the termination of the bankruptcy proceedings, apply to the original registration authority

of the bankrupt for cancellation of registration with the ruling of the people's Court on the termination of the bankruptcy proceedings.

Article 122

The administrator shall terminate the performance of his duties the next day after the cancellation of registration. However, unless there is pending litigation or arbitration.

Article 123

Within two years from the date of the termination of the bankruptcy proceedings in accordance with the provisions of paragraph 4 of Article 43 or Article 120 of this law, in any of the following circumstances, the creditor may request the people's court to make additional distribution in accordance with the plan for distribution of the bankruptcy property:

1. Any property that should be recovered in accordance with the provisions of Articles 31, 32, 33 and 36 of this law is found;
2. It is found that the bankrupt has other property that should be distributed.

If there are circumstances as prescribed in the preceding paragraph, but the amount of property is not enough to pay the expenses for distribution, no additional distribution shall be made, and the people's court shall turn it over to the state treasury.

Article 124

The surety and other joint debtors of the bankrupt shall, after the conclusion of the bankruptcy proceedings, continue to bear the liability for paying off the creditor's rights that have not been paid off in accordance with the bankruptcy liquidation procedures.

Chapter XI Legal Liability

Article 125

Any director, supervisor or senior manager of an enterprise who violates the duty of loyalty and diligence and causes bankruptcy of the enterprise to which he belongs shall bear civil liability according to law.

A person who is under any of the circumstances mentioned in the preceding paragraph shall not serve as a director, supervisor or senior manager of any enterprise within three years from the date of the termination of the bankruptcy proceedings.

Article 126

If the relevant persons of the debtor who are obliged to attend the creditors' meeting as nonvoting delegates, after being summoned by the people's court, refuse to attend the creditors' meeting without justified reasons, the people's court may summon them as nonvoting delegates and impose a fine according to law. If the relevant personnel of the debtor, in violation of the provisions of this law, refuse to make a statement or answer, or make a false statement or answer, the people's court may impose a fine according to law.

Article 127

If the debtor, in violation of the provisions of this law, refuses to submit or submit to the people's court an untrue statement of the property status, a detailed list of debts, a detailed list of claims, relevant financial and accounting reports, as well as the payment of the wages of the employees and the payment of social insurance premiums, the people's court may impose a fine on the person who is directly responsible according to law.

If the debtor, in violation of the provisions of this law, refuses to hand over the property, seals, account books, documents and other materials to the administrator, or forges or destroys the relevant property evidential materials so that the property status is unclear, the people's court may impose a fine on the person who is directly responsible according to law.

Article 128

If the debtor commits any of the acts specified in Articles 31, 32 and 33 of this Law and damages the interests of the creditor, the legal representative and other persons directly responsible of the debtor shall be liable for compensation according to law.

Article 129

If the relevant personnel of the debtor leave the place of domicile without authorization in violation of the provisions of this law, the people's court may admonish and detain them, and may concurrently impose a fine according to law.

Article 130

If an administrator fails to perform his duties diligently and faithfully in accordance with the provisions of this law, the people's court may impose a

fine according to law; if losses are caused to creditors, debtors or third parties, he shall be liable for compensation according to law.

Article 131

Whoever violates the provisions of this Law and constitutes a crime shall be investigated for criminal responsibility according to law.

CHAPTER 12 SUPPLEMENTARY PROVISIONS

Article 132

After the implementation of this law, the wages, medical treatment, disability allowance and pension expenses owed by the bankrupt to the employees before the date of promulgation of this law, the basic endowment insurance and basic medical insurance expenses that should be transferred into the personal account of the employees, and the compensation payable to the employees according to the provisions of laws and administrative regulations, which are not enough to be paid off after being paid off in accordance with the provisions of article 113 of this Law The specific property provided for in Article 109 of this Law shall have priority over the obligee who has a security right in the specific property.

Article 133

Special matters concerning the bankruptcy of state-owned enterprises within the time limit and scope prescribed by the State Council before the implementation of this Law shall be handled in accordance with the relevant provisions of the State Council.

Article 134

Where a commercial bank, securities company, insurance company or any other financial institution falls under the circumstances as prescribed in Article 2 of this law, the financial supervision and regulation institution under the State Council may apply to the people's court for reorganization or bankruptcy liquidation of such financial institution. If the financial supervision and regulation institution under the State Council takes measures such as taking over or trusteeship of a financial institution with major business risks, it may apply to the people's court for suspension of the civil litigation or execution procedures in which the financial institution is the defendant or the person subjected to execution.

Where a financial institution goes bankrupt, the State Council may, in accordance with the provisions of this Law and other relevant laws, formulate measures for its implementation.

Article 135

Where other laws provide that the liquidation of an organization other than an enterprise as a legal person is bankruptcy liquidation, the procedures prescribed in this Law shall be referred to.

Article 136

This Law shall enter into force as of June 1, 2007, and the enterprise bankruptcy law of the people's Republic of China (for Trial Implementation) shall be repealed at the same time.



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